$1,448,000
FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

Closing: November 17, 2005

CLOSING INDEX

The following are to be delivered as a condition precedent to the issuance and delivery of the above-referenced bonds (the "*Bonds*") of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*"):

BOND DOCUMENTS

1. A. Agenda and Minutes of meeting held on October 18, 2005
   B. Resolution No. 10-05, Providing for the Issuance of Bonds

2. Indenture of Trust and Security Agreement.

3. UCC Financing Statement.

4. District Dissemination Agency Agreement.

5. District Continuing Disclosure Undertaking.

6. Closing Certificate of District.

7. Tax Certificate of the District.

8. Closing Certificate of Town of Buckeye.

9. Closing Certificate of Pulte Home Corporation ("*Owner*").

10. Purchase Contract for Bonds and Letter of Indemnity from the Owner.

11. Continuing Disclosure Undertaking of the Owner.

12. Dissemination Agency Agreement of the Owner.

13. Request and Authorization to Trustee to Authenticate and Deliver the Bonds.

14. Certificate and Receipt of Trustee.

15. Certificate of Purchaser Regarding the Initial Offering Price of the Bonds to the Public and as to Yield on the Bonds.

16. Receipt for Bonds.

17. Specimen Bond.

18. Copy of Blanket Letter of Representations with Depository Trust Company.

19. Report to the Arizona Department of Revenue Regarding Issuance of the Bonds; certificate of mailing.

20. Form 8038-G Information Return for Tax-Exempt Governmental Bond Issues; certificate of mailing.

21. Preliminary Official Statement dated October 21, 2005.

22. Final Official Statement dated November 1, 2005.

23. Approving opinion of Gust Rosenfeld P.L.C.

24. Supplemental opinion of Gust Rosenfeld P.L.C.

25. Opinion of Greenberg Traurig LLP, Counsel to Underwriter.

26. A. Opinion of Gallagher & Kennedy, Counsel to Owner.
    B. Opinion of Honigan Miller Schwartz and Cohn LLP, Michigan Counsel to Owner.

27. Letter re Settlement, Delivery and Closing Procedures; Debt Retirement Schedule.

28. Issuer Request for Payment of Costs of Issuance.

FORMATION DOCUMENTS

29. Petition for formation of District.

30. Copy of Recorded General Plan.

31. A. Agenda and Minutes of meeting of the Mayor and Council (the "*Council*") of the Town of Buckeye, Arizona (the "*Town*") April 19, 2005
    B. Resolution No. 39-05 authorizing Development Agreement and forming District.

32. Development, Financing Participation and Intergovernmental Agreement No. 1.

33. Notice of Formation of Community Facilities District.

ASSESSMENT DOCUMENTS

34. Feasibility Report dated September 6, 2005.

35. Evidence of Publication of Notice of Hearing on Feasibility Reporty.

36. A. Agenda and Minutes of meeting of District Board on September 6, 2005
    B. Resolution of Intention No. 06-05
    C. Resolution No. 07-05 Ordering the Work.
    D. Resolution No. 08-05 of District Board Approving Feasibility Report & Public Hearing.

37. Waiver and Development Agreement.

38 A. Agenda, minutes of District Board meeting of October 18, 2005
    B. Resolution No. 09-05 Approving Levy of Assessment.

39 Warrant, Assessment, Treasurer's Return and Certificate of Unpaid Assessment.

40 Notice of Recording of Assessment.

Executed counterparts or copies thereof, as appropriate, of the documents will be distributed to the following parties:

Festival Ranch Community Facilities District (issuer) (2 CDs)
Town of Buckeye (town) (1 paper, 1 CD)
Pulte Home Corporation (developer) (CD)
RBC Dain Rauscher Inc. (underwriter) (CD)
Gust Rosenfeld P.L.C. (bond counsel) (CD)
Wells Fargo Bank, N.A. (Trustee bank) (CD)
Greenberg Traurig LLP (underwriter counsel) (CD)
Gallagher & Kennedy (developer counsel) (CD)

JOINT MEETING OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT;
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT;
WESTPARK COMMUNITY FACILITIES DISTRICT; AND
WATSON ROAD COMMUNITY FACILITIES DISTRICT.
TOWN OF BUCKEYE, ARIZONA

OCTOBER 18, 2005

AGENDA

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
Immediately following the October 18, 2005 Regular Council Meeting.

Accessibility for all persons with disabilities will be provided upon request. Please telephone your accommodation request (623 386-4691) 72 hours in advance if you need a sign language interpreter or alternate materials for a visual or hearing impairment. (TDD 623 386-4421)

Members of the Community Facilities District Board will attend either in person or by telephone conference call or video presentations.

1. Call to Order of the Joint Community Facilities District Meeting.
Board Action: None.

2. Roll Call
Board Action: None.

3. Approval of Minutes – Festival Ranch Community Facilities District – October 4, 2005
Verrado District 1 CFD – October 4, 2005
Westpark CFD – October 4, 2005
Board Action: Discussion and possible motion.

4. FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(a) Board will consider, for possible action, adoption of Resolution 09-05 APPROVING THE LEVYING OF AN ASSESSMENT AND ASSESSMENT DIAGRAM FOR THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA).
Board Action: Discussion and possible motion

(b) Board to consider for possible action, adoption of Resolution 10-05 AUTHORIZING THE ISSUANCE OF ITS ASSESSMENT DISTRICT NO. 1 SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $1,450,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS, A CONTINUING DISCLOSURE UNDERTAKING, A DISSEMINATION AGENCY AGREEMENT AND CERTAIN OTHER DOCUMENTS SECURING THE PAYMENT OF OR RELATING TO THE BONDS; AWARDING THE BONDS TO THE PURCHASER STATEMENT RELATING TO THE BONDS; APPROVING THE PREPARATION AND USE OF A FINAL OFFICIAL STATEMENT RELATING TO THE BONDS; AND TAKING OTHER ACTIONS SECURING THE PAYMENT OF AND RELATING TO THE BONDS.
Board Action: Discussion and possible motion

5. VERRADO DISTRICT 1 CFD

(a) Board to consider for possible action, adoption of Resolution 04-05 amending a typographical error in the legal description pertaining to Verrado District 1 Community Facilities (Town of Buckeye, Arizona).

Board Action: Discussion and possible motion

6. WATSON ROAD COMMUNITY FACILITIES DISTRICT

(a) Board to consider for possible action Resolution 01-05, a resolution of the District Board of Watson Road Community Facilities District (Town of Buckeye, Arizona) appointing District Officers; approving the General Plan; taking certain other actions with regard to organization of the District and ordering and calling a Special Bond and Operation and Maintenance Ad Valorem Tax Election for the District and entering into a Waiver and Development Agreement.

Board Action: Discussion and possible motion

(b) Board to consider and if advisable, to approve the CM at Risk Construction Services Agreement, GMP #3 from Garney Construction related to the 3.0 MGD expansion of the Town of Buckeye Waste Water Treatment Plant; to approve supplements to GMP #3 relating to payment terms and the source of funding for Phase 1 of GMP #3 and accept assignment from the Town of Buckeye of the CM at Risk Construction Services Agreement, GMP #3, including the supplements to GMP #3 relating to payment terms and the source of funding for Phase 1 of GMP #3.

Board Action: Discussion and possible motion

7. WEST PARK COMMUNITY FACILITIES DISTRICT

(a) Board will conduct a Public Hearing on a feasibility report submitted in connection with the proposed issuance of General Obligations Bonds by the District (TO BE CONTINUED TO NOVEMBER 1, 2005).

Board Action: Discussion and possible motion

8. Adjournment.

Board Action: Motion to adjourn.

RESOLUTION NO. 10-05

A RESOLUTION OF THE BOARD OF DIRECTORS OF FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AUTHORIZING THE ISSUANCE OF ITS ASSESSMENT DISTRICT NO. 1 SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $1,448,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS, A CONTINUING DISCLOSURE UNDERTAKING, A DISSEMINATION AGENCY AGREEMENT AND CERTAIN OTHER DOCUMENTS SECURING THE PAYMENT OF OR RELATING TO THE BONDS; AWARDING THE BONDS TO THE PURCHASER THEREOF; RATIFYING AND APPROVING A PRELIMINARY OFFICIAL STATEMENT RELATING TO THE BONDS; APPROVING THE PREPARATION AND USE OF A FINAL OFFICIAL STATEMENT RELATING TO THE BONDS; AND TAKING OTHER ACTIONS SECURING THE PAYMENT OF AND RELATING TO THE BONDS.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), AS FOLLOWS:

Section 1. **Findings**. (a) Pursuant to Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes, as amended (the "*Enabling Act*"), the Waiver and Development Agreement described below and Resolution No. 06-05 adopted on September 6, 2005 (the "*Resolution of Intention*"), the Board of Directors (the "*Board*") of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") has formed Assessment District No. 1 (the "*Assessment District*") and declared its intention to: (i) acquire or construct certain public infrastructure and to pay costs and expenses related thereto (the "*Project*"); (ii) assess the costs and expenses of the Project upon certain benefited real property within the boundaries of the District as described in the Resolution of Intention; and (iii) issue the District's special assessment revenue bonds (the "*Bonds*") to finance the costs and expenses of the Project.

(b) Pursuant to the terms and provisions of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement recorded on September 12, 2005 with the Maricopa County, Arizona, Recorder at Docket 2005-1333865 (the "*Waiver Agreement*"), the owners and the persons who have an interest in all the real property to be assessed have waived, among other things, certain requirements relating to the notices, protests and hearings relating to, among other things, the formation of the Assessment District, levying of the assessments, and the time period for cash payments.

(c) The Board has caused a report of the feasibility and benefits of the Project to be prepared, such report included a description of certain public infrastructure to be acquired or constructed and all other information useful to understand the Project, a map showing, in general, the location of the Project, an estimate of the cost to construct, acquire,

operate and maintain the Project, an estimated schedule for completion of the Project, a map or description of the area to be benefited by the Project, and a plan for financing the Project (the "*Report*"). A public hearing on the Report was held September 6, 2005, as provided by law, and, pursuant to the Enabling Act and the Resolution of Intention, the Report was ratified and approved in all respects.

(d) Pursuant to and in reliance upon the Waiver Agreement, the Board adopted Resolution No. 07-05 on September 6, 2005 ordering the public infrastructure projects performed as described in the Resolution of Intention.

(e) Pursuant to and in reliance upon the Waiver Agreement, the Board adopted Resolution No. 09-05 on October 18, 2005, approving the assessment diagram and the levying of an assessment against the real property in the Assessment District.

(f) Pursuant to the Enabling Act, the Waiver Agreement and Resolution No. 09-05, an assessment in the amount of $1,448,000 was authorized to be levied against the real property in the Assessment District and recorded in the Office of the Superintendent of Streets. Pursuant to the Waiver Agreement and other agreements by the Owners, the property owners waived the requirement for notices of cash demands, the opportunity to make cash payments and requested the unpaid assessments go to bond.

(g) Pursuant to the terms and provisions of the Waiver Agreement, the owners and beneficial owners of the assessed real property, among other things, approved the: (i) proceedings relating to the assessment and the Bonds, (ii) assessment and assessment diagram, (iii) assessment methodology report, (iv) method of collection and foreclosure of assessments and (v) terms of the Bonds.

(h) The District Board has determined to authorize the issuance of the Bonds described herein to provide funds for the Project and any and all of the public infrastructure purposes provided for in the Enabling Act and the General Plan of the District.

(i) Pursuant to the Enabling Act, the District has also determined to enter into an Indenture of Trust and Security Agreement, dated as of November 1, 2005, or such later date determined as hereafter provided (the "*Indenture*"), from the District to Wells Fargo Bank, N.A., as trustee (the "*Trustee*"), to secure, and process the issuance, registration, transfer and payment and the disbursement and investment of proceeds of, the Bonds. (Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.) The District Board has determined by this Resolution to authorize the issuance of the Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Bonds by the Trustee, to authorize the execution and delivery of the Indenture.

(j) There have been placed on file with the District Clerk and presented in connection herewith (1) the proposed form of the Indenture, (2) the proposed form of the Purchase Contract relating to the Bonds, to be dated as hereinafter provided (the "*Purchase Contract*"), by and between the District and RBC Dain Rauscher Inc. (the "*Underwriter*"); (3) the proposed form of Continuing Disclosure Undertaking relating to the Bonds, to be dated

the date of delivery thereof (the "*Undertaking*"); (4) the proposed form of Dissemination Agency Agreement by and between the District and RBC Dain Rauscher Inc., to be dated November 1, 2005 or such later date determined as hereinafter provided (the "*Agency Agreement*"); and (5) the proposed form of the Preliminary Official Statement relating to the Bonds, to be dated the date of mailing thereof (the "*Preliminary Official Statement*"), and which, when revised to reflect the final pricing terms of the Bonds, will constitute the form of the Final Official Statement for the Bonds (the "*Final Official Statement*"). (The documents described in Clauses (1) through (5), inclusive, of this paragraph are hereinafter referred to, collectively, as the "*Bond Documents*").

(k) The Board hereby finds and determines that: (1) the amount of indebtedness evidenced by the Bonds does not exceed the estimated cost of the Project plus all costs connected with the public infrastructure purposes and issuance and sale of the Bonds to be financed therewith (collectively the "*Costs*"); (2) the total Costs are less than or equal to the benefits derived from the Project; and (3) based upon the appraisal by Burke Hansen, LLC, dated August 17, 2005, the wholesale (bulk) value of each of the assessed parcels comprising the Assessment District is at least four (4) times the principal amount of the Bonds allocated to each such assessed parcel.

Section 2. Approval of Issuance and Sale of Bonds. The Bonds are hereby authorized to be issued as a series of assessment bonds of the District to be designated "*Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005.*" The Bonds shall be issued and delivered in an aggregate principal amount of not to exceed $1,448,000, shall be in fully registered form only, shall be dated as of their date of initial issuance and delivery or such other date as provided in the Purchase Contract, shall bear interest at the rate or rates set forth in the Purchase Contract (not to exceed 10%) from their date, with such other terms as set forth in the Indenture. The costs of issuance shall not exceed the aggregate amount presented in the Report.

The principal amount maturing in any year, the interest rates applicable to each maturity, the special, optional and mandatory redemption provisions and any other final terms of the Bonds and the Bond Documents and the purchase price of the Bonds to be paid by the Underwriter for the Bonds shall be as set forth in the Indenture and the Purchase Contract and approved by the District Chairman or any other member of the Board, such approval to be evidenced by the execution and delivery of the Indenture and the Purchase Contract. Subject to the approval of the final terms of the Bonds previously referenced, the Bonds will be awarded and sold to the Underwriter in accordance with the terms of the Purchase Contract.

Section 3. Forms, Terms and Provisions, and Execution and Delivery, of Bonds. The forms, terms and provisions of the Bonds provided for in the Indenture and the Purchase Contract are approved, with only such changes therein as are not inconsistent herewith and as are approved by the officers authorized in the Indenture to execute the Bonds and each is hereby authorized to execute and deliver them.

Section 4. Forms, Terms and Provisions, and Execution and Delivery, of Bond Documents and Other Agreements. The terms and provisions of the Bond Documents in substantially the forms of such documents (including the exhibits thereto) presented at this

meeting, are adopted and approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the officer authorized to execute the documents, which approval will be conclusively demonstrated by the execution thereof, and the District Chairman or any member of the Board and the District Clerk or either of such officers are hereby authorized to execute and deliver the Bond Documents and the District Engineer Agreement.

Section 5. **Authorization to Execute and Deliver Order to Trustee**. The District Chairman or any other member of the Board is authorized to execute and deliver to the Trustee the written order of the District for the authentication and delivery of the Bonds by the Trustee.

Section 6. **Other Actions Necessary**. The District Chairman or any member of the Board, the District Clerk, the District Manager and the officers of the District, without further order of the Board, shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents (including the execution and delivery of a Letter of Representations with The Depository Trust Company with respect to the Bonds), and other documents and certificates required to be delivered in connection with the sale and delivery of the Bonds. The District Manager is hereby requested to take any and all actions necessary in connection with the execution and delivery of the Bond Documents and the sale of the Bonds.

Section 7. **Distribution of Disclosure Documents**. The distribution by the Underwriter of the Preliminary Official Statement is hereby authorized and approved. The Preliminary Official Statement is hereby "deemed final" as of its date for purposes of Security Exchange Commission Rule 15c2-12(b)(1). The preparation of the Final Official Statement is hereby approved, and the District Chairman of the Board is hereby authorized and directed to cause the execution and delivery of the Final Official Statement in substantially the form of the Preliminary Official Statement presented at the meeting at which this resolution was adopted, with such changes as may be acceptable to such officer of the Board, and the distribution of the Final Official Statement by the Underwriter is hereby approved.

Section 8. **Assessment Levy and Procedures**. (a) An assessment in the amount of $1,448,000 was levied and recorded in the office of the Superintendent of Streets for the District against the parcels of real property comprising the real property in the Assessment District and described in the Resolution of Intention, such levy and recordation is authorized and approved. The assessment may be reduced to reflect any cash payments received and any reduction in the size of the reserve fund or the costs of issuance.

(b) For each year while any Bond is outstanding, the Board shall semi-annually cause to be collected such portion of the assessment, sufficient, together with any moneys from any sources in the Enabling Act and under the Indenture, to pay Debt Service on the Bonds when due. Moneys received from the collection of the assessment when collected constitute funds to pay Debt Service and shall be kept separately from other funds in the Bond Fund of the District. The amounts due pursuant to the assessment and unpaid are and shall be a first lien on the property so assessed in the Assessment District, subject only to general property

taxes and prior special assessments and shall be collected as prescribed by Sections 48-599 and 600, Arizona Revised Statutes, as amended, as nearly as practicable or such other procedures as the Board may prescribe. Notwithstanding the foregoing, the assessments may be collected by the Maricopa County Treasurer in a similar manner and together with the collection of real property taxes, should the Treasurer of the District so direct. In the event of nonpayment of amounts due pursuant to the assessment, the procedures for collection of delinquent amounts and sale of delinquent property prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended, apply, as nearly as practicable, except that neither the District nor the Town of Buckeye, Arizona (the "*Town*") is required to purchase the delinquent land at the sale if there is no other purchaser.

(c) Pursuant to A.R.S. § 48-721, the provisions and procedures pertaining to the prepayment of assessments, the payment of assessments and the reallocation and modification of assessments among the assessed parcels as development occurs, set forth in the Indenture and the Report are hereby approved and adopted.

Section 9. **No Obligation of Town**. Nothing contained in this resolution, the Bond Documents or any other instrument shall be construed as obligating the Town or the State of Arizona (the "*State*") or any political subdivision of either (other than the District) or as incurring a charge upon the general credit of the Town and the State nor shall the breach of any agreement contained herein, the Bond Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit of the Town and the State.

Section 10. **Appointment of Trustee, Superintendent of Streets, District Engineer, Assessment District Engineer and Dissemination Agent**.

(a) Wells Fargo Bank, N.A., is hereby confirmed as Trustee, Registrar and Paying Agent for the purpose of the Indenture. The Board hereby requests the Trustee to take any and all action necessary in connection with the execution and delivery of the Bond Documents and the execution, delivery and sale of the Bonds and to perform the duties described in the Indenture.

(b) The Town is hereby confirmed and employed as District Engineer and Superintendent of Streets for the assessment district to perform the duties described in the Enabling Act, Resolution of Intention and the Indenture.

(c) RBC Dain Rauscher Inc. is hereby confirmed and appointed the dissemination agent, solely for the purposes of providing certain periodic information to the owners of the Bonds, pursuant to the terms of the Dissemination Agency Agreement.

(d) Stone & Youngberg LLC is hereby confirmed and appointed the District's financial advisor for purposes of the sale of the Bonds.

Section 11. **Repeal of Resolution**. After any of the Bonds are delivered by the Trustee to the Underwriter upon receipt of payment therefor, this Resolution shall be and remain

irrepealable until the Bonds and the interest thereon shall have been fully paid, canceled and discharged.

Section 12. Severability; Amendment. (a) If any section, paragraph, clause or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this resolution.

(b) This resolution may only be amended as provided by the terms of the Indenture.

Section 13. Effective Date. This resolution shall be effective immediately.

PASSED AND ADOPTED by the Board of Directors of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) on October 18, 2005.

FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

Chairman, Board of Directors

ATTEST:

Clerk, Board of Directors

APPROVED AS TO FORM:

Bond Counsel

CERTIFICATE

I hereby certify that the above and foregoing Resolution No. 10-05 was duly passed by the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on October 18, 2005 and that a quorum was present thereat and that the vote thereon was 5 ayes and 0 nays; 0 did not vote or were absent.

Clerk

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

and

WELLS FARGO BANK, N.A.

as Trustee

INDENTURE OF TRUST

AND

SECURITY AGREEMENT

DATED as of November 1, 2005

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

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THIS INDENTURE OF TRUST AND SECURITY AGREEMENT, dated as of November 1, 2005 (hereinafter referred to as this "*Indenture*"), from Festival Ranch Community Facilities District (Town of Buckeye, Arizona), a community facilities district formed by the Town of Buckeye, Maricopa County, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), to Wells Fargo Bank, N.A., a national banking association with trust powers, as trustee (hereinafter together with any successor to the trust herein granted referred to as the "*Trustee*"),

WITNESSETH:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Enabling Act*"), the district board of the Issuer (hereinafter referred to as the "*Board*") adopted on September 6, 2005, Resolution No. 06-05 (hereinafter referred to as the "*Resolution of Intention*") wherein the District formed Festival Ranch Community Facilities District Assessment District No. 1 (hereinafter referred to as the "*Assessment District*") and declared its intention to: (i) acquire or construct certain public infrastructure improvements; (ii) assess the costs of said improvements upon certain real property within the boundaries of the Issuer; and (iii) issue special assessment revenue bonds to finance the costs of the acquisition and construction of the public infrastructure improvements and purposes; and

WHEREAS, in the Resolution of Intention the Board declared its intent to issue special assessment revenue bonds of the Issuer to provide moneys for any "public infrastructure purposes" (as such term is defined in the Enabling Act) consistent with the General Plan for the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) dated April 19, 2005, filed with the Town Clerk of the Town of Buckeye, Arizona (hereinafter referred to as the "*General Plan*"); and

WHEREAS, pursuant to Resolution No. 10-05 of the Board adopted on October 18, 2005 (hereinafter referred to as the "*Bond Resolution*"), the Board has authorized the issuance and sale of not to exceed $1,448,000 aggregate principal amount of special assessment revenue bonds described herein (hereinafter referred to as the "*Bonds*") to provide funds for the public infrastructure purposes provided for in the Enabling Act, the General Plan, the Resolution of Intention and in the hereinafter described Development Agreement; and

WHEREAS, pursuant to the Enabling Act and Section 9-500.05, Arizona Revised Statutes, as amended, the Issuer, the Town of Buckeye, Arizona, a municipality duly incorporated and validly existing under the laws of Arizona, Pulte Home Corporation, a Michigan corporation ("*Pulte*") and 10,000 West, LLC ("*10,000 West*" and collectively with Pulte, hereinafter referred to as the "*Owner*"), having an interest in real property within the boundaries of the Issuer, have entered into a Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District (Buckeye, Arizona), dated as of April 21, 2005 (hereinafter referred to as the "*Development Agreement*"), as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Enabling Act) and the financing of public infrastructure; and

WHEREAS, with regard to the real property which is included within the boundaries of the Issuer, the Municipality, the Issuer and the Owner have agreed to certain provisions in the

Development Agreement relating to the acquisition, construction and financing of certain public infrastructure by the Issuer; and

WHEREAS, the Issuer and Pulte (the "*Assessment District No. 1 Owner*") have entered into the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement, recorded in the Maricopa County Recorder's office on September 12, 2005 at document 2005-1333865 (hereinafter referred to as the "*Waiver Agreement*"); and

WHEREAS, in reliance upon the Waiver Agreement, the Board on October 18, 2005 has by Resolution No. 09-05 approved the assessment prepared by the Assessment District Engineer and ratified the recording of the assessment against the real property in the Assessment District, the assessment was prepared and the Superintendent of Streets has executed and the Chairman of the Board has countersigned a warrant to collect the assessment, and the assessment was recorded against the real property in the Assessment District on October 18, 2005; and

WHEREAS, pursuant to the Waiver Agreement, demand for payment of the assessment was waived by the Assessment District Owners of the real property against which the assessment was levied; and

WHEREAS, no partial payments of the assessments levied against the parcels within the Assessment District were made, and the warrant and assessment have been returned and the Assessment District Owners of such real property have stated their desire to allow the remaining unpaid assessments to go to bond; and

WHEREAS, Section 48-721, Arizona Revised Statutes, provides that special assessment lien bonds may be issued in an amount which shall not exceed the amount of unpaid assessments as may be shown on the certified list of unpaid assessments; and

WHEREAS, a certified list has been filed with the Clerk of the Issuer by the Treasurer of the Issuer and the Board may now cause Bonds in the principal amount of the unpaid assessments to be issued; and

WHEREAS, pursuant to the Enabling Act, the Issuer has entered into this Indenture to secure, and process the issuance, registration, transfer and payment and the disbursement and investment of proceeds of the Bonds; and

WHEREAS, the Board has by the Bond Resolution duly authorized the issuance of the Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Bonds by the Trustee, has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things have been done which are necessary to make the Bonds, when executed by the Issuer (or, as to any Bonds issued in exchange therefor or in lieu or upon transfer thereof, authenticated and delivered by the Trustee hereunder), valid special limited obligations of the Issuer, and to constitute this Indenture a valid security agreement, collateral assignment, and contract for the security of the Bonds, in accordance with the terms thereof and of this Indenture;

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, to secure, except as otherwise provided herein, the payment of the principal of and interest on the Outstanding Secured Bonds (hereinafter defined) and the performance of the covenants therein and herein contained and to declare the terms and conditions on which the Outstanding Secured Bonds are secured, and in consideration of the premises and of the purchase of the Bonds by the holders thereof, the Issuer by these presents does grant, bargain, sell, release, convey, collaterally assign, transfer, mortgage, hypothecate, pledge, set over, and confirm to the Trustee, forever, all and singular the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All money and investments held for the credit of the Bond Fund established with the Trustee as hereinafter described shall be to secure only the payment of the principal of and interest on the Outstanding Secured Bonds (hereinafter defined) but excluding any money in the Rebate Fund: and

GRANTING CLAUSE SECOND

The Issuer's interest in all money and investments held for the credit of the Issuance and Expenses Fund and the Reserve Fund established with the Trustee as hereinafter described;

TO HAVE AND TO HOLD all said property of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental indenture or otherwise) granted, bargained, sold, assigned, released, conveyed, collaterally assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties together with any cash and securities hereafter deposited or required to be deposited with the Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate) being herein collectively referred to as the "*Trust Estate*"), unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the holders from time to time of all the Outstanding Secured Bonds without any priority of any such Bond over any other such Bond and to secure the observance and performance of all terms, covenants, conditions, agreements and obligations of the Issuer hereunder, except as herein otherwise expressly provided;

UPON CONDITION that, if the Issuer, its successors or assigns shall well and truly pay the principal of and interest on the Outstanding Secured Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee or a Paying Agent such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and the observance or performance of all terms, covenants, conditions, agreements and obligations hereunder, then upon the full and final payment of all such sums and amounts secured hereby, or upon such deposit, this Indenture and the rights, titles, liens, security

interests, and assignments herein granted shall cease, determine, and be void and this Indenture shall be released by the Trustee in due form at the expense of the Issuer, except only as herein provided and otherwise this Indenture to be and remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all the Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions, and trust hereinafter set forth, and the Issuer hereby covenants and agrees to and with the Trustee, for the equal and proportionate benefit of all Holders of the Outstanding Secured Bonds except as herein otherwise expressly provided, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1. Definitions. For all purposes hereof, except as otherwise expressly provided or unless the context otherwise requires:

A. The terms defined in this Article, except when used in the forms set forth in Article Two, have the meanings assigned to them in this Article and include the plural as well as the singular.

B. All references in this instrument to designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections, and other subdivisions of this instrument as originally executed.

C. The words "herein," "hereof," and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, or other subdivision.

"*Acquisition and Construction Fund*" means the fund of the Issuer so defined in Section 5.3.

"*Act*" when used with respect to any Bondholder or Bondholders has the meaning stated in Section 1.2.

"*Assessment*" means the assessment or assessments and corresponding lien or liens levied on the lots and parcels of real property within the Assessment District for the purposes of securing the Bonds, as authorized by the adoption by the Board of Resolution No. 09-05 on October 18, 2005 and as evidenced by the recording of the assessment diagram and the assessment for the Assessment District with the Superintendent of Streets of the Issuer.

"*Assessment District*" means the real property (including any real property which may hereafter be added and excluding any real property which may hereafter be deleted) subject to the lien of the Assessment.

"*Assessment District Engineer*" means an engineer or engineering firm employed to: (i) prepare the plans and specifications required to acquire and construct the Projects; (ii) supervise and monitor the acquisition and construction of the Projects to assure completion of the Projects in conformity with the final plans and specifications; and (iii) perform and carry out duties imposed on the Assessment District Engineer by this Indenture. The Assessment District Engineer may also serve as Superintendent of Streets but shall not also serve as the District Engineer. Initially, the Assessment District Engineer and Superintendent of Streets shall be the Town of Buckeye, Arizona, or its designee.

"*Assessment Revenues*" means the revenues received by the Issuer in each Fiscal Year from the payment, either as scheduled payments or prepayments, of unpaid Assessments, and proceeds from the sale of real property for delinquent Assessment installments.

"*Authorized Denomination*" means $1,000 of principal amount and multiple integrals thereof.

"*Beneficial Owner*" means the owner of any beneficial interest in any Book-Entry Bond as shown on the records of any Direct or Indirect Participant.

"*Board*" means the District Board of Directors of the Issuer.

"*Board Resolution*" means a resolution of the Board certified by the District Clerk to be in full force and effect on the date of such certification and delivered to the Trustee.

"*Bond Counsel*" means a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, acceptable to the Trustee and the Issuer.

"*Bond Fund*" means the fund of the Issuer so defined in Section 5.1.

"*Bond Register*" has the respective meaning stated in Section 3.4.

"*Bond Resolution*" means the Board Resolution No. 10-05 adopted on October 18, 2005, which, among other things provided for the issuance of the Bonds.

"*Bondholder*" means a Holder of a Bond.

"*Bonds*" means all bonds authenticated and delivered hereunder.

"*Book-Entry Bonds*" means, initially, all Bonds and such other series or portion of a series of Bonds which are hereafter designated by the Issuer as Book-Entry Bonds.

"*Broker Dealer*" means "broker," "dealer" or "municipal securities dealer" as those terms are defined in the Securities Exchange Act of 1934, as amended.

"*Business Day*" means any day other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the Place of Payment or in the city where the principal corporate trust office of the Trustee is located.

"*Closing Date*" means the date of the authentication and delivery of the Bonds to the initial purchasers thereof.

"*Code*" means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

"*Completion Date*" means the date of completion of the Projects as established pursuant to Section 5.4.C.

"*Costs of Acquisition and Construction*" means all items of expense directly or indirectly relating to the cost of the acquisition and construction of the Projects and the incidental costs and expenses and public infrastructure purposes (as defined in the Enabling Act) related to such Projects.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the Issuer relating to the execution, sale and delivery of the Bonds and the execution and delivery of this Indenture, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, Paying Agent and registrar, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds, appraisal and charges and fees in connection with the foregoing as well as costs relating to the levy and collection of all Assessments.

"*Debt Service*" means, with reference to a specified period, collectively, (i) the scheduled payments of principal of and interest on the Bonds for such period; (ii) fees and costs of registrars, Trustees or Paying Agents or other agents necessary under this Indenture to handle the Bonds for such period; and (iii) amounts due from the Rebate Fund with regard to Rebate for such period.

"*Defaulted Interest*" has the meaning stated in Section 3.7.

"*Development Agreement*" means that certain Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District (Buckeye, Arizona) dated as of April 21, 2005, by and among the Municipality, the Issuer and the Owner.

"*Direct Participant*" or "*DTC Participant*" means any broker-dealer, bank or other financial institution for which the DTC holds Book-Entry Bonds from time to time as a securities depository.

"*Disbursement Request*" means the form of Issuer Request described in Section 5.4.B.

"*District Engineer*" means an independent engineer or engineering firm or corporation employed by the Issuer to (i) supervise and monitor the performance of the Assessment District Engineer, and (ii) perform and carry out duties imposed on the District Engineer hereby. Initially, the District Engineer shall be the Town of Buckeye, Arizona.

"*DTC*" means The Depository Trust Company, the securities depository for the Book-Entry Bonds, or any other Securities Depository (as defined in Section 3.4(H)) of the Bonds.

"*DTC Program*" means a book-entry-only system of registration of the Bonds with DTC.

"*Enabling Act*" means Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended.

"*Fiscal Year*" means the period beginning on July 1 of any year and ending on June 30 of the next succeeding year.

"*Governmental Obligations*" means (1) direct obligations of, or obligations the timely payment of principal of is fully and unconditionally guaranteed by, the United States of America or (2) obligations described in Section 103(a) of the Internal Revenue Code of 1954 or the Code, provision for the payment of the principal of, premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in clause (1) the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of, premium, if any, and interest on such obligations, and which securities described in clause (1) are not available to satisfy any other claim, including any claim of the trustee or escrow agent, or any claim of one to whom the trustee or escrow agent may be obligated which, at the time of deposit pursuant to Section 6.2, have been assigned ratings in the highest rating categories of S&P and Moody's, but in the case of both Clause (1) and Clause (2) of this paragraph, for purposes of Section 6.2, only if such obligations are non-callable prior to the Maturity of the Bonds or (3) REFCORP STRIPS as defined in "Permitted Investments". Governmental Obligations also includes for purposes other than Section 6.2, a "no load," open-end management investment company or trust (mutual fund), including those of the Trustee and any affiliate of the Trustee, registered with the Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which money market fund invests in short term United States Treasury obligations, agencies guaranteed by the United States of America, and repurchase agreements secured by the same and which money market fund has a rating by S&P of AAAm-G; AAAm; or AAm or better and a rating by Moody's of "VMIG-l" or better.

"*Holder*" means, when used with respect to any Bond, the Person in whose name such Bond is registered in the Bond Register.

"*Indenture*" means this instrument as originally executed or as it may from time to time be supplemented, modified, or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"*Indirect Participant*" means any financial institution for whom any Direct Participant holds an interest in a Book-Entry Bond.

"*Interest Account*" means the account of the Issuer so defined in Section 5.1B.(2).

"*Interest Payment Date*" means each July 1 and January 1 commencing July 1, 2006.

"*Issuance and Expenses Fund*" means the fund of the Issuer so defined in Section 5.5.

"*Issuer*" means Festival Ranch Community Facilities District (Town of Buckeye, Arizona), a community facilities district formed by the Town of Buckeye, Arizona, and duly organized and validly existing, pursuant to the laws of the State.

"*Issuer Request*" means a written request signed in the name of the Issuer by either the Chairman of the Board, the District Manager, the District Clerk or a Responsible Officer of the Issuer and delivered to the Trustee.

"*Maturity*" means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as stated therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

"*Maximum Annual Debt Service*" means, at the time of computation, the greatest annual Debt Service requirements of the Bonds occurring in the then-current, or any subsequent, Fiscal Year. When computing Maximum Annual Debt Service, Bonds subject to mandatory redemption shall be treated as maturing on the date such mandatory redemption is to occur.

"*Moody's*" means Moody's Investors Service or any entity succeeding to the duties and obligations thereof.

"*Municipality*" means the Town of Buckeye, Arizona.

"*Officers' Certificate*" means a certificate signed by the District Manager of the Issuer or other Responsible Officer and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion of counsel who may (except as otherwise expressly provided herein) be counsel for the Issuer and shall be acceptable to the Trustee and, when given with respect to the status of interest on any Bond under the Code, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

"*Original Purchaser*" means RBC Dain Rauscher Inc.

"*Outstanding*" means, when used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except, without duplication:

(1) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any Paying Agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption

has been duly given pursuant hereto, or waived, or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture:

(4) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in Section 3.6; and

(5) Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or a Paying Agent with the effect specified in Section 6.2.

"*Outstanding Secured Bonds*" means, as of the date of determination, (1) all Bonds then Outstanding and (2) all Bonds, if any, alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.6 but whose ownership and enforceability by the Holder thereof have been established by a court of competent jurisdiction or other competent tribunal or otherwise established to the satisfaction of the Issuer and the Trustee.

"*Paying Agent*" means the Trustee and any other Person authorized by the Issuer to pay the principal of and interest and premium, if any, on any Bonds on behalf of the Issuer.

"*Person*" means any individual, corporation, limited liability corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"*Permitted Investments*" means any of the following; provided, however, any of the following which require a rating and satisfy such rating requirement shall not be a Permitted Investment if the rating is subject to any "credit watch with negative implications" by S&P or "under review for possible downgrade" by Moody's or any other notice from a Rating Agency indicating a potential downgrade or withdrawal:

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) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

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:

1. *U.S. Export-Import Bank*
   Direct obligations or fully guaranteed
   certificates of beneficial ownership.

2. *Farmers Home Administration*
   Certificates of beneficial ownership

3. *Federal Financing Bank*

4. *Federal Housing Administration Debentures*

5. *General Services Administration*
   Participation certificates

6. *Government National Mortgage Association* ("*GNMA*")
   Guaranteed mortgage-backed bonds
   Guaranteed pass-through obligations

7. *U.S. Maritime Administration*
   Guaranteed Title XI financing

8. *New Communities Debentures*
   U.S. government guaranteed debentures

9. *U.S. Public Housing Notes and Bonds*
   U.S. government guaranteed public housing notes and bonds

10. *U.S. Department of Housing and Urban Development*
    Project Notes Local Authority Bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following United States government agencies (non-full faith and credit agencies):

1. *Federal Home Loan Bank System*
   Senior debt obligations

2. *Federal Home Loan Mortgage Corporation*
   Participation Certificates and senior debt Obligations

3. *Federal National Mortgage Association ("FNMA")*
   Mortgage-backed securities and senior debt obligations

4. *Student Loan Marketing Association*
   Senior debt obligations

D. Money market funds, including mutual funds of the Trustee and any affiliate of the Trustee, registered with the Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a(7) under the Investment Company Act of 1940, and having a rating by S&P of AAAm-G; AAAm; or AAm or better and having a rating by Moody's of "*VMIG-1*" or better.

E. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Company.

F. Investment agreements provided by entities with ratings on their long term obligations or claims paying ability of "*AA*" or better by S&P and "*Aa*" or better by Moody's and required to be collateralized to the then current requirements of S&P to always have a rating of at least "A" and the then current requirement of Moody's to have a rating of at least "A". An investment agreement may not be amended, and no investment agreement may be entered into in substitution for an investment agreement under each Rating Agency which has rated the Bonds has confirmed that the rating of such Rating Agency will not be withdrawn or lowered upon the effective date of such amendment or substitute investment agreement.

G. Commercial paper rated, at the time of purchase, "*A-1*" or better by S&P and Moody's.

H. Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.

I. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "*A-1*" or "*A*" or better by S&P and "*P-1*" by Moody's.

J. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Issuer (buyer/lender), and the transfer of cash from the Issuer to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Issuer in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria.

1. *Repurchase Agreements must be between the Issuer and a dealer bank or securities firm*

   a. *Primary dealers* on the Federal Reserve reporting dealer list, or

   b. *Banks* rated "*A*" or above by S&P and rated "*A*" or above by Moody's.

2. *The written Repurchase Agreement contract must include the following:*

   a. *Securities which are acceptable for transfer are:*

      (1) Direct United States government, or

      (2) Federal agencies backed by the full faith and credit of the United States government

b. *The term of the Repurchase Agreement may be up to 30 days*

c. The collateral must be delivered to the Issuer, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities)

d. *Valuation of Collateral*

(1) *The securities must be valued weekly, marked-to market* at current market price *plus* accrued interest

(a) The value of collateral must be equal to 103% of the amount of cash transferred by the Issuer to the dealer bank or security firm under the Repurchase Agreement plus accrued interest. If the value of securities held as collateral slips below 103% of the value of the cash transferred by the Issuer, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA, then the value of collateral must equal 105%.

3. *Legal opinion which must be delivered to the municipal entity:*

a. The Repurchase Agreement meets guidelines under state law for legal investment of public funds.

K. Governmental Obligations.

L. "*REFCORP STRIPS*" - obligations, representing interest on obligations of the Resolution Funding Corporation, the payment of such interest, if other revenues are insufficient, is required to be paid from the United States Treasury, which interest obligations are stripped by the Federal Reserve Bank of New York.

M. The Local Government Investment Pool, managed by the State Treasurer.

(If any security or Permitted Investment for which a rating level is required is on "credit watch," "negative outlook," or similar status indicating a possible reduction in rating, it shall be treated as not having the rating required.)

"*Place of Payment*" means the designated corporate trust office of the Paying Agent.

"*Pledged Revenues*" means, with respect to the Bonds: (a) all money and investments in the Bond Fund; (b) the Issuer's interest in all money and investments in the Issuance and Expenses Fund and the Reserve Fund; and (c) any and all property that may, from time to time hereafter, be delivered

by the Issuer or by anyone on its behalf, to the Trustee in order to be subjected to the lien and security interest hereof.

"*Predecessor Bonds*" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 3.6 in lieu of a mutilated, lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Bond.

"*Projects*" means the projects as defined and described in the Resolution of Intention, as thereafter amended or supplemented by the Board.

"*Rating Agency*" means Moody's or S&P.

"*Rebate Fund*" means the fund of the Issuer so defined in Section 10.6.

"*Record Date*" means the Regular Record Date or the Special Record Date, as applicable.

"*Redemption Date*" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms thereof and this Indenture.

"*Redemption Price*" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to this Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"*REFCORP STRIPS*" has the meaning set forth under "*Permitted Investments*".

"*Regular Record Date*" for the interest payable on the Bonds on any Interest Payment Date means the first (1st) day (whether or not a Business Day) of the calendar month in which such Interest Payment Date occurs.

"*Reimbursed Person*" means the Person set forth in Section 5.4.B.

"*Representation Letter*" shall mean letters to, or agreements with, a depository for Book-Entry Bonds to effectuate a book entry system with respect to certain Bonds registered in the Bond Register under the nominee name of the depository.

"*Reserve Fund*" means the fund of the Issuer so defined in Section 5.7.

"*Reserve Fund Requirement*" means the lesser of: (i) ten percent (10%) of the outstanding principal amount of the Bonds; (ii) an amount equal to the Maximum Annual Debt Service; or (iii) such amount as required by the Code to obtain or maintain the exclusion of interest from gross income for federal income tax purposes for the Bonds, as permitted by the Trustee pursuant to an opinion of Bond Counsel.

"*Resolution of Intention*" means Resolution No. 06-05 adopted on September 6, 2005.

"*Responsible Officer*" means the chairman or vice chairman of the board of directors of the relevant entity, the clerk or assistant clerk of the board of directors, the chairman or vice chairman of the executive committee of said board, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller, any assistant controller, or any other officer or authorized Person of the relevant entity customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the relevant entity to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any entity succeeding to the duties and obligations thereof.

"*Special Record Date*" has the meaning stated in Section 3.7.

"*State*" means the State of Arizona.

"*Stated Maturity*" when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable, including any fixed date for a mandatory redemption.

"*Trustee*" means the Person named as the "*Trustee*" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" means such successor Trustee.

"*Trust Estate*" has the meaning stated in the *habendum* to the Granting Clauses.

Section 1.2. Acts of Bondholders.

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "*Act*" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose hereof and conclusive in favor of the Issuer and (subject to Section 8.1) the Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Bondholder of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the

individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of execution of any such instrument or writing and the authority of any Person executing as or on behalf of any Bondholder may also be proved in any other manner which the Trustee deems sufficient.

C. The ownership of any Bond of a series of the Bonds shall be proved by the Bond Register for such series of the Bonds.

D. Any request, demand, authorization, direction, notice, consent, waiver, or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer, whether or not notation of such action is made upon such Bond.

Section 1.3. Notices, etc.

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, or Act of Bondholders or other document provided or permitted hereby by any Bondholder, the Issuer, or the Trustee to be made upon, given or furnished to, or filed with,

1. the Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its principal corporate trust office or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at 100 West Washington Street, 22nd Floor, Phoenix, Arizona 85003, Attn: Ms. Nancy Eatros, or at any other address furnished in writing to such Person by the Trustee, or

2. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at 100 North Apache, Suite A, Buckeye, Arizona 85326, Attention: District Clerk; with a copy to Gust Rosenfeld P.L.C., 201 E. Washington Street, Suite 800, Phoenix, Arizona 85004-2327, Attention: Mr. Scott W. Ruby; or at any other address previously furnished in writing to such Person by the Issuer.

B. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears in the Bond Register for the Bonds. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

C. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the

Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.4. Form and Contents of Documents Delivered to the Trustee.

A. Whenever several matters are required to be certified by, or covered by an opinion of, any specified type of Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

B. Any certificate or opinion of a Responsible Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that such certificate or opinion or representations are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, a Responsible Officer or Responsible Officers of the Issuer stating that the information with respect to such factual matters is in the possession of the Issuer unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

C. Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments hereunder, they may, but need not, be consolidated and form one instrument.

D. In connection with any application or certificate or report to the Trustee, wherever it is provided herein that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of compliance by the Issuer with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report.

Section 1.5. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.6. Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 1.7. Severability Clause. In case any provision herein or in the Bonds or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

Section 1.8. Benefits of Indenture. Nothing herein or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders of Outstanding Secured Bonds, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 1.9 Governing Law. This Indenture shall be construed in accordance with and governed by the laws of the State.

Section 1.10. Notice of Section 38-511, Arizona Revised Statutes. To the extent applicable by provision of law, the parties acknowledge that this Indenture is subject to cancellation pursuant to A.R.S. Section 38-511, the provisions of which are incorporated herein.

ARTICLE 2

FORM OF BONDS

Section 2.1. Form Generally.

A. The Bonds, including the form of Certificate of Authentication and the form of Assignment to be reproduced on each of the Bonds, shall be substantially in the form set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required hereby, and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an Opinion of Counsel) placed thereon (or attached thereto) as may, consistently herewith, be determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

B. The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

Section 2.2. Form of Bonds. The Bonds shall be in substantially the following form:

[FORM OF BOND]

REGISTERED
No. R-___

REGISTERED
$_____

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA
STATE OF ARIZONA

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2005

Interest Rate	Maturity Date	Original Issue Date	CUSIP No.
____%	July 1, ____	_____, 2005	_____ ___

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS ($_____.00)

Festival Ranch Community Facilities District, a community facilities district formed by the Town of Buckeye, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter referred to as the "*Issuer*"), for value received, hereby promises to pay to the "Registered Owner" specified above or registered assigns (herein referred to as the "*Holder*"), on the "*Maturity Date*" specified above, the "*Principal Amount*" specified above and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid portion thereof from the "*Original Issue Date*" specified above, or from the most recent "*Interest Payment Date*" (as such term is hereinafter defined) to which interest has been paid or duly provided for, until paid or the payment thereof is duly provided for at Maturity (as such term is deemed in the hereinafter described "*Indenture*"), semiannually on each January 1 and July 1, commencing July 1, 2006 (each an "*Interest Payment Date*"), at the per annum "Interest Rate" specified above.

As provided in the Indenture, the interest, principal and Redemption Price (as such term is defined in the Indenture) payable on the Bonds shall be paid to CEDE & Co. or its registered assigns in same-day funds no later than the time established by DTC on the date due (or in accordance with then existing arrangements between the Issuer and DTC).

If the specified date for any such payment shall not be a Business Day, then such payment may be made on the next succeeding day which is a Business Day without additional interest and with the same force and effect as if made on the specified date for such payment, except that in the

event of a moratorium for banking institutions generally at the Place of Payment or in the city where the principal corporate trust office of the Paying Agent is located, such payment may be made on such next succeeding day except that the Bonds on which such payment is due shall continue to accrue interest until such payment is made or duly provided for.

Words with initial capitals shall have such meanings set forth in the Indenture, unless otherwise defined herein.

Neither the full faith and credit nor the general taxing power of the Issuer, the Town of Buckeye, Arizona, Maricopa County, Arizona or the State of Arizona or any political subdivision thereof is pledged to the payment of the Bonds.

Unless the Certificate of Authentication hereon has been executed by the Trustee, by manual signature, this Bond shall not be entitled to any benefit under the hereinafter described Bond Resolution or the Indenture or be valid or obligatory for any purpose.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to or in the issuance of this Bond have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that the Assessments (as hereafter defined) from which said Bonds are to be paid are first liens on the property assessed, subject only to the lien for general taxes and prior special assessments. For the levy of the Assessment, reassessment, collection and payment of said Assessments, the full faith and diligence of the Issuer are hereby irrevocably pledged. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. This Bond shall be construed in accordance with and governed by the laws of the State of Arizona.

This Bond is one of a duly authorized issue of assessment revenue bonds of the Issuer having the designation specified in its title (herein referred to as the "*Bonds*"), issued in one series, with the limitations described herein, pursuant to an Indenture of Trust and Security Agreement, dated as of November 1, 2005 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, N.A., as trustee (herein referred to as the "*Trustee*," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder of the Holders of the Bonds, the Trustee, and the Issuer, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. Pursuant to Resolution No. 10-05, adopted on October 18, 2005 (herein referred to as the "*Bond Resolution*"), the Board of the Issuer authorized the issuance and sale of not to exceed $1,448,000 aggregate principal amount of Bonds for the purpose of financing the costs of acquiring and constructing certain public infrastructure, including particularly the acquisition and/or construction by the Issuer of the improvements and public infrastructure purposes (the "*Improvements*") described in Resolution No. 06-05 which was adopted by the Board of the Issuer on September 6, 2005.

The Bonds are limited obligations of the Issuer payable only out of the special fund to be collected from special assessments (the "*Assessments*") levied only against the lots or parcels of land fronting on or benefited by the Improvements (the "*Assessed Property*"). The Assessed Property represents approximately 153.2 acres of the District. Said special fund is set apart in accordance with the laws of the state and pursuant to the Indenture for the payment of the Bonds and can be used for no other purpose.

Notwithstanding any provision hereof or of the Bond Resolution, however, the Indenture may be released and the obligation of the Issuer to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Governmental Obligations sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in the denominations of $1,000 and any $1,000 multiple in excess thereof.

The Bonds are subject to special redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, and if in part randomly in a manner determined by the Trustee, at a Redemption Price of 100% of the unpaid principal amount thereof, without premium, if and to the extent moneys are received by the Issuer as a result of any one or more of the following events: (i) on or after the Completion Date of the Improvements, moneys are transferred from the Acquisition and Construction Fund to the Prepayment Account of the Bond Fund; or (ii) the receipt by the Issuer of proceeds from any foreclosure sale of any assessed real property due to a failure to pay an assessment installment, if and to the extent that the foreclosure sale proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

The Bonds are subject to optional redemption on or after July 1, 2015, at the option of the Issuer, in whole on any date or in part on any Interest Payment Date, upon payment of the Redemption Price of 100% of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, without premium.

The Bonds maturing on July 1, 2025 and July 1, 2030 will be subject to mandatory sinking fund redemption on the following Redemption Dates and in the following amounts upon payment of the Redemption Price, which will consist of the principal amount of the Bonds so redeemed plus accrued interest on the Bonds so redeemed from the most recent Interest Payment Date to the applicable Redemption Date but without premium.

Redemption Date (July 1)	Principal Amount
Bonds maturing on July 1, 2025	
2021	$65,000
2022	70,000
2023	75,000
2024	75,000
2025 (maturity)	80,000

Redemption Date (July 1)		Principal Amount
Bonds maturing on July 1, 2030		
2026		$85,000
2027		90,000
2028		95,000
2029		100,000
2030	(maturity)	105,000

Whenever Bonds of the applicable maturity are purchased, redeemed (other than pursuant to mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy on a *pro rata* basis against the remaining mandatory redemption requirements for the Bonds of the applicable maturity.

Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed, at his address appearing in the Bond Register.

Upon any partial redemption of any such Bond the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Bonds in authorized form and Authorized Denominations for the unredeemed portion of principal. Bonds (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture and the Bond Resolution shall thereupon cease to be entitled to the benefits of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

If the Book-Entry-Only System is not in effect and if less than all the Outstanding Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected not more than sixty (60) days prior to the Redemption Date by the Trustee, as nearly as practicable, from Bonds of each maturity in the same proportion as the outstanding principal amount of Bonds of that maturity bears to the total outstanding principal amount of all Bonds of all maturities, and by lot within each maturity.

The Bonds shall initially be issued as a single fully-registered bond in each Stated Maturity and so long as the ownership of the Bonds is maintained in book-entry form by DTC or a nominee thereof, this Bond may be transferred in whole but not in part only to DTC or a nominee thereof or to a successor to DTC or its nominee.

Neither the Issuer nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person not shown on the registration books of the Trustee as being a Holder with respect to: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the timely or ultimate payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (4) the delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolution or the Indenture to be given to the Holders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as the Holder.

The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Bonds under the Bond Resolution and the Indenture at any time by the Issuer with the consent of the Holders of a majority in principal amount of the Bonds at the time Outstanding affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond or any Predecessor Bond evidencing the same debt shall be conclusive and binding upon such Holder and upon all future Holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Paying Agent at the Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new fully registered Bonds of authorized denominations and for the same aggregate principal amount shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Bonds are exchangeable for a like aggregate principal amount of Bonds in authorized denominations, as requested by the Holder, upon surrender of the Bonds to be exchanged to the Paying Agent at the Place of Payment.

The Paying Agent may require payment of a sum sufficient to cover any tax or other charges payable in connection therewith.

The Issuer, the Trustee, and any agent of either of them may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Trustee, and any such agent shall be affected by notice to the contrary.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
Chairman

ATTEST:

____

District Clerk

Dated:_________________________

- -

Section 2.3. Form of Certificate of Authentication. Each of the Bonds shall have on the face thereof the following form:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture.

WELLS FARGO BANK, N.A., as Trustee

By______________________________________
Authorized Representative

DATE:_________________________

- -

Section 2.4. Form of Assignment. Each of the Bonds shall have on the reverse thereof the following form:

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT ________________________
(Cust.)
Custodian for ______________________________ (Minor)
Under Uniform Gifts/Transfers to Minors Act of ____________
(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee:)

____

____

(Print or typewrite Social Security or other identifying number of transferee: ____________) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints (Print or typewrite name

of attorney) _____, attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee

_____

NOTICE: The signature(s) on this assignment must correspond with the name(s) of the registered owner(s) appearing on the face of the within Bond in every particular

ARTICLE 3

TERMS AND ISSUANCE OF THE BONDS

Section 3.1. Title and Terms. A. There shall be one series of bonds dated as of November 17, 2005, issued and secured hereunder entitled "*FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) ASSESSMENT DISTRICT NO. 1 SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005*" (herein referred to as the *"Bonds")*.

B. The Bonds shall be issued in Authorized Denominations.

C. The aggregate principal amount of the Bonds which may be authenticated and delivered and Outstanding is limited to $1,448,000. The Bonds shall be mature on July 1 in the years and shall bear rates of interest per annum as follows:

Maturity Date (July 1)	Principal Amount	Interest Rate
2008	$33,000	4.000%
2009	35,000	4.200
2010	40,000	4.375
2011	40,000	4.550
2012	40,000	4.700
2013	45,000	4.800
2014	45,000	4.900
2015	50,000	5.000
2016	50,000	5.100
2017	55,000	5.150
2018	55,000	5.200
2019	60,000	5.250
2020	60,000	5.300
2025*	365,000	5.400
2030*	475,000	5.550

* Term Bonds

D. The Bonds shall bear interest from the date of initial delivery or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each January 1 and July 1 commencing July 1, 2006 (herein each referred to as an *"Interest Payment Date")*.

E. The principal of or Redemption Price for the Bonds shall be payable upon surrender of the Bonds to the Paying Agent in the Place of Payment when due. Interest on the Bonds payable on any Interest Payment Date shall be payable as provided in Section 3.7. No document of any nature whatsoever need be surrendered as a condition of payment of Book-Entry Bonds.

F. *The Bonds shall not constitute a lien upon any property of the Issuer, including, without limitation, the Projects or any portion thereof in respect of which such Bonds are being issued, but shall constitute a lien only on the Pledged Revenues pledged to such Bonds as set forth in this Indenture. Nothing in the Bonds or in this Indenture shall be construed as obligating the Issuer to pay the Bonds or the redemption price thereof or the interest thereon except from the Pledged Revenues pledged to the Bonds, or as pledging the full faith and credit of the Issuer, the Municipality, Maricopa County or the State or any political subdivision thereof, or as obligating the Issuer, the Municipality, Maricopa County or the State, or any of its political subdivisions, directly or indirectly or contingently, to levy or to pledge any form of taxation whatever therefor.*

Nothing in the Bonds or herein shall be construed as obligating the Owner, or any subsequent owner of real property within the District, any joint venture entity in the Owner or any

subsequent owner of the real property within or any person affiliated with, controlling or related to, the Owner or any subsequent owner of real property with the District, or any joint venture entity in the Owner or any subsequent owner of real property within the District to pay the Bonds or the redemption price thereof or the interest thereon, except to the extent that they are obligated to pay Assessments constituting Pledged Revenues hereunder.

Section 3.2. Redemption or Purchase of Bonds. The Bonds are subject to special, optional and mandatory redemption prior to maturity in accordance with this Section 3.2 and Article Four.

A. *Special Redemption.* The Bonds will be redeemed from funds of the Issuer at the option of the Issuer in whole or from time to time in part on any Interest Payment Date, as randomly determined by the Trustee, upon payment of the applicable Redemption Price which shall consist of the principal amount of the Bonds so redeemed, without premium on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date, if and to the extent moneys are received by the Issuer and held by the Trustee as a result of any one or more of the following events:

(i) on or after the Completion Date of the Projects, but in no event later than July 1, 2008, moneys are transferred from the Acquisition and Construction Fund to the Prepayment Account of the Bond Fund pursuant to Section 5.4 hereof;

(ii) the deposit with the Trustee, for deposit to the Prepayment Account of the Bond Fund, of proceeds from any foreclosure sale of any assessed real property due to a failure to pay an assessment installment, if and to the extent that the foreclosure sale proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

B. *Special Optional Redemption.* The Bonds will be redeemable from funds of the Issuer at the option of the Issuer in whole on any date or from time to time in part on any Interest Payment Date, as randomly determined by the Trustee within the applicable maturity, upon payment of the applicable Redemption Price which will consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date, without premium, if and to the extent moneys are received by the Issuer and held by the Trustee as a result of any one or more of the following events:

(i) the prepayment of any Assessment, if any, by the owner of any assessed real property and the deposit of such prepayment amounts to the Prepayment Account of the Bond Fund;

(ii) the transfer of moneys from the Reserve Fund established for the Bonds to the Prepayment Account of the Bond Fund:

(a) which are in excess of the Reserve Fund Requirement, pursuant to Section 5.8(C); or

(b) are sufficient to pay and redeem all of the Outstanding Bonds, pursuant to Section 5.8(F).

C. *Optional Redemption.* The Bonds will also be redeemable on or after July 1, 2015, at the option of the Issuer prior to the applicable maturity in whole on any date or from time to time in part on any Interest Payment Date as randomly determined by the Trustee within the applicable maturity, upon payment of the applicable Redemption Price which will consist of the principal amount of the Bonds so redeemed plus interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date, without premium.

D. *Mandatory Redemption.* The Bonds maturing on July 1, 2025 and July 1, 2030 will be redeemed from funds of the Issuer prior to the applicable maturity on the following redemption dates and in the following amounts upon payment of the applicable Redemption Price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable Redemption Date:

Redemption Date (July 1)		Principal Amount
Bonds maturing on July 1, 2025		
2021		$65,000
2022		70,000
2023		75,000
2024		75,000
2025	(maturity)	80,000
Bonds maturing on July 1, 2030		
2026		$85,000
2027		90,000
2028		95,000
2029		100,000
2030	(maturity)	105,000

Whenever Bonds are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a *pro-rata* basis against the remaining mandatory redemption requirements for the Bonds of the applicable maturity.

E. Notwithstanding the foregoing, if at any time there is money in the Prepayment Account of the Bond Fund and any of the outstanding Bonds payable from such Prepayment Account of the Bond Fund may be purchased in the open market at a net cost to the Issuer which would be less than the cost of redeeming such Bonds under the provisions of this Section, the Issuer, from time to time, may cause the Trustee to purchase so many of such Bonds as the Issuer shall designate and to pay therefor from the Prepayment Account of the Bond Fund, to the extent of the funds in such Prepayment

Account. The Bonds so purchased shall be cancelled by the Trustee in accordance with the provisions of Section 3.8 hereof.

Section 3.3. Execution, Authentication, Delivery and Dating.

A. The Bonds shall be executed on behalf of the Issuer by the Chairman or Vice Chairman of the Board and attested by the District Clerk. The signature of any of these officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at the time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall cease to hold such offices prior to the certification or authentication and delivery of such Bonds or shall not have held such offices at the date of such Bonds.

B. Forthwith upon the execution and delivery hereof, the Issuer shall deliver to the Trustee the Bonds, executed by the Issuer, and the Trustee shall thereupon authenticate the Bonds and deliver the Bonds to the Persons and in the principal amounts which were designated in writing to the Trustee not less than five (5) Business Days in advance of the receipt by the Trustee of:

1. the Bond Resolution, duly and validly adopted by the Board, authorizing the execution and delivery of this Indenture and the authentication and delivery of the Bonds,

2. the purchase price for the Bonds specified in the Bond Resolution.

C. At any time and from time to time after the execution and delivery hereof, the Issuer may deliver Bonds executed by the Issuer to the Trustee for authentication, and the Trustee shall authenticate and deliver such Bonds as provided herein.

D. No Bond shall be entitled to any right or benefit hereunder, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided in Section 2.3, executed by the Trustee by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or authenticated and delivered.

E. All Bonds authenticated and delivered by the Trustee hereunder shall be dated the date of their authentication. Book-Entry Bonds may be printed, lithographed, typewritten, mimeographed, or otherwise produced.

Section 3.4. Registration, Transfer and Exchange.

A. The Issuer shall cause to be kept (at its agency for payment of the Bonds) in the Place of Payment a register (herein referred to as the *"Bond Register")* for the Bonds in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of the Bonds and registration of transfers of Bonds as herein provided.

All Bonds initially will be registered so as to participate in the DTC Program. Either the Chairman of the District Board or the District Manager is authorized to execute a Representation Letter or such other documents as may be necessary for the Issuer to participate in the DTC Program. Upon

initial issuance, the ownership of the Bonds held by DTC shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto, as nominee for DTC. The Issuer shall have no responsibility or obligation to Direct or Indirect Participants or Beneficial Owners for which DTC holds Bonds from time to time as a depository. Without limiting the immediately preceding sentence, the Issuer shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Direct or Indirect Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Direct or Indirect Participant or any Person, other than a registered Holder of a Bond as shown in the Bond Register, or any notice with respect to the Bonds, or (c) the payment to any Direct or Indirect Participant or any other Person, other than a registered Holder as shown in the Bond Register, of any amount with respect to the Bonds. No Person other than a Holder as shown in the Bond Register shall receive a certificate evidencing a Bond or confirming ownership of a Book-Entry Bond.

B. Upon surrender for transfer of any Bond to a Paying Agent therefor in the Place of Payment, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same series, of any Authorized Denominations, and of a like aggregate principal amount as requested by the transferor.

C. At the option of the Holder, Bonds may be exchanged for other Bonds, of any Authorized Denominations, and of like aggregate principal amount, upon surrender of the Bonds to a Paying Agent therefor in the Place of Payment. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive.

D. All Bonds issued and authenticated upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits hereunder and under the Bond Resolution, as the Bonds surrendered upon such transfer or exchange.

E. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed (if so required by the Trustee), or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

F. The Trustee may require payment of a sum sufficient to cover any tax or other charges that may be imposed in connection with any transfer or exchange of Bonds.

G. Neither the Issuer nor the Trustee shall be required (1) to issue, transfer, or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Bonds under Section 4.4 and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange any Bond to be redeemed in whole or in part pursuant to such notice.

H. (1) The Trustee and the Issuer may from time to time enter into, and discontinue, an agreement with a "clearing agency" (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended (the "*Securities Depository*"), which is the owner of

the Bonds, to establish procedures with respect to the Bonds not inconsistent with the provisions of this Indenture; provided, that, notwithstanding any other provisions of this Indenture, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Bond so long as the Bonds are subject to such agreement.

(2) With respect to the Bonds registered in the name of a Securities Depository (or its nominee), neither the Trustee nor the Issuer shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Bonds.

(3) The Issuer has entered into an agreement (the "*Letter of Representations*") with DTC in connection with the issuance of its bonds, including the Bonds, and while the Letter of Representations is in effect, the procedures established therein shall apply to the Bonds notwithstanding any other provisions of this Indenture to the contrary. As long as DTC is the Securities Depository with respect to the Bonds, the Trustee shall be a "DTC Direct Participant."

Section 3.5. Temporary Bonds.

A. Pending the preparation of definitive Bonds, the Issuer may execute, and upon Issuer Request the Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed, or otherwise produced, any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, in fully registered form, and with such appropriate insertions, omissions, substitutions, and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

B. If temporary Bonds are issued, the Issuer shall cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds to the Trustee without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of the same maturity and of Authorized Denominations. Until so exchanged, temporary Outstanding Secured Bonds shall in all respects be entitled to the security and benefits of this Indenture.

Section 3.6. Mutilated, Destroyed, Lost and Stolen Bonds.

A. If (1) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Trustee such security or indemnity as may be required by it to save each of the Issuer and Trustee harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon a request of the District Manager, the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same series and of like tenor and aggregate principal amount bearing a number not contemporaneously outstanding, provided, however, in case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer or the Trustee in its discretion may pay such Bond instead of issuing a new Bond. If, after the delivery of such new Bond or payment, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued or payment made

presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such new Bond or payment from the Person to whom it was delivered or to when payment was made or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expenses incurred by the Issuer or the Trustee in connection therewith.

B. Upon the issuance of any new Bond under this Section, the Issuer or the Trustee may require the payment of a sum sufficient to cover any tax or other charges that may be imposed in relation thereto and any other expenses connected therewith.

C. Every new Bond issued pursuant hereto in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Bond Resolution and hereof equally and ratably with all other Outstanding Bonds.

D. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

Section 3.7. Payment of Interest on Bonds; Interest Rights Preserved.

A. Interest on any Bond which is payable on, and is punctually paid or duly provided for on, any Interest Payment Date shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest. Such interest, in the absence of other arrangements acceptable to the Paying Agent made by the Holder as of such date, shall be paid by check payable to the order and mailed on or before the Interest Payment Date to the address of such Holder as the same appears on the Bond Register as of the Regular Record Date and such payment shall be deemed to be at the Place of Payment. Additionally, payment may also be made by wire transfer to DTC or upon twenty (20) days prior written request delivered to the Paying Agent specifying a wire transfer address in the United States of America by any owner of Bonds (other than DTC) owning an aggregate principal amount of at least $1,000,000. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in writing delivered by the Holder to the Paying Agent, any such rescission or change must be received by the Paying Agent at least twenty (20) days prior to the next applicable Interest Payment Date. No document of any nature whatsoever need be surrendered as a condition to payment of principal of and interest on Book-Entry Bonds.

B. Any interest on any Bond which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (herein referred to as *"Defaulted Interest")* shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder. Such Defaulted Interest shall thereupon be paid by the Issuer to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided. The Issuer shall promptly notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment

(which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Holders entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate for the other than Outstanding Secured Bonds. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond of such series at his address as it appears in the Bond Register not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

C. Subject to the foregoing provisions of this Section, each Bond delivered hereunder upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

Section 3.8. Cancellation. All Bonds purchased or surrendered for payment, redemption, transfer, exchange, replacement or conversion, and all Bonds, if purchased by or surrendered to the Trustee, shall be promptly canceled by it and, if surrendered to the Issuer or any Paying Agent, shall be delivered to the Trustee and, if not already canceled, shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously certified or authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond canceled as provided in this Section, except as expressly provided hereby.

Section 3.9. Persons Deemed Owners. The Issuer, the Trustee, and their agents may treat the Person in whose name any Bond is registered as the owner of such bond for the purpose of receiving payment of the principal (and Redemption Price) of and interest on such Bond as provided herein and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, none of the Issuer, the Trustee, and any such agent shall be affected by notice to the contrary.

ARTICLE 4

REDEMPTION OF BONDS

Section 4.1. General Applicability of Article. The Bonds shall be redeemable before their Stated Maturity in accordance with Section 3.2 and this Article.

Section 4.2. Notice to Trustee. In case of redemption of all or less than all of the Outstanding Bonds, the Issuer shall, at least sixty (60) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of the Bonds to be redeemed.

Section 4.3. Selection of Bonds to be Redeemed.

A. If less than all the Outstanding Bonds are to be redeemed, the particular Bonds by maturity to be redeemed shall be selected not less than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds which have not previously been called for redemption, as nearly as practicable, in a manner that results in the maintenance of level debt service payments on the Bonds. If the Book-Entry-Only System is not in effect, Bonds within a maturity shall be chosen by lot within each maturity, and the Trustee may provide for the selection for redemption of portions (in multiples of $1,000) of the principal of the Bonds. No Bond shall be redeemed if such redemption would result in the new Bond being less than the minimum Authorized Denomination.

Section 4.4. Notice of Redemption.

A. Notice of redemption shall be given by first class mail, postage prepaid, by the Trustee in the name and at the expense of the Issuer, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to each Holder of Bonds to be redeemed, at his address appearing in the Bond Register.

B. All notices of redemption shall include a statement as to

1. the Redemption Date,

2. the Redemption Price,

3. the principal amount of Bonds to be redeemed and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) to be redeemed,

4. that on the Redemption Date, the Redemption Price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date, and

5. that Bonds to be redeemed are to be surrendered for payment of the Redemption price to the Paying Agent in the Place of Payment and the address of such Paying Agent.

C. Notices of redemption shall also be sent pursuant to this Section for receipt no later than the close of business on the second Business Day prior to the mailing of such notice by (1) registered or certified mail, (2) overnight delivery service, or (3) facsimile transmission, to the following registered securities depositories registered with the Securities and Exchange Commission known to the Trustee to be then in the business of holding substantial amounts of obligations of types such as the Bonds, including:

Midwest Securities Trust Company Capital
Structured-Call Notification
440 South LaSalle Street
Chicago, Illinois 60605
Facsimile transmission: (312) 663-2343

The Depository Trust Company
711 Stewart Avenue
Garden City, New York 11530
Facsimile transmission: (516) 227-4039; (516 227-4190

Philadelphia Depository Trust Company
Reorganization Division
1900 Market Street
Philadelphia, Pennsylvania 19103
Facsimile transmission: (215) 496-5058

D. Notices of redemption shall also be sent on the date of the mailing of the notice pursuant to this Section by (1) registered or certified mail, (2) overnight delivery service, or (3) electronic or facsimile transmission to two of the following services:

Moody's Municipal and Government
99 Church Street, 8th Floor
New York, New York 10007
Attention: Municipal News Reports

Standard & Poor's Called Bond Record
25 Broadway, 3rd Floor
New York, New York 10004

Financial Information, Inc.'s
Financial Daily Called Bond Service
30 Montgomery Street, 10th Floor
Jersey City, New Jersey 07302
Attention: Editor

Kenney Information Service's Called Bond Service
55 Bond Street, 28th Floor
New York, New York 10004

and to *www.DisclosureUSA.org* and, if for any reason, the Central Post Office no longer exists, the Trustee shall send the notices to the following national repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Telephone: 609.279.3225
Fax: 609.279.5962
www.bloomberg.com/markets/muni_contactinfo.html
E-mail: *Munis@Bloomberg.com*

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Telephone: 212.438.4595
Fax: 212.438.3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
E-mail: *nrmsir_repository@sandp.com*

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Telephone: 201.346.0701
Fax: 201.947.0107
www.dpcdata.com
E-mail: *nrmsir@dpcdata.com*

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Telephone: 212.771.6999
Fax: 212.771.7390
www.interactivedata.com
E-mail: *NRMSIR@FTID.com*

D. Neither the failure to mail any notice required by Subsection C or D hereof, nor any defect in any notice so mailed, shall affect the sufficiency of such notice or the redemption otherwise effected by such notice.

Section 4.5. Deposit of Redemption Price and Interest. On or before the Business Day preceding the earliest date for mailing of the notice required by Section 4.4 with regard to any Redemption Date relating to Section 3.2, the Issuer shall deposit or cause to be deposited with the Trustee an amount of money which, together with any amounts in the Bond Fund available for such purpose, is sufficient to pay the Redemption Price of all the Bonds then to be redeemed and interest, if any, accrued thereon to the Redemption Date. Such money and amounts shall be segregated and shall be held in trust for the benefit of the Holders entitled to such Redemption Price and shall not be deemed to be part of the Trust Estate.

Section 4.6. Bonds Payable on Redemption Date.

A. Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds shall cease to bear interest and shall cease to be governed by or receive the benefits hereof. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the Redemption Price, but solely from the sources therein provided. Installments of interest with a Stated Maturity on or prior to the Redemption Date shall be payable to the Holders of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 3.7.

B. If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in such Bond.

Section 4.7. Bonds Redeemed in Part. Any Bond which is to be redeemed only in part shall be surrendered at the principal corporate trust office of the Trustee, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of any Authorized Denomination(s) as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE 5
FUNDS

Section 5.1. Bond Fund.

A. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Special Assessment Revenue Bonds, Series 2005 Bond Fund" (herein referred to as the *"Bond Fund"*). The money deposited to the Bond Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Sections 5.2 and 7.3.

B. The Bond Fund will be comprised of the following accounts and subaccount:

1. Principal Account
2. Interest Account
3. Prepayment Account

Section 5.2. Deposits to and Application of Bond Fund.

A. The Issuer shall or shall cause, at the applicable times set forth below, immediately deposit with the Trustee and the Trustee shall deposit to the Bond Fund to the credit of the applicable accounts or subaccounts:

1. to the Principal and Interest Accounts, as applicable, on each June 30 and December 31 or, if either such date is not a Business Day, then the first Business Day immediately preceding such date, all amounts collected by or remitted to the Issuer from the collections of the installments of principal and interest, respectively, on the Assessments, to be applied to pay the principal amount, including any mandatory redemption amount then due and the interest then due on the Bonds;

2. to the Prepayment Account to be applied pursuant to Section 3.2(B)(I), upon receipt, all amounts remitted to the Issuer as prepayments of the Assessments;

3. to the Prepayment Account, to be applied pursuant to Section 3.2(A)(ii), upon receipt, all amounts remitted to the Issuer as proceeds from any foreclosure sale of any assessed real property and not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement; and

4. such other funds as the Issuer shall, from time to time, at its option deem advisable.

B. The Trustee shall deposit to the Bond Fund to the credit of the applicable accounts:

1. to the Interest Account, the amount received from proceeds of the sale of the Bonds indicated in Section 5.9(A);

2. to the Prepayment Account, amounts transferred from the Acquisition and Construction Fund to the extent provided in Section 5.4(C) or (D);

3. to the Principal and Interest Accounts, as the case may be, amounts transferred from the Reserve Fund pursuant to Section 5.8(B);

4. to the Interest Account, any amounts transferred from the Reserve Fund pursuant to Section 5.8(E) and such amounts may be held in the Interest Account to be used during the term of the Bonds to pay interest on the Bonds that is not paid from Assessments as a result of prepayment or foreclosure of any Assessments; and

5. to the Prepayment Account, any amounts transferred from the Reserve Fund pursuant to Section 5.8(C) or (F).

C. The Principal Interest and Prepayment Accounts of the Bond Fund shall be applied solely to pay principal of, interest on and Redemption Price with respect to the Bonds, respectively.

Section 5.3. Acquisition and Construction Fund. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Special Assessment Revenue Bonds, Series 2005 Acquisition and Construction Fund" (herein referred to as the *"Acquisition and Construction Fund")*. The money deposited to the Acquisition and Construction Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Section 5.4.

Section 5.4. Deposits to and Application of Acquisition and Construction Fund. The Issuer shall deposit to the Acquisition and Construction Fund the amount of Bond proceeds specified in Section 5.9 ($1,177,427.50). Subsequent to the Closing Date, the Trustee shall deposit in the Acquisition and Construction Fund the amounts, if any, specified in Section 5.6.

A. Funds in the Acquisition and Construction Fund shall be used to pay the Costs of Acquisition and Construction and to pay all incidental expenses, including, but not limited to: (i) engineering expenses; (ii) legal expenses; (iii) printing, posting, publication and mailing expenses; (iv) fees and expenses incurred in making surveys, studies and estimates of costs; and (v) such other costs and expenses eligible for payment from the proceeds of the Bonds under the Enabling Act, including but not limited to, the Costs of Issuance not paid from proceeds of the Issuance and Expenses Fund and the Costs of the Acquisition or Construction. Upon compliance with the provisions of this Section, amounts on deposit in the Acquisition and Construction Fund shall be applied by the Trustee in the amounts and to the Persons set forth in an Issuer Request.

B. The Trustee shall make payments from the Acquisition and Construction Fund only upon receipt of:

1. in every case, an Issuer Request, signed by either the Chairman of the Board, the District Manager or the District Treasurer (the "*Disbursement Request*") certifying that the work to which the payment relates has been accomplished in a manner satisfactory to the Issuer. Such certification may be based upon certificates satisfactory to it provided by such consultants as the District or the Municipality may retain with respect to the improvements or purposes to which the payment relates, or by the Assessment District Engineer and the District Engineer;

Such Disbursement Request shall also state (a) the name and address of the Person to whom the payment is to be made (who may be the Issuer, the Owner or any other Person, if the Issuer, the Owner or any such other Person is to be reimbursed for advances made or work done by it and properly chargeable against the Acquisition and Construction Fund (collectively, the "*Reimbursed Person*")); (b) the amount to be paid; (c) the obligation on account of which the payment is to be made, showing the total obligation, any amount previously paid, and the unpaid balance; (d) that the obligation was properly incurred and is a proper charge against the Acquisition and Construction Fund; (e) that the amount requisitioned is due and unpaid or owing to the Reimbursed Person; (f) that with respect to items covered in the requisition, there are no vendors' liens, mechanics' liens, or other liens, bailment leases or condition sale contracts which must be satisfied or discharge before the payments as requisitioned therein are made, or which will not be discharged by such payment; and (g) the aggregate amount of all disbursements previously made from the Acquisition and Construction Fund;

2. in the case of payments or reimbursements due related to construction contracts, a certificate signed by the District Engineer certifying (a) such District Engineer's approval of the requisition; (b) that the obligation was properly incurred; (c) that the amount requisitioned is due and unpaid; (d) that, insofar as the payment is to be made for work, material, supplies or equipment, the work has been performed and the material, supplies or equipment have been installed as part of the Projects or any portion thereof or have been delivered either at the proper site or at a proper place for fabrication and are covered by the builders' risk insurance (such certification can rely upon the opinion of an inspector or other consultant retained by the Municipality); and (e) that all work, material, supplies and equipment for which payment is to be made are, in the signer's opinion or opinion of an inspector or consultant retained by the Municipality, in accordance with the plans and specifications or duly approved change orders; and

3. in the case of payments to discharge any obligation or indebtedness of the Issuer, the proceeds of which were used for payments properly chargeable against the Acquisition and Construction Fund, any notes or other evidences of the obligation or indebtedness to be discharged, which shall thereupon be cancelled by the Trustee and returned to the issuer thereof.

C. The date of completion of the Projects or any portion thereof (the "*Completion Date*") shall be evidenced to the District and the Trustee by a certificate signed by the District Engineer and the District Manager or a Responsible Officer of the Issuer stating that, except for amounts retained by the Trustee for Costs of Acquisition and Construction, or any portion thereof not then due and payable:

1. The Projects or any portion thereof, as applicable, have been completed in accordance with the plans and specifications therefor (such certification can rely upon the opinion of an inspector or consultant retained by the Municipality) and all labor, services, materials and supplies used in the Projects or any portion thereof, as applicable, have been paid for and acknowledgments of such payments have been obtained from all contractors and suppliers; and

2. All other facilities necessary in connection with the Projects or any portion thereof, as applicable, have been constructed, acquired and installed in accordance with the plans and specifications therefor (such certification can rely upon the opinion of an inspector or consultant retained by the Municipality), and all Costs of Acquisition and Construction for and incurred in connection therewith have been paid.

Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. Within ten (10) days following the Completion Date, the Trustee shall transfer any balance in the Acquisition and Construction Fund (except moneys retained for expenses not yet due and payable) into the Prepayment Account in the Bond Fund for application to the redemption of Bonds pursuant to Section 3.2(A)(i).

D. Notwithstanding the provisions of paragraphs B and C above, the District Engineer is not responsible for the supervising and inspecting of the construction or installation of any Projects, unless specifically retained by the District or Municipality for such purpose, and may rely on the certificates of the inspectors and consultants retained by the District or Municipality for such purpose in making the certifications relating to satisfactory construction and installation of the work as required by this Section 5.4. Notwithstanding anything contained in this Section 5.4, on July 1, 2008, any amounts remaining in the Acquisition and Construction Fund shall be transferred to the Prepayment Account of the Bond Fund and applied pursuant to Section 3.2(A)(i).

Section 5.5. Issuance and Expenses Fund. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Special Assessment Revenue Bonds, Series 2005 Issuance and Expenses Fund" (herein referred to as the *"Issuance and Expenses Fund")*. The money deposited to the Issuance and Expenses Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Section 5.6.

Section 5.6. Deposits to and Application of Issuance and Expenses Fund. The Issuer shall deposit to the credit of the Issuance and Expenses Fund the amount specified in Section 5.9. Upon an Issuer Request, amounts on deposit in the Issuance and Expenses Fund shall be applied to pay all Costs of Issuance identified in the Issuer Request. On May 1, 2006, the Trustee shall transfer any moneys in the Issuance and Expenses Fund to the Acquisition and Construction Fund.

Section 5.7. Reserve Fund. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Special Assessment Revenue Bonds, Series 2005 Reserve Fund" (herein referred to as the *"Reserve Fund")*. The money deposited to the

Reserve Fund, together with all investments thereof and investment profits therefrom, shall be held in trust by the Trustee and applied solely as provided in Sections 5.8.

Section 5.8. Deposits to and Application of Reserve Fund.

A. The Issuer initially shall deposit to the credit of the Reserve Fund from Bond proceeds $113,782.50.

B. On, or, if either day is not a Business Day, before June 29 and December 30 of 2006 and each year thereafter, the Trustee shall, to the extent the moneys in the Reserve Fund exceed the Reserve Fund Requirement, transfer from the Reserve Fund to the Principal and Interest Accounts of the Bond Fund the difference between the amount in the Bond Fund on such date and the amount necessary to pay the principal of and interest, respectively, on the Bonds on the next succeeding July 1 or January 1, as the case may be.

C. The Trustee shall examine the Reserve Fund Requirement on May 1, 2006 and each May 1st of each year thereafter, to determine if any prepaid assessments and corresponding redemption of Bonds has allowed the Reserve Fund Requirement to be reduced. On May 1, 2006 and each May 1st of each year thereafter, the Trustee shall determine the value of the Reserve Fund investments, excluding any moneys which constitute investment earnings (which earnings are subject to the provisions of paragraph E of this Section), and shall thereafter deposit in the Prepayment Account of the Bond Fund, in $1,000 multiples, any moneys in the Reserve Fund in excess of the Reserve Fund Requirement and apply the same pursuant to Section 3.2(B)(ii)(a). On June 1, 2030, all moneys in the Reserve Fund shall be transferred to the Bond Fund.

D. If, after a Reserve Fund withdrawal, the Reserve Fund is less than the Reserve Fund Requirement, the Issuer shall reimburse the Reserve Fund, to the extent moneys are realized, from either: (i) the proceeds from the sale of delinquent assessments, which sales are conducted in the manner described in Arizona Revised Statutes, Sections 48-601 through 48-607, inclusive, as amended from time to time, provided, however, Section 48-607 is revised to require the sales proceeds to be deposited to the Reserve Fund and neither the Issuer nor the Municipality shall be required under any circumstances to purchase, or make any payment for the purchase of the delinquent assessment and corresponding assessed parcel or lot; or (ii) from all future installment payments on the assessments, provided, however, only to the extent that such portion of such installment payments is not required for the timely payment of Debt Service.

E. Any investment profits realized from the investment of moneys in the Reserve Fund shall remain in and be part of the Reserve Fund; provided, however, if moneys in the Reserve Fund are in excess of the Reserve Fund Requirement, such excess amount shall be transferred to the Interest Account of the Bond Fund and applied from time to time pursuant to Section 5.2(B)(4).

F. If the amount held in the Reserve Fund together with the amount held in the Bond Fund is sufficient to pay the principal amount of all Bonds on the next Interest Payment Date, together with the interest accrued on such Bonds as of such Interest Payment Date, the moneys shall be transferred to the Prepayment Account of the Bond Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

Section 5.9. Disposition of Proceeds of Bonds and Other Monies. Simultaneously with the initial delivery of the Bonds, the Issuer shall cause the Trustee to deposit the Bond proceeds and any and all amounts received by the Issuer from any Owner as a cash contribution as follows:

A. Bond Fund. Bond proceeds in an amount equal to the interest accruing on the Bonds from the date of the Bonds, being the date of initial delivery (being $0.00) shall be deposited in the Bond Fund to pay interest on the Bonds.

B. Issuance and Expenses Fund. An amount equal to $113,350.00 comprised of Bond proceeds.

C. Reserve Fund. An amount equal to $113,782.50, comprised of Bond proceeds.

D. Acquisition and Construction Fund. The balance remaining from the proceeds of the Bonds after the deposit described in Paragraphs A, B and C of this Section shall be deposited to the credit of the Acquisition and Construction Fund for the purposes described in Section 5.4.

Section 5.10. Investment of and Security for Funds.

A. Money held for the credit of the Bond Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Governmental Obligations as directed in writing by the Issuer.

B. Money held for the credit of the Acquisition and Construction Fund, Reserve Fund and Issuance and Expenses Fund shall, as nearly as may be practical, be continuously invested and reinvested by the Trustee in Permitted Investments as directed in writing by the Issuer.

C. The Trustee shall sell or present for redemption any obligations so purchased as an investment hereunder whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money required hereby. Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder without penalty, not later than the respective dates when such money is expected to be required for the purpose intended. Obligations so purchased as an investment of any money credited to any fund established hereunder shall be deemed at all times to be a part of such fund. Other than investment profits credited to the Reserve Fund, which shall be applied pursuant to Section 5.8E, the interest accruing on obligations so purchased and any profit realized from such investment shall be credited to such Fund and any loss resulting from such investment shall be charged to such fund.

D. All money held by the Trustee hereunder shall be continuously secured in the manner and to the fullest extent then required by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. The Trustee may make any investment permitted by this Indenture through or with its own commercial banking or investment departments. The Trustee shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from its own negligence or willful misconduct.

E. All investments in the Funds established under the Indenture shall be valued at fair market value by the Trustee.

Section 5.11. Reports by Trustee. As soon as possible after January 1 and July 1 of each year, the Trustee shall provide to the Issuer and upon request of counsel to the Issuer (as identified by a certificate of the Issuer) the balances as of such date in each fund established under the Indenture.

ARTICLE 6

DEFEASANCE AND RELEASES

Section 6.1. Payment of Indebtedness; Satisfaction and Discharge of Indenture.

A. Whenever;

1. all Bonds theretofore authenticated and delivered have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding, however:

a. Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent as provided in Section 4.5;

b. Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.6, except for any such Bond which, prior to the satisfaction and discharge hereof, has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction;

c. Bonds, other than those referred to in the foregoing Clauses, for the payment or redemption (under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and at the expense of the Issuer) of which the Issuer has deposited or caused to be deposited with the Trustee in trust for such purpose an amount (to be immediately available for payment, except in the case of Bonds excepted from the foregoing clause (b) prior to the time the ownership and enforceability of such Bonds has been established) sufficient to pay and discharge the entire indebtedness on the Bonds for principal (and premium, if any) and interest to the date of Maturity thereof which have become due and payable or to the Stated Maturity or Redemption Date, as the case may be; and

d. Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both as described in Section 6.2.

2. the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer,

then, upon an Issuer Request, this Indenture and the lien, rights, and interests created hereby shall cease, determine, and become null and void (except as to any surviving rights of transfer or exchange of Bonds herein or therein provided for), and the Trustee, then acting as such hereunder shall, at the expense of

the Issuer, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer, and deliver to the Issuer or upon Issuer Request all cash, securities, and other personal property then held by it hereunder as a part of the Trust Estate.

B. In the absence of an Issuer Request as aforesaid, the payment of all Outstanding Secured Bonds shall not render this Indenture inoperative.

C. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 8.6 shall survive.

Section 6.2. Defeasance. Any Bond shall be deemed to be no longer Outstanding when payment of the principal of such Bond, plus interest thereon to the Maturity thereof (whether such Maturity be by reason of the Stated Maturity thereof or call for redemption, if notice of such call has been given or waived or irrevocable arrangements therefor satisfactory to the Trustee have been made) shall have been provided for by depositing for such payment from funds of the Issuer under the terms provided in this Section (1) money sufficient to make such payment or (2) money and Governmental Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as shall, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom be sufficient to make such payment, provided that all necessary and proper fees, compensation, and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Any such deposit shall be made either with the Trustee or, if notice of such deposit is given to the Trustee, with a state or nationally chartered bank with a minimum combined capital and surplus of $50,000,000, as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or the Paying Agents in the amounts and at the times required to pay principal of and interest on the Bonds with respect to which such deposit is made at the Maturity thereof and of such interest or the Stated Maturity, as the case may be. In the event such deposit is made with respect to some but not all of the Bonds then Outstanding, the Trustee shall select the Outstanding Bonds in the same manner as provided in Section 4.3 for the selection of Bonds to be redeemed.

Notwithstanding anything herein to the contrary however, no such deposit shall have the effect hereinabove described (1) if made during the existence of default hereunder of which the Trustee has received written notice unless made with respect to all of the Bonds then Outstanding and (2) unless there shall be delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose shall be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on the Bonds when due. No money or Governmental Obligations so deposited pursuant to this Section shall be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer

be secured by or entitled to the benefits of this Indenture, except for purposes of any such payment from such money or Governmental Obligations.

Section 6.3. Application of Deposited Money. Money or Governmental Obligations deposited with the Trustee pursuant to Section 6.2 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 4.3, such money or Governmental Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent as the Trustee may determine) to the Holders entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

ARTICLE 7

REMEDIES

Section 7.1. Suits for Enforcement; Mandamus.

A. The Trustee in its discretion, subject to the provisions of Section 7.10, may proceed to protect and enforce its rights and the rights of the Bondholders under this Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power granted herein or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Holders of Bonds.

B. In addition to all rights and remedies of any Holder of Bonds provided herein, in the event the Issuer defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution or herein, the Trustee shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the directors and other officers of the Issuer to make such payment or to observe and perform any covenant, obligation, or condition prescribed in the Bond Resolution or herein.

C. Notwithstanding any provision hereof, no default hereunder shall result in an acceleration of the payment of the principal of or interest on the Bonds.

Section 7.2. Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment.

A. If:

1. default occurs in the payment of any interest on any Bond when such interest becomes due and payable, or

2. default occurs in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Trustee, the Issuer shall pay or cause to be paid solely from Pledged Revenues to the Trustee for the benefit of the Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any) and interest and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of administration and collection, including the reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the Issuer fails to pay or cause to be paid solely from Pledged Revenues such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment against the Issuer for the amount then so due and unpaid, provided, however, such judgment shall be payable solely from Pledged Revenues.

B. The Trustee shall be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien hereof, and in case of a sale of the Trust Estate and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Secured Bonds, for the benefit of the Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien hereof upon the Trust Estate or any rights, powers, or remedies of the Trustee hereunder, or any rights, powers, or remedies of the Holders of the Bonds.

Section 7.3. Application of Money Collected. Any money collected by the Trustee pursuant to this Article together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

A. First: To the payment of all unpaid amounts due the Trustee under Section 8.6;

B. Second: To the payment of the whole amount then due and unpaid upon the Outstanding Secured Bonds, for principal of and premium, if any, and interest on the Bonds and with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any), and in case such proceeds shall be insufficient to pay in full the whole amount then due and unpaid upon such Bonds, then to the payment of such principal and interest without any preference or priority, ratably according to the aggregate amount so due;

C. Third: To the extraordinary redemption of the Bonds in the manner contemplated by Section 3.2; and

D. Fourth: To the payment of the remainder, if any, to the Issuer, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Section 7.4. Trustee May File Proofs of Claim.

A. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Issuer or the property of the Issuer, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Issuer for the payment of overdue principal, premium, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

1. to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Outstanding Secured Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding, and

2. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator, or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.6.

B. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

Section 7.5. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims hereunder or under the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered.

Section 7.6. Unconditional Right of Bondholders to Receive Principal, Premium and Interest. Notwithstanding any other provision hereof, the Holder of any Bond shall have the right which is absolute and unconditional to receive, after payment of all amounts due to the Trustee hereunder, payment of the principal of and (subject to Section 7.10) interest on any such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date) solely from Pledged Revenues, and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder; provided, however, that no Bondholder shall be entitled to take any action or institute any such suit to enforce the payment of his

Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver, or loss of the lien of this Indenture upon the Trust Estate, or any part thereof, as security for Bonds held by any other Bondholder.

Section 7.7. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as otherwise provided herein with regard to the rights or remedies of Bondholders, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.8. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Holder of any Bond to exercise any right or remedy accruing upon a default under this Article shall impair any such right or remedy or constitute a waiver of any such default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

Section 7.9. Control by Bondholders.

A. The Holders of a majority in aggregate principal amount of any series of the Outstanding Bonds affected thereby shall have the right (subject to providing indemnity to the Trustee)

1. to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds of such series and the foreclosure hereof, the sale of the Trust Estate, or otherwise: and

2. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, provided that

a. such direction shall not be in conflict with any rule of law or this Indenture,

b. the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction,

c. the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and

d. if the remedy requires the consent of a certain number of the Holders, such consent has been provided.

B. Before taking action pursuant to this Section, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the Issuer shall reimburse the Trustee for all of the expenses of the Trustee pursuant to Section 8.6.

Section 7.10. Waiver of Past Defaults.

A. Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, the Holders of not less than a majority in aggregate principal amount of any series of the Outstanding Bonds affected thereby may, by Act of such Bondholders delivered to the Trustee and the Issuer, on behalf of the Holders of all the Bonds waive any past default hereunder and its consequences, except a default in respect of a covenant or provision hereof which under Section 9.2 hereof cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

B. Upon any such waiver, such default shall cease to exist for every purpose hereof; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 7.11. Undertaking for Costs. All parties hereto agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy hereunder, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Bondholder, or group of Bondholders of any series of the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

Section 7.12. Remedies Subject to Applicable Law. All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

ARTICLE 8

THE TRUSTEE

Section 8.1. Certain Duties and Responsibilities.

A. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements hereof; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements hereof.

B. No provision hereof shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

1. this Subsection shall not be construed to limit the effect of Subsection A of this Section:

2. the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent;

3. the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, hereunder; and

4. no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in Section 7.9B.

C. Whether or not therein expressly so provided, every provision hereof relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1 hereof:

A. the Trustee may rely and shall be protected in acting or refraining from acting upon:

1. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons; and

2. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required hereby before the Trustee is to take or refrain from taking any action;

B. any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Board may be sufficiently evidenced by a Board Resolution:

C. whenever in the administration hereof the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate or, for purposes of Section 10.19(B), an appropriate certificate of the consultant retained to calculate rebate liability;

D. the Trustee may consult with legal counsel and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon;

E. the Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request or direction of any of the Bondholders pursuant hereto, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

F. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document (including particularly, but not by way of limitation) Acts, Board Resolutions, Issuer Requests and Officers' Certificates, but the Trustee, in its discretion, may make such further inquiry or investigation, into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Issuer, personally or by agent or attorney; and

G. the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it hereunder.

Section 8.3. Not Responsible for Recitals or Application of Proceeds. The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or

genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency hereof or of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of the Bonds or the proceeds thereof.

Section 8.4. May Hold Bonds. The Trustee, any Paying Agent, the Bond Registrar, and any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar or such other agent.

Section 8.5. Money Held in Trust. Money held by the Trustee hereunder need not be segregated from other funds except to the extent required by law or the provisions hereof. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuer.

Section 8.6. Compensation and Reimbursement.

A. The Issuer shall

1. pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder and

2. except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement, or advance as may be attributable to the Trustee's negligence or bad faith.

B. As security for the performance of the obligations of the Issuer under this Section, the Trustee shall be secured under this Indenture by a lien and for the payment of such compensation, expenses, reimbursements, and indemnity the Trustee shall have the right to use and apply any trust funds held by it hereunder after payment of other amounts due hereunder as provided by the terms hereof.

Section 8.7. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder which shall be a bank or trust company organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or State authority, and having an office in the State of Arizona. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 8.8. Resignation and Removal; Appointment of Successor.

A. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.9.

B. The Trustee may resign at any time by giving written notice thereof to the Issuer. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

C. The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the Issuer.

D. If at any time:

1. the Trustee shall cease to be eligible under Section 8.7 or the Issuer by Board Resolution shall request the resignation of the Trustee for any reason, or

2. the Trustee shall become incapable of acting or shall be adjudged insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation, then, in either such case, the Issuer by Board Resolution may remove the Trustee.

E. If the Trustee shall resign, be removed, or become incapable of acting, the Issuer, by Board Resolution, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed by the Bondholders. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the Issuer and the retiring Trustee, then the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Issuer or the Bondholders and accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

F. The Issuer shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Holders of the Bonds. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

Section 8.9. Acceptance of Appointment by Successor.

A. Every successor Trustee shall at all times be qualified and eligible under this Article, including compliance with the provisions set forth in Section 8.7 hereof. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts, and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers, and trusts of the retiring Trustee, and shall duly assign, transfer, and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 8.6. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers, and trusts.

B. No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 8.10. Merger, Conversion, Consolidation, or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, including compliance with the provisions of Section 8.7 of this Indenture, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion, or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

ARTICLE 9

SUPPLEMENTAL INDENTURES AND AMENDMENTS TO BOND RESOLUTION

Section 9.1. Supplemental Indentures or Amendments to Bond Resolution Without Consent of Bondholders. Without the consent of the Holders of any Bonds, the Issuer, when authorized by Board Resolution, and the Trustee may from time to time enter into one or more indentures supplemental hereto in form satisfactory to the Trustee, or the Issuer may amend the Bond Resolution for any of the following purposes:

1. to correct or amplify the description of any property at any time subject to the lien hereof, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien hereof additional property; or

2. to add to the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of Bonds, as herein set forth, and additional conditions, limitations, and restrictions-thereafter to be observed; or

3. to evidence the succession of another entity to the Issuer and the assumption by any such successor of the covenants of the Issuer herein, in the Bond Resolution, or the Bonds contained; or

4. to add to the covenants of the Issuer for the benefit of the Holders of all of the Bonds or, if for the benefit of the Holders, to surrender any right or power herein or in the Bond Resolution conferred upon the Issuer; or

5. to cure any ambiguity, to correct or supplement any provision herein or in the Bond Resolution which may be inconsistent with any other provision herein or in the Bond Resolution, or to make any other provisions, with respect to matters or questions arising under this Indenture or the Bond Resolution, which shall not be inconsistent with the provisions of this Indenture, the Bond Resolution, provided such action shall not adversely affect the interests of the Holders of the Bonds.

Section 9.2. Supplemental Indentures or Amendments to the Bond Resolution With Consent of Bondholders.

A. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture, by Act of such Holders delivered to the Issuer and the Trustee, the Issuer, when authorized by Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or the Bond Resolution or of modifying in any manner the rights of the Holders of the Bonds under this Indenture or the Bond Resolution; provided, however, that no such supplemental indenture or amendments to the Bond Resolution shall, without the consent of the Holder of each Outstanding Bond affected thereby

1. change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or the interest on, any Bond, or change the Place of Payment where, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

2. reduce the percentage in principal amount of the Outstanding Bonds the consent of the Holders of which is required for any such supplemental indenture or amendment to any the Bond Resolution, or the consent of Holders of which is required for any waiver provided for in this Indenture of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences; or

3. modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

4. modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

B. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution authorizing issuance of the Bonds and any such determination shall be conclusive upon every Holder of Bonds, whether theretofore or thereafter authenticity dated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

C. It shall not be necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplemental indenture or any such amendment to a Bond Resolution, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.3. Execution of Supplemental Indentures and Amendments to Bond Resolution. In executing, or accepting the additional trusts created by, any supplemental indenture or amendment to the Bond Resolution permitted by this Article or the modification thereby of the trusts created hereby, the Trustee shall be entitled to receive and, subject to Section 8.1, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture or adoption of such amendment is authorized or permitted hereby. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture or be governed by any amended Bond Resolution which affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

Section 9.4. Effect of Supplemental Indentures and Amendments to Bond Resolution. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part hereof for all purposes, and upon the amendment of the Bond Resolution under this Article, the Bond Resolution shall be modified in accordance therewith, and such amendment shall form a part of the Bond Resolution for all purposes, and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 9.5. Reference in Bonds to Supplemental Indentures or Amendments to Bond Resolution. Bonds authenticated and delivered after the execution of any supplemental indenture, amendment to the Bond Resolution pursuant to this Article may bear a notation as to any matter provided for in such supplemental indenture or amended Bond Resolution. If the Issuer shall so determine, new Bonds so modified as to conform to any such supplemental indenture or amended Bond Resolution may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

ARTICLE 10

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER

Section 10.1. Power to Issue Bonds and Create Liens. The Issuer is duly authorized under the Enabling Act and all applicable laws of the State to issue the Bonds, to adopt and execute the Indenture and to pledge Pledged Revenues for the benefit of the Bonds. Pledged Revenues are not and shall not be subject to any other lien senior to or on a parity with the lien created in favor of the Bonds. The Bonds and the provisions hereof are and will be valid and legally enforceable obligations of the Issuer in accordance with their respective terms. The Issuer shall, at all times, to the extent permitted by law, defend, preserve and protect the pledge created hereby and all the rights of the Bondholders against all claims and demands of all other Persons whomsoever.

Section 10.2. Payment of Principal and Interest on Bonds. The payment of the principal or Redemption Price of and interest on the Bonds issued hereunder shall be secured equally and ratably by a first lien on and pledge of the Pledged Revenues pledged under the Indenture; and Pledged Revenues in an amount sufficient to pay the principal or Redemption Price of and interest on the Bonds authorized by the Indenture are hereby irrevocably pledged to the payment of the principal or Redemption Price of and interest on the Bonds authorized under the Indenture, as the same become due and payable. The Issuer shall promptly pay the interest on and the principal or Redemption Price of every Bond issued hereunder according to the terms thereof, but shall be required to make such payment only out of the Pledged Revenues pledged to such Bonds.

THE BONDS SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE ISSUER, INCLUDING, WITHOUT LIMITATION, THE PROJECTS OR ANY PORTION THEREOF IN RESPECT OF WHICH SUCH BONDS ARE BEING ISSUED, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES PLEDGED TO SUCH BONDS AS SET FORTH IN THIS INDENTURE. NOTHING IN THE BONDS OR IN THIS INDENTURE SHALL BE CONSTRUED AS OBLIGATING THE ISSUER TO PAY THE BONDS OR THE REDEMPTION PRICE THEREOF OR THE INTEREST THEREON EXCEPT FROM THE PLEDGED REVENUES PLEDGED TO THE BONDS, OR AS PLEDGING THE FULL FAITH AND CREDIT OF THE ISSUER, THE MUNICIPALITY, MARICOPA COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OR AS OBLIGATING THE ISSUER, THE MUNICIPALITY, MARICOPA COUNTY OR THE STATE, OR ANY OF ITS POLITICAL SUBDIVISIONS, DIRECTLY OR INDIRECTLY OR CONTINGENTLY, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

NOTHING IN THE BONDS OR IN THE INDENTURE SHALL BE CONSTRUED AS OBLIGATING THE OWNER, OR ANY SUBSEQUENT OWNER OF REAL PROPERTY WITHIN THE DISTRICT, ANY JOINT VENTURE ENTITY IN THE OWNER OR ANY SUBSEQUENT OWNER OF REAL PROPERTY WITHIN THE DISTRICT, OR ANY PERSON AFFILIATED WITH, CONTROLLING OR RELATED TO, THE OWNER OR ANY SUBSEQUENT OWNER OF REAL PROPERTY WITHIN THE DISTRICT, OR ANY JOINT VENTURE ENTITY IN THE OWNER, OR ANY SUBSEQUENT OWNER OF REAL PROPERTY WITHIN THE DISTRICT, TO PAY THE BONDS OR THE REDEMPTION PRICE THEREOF OR THE INTEREST THEREON, EXCEPT TO

THE EXTENT THAT THEY ARE OBLIGATED TO PAY ASSESSMENTS CONSTITUTING PLEDGED REVENUES UNDER THE INDENTURE.

Section 10.3. Assessments; Re-Assessments.

A. The Issuer has levied or shall levy Assessments in accordance with Arizona Revised Statute Section 48-589, and record such Assessments in the office of the Superintendent of Streets, to the extent and in an amount sufficient to pay Debt Service on all Outstanding Bonds.

B. If any Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Issuer shall be satisfied that any such Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Issuer shall have omitted to make such Assessment when it might have done so, the Issuer shall either (a) take all necessary steps to cause a new Assessment to be made for the whole or any part of a Project or against any property benefited by said Project, or (b) in its sole discretion, make up the amount of such Assessment from legally available moneys, which moneys shall be deposited into the Bond Fund, as applicable. In case such second Assessment shall be annulled, the Issuer shall obtain and make other Assessments until a valid Assessment shall be made.

Section 10.4. Method of Collection. The Issuer covenants to take or cause to be taken all actions required by law to collect and enforce the payment of Assessments and remit all Assessments collected to the Trustee on or before each June 30th and December 31st or, if such date is not a Business Day, then the first Business Day immediately preceding such date. Assessments shall be collected in a manner substantially similar to the provisions of Arizona Revised Statutes Section 48-600; provided, however, publication of the notice shall not be required, or any successor statutes thereto.

Section 10.5. Delinquent Assessments. If the owner of any lot or parcel of land assessed for a Project shall be delinquent in the payment of any Assessment, then such Assessment shall be enforced pursuant to the provisions of Arizona Revised Statute Sections 48-601 through 48-607, inclusive, or any successor statute thereto, including but not limited to declaring the entire unpaid balance of such Assessment to be in default and, cause the Assessment lien on such delinquent property to be foreclosed. Notwithstanding the foregoing, neither the Issuer nor the Municipality shall be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding assessed parcel or lot.

Notwithstanding the foregoing, the Issuer may provide for collection of Assessment installments and the sale of assessed parcels or lots, in the same manner as the collection of ad valorem taxes if such collection procedures would result in the collection of assessments and the sale of assessed property in substantially the same time periods as contemplated by Arizona Revised Statutes Sections 48-601 through and including 48-607.

Section 10.6. Use of Revenues for Authorized Purposes Only. None of the Pledged Revenues shall be used for any purpose other than as provided herein and no contract or contracts shall be entered into or any action taken by the Trustee which will be inconsistent with the provisions hereof.

Section 10.7. Annual Budget. The Board shall make an annual budget, as required by the Enabling Act, which shall include statements and estimates of the amount to be raised to pay Debt Service on the Bonds. The Board shall file the annual statements and estimates with the Clerk of the Municipality. On or before the date set by law for certifying the annual budget of the Municipality (which shall be the third Monday in August unless the Issuer certifies to the Trustee otherwise), the Board shall adopt a budget, which shall fix the amounts to be raised by collection of assessments and the amounts to be paid by other moneys paid to the Issuer pursuant to the terms of the Development Agreement and shall cause copies of the budget to be delivered to the Municipality, any other entity or agency required by law to receive said budget and to the Trustee.

Section 10.8. Financial Statements. Not more than 180 days after the close of the Issuer's Fiscal Year, complete audited financial statements of the Issuer covering such Fiscal Year shall be certified or reported upon by an independent certified public accountant or firm of such accountants. Copies of any financial statements shall be mailed or delivered by the Issuer to any Bondholder upon such Bondholder's written request to the Issuer.

Section 10.9. Books, Records and Reports. The Issuer shall keep proper books of record and account in accordance with generally accepted accounting principles (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Projects and which, together with all other books and records of the Issuer, including, without limitation, any insurance policies, relating to the Projects, shall at all times be subject during regular business hours to the inspection of the Trustee. The Issuer agrees to maintain such records as are necessary to comply with and thereafter comply with the provisions of the Continuing Disclosure Undertaking executed and delivered by the Issuer in connection with the sale of the Bonds.

Section 10.10. Maintenance of Agency. The Issuer shall maintain an agency in the Place of Payment where Bonds of each series may be presented or surrendered for payment, where Bonds of each series entitled to be registered, transferred, exchanged, or converted may be presented or surrendered for registration, transfer, exchange, or conversion, and where notices and demands to or upon the Issuer in respect of the Bonds of each series and this Indenture may be served. The Trustee is hereby, appointed as Paying Agent for such purposes. The Issuer shall give prompt written notice to the Trustee of the location, and of any change in the location, of any such agency. If at any time the Issuer shall fail to maintain such an agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices, and demands may be made or served at the principal corporate trust office of the Trustee, and the Issuer hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices, and demands.

Section 10.11. Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.

A. The sums which are segregated by the Trustee or deposited with any other Paying Agent to pay the principal of or interest on any Bonds becoming due on any due date shall be held in trust for the benefit of the Holders of such Bonds. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Holders entitled to such principal or interest, as the case may be. Money held by the Trustee or any other paying Agent for the payment of the principal of (and premium, if any) or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

B. The Issuer shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall

1. hold all sums held by it for the payment of principal of (and premium, if any) or interest on the Bonds for the benefit of the Holders of such Bonds until such sums shall be paid to the Holders or otherwise disposed of as herein provided; and

2. at any time, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

C. The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Request direct any Paying Agent to pay to the Trustee all money held by such Paying Agent, such money to be held by the Trustee upon the same trusts as those upon which such money was held by such Paying Agent, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

D. In the event any check for payment of interest on a Bond is returned to any Paying Agent unendorsed or is not presented for payment within two (2) years from its payment date or any Bond is not presented for payment of principal at Maturity or Redemption Date, if funds sufficient to pay such interest or principal due upon such Bond shall have been made available to such Paying Agent for the benefit of the Holder thereof, it shall be the duty of such Paying Agent to hold such funds or invest the same in Government Obligations, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. Such obligation of the Paying Agent to hold such funds shall continue for two (2) years and six (6) months following the date on which such interest or principal payment became due, whether at Maturity or Stated Maturity, or at the Redemption Date, or otherwise, at which time such Paying Agent shall surrender such unclaimed funds so held to the Issuer, whereupon any claim of whatever nature by the Holder of such Bond arising under such Bond shall be made upon the Issuer.

Section 10.12. Employment of District Engineer and Assessment District Engineer; District Engineer's Report.

A. For the purpose of performing and carrying out the duties imposed on the Superintendent of Streets (as defined in the Resolution of Intention) by the Arizona Revised Statutes applicable to improvement districts and imposed on the District or Assessment District Engineer hereby, the Issuer may employ one or more independent engineers or engineering firms or corporations having a favorable repute for skill and experience in such work.

B. The Issuer shall cause the District Engineer to: (a) supervise and inspect the Projects during construction to the extent necessary for the District Engineer to provide the certifications required by Section 5.4 hereof, (b) supervise and monitor the performance of the Assessment District Engineer, and (c) make an inspection of the portions of the Projects maintained by the Issuer at least once in each Fiscal Year and, on or before the first day of June in each Fiscal Year, to submit to the Board a report setting forth (i) its findings as to whether such portions of the Projects maintained by the Issuer have been maintained in good repair, working order and condition, and (ii) its recommendations as to the proper maintenance, repair and operation of any of the Projects maintained by the Issuer during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes.

C. The Issuer shall, for the purpose of performing and carrying out the duties contemplated by the Resolution of Intention and the other duties set forth in the definition of "Assessment District Engineer" in Section 1.1 hereof, employ an Assessment District Engineer.

Section 10.13. Projects to Conform to Plans and Specifications; Changes. The Issuer will proceed to complete the Projects or portion thereof for which the Bonds are being issued in accordance with the plans and specifications therefor, as such plans and specifications may be amended from time to time.

Section 10.14. Compliance Requirements. The Issuer will comply with all present and future laws, acts, rules, regulations, orders and requirements lawfully made and applicable in fact to any acquisition or construction hereby undertaken and shall obtain all necessary approvals under federal, state and local laws, acts, rules and regulations necessary for the completion of the Projects or portion thereof for which the Bonds are being issued and shall complete any Projects or portion thereof in conformity with such approvals, laws, rules and regulations.

Section 10.15. Fidelity Bonds. Every officer, agent or employee of the Issuer having custody or control of any of the Pledged Revenues or Bond proceeds shall be bonded by a responsible corporate surety in an amount not less than the greatest amount reasonably anticipated to be within the custody or control of such officer, agent or employee at one time. The premiums on such surety bonds shall be paid by the Issuer as an expense of operation and maintenance of the applicable Projects.

Section 10.16. No Loss of Lien on Pledged Revenues. The Issuer shall not do or omit to do, or suffer to be done or omit to be done, any matter or thing whatsoever whereby the lien of the Bonds on the Pledged Revenues, or any part thereof, or the priority thereof, would be lost or impaired; provided, however, that this Section shall not prohibit the Trustee from transferring moneys to the Rebate Fund held by the Trustee.

Section 10.17. Further Assurances; Recording. The Issuer shall do, execute, acknowledge, and deliver all and every such further acts, conveyances, mortgages, financing statements, and assurances as shall be reasonably required for accomplishing the purposes hereof. The Issuer shall cause this instrument and all supplemental indentures and other instruments of further assurance, including all financing statements, to be promptly recorded, registered, and filed, and to be kept recorded, registered, and filed, and, when necessary, to re-record, re-register, and re-file the same, all in such manner and in such places as may be required by law, fully to preserve and protect the rights of the Bondholders and the Trustee hereunder to all property comprising the Trust Estate, and the Issuer shall execute any financing statement, continuation statement or other document required for such purposes.

Section 10.18. Corporate Existence. For so long as any Bonds are Outstanding hereunder, unless otherwise provided by the Enabling Act, the Issuer shall maintain its corporate existence under the Enabling Act.

Section 10.19. Compliance with Federal Law.

A. The Issuer recognizes that the purchasers and owners of the Bonds will have accepted them on, and paid therefor a price which reflects, the understanding that interest thereon is excludable from gross income of the owners thereof for federal income tax purposes under laws in force at the time the Bonds shall have been delivered. In this connection the Issuer agrees that it shall take no action which may render the interest on any of the Bonds to be includable in gross income for federal income tax purposes. The Issuer agrees that, to the extent possible under state law, it will comply with whatever federal law is now in effect or which shall be adopted in the future which applies to the Bonds and is necessary to prevent interest on the Bonds from becoming included as gross income for purposes of calculating federal income taxes.

B. The Issuer authorizes the creation by the Trustee of a fund which is hereinafter referred to as the "*Rebate Fund*". The Issuer agrees to retain a consultant to calculate the amount of any rebate liability and thereafter rebate any arbitrage profits relating to the Bonds.

C. The Chairman of the Board of the Issuer or his designee is hereby authorized to make certain truthful certifications, representations, agreements and elections as required by law and Bond Counsel to assure the purchasers and owners of the Bonds that the proceeds of the Bonds will not be used in a manner which would or might result in the Bonds being "arbitrage bonds" under Section 148 of the Code or the regulations of the United States Treasury Department currently in effect or proposed. The certifications, representations and agreements of the Issuer may be made by executing and delivering certificates and agreements required by Bond Counsel. The certificates and agreements shall constitute an agreement of the Issuer to follow covenants and requirements set forth therein which may require the Issuer to take certain actions (including the payment of certain amounts to the United States Treasury) or which may prohibit certain actions (including the establishment of certain funds) under certain conditions.

D. The Issuer further recognizes that Section 149(a) of the Code requires the Bonds to be issued and to remain in fully registered form in order for interest thereon to be excludable from gross income for purpose of federal income taxation under laws in force at the time the Bonds are delivered.

In this connection, the Issuer agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form if such action would cause interest on the Bonds to be included in gross income for federal income tax purposes.

E. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
Chairman

ATTEST:

_____
District Clerk

WELLS FARGO BANK, N.A.

By_____
Vice President

SWR:gmh 602916.3 11/02/05

UB

[redacted]

SECRETARY OF STATE

2005 NOV 23 AM 11:59

FILED

200513874970

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Mr. Scott W. Ruby
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327

1082

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME: Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

OR

1b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

1c. MAILING ADDRESS: 100 N. Apache, Suite A | CITY: Buckeye | STATE: AZ | POSTAL CODE: 85326 | COUNTRY: USA

1d. TAX ID #: SSN OR EIN: applied for | ADD'L INFO RE ORGANIZATION DEBTOR | 1e. TYPE OF ORGANIZATION: muni. corp. | 1f. JURISDICTION OF ORGANIZATION: Arizona | 1g. ORGANIZATIONAL ID #, if any: ☒ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

2c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

2d. TAX ID #: SSN OR EIN | ADD'L INFO RE ORGANIZATION DEBTOR | 2e. TYPE OF ORGANIZATION | 2f. JURISDICTION OF ORGANIZATION | 2g. ORGANIZATIONAL ID #, if any | ☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME: Wells Fargo Bank, N.A.

OR

3b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

3c. MAILING ADDRESS: 100 W. Washington Street, 22nd Floor | CITY: Phoenix | STATE: AZ | POSTAL CODE: 85003 | COUNTRY: USA

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A

11/28/2005 11:56AM 000004#8510 ****
UCC 1/DISP SOLL $5.00

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING

6. ☐ This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional] ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2

8. OPTIONAL FILER REFERENCE DATA

EXHIBIT A
TO UCC-1 FINANCING STATEMENT

Debtor: FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), a municipal corporation
100 North Apache, Suite A
Buckeye, Arizona 85326

Secured Party: WELLS FARGO BANK, N.A.
Attn: Corporate Trust Services (MAC #S4101-022)
100 West Washington Street, 22nd Floor
Phoenix, Arizona 85003

Reference is made to the Indenture of Trust and Security Agreement dated as of November 1, 2005 (the "*Indenture*") between the Festival Ranch Community Facilities District (Town of Buckeye, Arizona), as Debtor, (the "*Debtor*") and Wells Fargo Bank, N.A., as trustee (the "*Secured Party*") relating to the issuance by the Debtor of its $1,448,000 Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005. For certain terms, denoted by initial capitals herein, the definitions of said terms are adopted as set or incorporated in the Indenture.

All of the Debtor's right, title and interest in and to the following described property:

A. All money and investments held for the credit of the Bond Fund established with the Secured Party as described in the Indenture shall be to secure only the payment of the principal of and interest on the Outstanding Secured Bonds but excluding any money in the Rebate Fund; and

B. All of Debtor's interest in all money and investments held for the credit of the Issuance and Expense Fund and the Reserve Fund established with the Secured Party as described in the Indenture; and

C. Any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Debtor or by anyone on its behalf, which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations or conditions which shall be set forth in a written instrument executed by the Debtor or the person so acting on its behalf or by the Secured Party respecting the use and disposition of such property or the proceeds thereof.

(This Exhibit A is attached to a financing statement that is filed in connection with a public finance transaction for purposes of A.R.S. § 47-9515 and is effective for thirty years after the date of the filing)

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

and

RBC DAIN RAUSCHER INC.

DISSEMINATION AGENCY AGREEMENT

Dated as of November 1, 2005

$1,448,000
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
Assessment District No. 1
Special Assessment Revenue Bonds, Series 2005

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THIS DISSEMINATION AGENCY AGREEMENT, dated as of November 1, 2005 (hereinafter referred to as this "*Agreement*"), by and between Festival Ranch Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), and RBC Dain Rauscher Inc., a corporation duly incorporated and validly existing pursuant to the laws of the State of Delaware (hereinafter together with its successors referred to as the "*Agent*");

W I T N E S S E T H:

WHEREAS, pursuant to a Resolution of the district board of the Issuer (hereinafter referred to as the "*Board*") adopted on October 18, 2005, the Board has authorized the issuance of certain special assessment revenue bonds (hereinafter referred to as the "*Securities*") to provide funds for certain public infrastructure purposes provided for in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Enabling Act*"); and

WHEREAS, in order to provide terms for providing for compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, with respect to the Securities, the Board has duly authorized the execution and delivery of a Continuing Disclosure Undertaking, dated the date of initial delivery of the Securities (hereinafter referred to as the "*Undertaking*"); and

WHEREAS, in order to assist the Issuer in complying with the Undertaking, the Board has determined to enter into this Agreement; and

WHEREAS, pursuant to the Enabling Act, the Issuer may enter into agreements to process the issuance of the Securities, including this Agreement;

NOW, THEREFORE, in the joint and mutual exercise of the their powers, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree that:

ARTICLE ONE

SECTION 1.01. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

A. The terms in this Agreement have the meanings assigned to them hereinabove and in the Section 1 of the Undertaking and include the plural as well as the singular.

B. All references in this instrument to designated "Articles," "Sections," "Clauses" and other subdivisions are to the designated Articles, Sections, Clauses and other subdivisions of this instrument as originally executed.

C. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Agreement by the Issuer or the Agent to be made upon, given or furnished to or filed with,

1. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at c/o Town of Buckeye, Arizona, 100 North Apache, Suite A, Buckeye, Arizona 85326, Attention: District Clerk or at any other address furnished previously in writing to such person by the Issuer, and

2. the Agent shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to it at Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016, Attention: Managing Director, or at any other address furnished previously in writing to such person by the Agent.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Issuer and the Agent shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05. *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06. *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

SECTION 1.07. *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State of Arizona and the federal laws of the United States of America.

SECTION 1.08. *Notice of Section 38-511, Arizona Revised Statutes, As Amended.*

The Issuer may, within three (3) years after its execution, cancel this Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer is, at any time while this Agreement is in effect, an employee or agent of the Agent in any capacity or a consultant to any other party of this Agreement with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer from the Agent arising as the result of this Agreement. The Agent has not taken and shall not take any action which would cause any person described in the preceding sentence to be or become an employee or agent of the Agent in any capacity or a consultant to any party to this Agreement with respect to the subject matter of this Agreement.

SECTION 1.09. *Further Assurances; Recording.*

The Agent shall do, execute, acknowledge and deliver all and every such further acts, conveyances and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

SECTION 1.10. *Amendments.*

This Agreement may be amended by an instrument in writing executed and delivered by each of the Agent and the Issuer.

SECTION 1.11. *Termination.*

The Issuer or the Agent may terminate this Agreement by giving written notice to the other party at least thirty (30) days prior to such termination. Otherwise, this Agreement shall terminate coincident with the termination of the Undertaking. The Issuer is not required to appoint a successor to the Agent. The absence of the Agent or a successor to the Agent shall not relieve the Issuer of the responsibilities of the Issuer pursuant to the Undertaking.

SECTION 1.12. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement between the Issuer and the Agent with regard to the matters provided for herein.

* * *

ARTICLE TWO

SECTION 2.01. *Annual Reports.*

The Agent shall compile and deliver each Annual Report to the Issuer by December 1 of each year for review by the Issuer, and the Issuer shall thereafter deliver to the Agent any revisions to each Annual Report by the next succeeding January 15 for dissemination as set forth in Section 2.03.

SECTION 2.02. *Material Events.*

A. The Issuer shall provide a written description to the Agent of the occurrence of any Listed Event which the Issuer has determined to be material as described in Section 3(b) of the Undertaking in a timely manner, signed by an appropriate representative of the Issuer. Upon the Agent becoming aware of any such Listed Event, the Agent shall promptly notify the Issuer of such Listed Event. (The Agent shall have no duty or responsibility to review the determination of the Issuer that such Listed Event is material or the written description of such Listed Event.)

B. The Agent shall disseminate Notices of Material Events as set forth in Section 2.04.

SECTION 2.03. *Dissemination of Annual Reports.*

A. The Agent shall disseminate each Annual Report to the entities, in the manner and on the dates provided in Section 2 of the Undertaking.

B. The Agent shall disseminate such information in the form delivered to the Agent by the Issuer pursuant to Section 2.01.

(Any information furnished by the Agent hereunder for such purpose may contain a legend to such effect.)

C. The Agent shall promptly provide a copy of each Annual Report to the Issuer, along with a notice stating the date such Annual Report was filed and the identities of the entities with which such Annual Report was filed.

D. The Agent shall also, if necessary, file the notices required pursuant to Sections 2(a)(ii) and 2(b)(i)(B) of the Undertaking with respect to inability or failure to provide an Annual Report and change of fiscal year of the Issuer, respectively, and shall provide a copy thereof to the Issuer.

SECTION 2.04. *Dissemination of Notices of Material Events.*

A. The Agent shall disseminate each Notice of Material Event to the entities and in the manner provided in Section 3 of the Undertaking within one (1) business day after receipt of such information by the Agent pursuant to Section 2.02.

B. The Agent shall disseminate such information in the form delivered to it by the Issuer pursuant to Section 2.02. (Any information furnished by the Agent hereunder for such purpose may contain a legend to such effect.)

C. The Agent shall promptly provide a copy of each Notice of Material Event to the Issuer, along with a notice stating the date and the identities of the entities with which such Notice of Material Event was filed.

SECTION 2.05. *Dissemination of Other Notices.*

The Agent shall file the notices required pursuant to Section 5(a) and 6(b) of the Undertaking with respect to termination of the Undertaking and changes in accounting principles of the Issuer, respectively, and shall provide a copy thereof to the Issuer.

SECTION 2.06. *Duty to Update.*

One (1) business day prior to the date the Issuer is required to file information with a Repository or the Municipal Securities Rulemaking Board, as applicable, the Agent shall determine, in the manner the Agent deems appropriate, the names and addresses of the then existing Repositories and the manner and medium by which information is to be transmitted and filed with such Repository or the Municipal Securities Rulemaking Board.

SECTION 2.07. *Consequences of Default by Agent; Standard of Care.*

A. In the event of a failure of the Agent to comply with any provisions of this Agreement, the Issuer may take any action at law or in equity to enforce the obligations of the Agent hereunder.

B. In the absence of bad faith on its part, the Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Agent or matters of public record.

C. The Agent shall have only such duties as are specifically set forth in this Agreement and the Undertaking.

D. To the extent permitted by applicable law, the Issuer shall indemnify and save the Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Agent may incur arising out of or in the exercise or performance of the powers and duties of the Agent pursuant to this Agreement and the Undertaking, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Agent and payment of the Securities.

SECTION 2.08. *Additional Information.*

Nothing in this Agreement shall be deemed to prevent the Issuer from delivering any other information to the Agent, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any such information, the Issuer shall have no obligation pursuant to this Agreement to update such information or include it in any future disclosure or notice.

SECTION 2.09. *Compensation.*

The Issuer shall compensate the Agent for the services provided and the expenses incurred pursuant to this Agreement in an amount to be agreed upon from time to time.

SECTION 2.10. *Recordkeeping.*

The Agent shall maintain records of the Annual Reports and the Notices of Material Events including the names of the entities with which the same were filed and the date of filing, and copies thereof shall be available to the Issuer upon reasonable request and the payment of reasonable copying and delivery charges.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By.....
Dustin Hull, Chairman, District Board

ATTEST:

.....
Linda Garrison, District Clerk

RBC DAIN RAUSCHER INC.

By.....
Shawn Dralle, Managing Director

1506675.1-11/3/05

CONTINUING DISCLOSURE UNDERTAKING
(ISSUER)

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

(CUSIP BASE NUMBER 315599)

This Undertaking is executed and delivered by Festival Ranch Community Facilities District (hereinafter referred to as the "Issuer"), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the "Securities") for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

"Annual Report" shall mean any annual report provided by the Issuer pursuant to, and as described in, Section 2.

"Authorizing Documents" shall mean, collectively, the resolutions authorizing the issuance of the Securities and the Indenture of Trust and Security Agreement from the Issuer to Wells Fargo Bank, N.A. with respect to the Securities.

"Central Post Office" shall mean an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to the Repositories for purposes of the Rule. As of the date of this Disclosure Undertaking, the Central Post Office is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

"Dissemination Agent" shall mean any agent which has executed a dissemination agent agreement with the Issuer and such successors and assigns of such agent.

"Listed Events" shall mean any of the events listed in Section 3(a).

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Issuer shall contact the Securities and Exchange Commission to determine the National Repositories existing at such time.)*** Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: munis@bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: nrmsir@interactivedata.com

The names and addresses of the then-current National Repositories should be verified each time information is delivered pursuant to this Undertaking. (A current listing of the National Repositories can be found at http://www.sec.gov/info/municipal/nrmsir.htm.)

"Notice of Material Event" shall mean any notice provided by the Issuer pursuant to, and as described in, Section 3.

"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 Arizona and recognized

by the Securities and Exchange Commission as a state repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Issuer shall contact the Securities and Exchange Commission to determine the State Repositories existing at such time.)*** Currently, no State Repositories exist for the State of Arizona. ***The name and address of the then-current State Repository should be verified each time information is delivered pursuant to this Undertaking.***

"Tax-exempt" shall mean that interest on the Securities 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 2. Contents and Provision of Annual Reports.

(a) (i) ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2006, PROVIDE TO EACH REPOSITORY AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.***

(ii) ***IF THE ISSUER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO EACH REPOSITORY AND TO THE MUNICIPAL SECURITIES RULEMAKING BOARD ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information of the type in TABLES 1 and 2 of the Official Statement, dated November 1, 2005, with respect to the Securities.

(B) Information with respect to status of ownership, amounts of delinquencies and parcels delinquent (including amount of penalties and interest) and status of foreclosure sales by tax parcel identification number as such matters relate to the "Special Assessments" which are the subject of TABLE 5.

(C) Current balances in the funds held pursuant to the "Indenture of Trust" described in such Limited Offering Memorandum.

(D) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis of generally accepted accounting principals as applied to governmental units. (The Issuer does not currently obtain audited

financial statements.) ***IF THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided to each Repository.***

Section 3. Reporting of Material Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events") with respect to the Securities:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Securities (including particularly, but not by way of limitation,

(A) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the Securities is not Tax-exempt or

(B) Any event adversely affecting the Tax-exempt status of the Securities, including but not limited to:

(I) Any non-random audit, investigation or other challenge of the Tax-exempt status of the Securities by the Internal Revenue Service or in any administrative or judicial proceeding or

(II) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official tax authority or by any court adversely affecting the Tax-exempt status of the Securities or securities of the same type as the Securities or financing structures of the same type as financed by the Securities.)

(vii) Modifications to rights of holders (i.e. owners).

(viii) Bond calls (which are other than mandatory or scheduled redemptions, not otherwise contingent upon the occurrence of an event).

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the Securities (including property leased, mortgaged or pledged as such security).

(xi) Rating changes.

(b) ***IF KNOWLEDGE OF THE OCCURRENCE OF A LISTED EVENT WOULD BE MATERIAL AS INTERPRETED PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (PROVIDED, HOWEVER, THAT ANY EVENT UNDER SUBSECTION (A)(VIII), (IX) OR (XI) OF THIS SECTION SHALL ALWAYS BE DEEMED TO BE MATERIAL), THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF MATERIAL EVENT OF SUCH OCCURRENCE WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH REPOSITORY.***

Section 4. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Issuer file the Annual Reports, the notices of any Listed Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Issuer may instead comply with the provisions of this Undertaking by filing the Annual Reports and such notices with a Central Post Office.

Section 5. Termination of Reporting Obligation.

(a) The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO EACH REPOSITORY AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.***

(b) To the extent applicable by provision of law, this Undertaking is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provision of which are incorporated herein.

Section 6. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is 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 the Issuer or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Issuer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authorizing Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report 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. Such 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 Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE ISSUER CHANGE, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT.***

Section 7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or Notice of

Material Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Material Event.

Section 8. Default. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authorizing Documents, and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.

Section 9. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in satisfying the obligations of the Owner hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or wilful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Dated: November 17, 2005

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By.....
Dustin Hull, Chairman, District Board

1506674.1-11/7/2005

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CLOSING CERTIFICATE OF THE DISTRICT

We, the undersigned Chairman and Clerk of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), hereby certify as follows:

(1) To partially finance the projects listed on *Exhibit A* hereto, we have executed $1,448,000 principal amount of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*"), and we are the duly qualified and acting officers indicated therein and authorized to execute the typewritten Bonds. We further certify that we have executed the Bonds by having our signatures affixed to the Bonds by mechanical reproduction and we hereby adopt as and for our respective signatures the respective signatures shown on the Bonds. The Bonds are dated November 17, 2005, maturing on July 1 in each of the years 2008 through 2020 and in the years 2025 and 2030. The Bonds are issued pursuant to an Indenture of Trust and Security Agreement dated as of November 1, 2005 (the "*Indenture*") by and between the District and Wells Fargo Bank, N.A., as trustee (the "*Trustee*").

Redemption: The Bonds are subject to call for optional, special and mandatory redemption, as provided in the Indenture.

Interest is payable on January 1 and July 1 of each year during the term of each of the Bonds, commencing on July 1, 2006.

(2) We further certify that, to the best of our knowledge, information and belief:

(i) (a) That on October 18, 2005, Resolution No. 10-05 of the District Board (the "*Resolution*") was duly adopted at a duly called meeting (the "*Meeting*") of the District Board, at which a quorum was present and acting throughout; that the Resolution has not been altered, amended, repealed, revoked or rescinded as of the date hereof; that notice of the Meeting was posted more than twenty-four (24) hours prior to the Meeting and that the Meeting was open to the public.

(b) That the Resolution duly authorized the issuance and sale of the Bonds and execution and delivery of the Purchase Contract for the Bonds, dated November 1, 2005 (the "*Purchase Contract*"), by and between the District and RBC Dain Rauscher Inc. (the "*Underwriter*"), the Indenture, the Continuing Disclosure Undertaking, dated November 1, 2005, executed by the District and the Dissemination Agency Agreement, dated as of November 1, 2005, between the District and RBC Dain Rauscher Inc. (collectively, with the

Purchase Contract, the Indenture and the Continuing Disclosure Undertaking hereafter referred to as the "*District Documents*").

(c) That the District has no rules of procedure which would invalidate or make ineffective the Resolution.

(d) That the copy of the Resolution included in the transcript of proceedings for the captioned Bonds is a true and correct copy of the Resolution.

(ii) The representations and warranties contained in the Purchase Contract are true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof.

(iii) Except as described in the Official Statement, dated November 1, 2005 relating to the Bonds (the "*Official Statement*"), no litigation is pending or threatened before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the issuance or delivery of the Bonds, the application of the proceeds thereof or the performance by the District of the provisions of the District Documents or the collection of special assessments for payment of the Bonds; (B) in any way contesting or affecting the authority for, or the validity of, the Purchase Contract or the application of the proceeds of the Bonds or (C) in any way contesting the existence or powers of the District.

(iv) No authority or proceedings for the issuance of the Bonds, including but not limited to the Resolution, has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the Bonds has been filed with or received by any of the undersigned persons.

(v) The District has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to, and to the extent possible before, the date hereof.

(vi) The Official Statement was, as of its date, and is, as of the date hereof, true, correct and complete in all material respects and did not, as of its date, and does not, as of the date hereof, include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading and no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect.

DATED: November 17, 2005.

Dustin "Dusty" Hull, Chairman, Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

Linda Garrison, Clerk, Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

KCH:gmh 613496.2 11/03/05

EXHIBIT A

ASSESSMENT DISTRICT NO. 1 PUBLIC INFRASTRUCTURE

Assessment District No. 1 shall finance the construction, installation or acquisition of public infrastructure (as such term is defined in the Act) described in the Feasibility Report, including particularly the acquisition, installation or construction by the District of the following:

Parcel	Lots	Description
A-1 Phase 1	24	Wahalla Lane, 264th Avenue
B-1	408	Ross Avenue, Potter Drive, Burnett Road, Mohawk Lane, Runion Drive, Runion Lane, Yukon Drive, Yukon Court, Tonopah Drive, Tonopah Street, Pontiac Drive, Sierra Pinta Drive, Escuda Drive, 262nd Drive, 263rd Drive, 264th Avenue, 264th Drive, 265th Avenue, 265th Drive, Sierra Pinta Drive.
C-1	143	Irma Lane, Burnett Road, Mohawk Lane, Runion Drive, Tonopah Drive, Tonopah Court, Yukon Court, 267th Avenue, 266th Avenue.
D-1	149	Ross Avenue, Potter Drive, Irma Lane, Mohawk Lane, Runion Drive, 268th Drive, 268th Avenue, 267th Drive, 267th Lane.

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

TAX CERTIFICATE OF THE DISTRICT

The undersigned are the Chairman of the District Board and Clerk of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*").

This Certificate is executed for the purpose of establishing certain facts existing as of the date hereof and the reasonable expectations of the District as to future events regarding the $1,448,000 principal amount of Festival Ranch Community Facilities District (Town of Buckeye, Arizona), Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*"), dated November 17, 2005. The Bonds mature on July 1 in the years and are subject to optional and mandatory redemption as shown on *Exhibit B* attached hereto and incorporated by reference herein.

The Bonds are authorized and issued pursuant to an Indenture of Trust and Security Agreement dated as of November 1, 2005 (the "*Indenture*") by and between the District and Wells Fargo Bank, N.A. (the "*Trustee*") and are being sold pursuant to a Purchase Contract dated November 1, 2005 (the "*Purchase Contract*") by and between the District and RBC Dain Rauscher Inc. (the "*Underwriter*") and a Official Statement dated November 1, 2005 (the "*Official Statement*").

This Certificate also sets forth certain terms and conditions relating to the restrictions on the use and investment of the proceeds of the Bonds in order that the interest on the Bonds will be exempt from taxation under the Internal Revenue Code of 1986, as amended (the "*Code*").

The certifications, covenants and representations contained herein are made on behalf of the District for the benefit of the owners from time to time of the Bonds. We hereby certify, covenant and represent for the District the following:

ARTICLE 1
GENERAL

Section 1.1. **Authorization**. The undersigned are duly authorized officers of the District charged, with others, with the responsibility for executing and delivering this Certificate on the date hereof.

Section 1.2. **Reliance on Other Parties**. The District in making the representations in this certificate relies on the representations of the Underwriter as set forth in the Purchase Contract and the Certificates of the Purchaser Regarding the Initial Offering Price of the Bonds to the Public and as to Yield (collectively, the "*Underwriter's Certificate*") dated as of November 17, 2005. The District is not aware of

any facts or circumstances that would cause it to question the accuracy or reasonableness of the representations of the Underwriter.

Section 1.3. **Purpose of the Bonds**. The Bonds are being issued to provide funds (A) to acquire and construct certain street improvements within the District and (B) to pay certain Issuance Costs of the Bonds.

Section 1.4. **Bond Counsel**. "*Bond Counsel*" means Gust Rosenfeld P.L.C. or any other nationally recognized firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by Underwriters of municipal bonds.

Section 1.5. **Additional Definitions**. The definitions and cross-references set forth in *Exhibit A*, attached hereto, apply to this Certificate and its attachments. The terms used herein and not otherwise defined in this Certificate and its attachments shall have the same meanings as defined in Sections 103 and 141 through 150 of the Code and the Treasury Regulations promulgated thereunder.

Section 1.6. **Reasonable Expectations**. To the best of each of the undersigned's knowledge, information and belief, the expectations contained in this Certificate are reasonable. On the basis of the information contained in this Certificate and its attachments, it is not expected that the Bonds will be "arbitrage bonds" within the meaning of Section 148 of the Code.

ARTICLE 2
ISSUE DATA

Section 2.1. **Governmental Unit**. The District is a Governmental Unit.

Section 2.2. **Bond Terms**. The Bonds shall have such terms as are set forth above. The Bonds are dated November 17, 2005, are issued as serial bonds maturing on July 1 in the years 2008 through and including 2020 and term bonds maturing on July 1 in the years 2025 and 2030, in the aggregate principal amount of $1,448,000. Interest on the Bonds shall be payable semiannually on January 1 and July 1 of each year during the term of the Bonds, commencing on July 1, 2006.

Section 2.3. **Sources and Uses of Proceeds**. The total sources and uses of the proceeds of the Bonds are as shown on *Exhibit C*, attached hereto.

Section 2.4. **Issue Price, Sale Proceeds and Net Sale Proceeds**. The Issue Price, Sale Proceeds and Net Sale Proceeds of the Bonds are as set forth on *Exhibit D* hereto.

Section 2.5. **Single Issue**. No other obligations other than the Bonds are (a) being sold at substantially the same time (within 15 days) as the Bonds, (b) being sold pursuant to the same plan of financing as the Bonds, and (c) reasonably expected to be paid from substantially the same source of funds as the Bonds, determined without regard to guarantees from unrelated parties. Accordingly, no obligations other than those that comprise the Bonds are a part of the same issue with the Bonds.

ARTICLE 3
ARBITRAGE (NONREBATE) MATTERS

Section 3.1. Disposition of Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods. As shown on *Exhibit C*, attached hereto, the following funds and accounts will be funded at Closing: Bond Fund, Acquisition and Construction Fund, Issuance and Expense Fund and Reserve Fund. A breakdown of the uses of such funds and the relevant Temporary Period, if applicable, is provided below:

(i) Underwriter's Discount. An amount of $43,440.00 from Bond proceeds will be retained by the Underwriter as Underwriter's compensation.

(ii) Reserve Fund. An amount of $113,782.50 from Bond proceeds will be deposited in the Reserve Fund and will be used to pay principal and interest on the Bonds in the event that insufficient money is available in the Bond Fund to pay principal and interest when due. The Reserve Fund will be replenished from the collections of delinquent assessments. Any amount remaining in the Reserve Fund on May 1, 2030 will be transferred to the Bond Fund.

(iv) Issuance Costs. An amount of $113,350.00 from Bond proceeds will be deposited in the Issuance and Expense Fund and used to pay Issuance Costs of the Bonds.

(v) Project Costs.

(a) An amount of $1,177,427.50 from Bond proceeds will be deposited in the Acquisition and Construction Fund and used by the District to acquire and construct certain public street improvements.

(b) The District expects that the Net Sale Proceeds allocable to the Bonds will be used to pay costs of the Project within three (3) years from the date hereof and will be applied in a manner that satisfies the requirements of Section 1.148-2(e)(2) of the Treasury Regulations pertaining to the general 3-year Temporary Period for capital projects set forth below:

(1) Expenditure Test. At least eighty-five percent (85%) of the Net Sale Proceeds allocable to the Bonds will be allocated to expenditures for the Project within three (3) years from the date hereof.

(2) Time Test. The District has incurred, or within six (6) months from the date hereof will incur, binding obligations with third parties to commence, acquire or construct the Project and to expend thereon at least five percent (5%) of the Net Sale Proceeds allocable to the Bonds. The binding obligation consists, or will consist, of one or more contracts for acquisition or construction of the Project which are not subject to contingencies which are within the District's or a Related Party's control.

(3) Due Diligence Test. Completion of the Project and the allocation of the Net Sale Proceeds allocable to the Bonds to expenditures will proceed with due diligence.

(c) The Net Sale Proceeds allocable to the Bonds deposited in the Acquisition and Construction Fund may be invested at a yield in excess of the yield of the Bonds and shall be subject to the arbitrage rebate requirements provided in Section 148 of the Code and the Treasury Regulations promulgated thereunder. On or after November 17, 2008, the District shall make appropriate yield reduction payments for any moneys in the Construction Fund which are allocable to the Bonds and invested at a yield in excess of the yield of the Bonds.

(d) Interest realized from investment of proceeds of the Bonds deposited in the Construction Fund may be invested in obligations without regard to yield limitation for the period ending on November 17, 2008 or, if longer, one year from the date of receipt, and shall be subject to the arbitrage rebate requirements provided in Section 148 of the Code and the Treasury Regulations promulgated thereunder.

Section 3.2. **Bond Fund; Temporary Period**.

(i) Bona Fide Debt Service Fund. The Bond Fund will be held as a bona fide debt service fund which will be used to pay the principal of and interest on the Bonds, as the same become due. It is reasonably expected that all amounts received as income from the investment of the Bond Fund will be expended to pay the principal of and interest on the Bonds within one year of the receipt thereof.

(ii) Thirteen-Month Temporary Period. Any moneys held in the Bond Fund and allocated to the Bonds, which are to be used to pay principal, interest or call premiums on the Bonds within thirteen (13) months of the receipt thereof, may be invested in obligations that bear a yield in excess of the Bonds. Any other allocable moneys in the Bond Fund may be invested in obligations that bear a yield that does not exceed the yield of the Bonds. Moneys in the Bond Fund are not subject to the arbitrage rebate requirements provided in Section 148 of the Code and the Treasury Regulations promulgated.

Section 3.3. **No Other Sinking or Pledged Funds**. The District has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay principal or interest on the Bonds other than the Bond Fund.

Section 3.4. **No Replacement**. That portion of the Bonds that is to be used to finance capital expenditures (meaning costs of a type that are properly chargeable to a capital account, or would be so chargeable with a proper election, under general federal income tax principles) has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of such capital expenditures. Amounts received from the sale of the Bonds, and amounts derived from investment of such amounts will not replace, directly or indirectly, moneys used, directly or indirectly, to acquire investments which could legally and practically be used to finance the Project, the District having no funds which could be used to finance the Project which are not pledged, budgeted, earmarked or expected to be used for other purposes. It is, therefore, not expected that amounts will replace, directly or indirectly, moneys used directly or indirectly to acquire investments which could be used for the purposes for which the Bonds are being used.

Section 3.5. **No Reimbursement**. Other than any reimbursement expenditures meeting the requirements of Section 1.150-2(d) or (f) of the Treasury Regulations, no portion of the proceeds from

the sale of the Bonds and the earnings from the investment of such proceeds will be used to reimburse the District for expenditures paid by the District prior to the date hereof.

Section 3.6. **No Overissuance**. The total proceeds to be received from the sale of the Bonds and anticipated investment earnings thereon do not exceed the total of the amount necessary to finance the governmental purposes for which the Bonds are issued as set forth in Section 1.5 of this Certificate.

Section 3.7. **Disposition of Project; Purchase of Bonds**. The District does not expect to dispose of the Project prior to the maturity or retirement of the Bonds, except for such minor parts or portions thereof as may be disposed of due to normal wear, obsolescence or depreciation. The District does not intend to purchase, directly or indirectly, any portion of the Bonds in a transaction or series of transactions that would reduce the yield of the Bonds.

Section 3.8. **Investment of Proceeds**. No portion of the Bonds is being issued solely for the purpose of investing the proceeds at a yield higher than the yield of the Bonds or to replace funds which were used, directly or indirectly, to acquire investments with a yield higher than the yield of the Bonds.

Section 3.9. **No Abusive Arbitrage Device**. The transaction contemplated herein does not represent an exploitation of the difference between taxable and tax-exempt interest rates to obtain a material advantage and does not overburden the tax-exempt bond market in that the District is not issuing more bonds, issuing bonds earlier or allowing bonds to remain outstanding longer than otherwise reasonably necessary to accomplish the governmental purposes of the Bonds.

ARTICLE 4
YIELD AND YIELD LIMITATIONS

Section 4.1. **Yield**. For purposes of this Certificate and its attachments, yield is calculated as set forth in Section 148(h) of the Code and Sections 1.148-4 and 1.148-5 of the Treasury Regulations. Hence, in general, yield means that discount rate which, when used in computing the present value of all unconditionally payable payments of principal and interest to be paid on an obligation and the cost of Qualified Guarantees (if any) paid and to be paid with respect to such obligation, produces an amount equal to the Issue Price of the obligation. The Underwriter certifies in the Underwriter's Certificate that the Initial Offering Price of the Bonds is $1,448,000.00, which represents the price at which, together with pre-issuance accrued interest, at least ten percent of each maturity of the Bonds were sold to the public (excluding bond houses, brokers and other intermediaries). For purposes hereof, all calculations of yield have been made on the basis of semiannual compounding using a 360-day year. The yield on the Bonds as computed by the Underwriter, is at least 5.3471%.

Section 4.2. **Continuing Nature of Yield Limits**. Once moneys are subject to the yield limits of Section 4.1 hereof, they remain yield restricted until they cease to be Gross Proceeds of the Bonds.

ARTICLE 5
ARBITRAGE REBATE REQUIREMENTS

Section 5.1. **Compliance with Rebate Requirements of the Code and Treasury Regulations**. The District will comply with the Rebate Requirements of the Code and Treasury Regulations by making or causing to be made such calculations and such payments as are necessary therefor.

Section 5.2. **Prohibited Payments; Specific Investments**. No transaction involving any Non-purpose Investment may be entered into that results in a smaller profit or a larger loss than would have resulted if such transaction had been at arm's length and had the yield on the Bonds not been relevant to either party. Moneys to be rebated to the United States shall be invested in investments that mature on or before the expected rebate date. All investments of Gross Proceeds and any amounts in the Rebate Fund shall be bought and sold at Fair Market Value. Except for Certificates of Deposit and Guaranteed Investment Contracts purchased for their Fair Market Value (see "Fair Market Value" in *Exhibit A* attached hereto) and except for United States Treasury Obligations which are purchased directly from the United States Treasury, the District will not purchase or cause to be purchased any investment that is not of a type traded on an established securities market (within the meaning of Section 15A.453-1(e)(4)(iv) of the Treasury Regulations).

Section 5.3. **Two-Year Spending Exception to Rebate Requirement**.

(a) Election to Use Actual Facts Instead of Expectations for the 75% Construction Expenditures Test. In general, in order to avail itself of the two-year rebate expenditure exception, the issuer must "reasonably expect" that at least seventy-five percent (75%) of the Available Construction Proceeds of the issue will be used for, or allocated to, Construction Expenditures. However, the issuer may elect on or before the Issuance Date to base the seventy-five percent (75%) test on "actual facts" as opposed to "reasonable expectations."

The District hereby elects pursuant to Section 1.148-7(f)(2) of the Treasury Regulations to base the seventy-five percent (75%) Construction Expenditures test of Section 1.148-7(f) on "actual facts."

(b) Election to Use Actual Facts Instead of Expectations to Determine Available Construction Proceeds for the First Three Semiannual Expenditure Dates. In general, for purposes of determining compliance with the first three spending periods set forth in Section 5.6(B) hereof, Available Construction Proceeds include the amount of future earnings that the issuer reasonably expected as of the Issuance Date. However, the issuer may elect on or before the Issuance Date to use actual facts instead of reasonable expectations to determine Available Construction Proceeds for the first three semiannual expenditure dates.

The District hereby elects pursuant to Section 1.148-7(f)(2) of the Treasury Regulations to use actual facts instead of reasonable expectations to determine Available Construction Proceeds for the first three semiannual expenditure dates.

Section 5.4. **18-Month Expenditure Exception**. Pursuant to Section 1.148-7(d)(3)(ii) of the Treasury Regulations, for purposes of determining compliance with the first two spending periods under Section 1.148-7(d)(1)(i) of the Treasury Regulations, the amount of investment earnings on the Sale Proceeds of the Bonds is reasonably expected to be $25,000.00.

ARTICLE 6
OTHER TAX MATTERS

Section 6.1 **Not Private Activity Bonds**. The Bonds are not Private Activity Bonds because they do not satisfy both the Private Use Test and the Private Payment or Security Test or the Private Loan Financing Test.

(i) Private Use Test. No portion of the Proceeds of the Bonds will be used to finance an output facility (within the meaning of the Code). The District will not use any of the Proceeds of the Bonds or any of the property acquired, constructed, remodeled, renovated or equipped out of the Proceeds of the Bonds or any proceeds of disposition of such property or suffer or permit such property or proceeds to be used in such a manner that (a) ten percent (10%) or more of the Proceeds of the Bonds are used directly or indirectly in any activity constituting a trade or business by entities other than state or local governmental units (except for use on the same basis as the general public), (b) five percent (5%) or more of the Proceeds of the Bonds are used as described in (a) either (i) in a manner unrelated to the governmental purpose for which the Bonds are issued or (ii) in a manner related to a governmental purpose for which the Bonds are issued, but in an amount in excess of the amount used for the governmental purpose to which such use relates.

(ii) Private Payment or Security Test. Except for special assessments on property within the assessment district described in the Resolution, the District will not cause the payment of the principal of, or interest on more than ten percent (10%) of the proceeds of the Bonds to be (under the terms of the issue or any underlying arrangement), directly or indirectly, (a) secured by any interest in (i) property used or to be used in a trade or business carried on by a person other than a state or local government unit (except for use on the same basis as the general public), or (ii) payments in respect of such property; or (b) derived from payments (whether or not the District) in respect of property, or borrowed money, used or to be used in a trade or business carried on by a person other than a state or local governmental unit (except for use on the same basis as the general public). For the purpose of this paragraph, any activity of a person other than a natural person shall be treated as a trade or business.

(iii) Private Loan Financing Test. The District will not use any of the Proceeds of the Bonds in a manner that five percent (5%) (or $5,000,000, if less) of the Proceeds of the Bonds are used directly or indirectly to make or finance loans to entities other than state or local governmental units (other than being used to acquire or carry investments which are not being acquired for the purpose of carrying out the purpose for which the Bonds are issued or being used to finance the assessments).

Section 6.2. **Bonds Not Federally Guaranteed**. Except for the investments of the type described in the last sentence of this Section 6.2, no portion of the payment of principal or interest on the Bonds or any credit enhancement or liquidity device relating to the foregoing is or will be guaranteed, directly or indirectly (in whole or in part), by the United States (or any agency or instrumentality thereof). No portion of the Gross Proceeds of the Bonds has been or will be used to make loans the payment of principal or interest with respect to which is or will be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof), or invested (directly or indirectly) in federally insured deposits or accounts. The foregoing provisions shall not apply to (A) proceeds of the Bonds invested for an initial temporary period, as described in Section 148(a) of the Code, until such proceeds are needed for the purpose for which said obligations were issued, (B) investments in a bona fide debt service fund (as defined in Section 1.148-1(b) of the Treasury Regulations), (C) investments in a reasonably required reserve or replacement fund that meets the requirements of Section 148(d) of the Code, (D) investments in obligations

issued by the United States Treasury, or (E) any other investments permitted under the Treasury Regulations.

Section 6.3. **Information Return**. The information contained in the Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, is true and complete to the best of the knowledge and belief of the undersigned. The District will file with the Internal Revenue Service Form 8038-G (and all other required reporting forms) within the time and in the manner prescribed by the Internal Revenue Service under Section 149(e) of the Code.

ARTICLE 7
MISCELLANEOUS

Section 7.1. **Future Events**. The District acknowledges that any changes in facts or expectations from those set forth in this certificate could give rise to different yield restrictions or rebate requirements from those set forth herein. The District shall promptly contact Bond Counsel if such changes do occur.

Section 7.2. **Permitted Changes; Opinion of Bond Counsel**. In the Resolution, the District covenanted to comply with requirements necessary in order for interest on the Bonds to remain tax exempt for federal income tax purposes under the provisions of the Code. To implement the covenants in the Resolution, the District, certifies, represents to and covenants with the owners from time to time of the Bonds comply with the provisions of this certificate unless and until it receives the opinion of Bond Counsel to the effect that continued compliance with such provision or provisions is not necessary for interest on the Bonds to remain tax exempt under the Code.

Section 7.3. **Successors and Assigns**. The terms, provisions and conditions of this Tax Certificate shall bind and inure to the benefit of the respective successors and assigns of the District.

Section 7.4. **Headings**. The headings of this Tax Certificate are inserted for convenience only and shall not be deemed to constitute a part of this Tax Certificate.

DATED: November 17, 2005

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
Dustin "Dusty" Hull, Chairman, Board of Directors

By _____
Linda Garrison, Clerk

KCH:gmh 613507.2 11/03/05

EXHIBIT A

DEFINITIONS

The following terms, as used in this Exhibit A and in the Tax Certificate to which it is attached and in the other Exhibits to the Tax Certificate, have the following meanings:

"***Bona Fide Debt Service Fund***" means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more bond or note issues, the portion of that fund allocable to an issue pursuant to applicable Treasury Regulations) or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues and Debt Service on an issue within each Bond Year and that is depleted at least once each Bond Year except for a reasonable carryover amount (not to exceed the greater of the earnings on the fund for the immediately preceding Bond Year or one-twelfth of the principal and interest payments on the Bonds for the immediately preceding Bond Year.

"***Bond Year***" means the annual period relevant to the application of Section 148(f) to the issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of the issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"***Certificates of Deposit***" means an instrument that has a fixed interest rate, a fixed principal payment schedule, a fixed maturity and a substantial penalty for early withdrawal.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Controlled***" or "***Controlled Group***" means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Section 1.150-1(e) of the Treasury Regulations.

"***Fair Market Value***" means, in the case of an investment, the price at which a willing buyer would purchase the investment from a willing seller. If the investment is not readily salable, the Fair Market Value shall be determined by taking into account the price at which a willing buyer would purchase the same (or a substantially similar) investment from the issuer of the investment. The price shall not be increased by brokerage commissions, administrative expenses or similar expenses. The price at which a willing buyer would purchase an investment that is traded in an established securities market (within the meaning of Section 15A.453-1(e)(4)(iv) of the Treasury Regulations) shall generally be determined as provided in Section 20.2031-2 of the Treasury Regulations (relating to estate tax). Different guidelines exist for determining the Fair Market Value of Certificates of Deposit and Guaranteed Investment Contracts as described in subparagraphs (A) and (B), below.

(A) Certificates of Deposit. The purchase of a Certificate of Deposit will be deemed to be an investment purchased at its Fair Market Value if the price at which it is purchased or sold is the bona fide bid price quoted by a dealer who maintains an active secondary market in such Certificates of Deposit. If there is no active secondary market in such Certificates of Deposit, the purchase of such Certificate of Deposit will be deemed to be an investment purchased at its Fair Market Value if (i) at least three bona fide bids are received from unrelated financial institutions, (ii) the Certificate of Deposit is purchased from the financial institution offering the highest yield, (iii) the yield on the Certificate of Deposit is not less than the yield then currently available from the provider on comparable Certificates of Deposit offered to other persons from a source of funds other than Gross Proceeds of an issue of tax-exempt bonds, and (iv) such yield is not less than the yield on reasonably comparable direct obligations of the United States. Notwithstanding anything stated previously in this subparagraph (A), the yield of a Certificate of Deposit is not less than the highest yield that is published or posted by the provider to be currently available from the provider on comparable Certificates of Deposit offered

to the public and such yield is not less than the yield on reasonably comparable direct obligations of the United States.

(B) Guaranteed Investment Contracts. A Guaranteed Investment Contract (a "GIC") will be deemed to be an investment purchased at its Fair Market Value if (i) at least three bids on the GIC from persons other than those with a material financial interest in the tax-exempt issue (e.g., underwriters) are received, (ii) the yield on the GIC purchased is at least equal to the yield offered under the highest bid received from an uninterested party, (iii) the yield on the GIC purchased is at least equal to the yield offered on reasonably comparable GICs offered to other persons, if any, from a source of funds other than Gross Proceeds of an issue of tax-exempt bonds, (iv) the price of the GIC purchased takes into account as a significant factor the issuer's expected drawdown for the funds to be invested (exclusive of float funds and reasonably required reserve or replacement funds), (v) any collateral security requirements for the GIC purchased are reasonable, based upon all facts and circumstances, and (vi) the obligor on or provider of the GIC purchased certifies as to the amount of administrative costs that are reasonably expected to be paid to third parties in connection with the GIC. For purposes of establishing the Fair Market Value of such a GIC, administrative costs of the GIC include brokerage or selling commissions paid by or on behalf of the issuer [or borrower] of the tax-exempt obligations or the obligor on or provider of the GIC, legal and accounting fees, investment advisory fees, recordkeeping, safekeeping, custody and other similar costs or expenses. The GIC may be purchased from an obligor or provider that has a material financial interest in the tax-exempt issue only if the yield on the GIC is at least as high as the highest-yielding GIC for which a qualifying bid is made. Notwithstanding anything stated previously in this subparagraph (B), the purchase of any GIC will be at Fair Market Value if the investment contract has a term of six months or less, the GIC is traded on an established securities market (within the meaning of Section 15A.453-1(e)(4)(iv) of the Treasury Regulations) or the yield (including administrative fees) on the GIC is more than 1/4% (.25%) below the yield on the Bonds and such GIC is not entered into for the purpose of offsetting arbitrage earned or to be earned on other investments of Gross Proceeds.

"***501(c)(3) Organization***" means an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code.

"***Governmental Unit***" means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a "state or local governmental unit" in Section 1.104-1(a) of the Treasury Regulations. "Governmental Unit" does not include the United States or any agency or instrumentality of the United States.

"***Gross Proceeds***" means Proceeds plus Replacement Proceeds of an issue. See Section 1.148-1(b) of the Treasury Regulations.

"***Guaranteed Investment Contract***" includes (i) any investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate and (ii) any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

"***Higher Yielding Investments***" means any investment property (as defined in Sections 148(b)(2) and (b)(3) of the Code) that produces a yield that (i) in the case of investment property allocable to Replacement Proceeds of an issue and investment property in a refunding escrow, is more than one thousandth of one percentage point (.00001) higher than the yield on the applicable issue, and (ii) for all other purposes of this Certificate, is more than one-eighth of one percentage point (.00125) higher than the yield on the applicable issue.

"***Issuance Costs***" means any financial, legal administrative and other fees or costs incurred in connection with the issuance of an issue, including underwriter's compensation withheld from the Issue Price. See Section 1.150-1(b) of the Treasury Regulations.

"***Issuance Date***" means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue. See Section 1.150-1(b) of the Treasury Regulations.

"***Issue Price***" has the meaning set forth in the Tax Certificate and the Underwriter's Certificates.

"***Minor Portion***" means an amount equal to the lesser of $100,000 or 5% of the Sale Proceeds of an issue. See Section 1.148-1(b) of the Treasury Regulations.

"***Non-purpose Investments***" means any investment property that is acquired with Gross proceeds as an investment and not in carrying out any governmental purpose of the issue. "Non-purpose Investments" does not include any investment that is not regarded as "investment property" or a "non-purpose investment" for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a "Non-purpose Investment" within the applicable meaning of Section 148 of the Code and the Treasury Regulations promulgated thereunder.

"***Pre-Issuance Accrued Interest***" means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after the Issuance Date.

"***Private Activity Bonds***" means obligations of an issue where both the Private Business use Test and the Private Security or Payment Tests are met or where the Private Loan Financing Test is met.

(A) Private Business Use Test. Generally, an issue of bonds will meet the Private Business Use Test if more than ten percent (10%) of the proceeds of the bonds are to be used for any Private Business Use. See Section 141(b)(1) of the Code.

(B) Private Security or Payment Test. Generally, an issue of bonds will meet the Private Security or Payment Test if the payment of the principal of (or interest on) bonds representing more than ten percent (10%) of the proceeds of the issue (i) is secured by (a) any interest in property used in or for a Private Business Use or (b) payments with respect to such property or (ii) is to be derived from payments in respect of property or borrowed money used for a Private Business Use. See Section 141(b)(2) of the Code.

(C) Private Loan Financing Test. Obligations of an issue are also Private Activity Bonds if more than five percent (5%) of the proceeds (or $5 million, if less) of the issue are to be used to make or finance loans to Private Persons.

"***Private Business Use***" means any use (direct or indirect) in a trade or business carried on by any person other than a Governmental Unit. Any activity by a corporation, association, or partnership is treated as a trade or business activity.

"***Private Person***" means any natural person or any artificial person, including a corporation, partnership, trust or other entity, that is not a Governmental Unit and that is not acting solely and directly as an officer or employee of or on behalf of the issuer or another Governmental Unit.

"***Qualified Guarantee***" means any guarantee of an obligation that constitutes a "qualified guarantee" within the meaning of Section 1.148-4(f) of the Treasury Regulations.

"***Rebate Amount***" means with respect to an issue as of any date the excess of future value, as of that date, of all receipts on Non-purpose Investments acquired with Gross Proceeds of the issue over the future

value, as of that date, of all payments on Non-purpose Investments acquired with Gross Proceeds of the issue, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

"***Related Party***" means in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group, and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a related person is defined in Section 144(a)(3) of the Code.

"***Replacement Proceeds***" means with respect to an issue, amounts (including any investment income but excluding any proceeds of that issue) replaced by proceeds of that issue pursuant to Section 148(a)(2) of the Code. Replacement Proceeds may include amounts held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

"***Sale Proceeds***" means that portion of the Issue Price actually or constructively received by the issuer upon the sale or other disposition of an issue, including any underwriter's compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest. See Section 1.148-1(b) of the Treasury Regulations.

"***Temporary Period***" means the period of time, as set forth in the Tax Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148 of the Code.

"***Transferred Proceeds***" means that portion of the proceeds of an issue (including Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of that issue is discharged with the proceeds of a refunding issue and that thereupon becomes proceeds of the refunding issue in accordance with Section 1.148-9(b) of the Treasury Regulations. Transferred Proceeds do not include Replacement Proceeds.

The terms **"bond"**, **"reasonable retainage"**, **"reasonably required reserve or replacement fund"**, **"loan"**, **"sinking fund"**, **"multipurpose issue"**, **"purpose investment"**, **"variable yield issue"** and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

EXHIBIT B

Maturity Schedule

Maturity Date (July 1)	Principal Amount	Interest Rate
2008	$ 33,000	4.000%
2009	35,000	4.200%
2010	40,000	4.375%
2011	40,000	4.550%
2012	40,000	4.700%
2013	45,000	4.800%
2014	45,000	4.900%
2015	50,000	5.000%
2016	50,000	5.100%
2017	55,000	5.150%
2018	55,000	5.200%
2019	60,000	5.250%
2020	60,000	5.300%
2025*	365,000	5.400%
2030*	475,000	5.550%

* Term Bond

REDEMPTION TERMS

Special Redemption: The Bonds will be redeemed from funds of the Issuer at the option of the Issuer in whole or, from time to time, in part on any Interest Payment Date (as such term is defined in the Official Statement), as randomly determined by the Trustee within the applicable maturity, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which shall consist of the principal amount of the Bonds so redeemed, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium (i) if and to the extent on or after the completion of the Public Infrastructure (as such term is defined in the Official Statement), but in no event later than July 1, 2008, amounts are transferred from the Acquisition and Construction Fund for such purpose, and (ii) from the proceeds received from any foreclosure sale of any assessed parcel, to the extent such proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

Special Optional Redemption: The Bonds will be redeemable from funds of the Issuer at the option of the Issuer in whole on any date or, from time to time, in part on any Interest Payment Date, as randomly determined by the Trustee within the applicable maturity, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to

the applicable redemption date without premium from, and only from, funds of the Issuer, which are prepaid with respect to the Special Assessments and are deposited for such purpose plus amounts in excess of the Reserve Fund Requirement (as such terms is defined in the Bond Resolution) as a result of prepayment and which are available for such purpose and from a transfer of Reserve Fund moneys if such moneys are sufficient to redeem all the Bonds.

Optional Redemption: The Bonds will also be redeemable, on or after July 1, 2015, at the option of the Issuer prior to the applicable maturity in whole on any date or, from time to time, in part on any Interest Payment Date as randomly determined by the Trustee within the applicable maturity upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium.

Mandatory Redemption: The Bonds maturing on July 1 of the following years will be redeemed from funds of the Issuer prior to the applicable maturity on the following redemption dates and in the following (sinking fund) amounts upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date:

Redemption Date (July 1)	Principal Amount
Bonds Maturing in 2025	
2021	$ 65,000
2022	70,000
2023	75,000
2024	75,000
Bonds Maturing in 2030	
2026	$ 85,000
2027	90,000
2028	95,000
2029	100,000

Whenever Bonds of such maturity are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a *pro-rata* basis against the remaining mandatory redemption requirements for the Bonds of such maturity.

EXHIBIT C

SOURCES AND USES OF BOND PROCEEDS, ASSESSMENTS PAID IN CASH AND DEVELOPER'S CONTRIBUTION

SOURCES	
Principal amount of Bonds	$1,448,000.00
TOTAL SOURCES	$1,448,000.00
USES	
Deposit to Construction and Acquisition Fund	$1,177,427.50
Deposit to the Issuance and Expenses Fund	113,350.00
Underwriter's compensation	43,440.00
Deposit to Reserve Fund	113,782.50
TOTAL USES	$1,448,000.00

KCH:gmh 613507.2 11/03/05

EXHIBIT D

Principal Amount of Bonds (Issue Price and Sale Proceeds)	$1,448,000.00
Less: Sale Proceeds deposited in Reserve Fund	(113,782.50)
Less: Minor Portion	(72,400.00)
NET SALE PROCEEDS	$1,261,817.50

KCH:gmh 613507.2 11/03/05

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CLOSING CERTIFICATE OF
TOWN OF BUCKEYE, ARIZONA

The undersigned, the Mayor and the Town Clerk of the Town of Buckeye, Arizona (the "*Town*"), acting for and on behalf of the Town, HEREBY CERTIFY as follows:

1. That they are the duly chosen, qualified and acting Mayor and Town Clerk of the Town, respectively, and as such are familiar with the properties, affairs, books and corporate records of the Town.

2. That the Town is a duly incorporated and validly existing municipal corporation of the State of Arizona and is governed by duly elected and qualified Mayor and six Council Members.

3. (a) That on April 19, 2005, Resolution No. 39-05 (the "*Resolution*") of the Mayor and Council of the Town, ordering formation of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") was duly adopted by the Mayor and Council of the Town at a duly called meeting (the "*Meeting*") of the Mayor and Council of the Town at which a quorum was present and acting throughout; that the Resolution has not been altered, amended, repealed, revoked or rescinded as of the date hereof; that notice of the Meeting was posted more than 24 hours prior to the Meeting and that the Meeting was open to the public.

(b) That the Town has no rules of procedure which would invalidate or make ineffective the Resolution.

(c) That the Resolution has not been repealed, revoked or rescinded.

4. That, on the date hereof, the persons named below are the duly qualified and acting incumbents of the offices of the Town set forth below their respective signatures and the signatures appearing above their respective names are the genuine official signatures of said officers.

5. That, to the knowledge of the undersigned, no litigation or proceeding is pending or threatened in any court or administrative body contesting the due organization and valid existence of the Council of the Town or the Town, the titles of the Mayor and members of the Council of the Town to their respective offices or the validity, due authorization and execution of the Resolution; contesting the due organization or valid existence of the District.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and the seal of the City on November 17, 2005.

TOWN OF BUCKEYE, ARIZONA

By _____
Mayor

By _____
Town Clerk

KCH:gmh 613517 11/02/05

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CLOSING CERTIFICATE OF
PULTE HOME CORPORATION

The undersigned, the Vice President and the Assistant Secretary of Pulte Home Corporation, a Michigan corporation (the "*Company*"), acting for and on behalf of the Company, HEREBY CERTIFY as follows:

1. They are duly qualified and acting Vice President and Assistant Secretary of the Company, respectively, and as such officers are familiar with the books and corporate records of the Company.

2. The Company is a duly incorporated and validly existing corporation under the laws of the State of Michigan, and the Company has no proceedings pending or contemplated with a view to liquidation or dissolution.

3. The Company has the power and authority to execute and deliver the following documents (collectively, the "*Documents*") and that as executed and delivered by the duly authorized representatives of the Company were approved or the execution and delivery thereof was duly authorized by the Company and such approvals and authorizations remain in full force and effect and have not been repealed, revoked or rescinded and such Documents have not been modified or amended:

(a) The Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District (Buckeye, Arizona) recorded in Maricopa County, Arizona on April 22, 2005 at Docket No. 2005-0523800;

(b) The Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement Pertaining to Assessment District No. 1, recorded in Maricopa County, Arizona on September 12, 2005, at Docket No. 2005-1333865;

(c) The Letter of Indemnity dated November 1, 2005 (the "*Indemnity Letter*") from the Company to the Festival Ranch Community Facilities District (the "*District*") and RBC Dain Rauscher Inc. (the "*Underwriter*");

(d) The Continuing Disclosure Undertaking (Owner) dated November 17, 2005 from the Company; and

(e) The Dissemination Agency Agreement dated as of November 1, 2005 by and between the Company and the Underwriter.

4. The officers executing and delivering the Documents had the authority to execute and deliver the Documents.

5. The persons named below were on the date or dates of the execution or acceptance of the Documents, and are on the date hereof, the duly qualified and acting incumbents of the offices of the Company appearing below and the signatures appearing below are the genuine official signatures of said officers.

NAME	TITLE
Jeffrey V. Romaine	Vice President
Patricia M. Fairfield	Assistant Secretary

6. The Documents will not conflict with or result in a violation of any contract, indenture, instrument or other agreement to which the Company is a party or by which it or its properties are bound.

7. The consummation of the transactions contemplated by the Documents and the Development Agreement and compliance by the Company with the provisions thereof will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, any material indenture, agreement or other instrument to which the Company is a party or by which the Company may be bound, which would materially affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Company taken as a whole.

8. No material consent, approval, authorization or other action by, or filing with, any federal, State or local government authority is required in connection with the execution, delivery and performance by the Company of the obligations of the Company under the Documents or to conduct the business of the Company as presently being conducted and as described in the Official Statement dated November 1, 2005 pertaining to the above-referenced Bonds (the "*Official Statement*").

9. The Company is the sole fee title owner of all of the real property that is assessed in Assessment District No. 1 (the "*Property*") and the Company has accepted the assessments levied against the lots and parcels comprising the Property in the amounts set forth in the assessment approved by the District governing board on October 18, 2005.

10. Except as set forth in the Official Statement, no litigation or administrative action or proceeding is pending or, to the knowledge of the undersigned, threatened, restraining or enjoining, or seeking to restrain or enjoin, the Company from consummating the transactions contemplated by the Documents.

11. That the Company is not in default in the payment of principal of or interest on any of its indebtedness for borrowed money and is not in default under any instruments or agreements under or subject to which any indebtedness for borrowed money has been incurred and no event has occurred and is continuing under the provisions of any such instrument or agreement which, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder and there has not occurred any material change or any development involving a prospective material change in the condition, financial or otherwise, or in the revenues or operations of the Company.

12. No litigation or administrative action or proceeding is pending or, to the knowledge of the undersigned, threatened, restraining or enjoining, or seeking to restrain or enjoin, the effectiveness or validity of any the proceedings relating to the formation of the District or Assessment District No. 1, the levying of the assessment, or the issuance of the Bonds or the Documents or the performance by the Company of its obligations set forth in the Documents or the conduct of the Company's business as described in the Official Statement, or contesting or questioning the proceedings and authority under which the Documents have been authorized and are delivered and executed.

13. Attached hereto as *Exhibit A* is a true, complete and correct copy of the certificate of incorporation of the Company which was in full force and effect as of November 1, 2005, and which has been in effect from that date to the date hereof and that the certificate of incorporation has not been amended.

14. Attached hereto as *Exhibit B* is a true, complete and correct copy of a Certificate of Good Standing as to the Company issued by the Arizona Corporation Commission dated November 3, 2005. Nothing has occurred since the date of the Certificate of Good Standing that would cause the Company to no longer be in good standing.

15. The officers of the Company hereby represent that, with respect to the Property, the Company is proceeding with all reasonable speed to develop and sell the Property to members of the general public for residential use.

16. All of the representations and warranties of the Company made and contained in the Documents (which representations and warranties are hereby incorporated and stated herein by reference as fully and with the same effect as if set forth at length herein) are true and correct as of the date hereof as if said representations and warranties were made as of the date hereof, and with respect to the Indemnity Letter, the representations and warranties in paragraphs 1(b) and (d) would be accurate if the reference therein to the "Preliminary Official Statement" were changed to "Official Statement".

17. The information contained in the Official Statement dated November 1, 2005 under the headings "THE DISTRICT AND THE ASSESSMENT AREA," "SECURITY FOR AND SOURCES OF PAYMENT – Special Assessment Amounts and Land Values," "THE PUBLIC INFRASTRUCTURE," "THE OTHER INFRASTRUCTURE," "LAND DEVELOPMENT," "THE OWNER" and "RISK FACTORS" and in Appendix C – "APPRAISAL" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

18. The Company has reviewed the Appraisal dated August 17, 2005 of Burke Hansen, LLC ("*Appraisal*") of the Property and believes that the estimated values of the appraised properties contained in the Appraisal were not unreasonable in light of all facts and circumstances known to the Company.

19. The Company is not now insolvent, nor did the levy of the assessments against property in the District owned by the Company render such Company insolvent or incapable of the performance of any of its obligations including without limitation the Company's ability to pay future assessments against such property nor does the levy of the assessments or the current financial standing of the Company leave the Company with unreasonably small capital or assets rendering the Developer incapable of developing the development described in the Official Statement.

20. The Company certifies that all improvements financed with the Bonds will be owned by a governmental entity and available for use by the general public and that the Company will proceed with all reasonable speed to develop such improvements and the property benefited thereby and to transfer said improvements to the District after the property benefited thereby is developed.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on November 17, 2005.

PULTE HOME CORPORATION, a Michigan corporation

By: _____
Name: Jeffrey V. Romaine
Title: Vice President

By: _____
Name: Patricia M. Fairfield
Title: Assistant Secretary

ATTACHMENTS

Exhibit A – Articles of Incorporation
Exhibit B - Certificate of Good Standing

UNITED STATES OF AMERICA

The State of Michigan

Michigan Department of Labor & Economic Growth

Lansing, Michigan

This is to Certify That

PULTE HOME CORPORATION

was validly incorporated on January 24, 1985, as a Michigan profit corporation, and said corporation is validly in existence under the laws of this state.

This certificate is issued pursuant to the provisions of 1972 PA 284, as amended, to attest to the fact that the corporation is in good standing in Michigan as of this date and is duly authorized to transact business and for no other purpose.

This certificate is in due form, made by me as the proper officer, and is entitled to have full faith and credit given it in every court and office within the United States.

In testimony whereof, I have hereunto set my hand, in the City of Lansing, this 3rd day of November, 2005.

Andrew L. Metcalf, *Director*

Bureau of Commercial Services

GOLD SEAL APPEARS ONLY ON ORIGINAL

EXHIBIT A

UNITED STATES OF AMERICA

The State of Michigan

Michigan Department of Labor & Economic Growth

Lansing, Michigan

This is to Certify that the annexed copy has been compared by me with the record on file in this Department and that the same is a true copy thereof.

This certificate is in due form, made by me as the proper officer, and is entitled to have full faith and credit given it in every court and office within the United States.

In testimony whereof, I have hereunto set my hand, in the City of Lansing, this 3rd day of November, 2005

Andrew L. Metcalf, *Director*

Bureau of Commercial Services

GOLD SEAL APPEARS ONLY ON ORIGINAL

RECEIVED

JAN 24 1995

MICHIGAN DEPT. OF COMMERCE

C&S-500

MICHIGAN DEPARTMENT OF COMMERCE -
CORPORATION AND SECURITIES BUREAU

FILED

JAN 24 1995

Admin. Code
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

Effective Date:

CORPORATION IDENTIFICATION NUMBER 150 148

ARTICLES OF INCORPORATION
For use by Domestic Profit Corporations

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is: Pulte Michigan Corporation

ARTICLE II

The purpose or purposes for which the corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the Business Corporation Act of Michigan.

ARTICLE III

The total authorized capital stock is:

1.	Common Shares	25,000	Par Value Per Share	$0.01
	Preferred Shares	25,000	Par Value Per Share	$0.01

and/or shares without par value as follows:

2.	Common Shares	N/A	Stated Value Per Share	
	Preferred Shares	N/A	Stated Value Per Share	

L APPEARS ONLY ON ORIGINAL

3. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows:

Provisions Relating to Preferred Stock

The Board of Directors may cause the Corporation to issue Preferred Stock in one or more series, each series to bear a distinctive designation and to have such relative rights and preferences as shall be prescribed by resolution of the board; such resolutions, when filed, shall constitute amendments to these articles of incorporation. Without limiting the generality of the grant of authority contained in the preceding sentence, the Board of Directors is authorized to determine any or all of the following, and the shares of each series may vary from the shares of any other series in any or all of the following respects:

a. The number of shares of such series (which may subsequently be increased, except as otherwise provided by the resolutions of the Board of Directors providing for the issue of such series, or decreased to a number not less than the number of shares then outstanding) and the distinctive designation thereof;

b. The dividend rights, if any, of such series; the dividend preferences, if any, as between such series and any other class or series of stock; whether and the extent to which shares of such series shall be entitled to participate in dividends with shares of any other series or class of stock; whether and the extent to which dividends on such series shall be cumulative; and any limitations, restrictions or conditions on the payment of such dividends;

c. The time or times during which, the price or prices at which, and any other terms or conditions on which the shares of such series may be redeemed, if redeemable;

d. The rights of such series, and the preferences, if any, as between such series and any other class or series of stock, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation and whether and the extent to which shares of any such series shall be entitled to participate in such event with any other class or series of stock;

e. The voting powers, if any, in addition to the voting powers prescribed by law of shares of such series, and the terms of exercise of such voting powers;

f. Whether shares of such series shall be convertible into or exchangeable for shares of any other series or class of stock, or of any series of the same class, or any other securities, and the terms and conditions, if any, applicable to such right;

GOLD SEAL APPEARS ONLY ON ORIGINAL

g. The terms and conditions, if any, of any purchase, retirement or sinking fund which may be provided for the shares of such series;

h. Any other preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, in relation to stock of any other class or series thereof or of any other series of the same class, as shall not be inconsistent with law or the provisions of this Article III.

ARTICLE IV

1. The address of the registered office is:

   6400 Farmington Road, West Bloomfield, Michigan 48033

2. The mailing address of the registered office if different than above:

   N/A

3. The name of the resident agent at the registered office is:

   David Ebling

ARTICLE V

The name and address of the incorporator is as follows:

Name	Residence or Business Address
Gregory Nelson	6400 Farmington Road West Bloomfield, Michigan 48033

ARTICLE VI

Any action required or permitted by the Act to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to shareholders who have not consented in writing.

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ARTICLE VII

The Corporation expressly elects not to be governed by Chapter 7A of the Michigan Business Corporation Act, being Sections 775 through 784 of the Michigan Business Corporation Act.

I, the incorporator, sign my name this 22nd day of January, 1985.

Gregory Nelson

RK9q

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CAS-500 (Rev 1-84)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Jeanette M. Sermo
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Name of person or organization remitting fees:

Honigman Miller Schwartz and Cohn

Preparer's name and business telephone number:

Jeanette M. Sermo

(313) 256-7634

INFORMATION AND INSTRUCTIONS

1. This form is issued under the authority of Act 284, P.A. of 1972, as amended. The articles of incorporation cannot be filed until this form, or a comparable document, is submitted.
2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to the provisions of Act 284, P.A. of 1972, by one or more persons for the purpose of forming a domestic profit corporation.
4. Article I — The corporate name of a domestic profit corporation is required to contain one of the following words or abbreviations: "Corporation", "Company", "Incorporated", "Limited", "Corp.", "Co.", "Inc.", or "Ltd.".
5. Article II — State, in general terms, the character of the particular business to be carried on. Under section 202(b) of the Act, it is sufficient to state substantially, alone or without specifically enumerated purposes, that the corporation may engage in any activity within the purposes for which corporations may be organized under the Act. The Act requires, however, that educational corporations state their specific purposes.
6. Article III (2) — The Act requires the incorporators of a domestic corporation having shares without par value to submit in writing the amount of consideration proposed to be received for each share which shall be allocated to stated capital. Such stated value may be indicated either in item 2 of article III or in a written statement accompanying the articles of incorporation.
7. Article IV — A post office box may not be designated as the address of the registered office. The mailing address may differ from the address of the registered office only if a post office box address in the same city as the registered office is designated as the mailing address.
8. Article V — The Act requires one or more incorporators. The address(es) should include a street number and name (or other designation), city and state.
9. The duration of the corporation should be stated in the articles only if the duration is not perpetual.
10. This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated as an additional article.
11. The articles must be signed in ink by each incorporator. The names of the incorporators as set out in article V should correspond with the signatures.
12. FEES: Filing fee $10.00

    Franchise fee — ½ mill (.0005) on each dollar of authorized capital stock, with a minimum franchise fee of $25.00

    Total minimum fees (Make remittance payable to State of Michigan) $35.00
13. Mail form and fee to:

    Michigan Department of Commerce, Corporation and Securities Bureau, Corporation Division, P.O. Box 30054, Lansing, MI 48909, Telephone: (517) 373-0493

C&S-515 (Rev. 1-83)

MICHIGAN DEPARTMENT OF COMMERCE – CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

FEB 19 1985

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

Date Received

FEB 19 1985

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF INCORPORATION

For use by Domestic Corporations

(Please read instructions on last page before completing form)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), or Act 162, Public Acts of 1982 (nonprofit corporations), the undersigned corporation executes the following Certificate:

1. The name of the corporation is: Pulte Michigan Corporation

2. The corporation identification number (CID) assigned by the Bureau is: 1 5 0 — 1 4 8

3. The location of its registered office is:

6400 Farmington Road, (Street Address) West Bloomfield (City), Michigan 48033 (ZIP Code)

4. Article VII of the Articles of Incorporation is hereby amended to read as follows:

Pursuant to Section 784(1)(b) of the Michigan Business Corporation Act, the Corporation expressly elects not to be governed by Chapter 7A of the Michigan Business Corporation Act, being Sections 775 through 784 of the Michigan Business Corporation Act; provided that the Corporation's Board of Directors may terminate this election in whole or in part by action of the majority of directors then in office.

5. The foregoing amendment to the Articles of Incorporation was duly adopted on the 12th day of February, 19 85, in accordance with the provisions of the Act.

This Amendment (Complete and execute either a or b below, but not both.)

a. ☐ was duly adopted by the unanimous consent of the incorporator(s) before the first meeting of the board of directors or trustees.

Signed this _____ day of _____, 19 _____.

_____ _____

_____ _____

_____ _____

_____ _____

(Signatures of all incorporators; type or print name under each signature)

b. (Check one of the following)

☐ was duly adopted by the shareholders or members, or by the directors if it is a nonprofit corporation organized on a nonstock directorship basis, in accordance with Section 611(2) of the Act. The necessary votes were cast in favor of the amendment.

☐ was duly adopted by written consent of the shareholders or members having not less than the minimum number of votes required by statute in accordance with Section 407 (1) and (2) of the Act. Written notice to shareholders or members who have not consented in writing has been given. (Note: Written consent by less than all of the shareholders or members is permitted only if such provision appears in the Articles of Incorporation.)

☒ was duly adopted by written consent of all the shareholders or members entitled to vote in accordance with Section 407 (3) of the Act.

Signed this 12th day of February, 19 85

By Richard C. Staky
(Signature)

Richard C. Staky, Vice President
(Type or Print Name and Title)

C&S-515 (Rev. 1-83)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Jeanette M. Sermo
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Telephone:
Area Code (313)
Number 256-7634

INFORMATION AND INSTRUCTIONS

1. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.

2. This document is to be used pursuant to the provisions of section 631 of the Act for the purpose of amending the articles of incorporation of a domestic corporation.

3. Item 2 – Enter the identification number previously assigned by the Bureau. If this number is unknown, leave it blank.

4. Item 4 – The entire article being amended must be set forth in its entirety. However, if the article being amended is divided into separately identified sections, only the sections being amended need be included.

5. This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated.

6. If the amendment is adopted before the first meeting of the board of directors, item 5(a) must be completed and signed in ink by all of the incorporators. If the amendment is otherwise adopted, item 5(b) must be completed and signed in ink by the president, vice-president, chairperson, or vice-chairperson of the corporation.

7. FEES: Filing fee (Make remittance payable to State of Michigan) $10.00

   Franchise fee for profit corporations (payable only if authorized capital stock has increased) – 1/2 mill (.0005) on each dollar of increase over highest previous authorized capital stock.

8. Mail form and fee to:

   Michigan Department of Commerce
   Corporation and Securities Bureau
   Corporation Division
   P.O. Box 30054
   Lansing, Michigan 48909
   Telephone: (517) 373-0493

CAS-550 (Rev. 1-83)

MICHIGAN DEPARTMENT OF COMMERCE — CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

Date Received

FILED

APR 10 1985

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

APR 10 1985

Effective: April 12, 1985 (close of business)

CERTIFICATE OF MERGER/CONSOLIDATION

For use by Domestic or Foreign Corporations

(Please read instructions on last page before completing form)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), and/or Act 162, Public Acts of 1982 (nonprofit corporations), the undersigned corporations execute the following Certificate:

1. The Plan of Merger (Consolidation) is as follows:

a. The name of each constituent corporation and its corporation identification number (CID) is:

Pulte Michigan Corporation, a Michigan corporation	1 5 0 — 1 4 8
Pulte Home Corporation, a Delaware corporation	6 1 6 — 5 2 1

b. The name of the surviving (new) corporation and its corporation identification number (CID) is:

Pulte Michigan Corporation	1 5 0 — 1 4 8

c. For each constituent stock corporation, state:

Name of corporation	Designation and number of outstanding shares in each class or series	Indicate class or series of shares entitled to vote	Indicate class or series entitled to vote as a class
Pulte Michigan Corporation	1,000, $0.01 par value	Common	N/A
Pulte Home Corporation	23,532,576, $1.00 par value	Common	N/A

If the number of shares is subject to change prior to the effective date of the merger or consolidation, the manner in which the change may occur is as follows:

Exercise of stock options outstanding under four stock option plans of Pulte Home Corporation or conversion of Pulte Home Credit Corporation's 8-1/2% Convertible Subordinated Debentures, due February 1, 2008, into Pulte Home Corporation's Common Stock.

PEARS ONLY ON ORIGINAL

d. For each constituent nonstock corporation

(i) if it is organized on a membership basis, state (a) the name of the corporation, (b) a description of its members, and (c) the number, classification and voting rights of its members.

(ii) if it is organized on a directorship basis, state (a) the name of the corporation, (b) a description of the organization of its board, and (c) the number, classification and voting rights of its directors.

e. The terms and conditions of the proposed merger (consolidation), including the manner and basis of converting the shares of, or membership or other interests in, each constituent corporation into shares, bonds, or other securities of, or membership or other interest in, the surviving (consolidated) corporation, or into cash or other consideration, are as follows:

See Attachment 1 to this Certificate of Merger.

f. If a consolidation, the Articles of Incorporation of the consolidated corporation are attached to this certificate and are incorporated herein. If a merger, the amendments to the Articles, or a restatement of the Articles, of the surviving corporation to be effected by the merger are as follows:

See Attachment 2 to this Certificate of Merger.

g. Other provisions with respect to the merger (consolidation) are as follows:

See Attachment 3 to this Certificate of Merger.

2. (Complete for any foreign corporation only)

This merger (consolidation) is permitted by the laws of the state of Delaware, the jurisdiction under which Pulte Home Corporation (name of foreign corporation) is organized and the plan of merger (consolidation) was adopted and approved by such corporation pursuant to and in accordance with the laws of that jurisdiction.

3. (Complete only if an effective date is desired other than the date of filing)

The merger (consolidation) shall be effective on the 12th day of April, 19 85.

SEAL APPEARS ONLY ON

4. (Complete applicable section for each constituent corporation)

a. (For domestic profit corporations only)

The plan of merger (consolidation) was approved by the unanimous consent of the incorporators of _____, which has not commenced business, has not issued any shares, and has not elected a Board of Directors. (Incorporators must sign on this page of the Certificate.)

b. (For profit corporations involved in a merger only)

The plan of merger was approved by the Board of Directors of _____, the surviving corporation, without the approval of the shareholders of that corporation in accordance with Section 704 of the Act.

c. (For profit corporations only)

The plan of merger or consolidation was adopted by the Board of Directors of the following constituent corporations: Pulte Michigan Corporation
Pulte Home Corporation

and was approved by the shareholders of those corporations in accordance with Sections 701 to 704, or pursuant to Section 407 by written consent and written notice, if required.

d. (For nonprofit corporations only)

The plan of merger or consolidation was adopted by the Board of Directors (i) (Complete if organized upon a stock or membership basis)

of _____ and was approved by the shareholders or members of that corporation in accordance with Sections 701 and 703(1) and (2), or pursuant to Section 407 by written consent and written notice, if required.

(ii) (Complete if organized upon a directorship basis)

of _____ in accordance with Section 703(3).

Sign this area for item 4(a).

Signed this _____ day of _____, 19____.

_____ _____

_____ _____

Sign this area for items 4(b), 4(c), or 4(d).

Signed this 29th day of March, 1985.

Pulte Michigan Corporation
(Name of Corporation)

By Richard C. Staky
(Signature)

Richard C. Staky, Vice President
(Type or Print Name and Title)

Signed this 29th day of March, 1985.

Pulte Home Corporation
(Name of Corporation)

By David Ebling
(Signature)

David Ebling, Vice President
(Type or Print Name and Title)

L APPEARS ONLY ON OR

ATTACHMENT 1 TO
CERTIFICATE OF MERGER

The manner of converting the Common Stock or shares of the Constituent Corporations into stock or shares of the Surviving Corporation shall be as follows:

1. Each share of the Common Stock of the par value of $1.00 of the Delaware Company issued and outstanding at the effective date of the merger, and each share held in its treasury and all rights in respect thereof shall, by virtue of the merger and without any action on the part of the holder thereof, be converted upon the merger becoming effective, into one share of Common Stock of a par value of $0.01 per share of the Surviving Corporation. Outstanding certificates representing shares of the Common Stock of the Delaware Company shall thenceforth represent the same number of shares of Common Stock of the Surviving Corporation, and the holder thereof shall have the same rights which he would have if such certificates had been issued by the Surviving Corporation. Upon the surrender of any such certificate to the Surviving Corporation at the office of its transfer agent, the transferee or any other holder of the certificate surrendered shall receive in exchange therefor a certificate or certificates of the Surviving Corporation.

2. Any stock options granted by the Delaware Company and in existence on the effective date of the merger, and any other rights to acquire or receive shares of Common Stock of the Delaware Company in existence on such date, shall remain in full force and effect and be applicable to the shares of Common Stock of the Surviving Corporation, and all options or other rights for the purchase or other acquisition of shares of the Common Stock of the Delaware Company which are outstanding immediately prior to the merger becoming effective shall continue, without impairment or alteration following the effectiveness of the merger, as outstanding options or other rights for the purchase or other acquisition of shares of Common Stock of the Surviving Corporation.

3. Any employee benefit stock plan adopted by the Delaware Company and in existence on the effective date of the merger including, but not limited to, the Pulte Home Corporation 1969 Option Plan For Key Employees, the Pulte Home Corporation 1973 Stock Option Plan, the Pulte Home Corporation 1977 Key Employees Stock Option Plan, and the Pulte Home Corporation 1983 Key Employees Stock Option Plan, shall remain in full force and effect and be applicable to shares of Common Stock of the Michigan Company.

4. The 1,000 shares of Common Stock of the Michigan Company which are presently issued and outstanding and owned and held by the Delaware Company shall, on the effective date of the merger, be cancelled and given the status of authorized and unissued shares.

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5. All shares of the Common Stock of the Michigan Company into which shares of the Delaware Company are converted shall be fully paid and non-assessable.

6. All securities which are convertible into shares of the Delaware Company's Common Stock and which are outstanding on the effective date of the merger including, but not limited to, Pulte Home Credit Corporation's 8-1/2% Convertible Subordinated Debentures due February 1, 2008, shall continue without impairment or alteration following the effectiveness of the merger, to be convertible, according to their terms, into shares of Common Stock of the Surviving Corporation.

RK14g

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ATTACHMENT 2 TO
CERTIFICATE OF MERGER

The Articles of Incorporation of the Michigan Company shall be the Articles of Incorporation of the Surviving Corporation except that upon the effective date of the merger, Articles I and III shall be and hereby are by this Agreement of Merger amended:

1. By striking out Article I in its entirety and substituting in lieu thereof a new Article I as follows:

"ARTICLE I

The name of the corporation is Pulte Home Corporation."

2. By striking out only Sections 1 and 2 of Article III and substituting in lieu thereof new Sections 1 and 2 of Article III reading as follows:

"The total authorized capital stock is:

1.	Common Shares	40,000,000	Par Value Per Share	$0.01
	Preferred Shares	1,000,000	Par Value Per Share	$0.01

and/or shares without par value as follows:

2.	Common Shares	N/A	Stated Value Per Share	
	Preferred Shares	N/A	Stated Value Per Share	"

The Articles of Incorporation of the Michigan Company, as hereinabove amended, shall constitute the composite Articles of Incorporation of the Surviving Corporation until further amended in the manner provided by law.

RK14h

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ATTACHMENT 3 TO
CERTIFICATE OF MERGER

On the effective date of the merger as hereinafter provided, the Delaware Company and the Michigan Company shall be merged into a single corporation in accordance with the laws of the states of Delaware and Michigan, by the Delaware Company merging into the Michigan Company, which shall be the Surviving Corporation and which shall exist under the name "Pulte Home Corporation" as hereinafter provided.

Upon the merger becoming effective in accordance with the laws of the states of Michigan and Delaware:

1. The Constituent Corporations shall be a single corporation which shall be the Michigan Company as the Surviving Corporation and the separate existence of the Delaware Company shall cease except to the extent provided by the laws of the State of Delaware in the case of a corporation after its merger into another corporation.

2. The Surviving Corporation shall possess all the rights, privileges, powers, immunities and franchises of a public as well as a private nature of each of the Constituent Corporations; and all property, real, personal and mixed, including all trademarks, trademark registrations, and applications for registration of trademarks, and all debts due on whatever account, including subscriptions to shares, and all other choses in action, and all and every other interest of, or belonging to, or due to each of the Constituent Corporations, shall be taken and deemed to be transferred and vested in the Surviving Corporation without further act or deed; and the title to all real estate, or any interest therein, vested in either of the Constituent Corporations shall not revert nor be in any way impaired by reason of the merger.

3. The Surviving Corporation shall be responsible and liable for all liabilities and obligations of each of the Constituent Corporations; and any claim existing or action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgment as if the merger had not taken place, or the Surviving Corporation may be substituted in its place, and neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the merger.

4. All corporate acts, plans, policies, contracts, approvals and authorizations of the Delaware Company, its stockholders, Board of Directors, committees elected or appointed by the Board of Directors, officers and agents, which were valid and effective immediately prior to the effective date of the merger shall be taken for all purposes as the acts, plans, policies, approvals, and authorizations of the Surviving Corporation and shall be as effective and binding thereon as the same were with respect to the Delaware Company. The requirement of any stock option plan or other plan or provision of the Delaware Company involving the issuance by the Delaware Company under such plans of

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Common Shares of the Delaware Company to or for the account of the employees shall be satisfied by the issuance of a like number of shares of the Common Stock of the Surviving Corporation.

5. The By-Laws of the Michigan Company shall be and constitute the By-Laws of the Surviving Corporation, until the same shall thereafter be altered, amended, or repealed in accordance with applicable law, the Articles of Incorporation, and said By-Laws.

6. The directors and officers of the Delaware Company immediately prior to the merger becoming effective shall be and constitute the directors and officers of the Surviving Corporation and shall hold office until their successors shall have been chosen or appointed as provided in the By-Laws of the Surviving Corporation.

If at any time the Surviving Corporation shall consider or be advised that any further assignment or assurance in law is necessary or desirable to vest in the Surviving Corporation the title to any property or rights of the Delaware Company, the proper officers and directors of the Delaware Company shall execute and make all such proper assignments and assurances in law and do all things necessary or proper to vest such property or rights in the Surviving Corporation, and otherwise to carry out the purposes of this Agreement of Merger.

This Agreement of Merger shall be submitted to the stockholders of each of the Constituent Corporations as provided by law, and shall take effect and is conditioned upon, the approval or adoption thereof by the stockholders of each of the Constituent Corporations in accordance with the laws of the states of Delaware and Michigan. The effective date of the merger shall be determined by the Board of Directors of the Delaware Company. All acts and things shall be done as shall be required for accomplishing the merger under the applicable provisions of the laws of the State of Delaware and the State of Michigan.

Anything herein or elsewhere to the contrary notwithstanding, this Agreement of Merger may be abandoned by the Delaware Company by appropriate resolution of its Board of Directors at any time prior to the merger becoming effective, notwithstanding approval of the Agreement of Merger by the stockholders of both the Constituent Corporations. In the event of the termination and abandonment of this Agreement of Merger pursuant to the foregoing provisions of this Article VII, this Agreement of Merger shall become void and shall have no effect, without any liability on the part of either of the Constituent Corporations or the stockholders or directors or officers thereof. The Boards of Directors of the Delaware Company and the Michigan Company may modify this Agreement of Merger as they mutually agree at any time prior to the merger becoming effective, notwithstanding approval of the Agreement of Merger by the stockholders of both Constituent Corporations, provided that no such modification may materially adversely affect the Delaware Company's stockholders.

RK14f

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CAS-350 (Rev. 1-83)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Robert J. Krueger, Jr.
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Telephone:
Area Code (313)
Number 256-7675

INFORMATION AND INSTRUCTIONS

1. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.

2. This certificate is to be used pursuant to sections 701 through 707 of the Act for the purpose of merging or consolidating two or more domestic and/or foreign corporations and pursuant to Section 731 if the merger or consolidation involves one or more foreign corporations.

3. If more than two corporations are merging or consolidating, or the form is otherwise inadequate, the certificate may be adjusted as necessary. If additional space is required for any section, continue the section on an attachment.

4. Item 3 — This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated.

5. If a domestic corporation is merging or consolidating into a foreign corporation that does not have a certificate of authority, this certificate cannot be filed until a tax clearance is received. To obtain such a clearance, contact the Tax Clearance Division, Michigan Department of Treasury, Treasury Building, Lansing, Michigan 48922, and request that the tax clearance be sent to the Corporation Division.

6. A domestic nonprofit charitable purpose corporation must obtain the consent of the Michigan Attorney General if it is merging or consolidating into a for profit corporation or a foreign nonprofit corporation that does not have a certificate of authority with Michigan. Contact the Charitable Trust Division, Michigan Attorney General, Room 670, Law Building, 525 West Ottawa, Lansing, Michigan 48913 at least 45 days before the desired effective date of the merger or consolidation.

7. This certificate must be signed in ink by the president, vice-president, chairperson, or vice-chairperson of each corporation that is merging or consolidating, unless the incorporators of a domestic profit corporation approve the merger or consolidation pursuant to sections 706 and 707 of the Act. In that event, the certificate must be signed in ink by all of the incorporators of that corporation in item 4.

8. FEES: Filing fee (Make remittance payable to State of Michigan) $50.00

   Merger — If the survivor is a domestic profit corporation whose authorized capital stock is increased, an additional fee is due equal to ½ mill (.0005) on each dollar of the increase over the previous highest authorized capital stock on which a franchise fee was paid.

   Consolidation — Franchise fees are required for the articles of incorporation of the new consolidated corporation, if it is a domestic corporation.

   Credit — If a foreign corporation authorized to transact business in this State merges or consolidates into a domestic profit corporation, the amount of franchise fees required to be paid by that domestic corporation shall be reduced by the initial or additional franchise fees paid to this State by the foreign corporation.

9. Mail form and fee to:

   Michigan Department of Commerce
   Corporation and Securities Bureau
   Corporation Division
   P.O. Box 30054
   Lansing, MI 48909
   Telephone: (517) 373-0493

GOLD SEAL APPEARS ONLY ON ORIGINAL

874E#8584 0430 DRG&FI $10.00

CAS-510 (Rev. 11-85)

MICHIGAN DEPARTMENT OF COMMERCE — CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

APR 29 1987

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

Date Received

APR 29 1987

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF INCORPORATION

For use by Domestic Corporations

(Please read instructions and Paperwork Reduction Act notice on last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), or Act 162, Public Acts of 1982, as amended (nonprofit corporations), the undersigned corporation executes the following Certificate:

1. The present name of the corporation is: Pulte Home Corporation

2. The corporation identification number (CID) assigned by the Bureau is: 1 5 0 — 1 4 8

3. The location of its registered office is:
6400 Farmington Road, (Street Address) West Bloomfield (City), Michigan 48033 (ZIP Code)

4. The Articles of Incorporation are hereby amended by adding Article VIII which reads in its entirety, as follows:

ARTICLE VIII

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of the director's fiduciary duty. However, this Article shall not eliminate or limit the liability of a director for any of the following:

(1) A breach of the director's duty of loyalty to the corporation or its shareholders.

(2) Acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law.

(3) A violation of Section 551(1) of the Michigan Business Corporation Act.

(4) A transaction from which the director derived an improper personal benefit.

(5) An act or omission occurring before the effective date of this Article.

Any repeal or modification of this Article by the shareholders of the corporation shall not adversely affect any right or protection of any director of the corporation existing at the time of, or for or with respect to, any acts or omissions occurring before such repeal or modification.

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5. COMPLETE SECTION (a) IF THE AMENDMENT WAS ADOPTED BY THE UNANIMOUS CONSENT OF THE INCORPORATOR(S) BEFORE THE FIRST MEETING OF THE BOARD OF DIRECTORS OR TRUSTEES; OTHERWISE, COMPLETE SECTION (b)

a. ☐ The foregoing amendment to the Articles of Incorporation was duly adopted on the _____ day of _____, 19____, in accordance with the provisions of the Act by the unanimous consent of the incorporator(s) before the first meeting of the board of directors or trustees.

Signed this _____ day of _____, 19__

_____ _____

_____ _____

_____ _____

_____ _____

(Signatures of all incorporators; type or print name under each signature)

b. ☒ The foregoing amendment to the Articles of Incorporation was duly adopted on the 29th day of, April, 19 87. The amendment: (check one of the following)

☒ was duly adopted in accordance with Section 611(2) of the Act by the vote of the shareholders if a profit corporation, or by the vote of the shareholders or members if a nonprofit corporation, or by the vote of the directors if a nonprofit corporation organized on a nonstock directorship basis. The necessary votes were cast in favor of the amendment.

☐ was duly adopted by the written consent of all the directors pursuant to Section 525 of the Act and the corporation is a nonprofit corporation organized on a nonstock directorship basis.

☐ was duly adopted by the written consent of the shareholders or members having not less than the minimum number of votes required by statute in accordance with Section 407(1) and (2) of the Act. Written notice to shareholders or members who have not consented in writing has been given. (Note: Written consent by less than all of the shareholders or members is permitted only if such provision appears in the Articles of Incorporation.)

☐ was duly adopted by the written consent of all the shareholders or members entitled to vote in accordance with Section 407(3) of the Act.

Signed this 29th day of April, 19 87

By _____ (Signature)

JAMES Grossfeld Chairperson
(Type or Print Name) (Type or Print Title)

GOLD SEAL APPEARS ONLY ON ORIGINAL

C&S-515 (Rev. 11-85)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Jeanette M. Sermo
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Name of person or organization remitting fees:

Honigman Miller Schwartz and Cohn

Preparer's name and business telephone number:

Jeanette M. Sermo

(313) 256-7634

INFORMATION AND INSTRUCTIONS

1. This form is issued under the authority of Act 284, P.A. of 1972, as amended, and Act 162, P.A. of 1982, as amended. The amendment cannot be filed until this form, or a comparable document, is submitted.
2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to the provisions of section 631 of the Act for the purpose of amending the articles of incorporation of a domestic profit or nonprofit corporation. Do not use this form for restated articles. A nonprofit corporation is one incorporated to carry out any lawful purpose or purposes not involving pecuniary profit or gain for its directors, officers, shareholders, or members. A nonprofit corporation organized on a nonstock directorship basis, as authorized by Section 302 of the Act, may or may not have members, but if it has members, the members are not entitled to vote.
4. Item 2 — Enter the identification number previously assigned by the Bureau. If this number is unknown, leave it blank.
5. Item 4 — The entire article being amended must be set forth in its entirety. However, if the article being amended is divided into separately identifiable sections, only the sections being amended need be included.
6. This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated.
7. If the amendment is adopted before the first meeting of the board of directors, item 5(a) must be completed and signed in ink by all of the incorporators listed in Article V of the Articles of Incorporation. If the amendment is otherwise adopted, item 5(b) must be completed and signed in ink by the president, vice-president, chairperson, or vice-chairperson of the corporation.
8. FEES: Filing fee (Make remittance payable to State of Michigan) $10.00

   Franchise fee for profit corporations (payable only if authorized capital stock has increased) — ½ mill (.0005) on each dollar of increase over highest previous authorized capital stock.
9. Mail form and fee to:

   Michigan Department of Commerce
   Corporation and Securities Bureau
   Corporation Division
   P.O. Box 30054
   Lansing, MI 48909
   Telephone: (517) 373-0493

GOLD SEAL APPEARS ONLY ON ORIGINAL

CBS-520 (Rev. 12-85)

872A#7162 1009 DRG&FI $5.00

MICHIGAN DEPARTMENT OF COMMERCE – CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

OCT -9 1987

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

Date Received
OCT 9 1987

CERTIFICATE OF CHANGE OF REGISTERED OFFICE AND/OR CHANGE OF RESIDENT AGENT

For use by Domestic Corporations

(Please read instructions and Paperwork Reduction Act notice on reverse side)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), or Act 162, Public Acts of 1982, as amended (nonprofit corporations), the undersigned corporation executes the following Certificate:

1. The name of the corporation is: Pulte Home Corporation
2. The corporation identification number (CID) assigned by the Bureau is: 1 5 0 _ 1 4 8

3. a. The address of the registered office as currently on file with the Bureau is:

6400 Farmington Road, West Bloomfield, Michigan 48033
(Street Address) (City) (ZIP Code)

b. The mailing address of the registered office if different than above is:

N/A
(P.O. Box) (City) (State) (ZIP Code)

c. The name of the resident agent as currently on file with the Bureau is:

David Ebling

4. (Complete if the address of the registered office is changed)
The address of the registered office is changed to:

33 Bloomfield Hills Parkway, Ste. 200, Bloomfield Hills, Michigan 48013
(Street Address) (City) (ZIP Code)

The mailing address of the registered office if different than above is:

N/A
(P.O. Box) (City) (State) (ZIP Code)

5. (Complete if the resident agent is changed)
The name of the successor resident agent is: Robert P. Schafer

6. The corporation further states that the address of its registered office and the address of the business office of its resident agent, as changed, are identical.
7. The above changes were authorized by resolution duly adopted by its board of directors or trustees.

Signed this 8th day of October, 19 87

By [signature] (Signature)

Richard C. Staky, Senior Vice President
(Type or Print Name) (Type or Print Title)

GOLD SEAL APPEARS ONLY ON ORIGINAL

C&S-520 (Rev. 12-85)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Susan Morris
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Name of person or organization remitting fees:

Honigman Miller
Schwartz and Cohn

Preparer's name and business telephone number:

Susan Morris

(313) 256-7595

INFORMATION AND INSTRUCTIONS

1. This form is issued under the authority of Act 284, P.A. of 1972, as amended, and Act 162, P.A. of 1982, as amended. The certificate of change of registered office and/or change of resident agent cannot be filed until this form, or a comparable document, is submitted.
2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to section 242 of the Act by domestic profit and nonprofit corporations for the purpose of changing their registered office or resident agent, or both. Changes of the registered office and/or resident agent for Foreign corporations must be made by filing an Amended Application for Certificate of Authority to Transact Business in Michigan.
4. Item 2 — Enter the identification number previously assigned by the Bureau. If this number is unknown, leave it blank.
5. Item 3 — The address of the registered office and the name of the resident agent must be the same as are designated in the articles of incorporation or subsequent change filed with the Bureau.
6. Item 4 — A post office box may not be designated as the address of the registered office.
7. This certificate must be signed in ink by the president, vice-president, chairperson, vice-chairperson, secretary or assistant secretary of the corporation.
8. FEES: Filing fee (Make remittance payable to State of Michigan) ..... $ 5.00
9. Mail form and fee to:

   Michigan Department of Commerce
   Corporation and Securities Bureau
   Corporation Division
   P.O. Box 30054
   Lansing, Michigan 48909
   Telephone: (517) 373-0493

GOLD SEAL APPEARS ONLY ON ORIGINAL

CAS-515 (Rev 5-87) 074E06604 1200 ORB&FI $10.00

(FOR BUREAU USE ONLY)

FILED

DEC 07 1987

Administrator
MICHIGAN DEPT. OF COMMERCE
Corporation & Securities Bureau

DEC 07 1987

Effective Date: December 7, 1987 at 4:23 p.m.

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF INCORPORATION

For use by Domestic Corporations

(Please read instructions and Paperwork Reduction Act notice on last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), or Act 162, Public Acts of 1982, as amended (nonprofit corporations), the undersigned corporation executes the following Certificate:

1. The present name of the corporation is: Pulte Home Corporation

2. The corporation identification number (CID) assigned by the Bureau is: 1 5 0 - 1 4 8

3. The location of its registered office is:

33 Bloomfield Hills Parkway, Suite 200, Bloomfield Hills, Michigan 48033
(Street Address) (City) (ZIP Code)

4. Article III of the Articles of Incorporation is hereby amended to read as follows:

ARTICLE III

The total authorized capital stock is:

1. Common Shares 50,000 Par Value Per Share $ 0.01
   Preferred Shares N/A Par Value Per Share $ N/A

and/or shares without par value as follows:

2. Common Shares N/A Par Value Per Share $ N/A
   Preferred Shares N/A Par Value Per Share $ N/A

3. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows: N/A

The effective date of this amendment is December 7, 1987 at 4:23 p.m.

2

RS ONLY ON ORIGINAL

5. COMPLETE SECTION (a) IF THE AMENDMENT WAS ADOPTED BY THE UNANIMOUS CONSENT OF THE INCORPORATOR(S) BEFORE THE FIRST MEETING OF THE BOARD OF DIRECTORS OR TRUSTEES; OTHERWISE, COMPLETE SECTION (b)

a. ☐ The foregoing amendment to the Articles of Incorporation was duly adopted on the _____ day of _____, 19____, in accordance with the provisions of the Act by the unanimous consent of the incorporator(s) before the first meeting of the board of directors or trustees.

Signed this _____ day of _____, 19__

_____ _____

_____ _____

_____ _____

_____ _____

(Signatures of all incorporators; type or print name under each signature)

b. ☒ The foregoing amendment to the Articles of Incorporation was duly adopted on the 7th day of, December, 19 87. The amendment: (check one of the following)

☐ was duly adopted in accordance with Section 611(2) of the Act by the vote of the shareholders if a profit corporation, or by the vote of the shareholders or members if a nonprofit corporation, or by the vote of the directors if a nonprofit corporation organized on a nonstock directorship basis. The necessary votes were cast in favor of the amendment.

☐ was duly adopted by the written consent of all the directors pursuant to Section 525 of the Act and the corporation is a nonprofit corporation organized on a nonstock directorship basis.

☒ was duly adopted by the written consent of the shareholders or members having not less than the minimum number of votes required by statute in accordance with Section 407(1) and (2) of the Act. Written notice to shareholders or members who have not consented in writing has been given. (Note: Written consent by less than all of the shareholders or members is permitted only if such provision appears in the Articles of Incorporation.)

☐ was duly adopted by the written consent of all the shareholders or members entitled to vote in accordance with Section 407(3) of the Act.

Signed this 7th day of December, 19 87

By _____ (Signature)

James Grosfeld, Chairman of the Board

(Type or Print Name) (Type or Print Title)

C.

ARS ONLY ON ORIGINAL

CAS-515

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Susan Morris
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Name of person or organization remitting fees:

Honigman Miller

Schwartz and Cohn

Preparer's name and business telephone number:

Susan Morris

(313) 256-7595

INFORMATION AND INSTRUCTIONS

1. The amendment cannot be filed until this form, or a comparable document, is submitted.
2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to the provisions of section 631 of the Act for the purpose of amending the articles of incorporation of a domestic profit or nonprofit corporation. Do not use this form for restated articles. A nonprofit corporation is one incorporated to carry out any lawful purpose or purposes not involving pecuniary profit or gain for its directors, officers, shareholders, or members. A nonprofit corporation organized on a nonstock directorship basis, as authorized by Section 302 of the Act, may or may not have members, but if it has members, the members are not entitled to vote.
4. Item 2 — Enter the identification number previously assigned by the Bureau. If this number is unknown, leave it blank.
5. Item 4 — The article being amended must be set forth in its entirety. However, if the article being amended is divided into separately identifiable sections, only the sections being amended need be included.
6. This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated.
7. If the amendment is adopted before the first meeting of the board of directors, item 5(a) must be completed and signed in ink by all of the incorporators listed in Article V of the Articles of Incorporation. If the amendment is otherwise adopted, item 5(b) must be completed and signed in ink by the president, vice-president, chairperson, or vice-chairperson of the corporation.
8. FEES: Filing fee (Make remittance payable to State of Michigan) $10.00

   Franchise fee for profit corporations (payable only if authorized capital stock has increased) — ½ mill (.0005) on each dollar of increase over highest previous authorized capital stock.
9. Mail form and fee to:

   Michigan Department of Commerce
   Corporation and Securities Bureau
   Corporation Division
   P.O. Box 30054
   6546 Mercantile Way
   Lansing, MI 48909
   Telephone: (517) 334-6302

ONLY ON ORIGINAL

C&S-550 (Rev. 1-84)

874LH6604 1200 URGAFI $50.00

MICHIGAN DEPARTMENT OF COMMERCE — CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

DEC 07 1987

Administrator
MICHIGAN DEPT. OF COMMERCE
Corporation & Securities Bureau

Date Received
DEC 07 1987

Effective Date: December 7, 1987 at 4:22 p.m.

CERTIFICATE OF MERGER/CONSOLIDATION

For use by Domestic or Foreign Corporations

(Please read instructions and Paperwork Reduction Act notice on last page)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), and/or Act 162, Public Acts of 1982 (nonprofit corporations), the undersigned corporations execute the following Certificate:

1. The Plan of Merger (Consolidation) is as follows:

a. The name of each constituent corporation and its corporation identification number (CID) is:

Pulte Home Corporation	1 5 0 — 1 4 8
Pulte Merger Company	2 6 3 — 9 6 2

b. The name of the surviving (new) corporation and its corporation identification number (CID) is:

Pulte Home Corporation	1 5 0 — 1 4 8

c. For each constituent stock corporation, state:

Name of corporation	Designation and number of outstanding shares in each class or series	Indicate class or series of shares entitled to vote	Indicate class or series entitled to vote as a class
Pulte Home Corporation	*23,839,776 shares common stock	Common	N/A
Pulte Merger Company	1,000 shares common stock	Common	N/A

If the number of shares is subject to change prior to the effective date of the merger or consolidation, the manner in which the change may occur is as follows:

*not including 2,160,000 treasury shares

[redacted]

[redacted]

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d. For each constituent nonstock corporation

(i) If it is organized on a membership basis, state (a) the name of the corporation, (b) a description of its members, and (c) the number, classification and voting rights of its members.

N/A

(ii) If it is organized on a directorship basis, state (a) the name of the corporation, (b) a description of the organization of its board, and (c) the number, classification and voting rights of its directors.

N/A

e. The terms and conditions of the proposed merger (consolidation), including the manner and basis of converting the shares of, or membership or other interests in, each constituent corporation into shares, bonds, or other securities of, or membership or other interest in, the surviving (consolidated) corporation, or into cash or other consideration, are as follows:

SEE ATTACHED EXHIBIT A

f. If a consolidation, the Articles of Incorporation of the consolidated corporation are attached to this Certificate and are incorporated herein. If a merger, the amendments to the Articles, or a restatement of the Articles, of the surviving corporation to be effected by the merger are as follows:

SEE ATTACHED EXHIBIT A

g. Other provisions with respect to the merger (consolidation) are as follows:

SEE ATTACHED EXHIBIT A

~~2. (Complete for any foreign corporation only)~~

~~This merger (consolidation) is permitted by the laws of the state of _____~~

~~the jurisdiction under which _____ (name of foreign corporation)~~

~~is organized and the plan of merger (consolidation) was adopted and approved by such corporation pursuant to and in accordance with the laws of that jurisdiction.~~

3. (Complete only if an effective date is desired other than the date of filing)

The merger (consolidation) shall be effective on the 7th day of December

19 87 at 4:22 p.m.

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4. (Complete applicable section for each constituent corporation)

a. (For domestic profit corporations only)

The plan of merger (consolidation) was approved by the unanimous consent of the incorporators of _____, which has not commenced business, has not issued any shares, and has not elected a Board of Directors. (Incorporators must sign on this page of the Certificate.)

b. (For profit corporations involved in a merger only)

The plan of merger was approved by the Board of Directors of _____, the surviving corporation, without the approval of the shareholders of that corporation in accordance with Section 704 of the Act.

c. (For profit corporations only)

The plan of merger or consolidation was adopted by the Board of Directors of the following constituent corporations:

Pulte Home Corporation
Pulte Merger Company

and was approved by the shareholders of those corporations in accordance with Sections 701 to 704, or pursuant to Section 407 by written consent and written notice, if required by that section.

d. (For nonprofit corporations only)

The plan of merger or consolidation was adopted by the Board of Directors

(i) (Complete if organized upon a stock or membership basis)

of _____ and was approved by the shareholders or members of that corporation in accordance with Sections 701 and 703(1) and (2), or pursuant to Section 407 by written consent and written notice, if required.

(ii) (Complete if organized upon a directorship basis)

of _____ in accordance with Section 703(3).

Sign this area for Item 4(a).

Signed this _____ day of _____, 19____.

_____ _____

_____ _____

Sign this area for items 4(b), 4(c), or 4(d).

Signed this 4th day of December, 19 87.

PULTE HOME CORPORATION
(Name of Corporation)

By _____
(Signature)

James Grosfeld, Chairman of the Board
(Type or Print Name and Title)

Signed this 4th day of December, 19 87.

PULTE MERGER COMPANY
(Name of Corporation)

By _____
(Signature)

James Grosfeld, Chairman of the Board
(Type or Print Name and Title)

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CAB-550 (Rev. 1-84)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Susan Morris
Honigman Miller Schwartz and Cohn
2290 First National Building
Detroit, Michigan 48226

Name of person or organization remitting fees:

Honigman Miller

Schwartz and Cohn

Preparer's name and business telephone number:

Susan Morris

(313) 256-7595

INFORMATION AND INSTRUCTIONS

1. This form is issued under the authority of Act 284, P.A. of 1972, as amended, and Act 162, P.A. of 1962. The merger/consolidation cannot be filed until this form, or a comparable document, is submitted.

2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.

3. This certificate is to be used pursuant to sections 701 through 707 of the Act for the purpose of merging or consolidating two or more domestic and/or foreign corporations and pursuant to Section 731 if the merger or consolidation involves one or more foreign corporations.

4. If more than two corporations are merging or consolidating, the certificate may be adjusted as necessary, or the format may be used as a guide in drafting your own certificate. If additional space is required for any section, continue the section on an attachment.

5. Item 3 — This document is effective on the date approved and filed by the Bureau. A later effective date, no more than 90 days after the date of delivery, may be stated.

6. If a domestic corporation is merging or consolidating into a foreign corporation that does not have a certificate of authority, this certificate cannot be filed until a tax clearance is received. To obtain such a clearance, contact the Tax Clearance Division, Michigan Department of Treasury, Treasury Building, Lansing, Michigan 48922, and request that the tax clearance be sent to the Corporation Division.

7. A domestic nonprofit charitable purpose corporation must obtain the consent of the Michigan Attorney General if it is merging or consolidating into a for profit corporation or a foreign nonprofit corporation that does not have a certificate of authority with Michigan. Contact the Charitable Trust Division, Michigan Attorney General, Room 670, Law Building, 525 West Ottawa, Lansing, Michigan 48913 at least 45 days before the desired effective date of the merger or consolidation.

8. This certificate must be signed in ink by the president, vice-president, chairperson, or vice-chairperson of each corporation that is merging or consolidating, unless the incorporators of a domestic profit corporation approve the merger or consolidation pursuant to sections 706 and 707 of the Act. In that event, the certificate must be signed in ink by all of the incorporators of that corporation in item 4.

9. FEES: Filing fee (Make remittance payable to State of Michigan) $50.00

   Merger — If the survivor is a domestic profit corporation whose authorized capital stock is increased, an additional fee is due equal to ½ mill (.0005) on each dollar of the increase over the previous highest authorized capital stock on which a franchise fee was paid.

   Consolidation — Franchise fees are required for the articles of incorporation of the new consolidated corporation, if it is a domestic corporation.

   Credit — If a foreign corporation authorized to transact business in this State merges or consolidates into a domestic profit corporation, the amount of franchise fees required to be paid by that domestic corporation shall be reduced by the initial or additional franchise fees paid to this State by the foreign corporation.

10. Mail form and fee to:

    Michigan Department of Commerce, Corporation and Securities Bureau, Corporation Division, P.O. Box 30054, Lansing, MI 48909, Telephone: (517) 373-0493

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EXHIBIT A

AGREEMENT OF MERGER
AND
PLAN OF REORGANIZATION

THIS AGREEMENT OF MERGER AND PLAN OF REORGANIZATION, dated as of October 1, 1987, among Pulte Home Corporation ("Pulte"), a Michigan corporation, PHM Corporation ("Holding"), a Michigan corporation and a wholly-owned subsidiary of Pulte, Pulte Diversified Companies, Inc. ("Subholding"), a Michigan corporation and a wholly-owned subsidiary of Holding and Pulte Merger Company ("Pulte Merger"), a Michigan corporation and a wholly-owned subsidiary of Subholding.

WITNESSETH

The parties agree as follows:

1. MERGER.

1.1 *Merger of Pulte Merger into Pulte.* At the Effective Date, as defined in Section 1.3., Pulte Merger shall be merged with and into Pulte (the "Merger"), in accordance with Chapter 7 of the Michigan Business Corporation Act (the "MBCA"), and the separate existence of Pulte Merger shall thereupon cease and Pulte shall be the surviving corporation (herein referred to, in its capacity as surviving corporation, as "Pulte Home"). The corporate existence of Pulte Home, with all its rights, privileges, powers and franchises and subject to all its debts, liabilities and duties (except to the extent otherwise provided herein), shall continue unaffected and unimpaired by the Merger, and Pulte Home shall thereupon, without further action, succeed to and be vested with all rights, privileges, powers and franchises and all property (real, personal and mixed) of Pulte Merger and shall be subject to all debts, liabilities and duties of Pulte Merger, all in accordance with the MBCA.

1.2 *Conversion of Common Stock.* At the Effective Date, each share of common stock, par value $.01 per share, of Pulte Merger issued and outstanding immediately prior to the Effective Date shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one share of common stock, par value $.01 per share of Pulte Home; and each share of common stock of Pulte, par value $.01 per share ("Pulte Common Stock"), issued and outstanding or held as treasury shares immediately prior to the Effective Date shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one new share of common stock of Holding, par value $.01 per share ("Holding Common Stock"); and each certificate representing shares of Pulte Common Stock immediately prior to the Effective Date shall be deemed (subject to Section 3.2 hereof) to represent the same number of shares of Holding Common Stock. Accordingly, as of the Effective Date, Subholding, which currently owns all of the issued and outstanding shares of Pulte Merger, will own all of the issued and outstanding shares of Pulte Home and all of the current shareholders of Pulte will become the shareholders of Holding.

1.3 *Effective Date.* The Merger shall become effective immediately upon the filing of a Certificate of Merger with respect thereto in accordance with the MBCA, except that, in the event such Certificate of Merger specifies in accordance with the MBCA a date and/or time subsequent to the date and time of such filing as of which the Merger is to become effective, the Merger shall be effective on, and at, such specified subsequent date and/or time. The date and time at which the Merger becomes effective is hereinafter referred to as "Effective Date." The effective date is December 7, 1987 at 4:22 p.m.

2. ARTICLES OF INCORPORATION, BYLAWS, BOARD OF DIRECTORS AND OFFICERS OF PULTE.

2.1 *Articles of Incorporation.* On the Effective Date, the Articles of Incorporation of Pulte, as amended and in effect immediately prior to the Effective Date, shall be amended as set forth below and as so amended shall thereafter continue in full force and effect as the Articles of Incorporation of Pulte Home until further amended as provided therein or by law.

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(a) Article III shall be amended to read in its entirety as follows:

The total authorized capital stock is:

1. Common Shares	50,000	Par Value Per Share $0.01
Preferred Shares	N/A	Par Value Per Share ..... N/A

and/or shares without par value as follows:

2. Common Shares	N/A	Stated Value Per Share ..... N/A
Preferred Shares	N/A	Stated Value Per Share ..... N/A

3. A statement of all or any of the relative rights preferences and limitations of the shares of each class is as follows: N/A

2.2 *Bylaws.* The Bylaws of Pulte, as amended and in effect immediately prior to the Effective Date, shall continue in full force and effect as the Bylaws of Pulte Home until amended or repealed as provided therein or by law.

2.3 *Directors.* On the Effective Date, each director of Pulte immediately prior thereto shall cease to hold such office, and each director of Pulte Merger immediately prior thereto shall thereupon become a director of Pulte Home and shall thereafter hold such office for the remainder of his term of office and until his successor has been elected and qualified, or as otherwise provided in the Articles of Incorporation or the Bylaws of Pulte Home, or by law.

2.4 *Officers.* On the Effective Date, each officer of Pulte immediately prior thereto shall cease to hold such office, and each officer of Pulte Merger immediately prior thereto shall thereupon become an officer of Pulte Home and shall thereafter hold such office for the remainder of his term of office and until his successor has been elected or appointed and qualified, or as otherwise provided in the Articles of Incorporation or the Bylaws of Pulte Home, or by law.

3. STOCK OF PULTE MERGER, HOLDING AND PULTE

3.1 *Conversion of Stock and Assumption of Certain Obligations.* On the Effective Date:

(a) *Common Stock of Pulte Merger.* As noted in Section 1.2 hereof, each share of Common Stock, par value $.01 per share, of Pulte Merger issued and outstanding immediately prior to the Effective Date shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one share of Common Stock, par value $.01 per share, of Pulte Home.

(b) *Common Stock of Pulte.* As noted in Section 1.2 hereof, each share of Pulte Common Stock issued and outstanding or held in its treasury immediately prior to the Effective Date shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one new share of Holding Common Stock and each certificate representing shares of Pulte Common Stock immediately prior to the Effective Date shall be deemed (subject to Section 3.2 hereof) to represent the same number of shares of Holding Common Stock.

(c) *Convertible Subordinated Debentures of Pulte Home Credit Corporation.* Each outstanding 8½% Convertible Subordinated Debenture Due 2008 ("Convertible Debentures") of Pulte Home Credit Corporation theretofore convertible into shares of Pulte Common Stock shall, after the Effective Date, be convertible into shares of Holding Common Stock at the same conversion price and on the same basis as the Convertible Debentures were convertible into shares of Pulte Common Stock immediately prior to the Effective Date.

(d) *Pulte Stock Options.* Pulte currently has outstanding, options granted under Pulte's 1969 Option Plan for Key Employees, 1973 Stock Option Plan, 1977 Key Employees Stock Option Plan and 1983 Key Employees Stock Option Plan (collectively the "Plans"). On the Effective Date, Holding will assume all of Pulte's obligations with respect to outstanding stock options under the Plans. Each Incentive Stock Option, as that term is defined in the Plans, outstanding immediately prior to the Effective Date shall be assumed in such manner so as to preserve the status of the options as "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"). The outstanding options assumed by Holding shall be exercisable upon the same terms and conditions as under such Plans and the option agreements relating thereto immediately prior to the

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Effective Date, except that upon the exercise of each such option one share of Holding Common Stock shall be issuable in lieu of each share of Pulte Common Stock issuable upon the exercise thereof immediately prior to the Effective Date. On the Effective Date, Holding shall assume all of Pulte's rights and obligations under Pulte's 1983 Key Employees Stock Option Plan (the "1983 Plan"), including the right to issue additional stock options under such Plan. (The other Plans have expired.) Accordingly, all options issued pursuant to the 1983 Plan after the Effective Date shall entitle the holder thereof to purchase shares of Holding Common Stock.

3.2 *Issuance of New Certificates.* Each holder of a certificate representing shares of Pulte Common Stock immediately prior to the Effective Date may thereafter surrender such certificate and shall be entitled, upon such surrender, to receive in exchange therefor a certificate representing the number of shares of Holding Common Stock into which such shares of Pulte Common Stock shall have been converted in accordance with Section 3.1(b) hereof. Until so surrendered, such certificate shall be deemed to evidence the ownership of such shares of Holding Common Stock and the holder of such certificate shall have and be entitled to exercise any voting and other rights with respect to, and to receive any dividends and other distributions upon, the shares of Holding Common Stock evidenced by such outstanding certificate. If any such certificate for Holding Common Stock is to be issued in a name other than that in which the surrendered certificate is registered, it shall be a condition of such exchange that the certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such exchange shall have paid any transfer and other taxes required by reason of such issuance of certificates of Holding Common Stock in a name other than that of the registered holder of the certificate surrendered, or shall have established to the satisfaction of Holding and its transfer agent that such tax has been paid or is not applicable.

3.3 *Pulte Stock Transfer Books.* On the Effective Date, the stock transfer books for the shares of Pulte Common Stock which will be converted to Holding Common Stock pursuant to Section 3.1 shall be deemed closed, and no transfer of such shares shall thereafter be made or consummated.

3.4 *Other Agreements.* On the Effective Date, Holding shall assume any obligation of Pulte to deliver or make available shares of Pulte Common Stock under any agreement or employee benefit plan, if any, not otherwise referred to in this Section 3 to which Pulte or any of its subsidiaries is a party. Any reference to Pulte Common Stock under any such agreement shall be deemed to be a reference to Holding Common Stock and one share of Holding Common Stock shall be issuable in lieu of each share of Pulte Common Stock required to be issued by any such agreement, subject to subsequent adjustment as provided in any such agreement.

4. CONDITIONS. The obligation of Pulte, Holding, Subholding and Pulte Merger to consummate the Merger is subject to the fulfillment of the following conditions:

4.1 *Shareholder Approval.* This Agreement and the Merger shall have been adopted by a majority of the issued and outstanding shares of Common Stock of each of Pulte, Holding, Subholding and Pulte Merger.

4.2 *Tax Ruling.* Pulte shall have received a ruling of the Internal Revenue Service, satisfactory in form and substance to Pulte, to the effect that the Merger constitutes a reorganization within the meaning of Section 368 of the Code, and neither gain nor loss will be recognized by Pulte, Holding, Pulte Merger or the shareholders of Pulte by reason of the consummation of such Merger; and as to such further matters relating to the tax consequences of the transactions contemplated herein as the Board of Directors of Pulte may deem advisable.

4.3. *Articles of Incorporation of Holding.* On the Effective Date, the Articles of Incorporation of Holding shall be substantially in the form set forth in Schedule I hereto.

4.4 *Listing.* The Holding Common Stock to be issued and initially reserved for issuance pursuant to the transactions contemplated herein shall have been approved for listing, upon official notice of issuance, by the New York Stock Exchange, Inc.

5. FURTHER ASSURANCES. Each party hereto agrees that from time to time on and after the Effective Date, it will execute and deliver or cause to be executed and delivered all such further assignments,

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assurances or other instruments, and shall take or cause to be taken all such further actions as may be necessary or desirable to consummate the Merger and the other transactions contemplated by this Agreement.

6. AMENDMENT, TERMINATION.

6.1 *Amendment.* At any time prior to the Effective Date, the parties hereto may by written agreement amend, modify or supplement any provision of this Agreement, provided that an amendment made subsequent to the adoption of this Agreement by the shareholders of Pulte shall not without the approval of the holders of the requisite number of shares of capital stock of Pulte, alter or change the amount or nature of the consideration to be received by the holders of Pulte Common Stock as set forth in this Agreement.

6.2 *Termination.* This Agreement may be terminated and the Merger abandoned by the Board of Directors of Pulte at any time for any reason prior to the Effective Date, whether before or after approval of this Agreement by the shareholders of Pulte and Pulte Merger.

7. GOVERNING LAW. This Agreement shall be construed under and in accordance with the laws of the State of Michigan.

8. HEADINGS. The headings set forth herein are for convenience only and shall not be used in interpreting the text of the section in which they appear.

9. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

10. COUNTERPARTS. For the convenience of the parties hereto, this Agreement may be executed in separate counterparts, each of which, when so executed, shall be deemed to be an original, and all such counterparts when taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, each of Pulte, Holding, Subholding and Pulte Merger, pursuant to the approval and authority duly given by resolutions adopted by its respective Board of Directors, has caused this Agreement to be executed by a duly authorized officer thereof, and has further caused its respective corporate seal to be hereunto affixed, as of the date first above written.

ATTEST:

Gregory Nelson, Assistant Secretary

PULTE HOME CORPORATION

By: Robert K. Burgess

Robert K. Burgess, President

ATTEST:

Gregory Nelson, Assistant Secretary

PHM CORPORATION

By: Robert K. Burgess

Robert K. Burgess, President

ATTEST:

Gregory Nelson, Secretary

PULTE DIVERSIFIED COMPANIES, INC.

By: Richard C. Staky

Richard C. Staky, Vice President

ATTEST:

Gregory Nelson, Secretary

PULTE MERGER COMPANY

By: Richard C. Staky

Richard C. Staky, Senior Vice President

GOLD SEAL APPEARS ONLY ON ORIGINAL

CAS-520 (Rev 1-84)

MICHIGAN DEPARTMENT OF COMMERCE – CORPORATION AND SECURITIES BUREAU

(FOR BUREAU USE ONLY)

FILED

JUL 14 1993

Administrator
MICHIGAN DEPARTMENT OF COMMERCE
Corporation & Securities Bureau

932HH3145

Date Received
JUL 07 1993

0707 DRG&FI $5.00

CERTIFICATE OF CHANGE OF REGISTERED OFFICE AND/OR CHANGE OF RESIDENT AGENT

For use by Domestic and Foreign Corporations

(Please read instructions and Paperwork Reduction Act notice on reverse side)

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended (profit corporations), or Act 162, Public Acts of 1982 (nonprofit corporations), the undersigned corporation executes the following Certificate:

1. The name of the corporation is: Pulte Home Corporation
2. The corporation identification number (CID) assigned by the Bureau is: 1 5 0 – 1 4 8

3. a. The address of the registered office as currently on file with the Bureau is:

33 Bloomfield Hills Parkway, Ste. 200 (Street Address) Bloomfield Hills (City), Michigan 48304 (ZIP Code)

b. The mailing address of the registered office if different than above is:

(P.O. Box) (City), Michigan (ZIP Code)

c. The name of the resident agent as currently on file with the Bureau is:

Robert P. Schafer

4. (Complete if the address of the registered office is changed)
The address of the registered office is changed to:

(Street Address) (City), Michigan (ZIP Code)

The mailing address of the registered office if different than above is:

(P.O. Box) (City), Michigan (ZIP Code)

5. (Complete if the resident agent is changed)
The name of the successor resident agent is: John R. Stoller

6. The corporation further states that the address of its registered office and the address of the business office of its resident agent, as changed, are identical.
7. The above changes were authorized by resolution duly adopted by its board of directors or trustees.

Signed this 22nd day of June, 19 93

By (Signature)

John R. Stoller, Vice President - General Counsel
(Type or Print Name and Title)

BM

GOLD SEAL APPEARS ONLY ON ORIGINAL

CS/S-520 (Rev. 1-84)

DOCUMENT WILL BE RETURNED TO NAME AND MAILING ADDRESS INDICATED IN THE BOX BELOW. Include name, street and number (or P.O. box), city, state and ZIP code.

Nancy Gawthrop
Pulte Home Corporation
33 Bloomfield Hills Parkway
Suite 200
Bloomfield Hills, MI 48304

Name of person or organization remitting fees:

Pulte Home Corporation

Preparer's name and business telephone number:

Nancy Gawthrop

(313) 433-4568

INFORMATION AND INSTRUCTIONS

1. This form is issued under the authority of Act 284, P.A. of 1972, as amended, and Act 162, P.A. of 1982. The certificate of change of registered office and/or change of resident agent cannot be filed until this form, or a comparable document, is submitted.
2. Submit one original copy of this document. Upon filing, a microfilm copy will be prepared for the records of the Corporation and Securities Bureau. The original copy will be returned to the address appearing in the box above as evidence of filing.

   Since this document must be microfilmed, it is important that the filing be legible. Documents with poor black and white contrast, or otherwise illegible, will be rejected.
3. This document is to be used pursuant to section 242 of the Act by domestic and foreign, profit and nonprofit, corporations for the purpose of changing their registered office or resident agent, or both.
4. Item 2 — Enter the identification number previously assigned by the Bureau. If this number is unknown, leave it blank.
5. Item 3 — The address of the registered office and the name of the resident agent must be the same as are designated in the articles of incorporation or subsequent change filed with the Bureau.
6. Item 4 — A post office box may not be designated as the address of the registered office. The mailing address may differ from the address of the registered office only if a post office box address in the same city as the registered office is designated as the mailing address.
7. This certificate must be signed in ink by the president, vice-president, chairperson, vice-chairperson, secretary or assistant secretary of the corporation.
8. FEES: Filing fee (Make remittance payable to State of Michigan) ..... $ 5.00
9. Mail form and fee to:

   Michigan Department of Commerce
   Corporation and Securities Bureau
   Corporation Division
   P.O. Box 30054
   Lansing, Michigan 48909
   Telephone: (517)373-0493

GOLD SEAL APPEARS ONLY ON ORIGINAL

STATE OF ARIZONA

Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Director of the Arizona Corporation Commission, do hereby certify that

******PULTE HOME CORPORATION******

a foreign corporation organized under the laws of Michigan did obtain authority to transact business in the State of Arizona on the 21st day of March 1985.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal as of the date of this certificate.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 3rd Day of November, 2005, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
* 1912 *

EXECUTIVE SECRETARY

BY: _____

EXHIBIT B

146004 0013

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 1200 West Washington
Phoenix, Arizona 85007

Tucson Address: 402 West Congress
Tucson, Arizona 85701

CERTIFICATE OF DISCLOSURE

A.R.S. Sections 10-128 & 10-1084

PLEASE SEE REVERSE SIDE

PULTE MICHIGAN CORPORATION
EXACT CORPORATE NAME

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

A. No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

[X] 1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.

2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.

3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
   (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
   (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
   (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

[ ]
1. Full name and prior name(s) used
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period)
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY RECEIVERSHIP OR REVOCATION

A.R.S. Sections 10-128.01 and 10-1083

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES ____ NO X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved
3. State(s) in which the corporation
   (a) Was incorporated.
   (b) Has transacted business
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

Under penalties of law, the undersigned incorporators/Officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete

State of MICHIGAN
County of OAKLAND } ss

BY [signature] DATE 2/25/85
TITLE Gregory Nelson, Incorporator

Subscribed, sworn to and acknowledged before me this 25th DAY of February 19 85

BY ____ DATE ____
TITLE ____

FISCAL DATE: December 31

Karen Koppal
NOTARY PUBLIC

My Commission expires 8-10-88

(AI 17. - 1445 - 6/22/82)

Inc 0002 - Foreign

148004 0013

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 1200 West Washington
Phoenix, Arizona 85007

Tucson Address: 402 West Congress
Tucson, Arizona 85701

CERTIFICATE OF DISCLOSURE

A.R.S. Sections 10-128 & 10-1084

PLEASE SEE REVERSE SIDE

PULTE MICHIGAN CORPORATION
EXACT CORPORATE NAME

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT

A. No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

[X]
1. Have been convicted of a felony involving a transaction in securities consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
   (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
   (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
   (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

[ ]
1. Full name and prior name(s) used
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION

A.R.S. Sections 10-1201.01 and 10-1083

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES ____ NO X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved
3. State(s) in which the corporation:
   (a) Was incorporated
   (b) Has transacted business
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

Under penalties of law, the undersigned incorporators/Officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete

State of MICHIGAN)
County of OAKLAND) ss

Subscribed, sworn to and acknowledged before me this 4th DAY of March, 19 85

Marcella M. Sutter
NOTARY PUBLIC

MARCELLA M. SUTTER
Notary Public, Wayne County, Michigan
My Commission Expires December 21, 1987

My Commission expires

BY Richard C. Staky DATE 3/25/85
TITLE Richard C. Staky, Vice President
BY Mark Shaevsky DATE 3/4/85
TITLE Mark Shaevsky, Secretary
FISCAL DATE: December 31

MAR 22 1985 L.C.

(ARIZ. - 1445 - 6/22/82)

Inc: 0002 - Foreign

148004 0013

F-033672

AZ. CORP. COMMISSION
FOR THE STATE OF AZ.
DELIVERED

MAR 18 3 59 PM '85

FILED BY
DATE FILED
TERM
DATE TIME

APPLICATION FOR AUTHORITY OF

PULTE MICHIGAN CORPORATION
(EXACT CORPORATE NAME)

TO: CORPORATION COMMISSION, STATE OF ARIZONA
P. O. Box 6019, Phoenix, Arizona 85005

Pursuant to the provisions of Sections 10-110, 10-111 and 10-118, Arizona Business Corporation Act, the undersigned corporation hereby applies for authority to transact business in your state, or files a restatement of information of new authority, and for that purpose submits the following statement:

FIRST: This application is

X (1) An original application pursuant to A.R.S. Sec. 10-110.

_____ (2) An application for new authority pursuant to A.R.S. Sec. 10-118 as a result of:

_____ (a) A change in the corporation's name to the name set forth in the second paragraph.

_____ (b) A desire to pursue in this State other or additional purposes than those set forth in the corporation's prior Application for Authority as more fully described in the eighth paragraph herein.

SECOND: The name of the corporation is PULTE MICHIGAN CORPORATION ATN.
(EXACT CORPORATE NAME)

THIRD: If the name of the corporation does not contain the word "association", "bank", "corporation", "company", "incorporated", or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

N/A

FOURTH: It is incorporated under the laws of Michigan.

FIFTH: The date of its incorporation is January 24, 1985 and the period of its duration is perpetual.

SIXTH: The address of its principal office in the jurisdiction in which it is incorporated is: 6400 Farmington Road
West Bloomfield, MI 48033

Fiscal Year End December 31

(ARIZ. - 1338 - 9/17/84)

OFFICERS AND DIRECTORS OF PULTE MICHIGAN CORPORATION

NAMES	OFFICE	ADDRESSES
James Grosfeld	Chairman of the Board and Member of the Office of Chief Executive	ALL AT: 6400 Farmington Road West Bloomfield, Michigan 48033
William J. Pulte	Chairman of the Executive Committee and Member of the Office of Chief Executive	
C. Howard Johnson	President and Member of the Office of Chief Executive	
Glen W. Barnard	Senior Vice President	
Robert K. Burgess	Senior Vice President/ Administration	
Richard C. Staky	Vice President-Finance Chief Financial Officer and Assistant Secretary/ Director	
David Ebling	Vice President, Controller, Asst. Secretary and Asst. Treasurer/Director	
Mark P. Layton	Vice President-Manufacturing	
Bryan C. Noreen	Treasurer	
Mark Shaevsky	Secretary	
Gregory Nelson	Director	

THIRTEENTH: The amount of its stated capital, as defined in the Arizona Business Corporation Act, is $ 1,000

FOURTEENTH: The application is accompanied by a copy of its Articles of Incorporation and all amendments thereto, duly authenticated by the proper officer of the State or Country under the laws of which it is incorporated.

FIFTEENTH: Has any person(s) (a) serving either by election or appointment as an officer, director or trustee, incorporator of the corporation or, (b) controlling or holding 20% of the proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked?

Yes _____ No X

If your answer to the above question is "Yes", you "MUST" attach the following information, for each such corporation.

1. Name and address of the corporation.
2. Full name, including alias(es) and address(es) of each person or persons involved.
3. State(s) in which the corporation:

   (a) Was incorporated.
   (b) Has transacted business.

4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, the court or agency involved, and the file or cause number of the case.

SIXTEENTH: Under penalties of law, I declare that I will comply with the provisions of A. R. S. Sec. 10-128.01.

Under penalties of law, I declare that I have examined this application and to the best of my knowledge and belief it is true, correct and complete.

DATED: March 4 1985.

PULTE MICHIGAN CORPORATION
(CORPORATE NAME)

BY: Richard C. Staky
Vice President - Richard C. Staky

BY: Mark Shaevsky
Secretary - Mark Shaevsky

STATE OF ARIZONA
CORPORATION COMMISSION

I hereby certify this to be a true and complete copy of the document filed in this office and admitted to record in File No. F00336770

Dated: 11-3-05

Executive Director

By: [signature]

CERTIFIED COPY OF RESOLUTIONS
OF THE BOARD OF DIRECTORS

OF

PULTE HOME CORPORATION

I, Patricia M. Fairfield, hereby certify that I am a duly elected and acting Assistant Secretary of PULTE HOME CORPORATION, a Michigan corporation, (the "Company"); that attached as Exhibit A is a true copy of the resolutions adopted by the Board of Directors of the Company at a special meeting duly called and held on November 15, 2005, in accordance with the provisions of the General Corporation Law of Michigan, and that such resolutions have not been rescinded or modified, and do not contravene any provisions of the Articles of Incorporation or Bylaws of the Company.

IN WITNESS WHEREOF, I have hereto set my hand this 15th day of November, 2005.

Patricia M. Fairfield, Asst. Secretary

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On November 15, 2005, before me, Linda J. Moody, a Notary Public in and for said State, personally appeared Patricia M. Fairfield personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public
My Commission Expires: 6/29/07

OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

U:\resolutions\phccertfestivalcfd.doc

Festival Ranch Community Facilities District (Town of Buckeye, Arizona)
Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

WHEREAS, the Corporation is the owner of certain real property, commonly known as "Festival Ranch" located in the Town of Buckeye, Arizona (the "Property"); and

WHEREAS, the Corporation has petitioned the Town of Buckeye to establish the Festival Ranch Community Facilities District No. 1 (the "District") encompassing the Property owned by the Corporation;

WHEREAS, the Corporation is developing the Property with, among other things, infrastructure improvements to service a home community comprised of many single family detached homes;

WHEREAS, the District, in order to finance the construction of the infrastructure facilities and the related expenses of the facilities required to serve the population to be generated as a result of the new community, has agreed to issue its Special Assessment Revenue Bonds, Series 2005 (the "Bonds");

WHEREAS, in connection with the issuance of the Bonds, the Corporation shall be required to take certain actions and execute, deliver, file, and record certain certificates, instruments, agreements and documents including, but not limited to

a) the Owner's Certificate;

b) the Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District (Buckeye, Arizona) recorded in Maricopa County, Arizona on April 22, 2005 at Docket No. 2005-0523800;

c) the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement Pertaining to Assessment District No. 1, recorded in Maricopa County, Arizona on September 12, 2005, at Docket No. 2005-1333865;

d) the Letter of Indemnity dated November 1, 2005 from the Company to the Festival Ranch Community Facilities District and RBC Dain Rauscher Inc.;

e) the Continuing Disclosure Undertaking (Owner) dated November 17, 2005 from the Company; and

f) the Dissemination Agency Agreement dated as of November 1, 2005 by and between the Company and the Underwriter;

(collectively, the "Company Documents").

NOW, THEREFORE, BE IT RESOLVED, that, the undersigned deem it to be in the best interests of the Corporation to (a) develop the Property in the Town of Buckeye, Arizona, (b) cause the Town of Buckeye, Arizona to establish the Festival Ranch Community Facilities District (the "District") encompassing the Corporation's property, (c) cause the District to issue the Bonds of and levy the Special Taxes within the District (d) finance the new facilities and incidental expenses with proceeds of the Bonds, and (e) take certain actions and execute, deliver, file and record certain certificates, instruments, agreements and documents in connection with the foregoing, including, but not limited to, the Company Documents; and

FURTHER RESOLVED, that Benjamin S. Redman, Vice President, Richard Gallagher, Vice President, Finance of the Corporation's West Valley Division, Arizona Area, Jeffrey V. Romaine, Vice President and Assistant Secretary, Patricia M. Fairfield, Assistant Secretary or Bruce Robinson, Vice President and Assistant Secretary (collectively, the "Authorized Agents") and any other authorized officer or agent of the Corporation designated in writing by the Corporation are, and individually hereby is, authorized, empowered and directed in the name and on behalf of the Corporation, to take all actions and execute, deliver, file and record any and all certificates, instruments, agreements and documents as may be required or as such officer may deem necessary, advisable or proper to develop the Property owned by the Corporation in the Town of Buckeye or to otherwise carry out or perform any of the matters and actions authorized or contemplated by the foregoing resolutions, including, but not limited to, the Company Documents, and all such actions, executions, deliveries, filings and recordings are hereby approved; and

FURTHER RESOLVED, that any actions taken prior to adoption of the foregoing resolutions, which would have been within the authority conferred hereby if done prior to the date of these resolutions, including previously executed documents and instruments, are adopted, ratified and approved as of the date of each such action.

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

PURCHASE CONTRACT

November 1, 2005

District Board
Festival Ranch Community Facilities
District (Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

Attention: District Manager

RBC Dain Rauscher Inc. (the "Underwriter"), acting on its own behalf and not as fiduciary or agent in any respect, offers to enter into the following agreement (this "Contract") with Festival Ranch Community Facilities District (the "Issuer"), which, upon the Issuer's written acceptance of such offer, will be binding upon the Issuer and upon the Underwriter. Such offer is made subject to the Issuer's written acceptance hereof on or before 5:00 p.m., Mountain Standard Time, on the date indicated above, and, if not so accepted, shall be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in the following agreement shall have the same meanings set forth in the Official Statement (as hereinafter defined).

In addition to acceptance of this Contract by the District as provided hereinabove, the obligations of the Underwriter under this Contract shall be conditioned on the execution and delivery of the Indemnity Letter, dated the date hereof (the "Indemnity Letter"), by Pulte Home Corporation ("the Owner") as Attachment I.

1. Purchase and Sale of the Bonds. (a) Subject to the terms and conditions and in reliance upon the representations, warranties, covenants and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer's Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and

hereby confirms, that the Underwriter is not acting as a fiduciary of the Issuer, but rather is acting solely in its capacity as an underwriter for its own account.

(b) The principal amount, dated date, maturities, redemption provisions and interest rates per annum with respect to the Bonds are set forth in the Schedule hereto. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of, the resolution adopted by the Board of the Issuer on October 18, 2005 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, to be dated as of November 1, 2005 (the "Indenture"), from the Issuer to Wells Fargo Bank, N.A., as trustee (the "Trustee").

(c) The purchase price for the Bonds shall be $1,404,560. The underwriting discount is $43,440.

2. Public Offering. The Underwriter is making a public offering of all of the Bonds at prices not to exceed the public offering prices set forth on the cover of the Official Statement (as hereinafter defined) and may subsequently change such offering prices without any requirement of prior notice. The Underwriter may offer and sell portions of the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement.

3. The Official Statement.

(a) The Preliminary Official Statement, dated October 21, 2005 (the "Preliminary Official Statement"), of the Issuer relating to the Bonds has been prepared for use in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Official Statement is hereby deemed "final" by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(b) The Issuer hereby authorizes the preparation of the Official Statement, to be dated even date herewith (the "Official Statement"), of the Issuer relating to the Bonds and the use of the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Contract (but, in any event, not later than within seven business days after the Issuer's acceptance of this Contract and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in

such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board.

(c) If, after the date of this Contract to and including the date the Underwriter is no longer required to provide the Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities repository, but in no case less than 25 days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer shall notify the Underwriter (and provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement shall comply with law. If such notification shall be subsequent to the Closing Date (as hereinafter defined), the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(d) Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the Closing Date.

4. Representations, Warranties, and Covenants of the Issuer. The undersigned, on behalf of the Issuer, hereby represents and warrants to, and the Issuer hereby covenants with, as applicable, the Underwriter that:

(a) The Issuer is a community facilities utilities district of the State of Arizona (the "State"), duly created, organized and existing under the laws of the State, specifically Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended and supplemented (the "Act"), and has full legal right, power and authority under the Act, and at the Closing Date shall have full legal right, power and authority under the Act and the Bond Resolution

(i) to enter into, execute and deliver this Contract, the Bond Resolution, the Indenture, a written undertaking by the Issuer to provide certain continuing disclosure for the benefit of certain beneficial owners of the Bonds as required under paragraph (b)(5) of the Rule in form and substance satisfactory to the Underwriter which shall be substantially in the form set forth in the Official Statement with such changes as may be agreed in writing by the Underwriter (the "Undertaking"), the Dissemination Agency Agreement, to be dated as of even date with the Bonds (the "Agency Agreement"), by and between the Issuer and RBC Dain Rauscher Inc., the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement Pertaining to Assessment District No. 1, dated September 6, 2005, and recorded on September 12, 2005, at File 2005-1333865 of the Maricopa County Recorder (the "Waiver Agreement") by and between the Issuer and the Owner and as consented to by certain other interested parties, the Letter of Representations, to be dated the Closing Date (the "Letter"), by and between the Issuer and The Depository Trust Company ("DTC") and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Contract, the Bond Resolution, the Indenture, the Undertaking, the Agency Agreement, the Waiver Agreement, the Letter and the other documents referred to in this clause (i) being hereinafter referred to as the "Issuer Documents"); (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein; (iii) to carry out and consummate the transactions contemplated by the Issuer Documents and the Official Statement and (iv) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement), and the Issuer has complied, and shall on the Closing Date be in compliance in all respects, with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Resolution and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Preliminary Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement and the Bond Resolution (i) authorizes the authorization, execution, delivery and issuance, as applicable, of the Issuer

Documents and the Bonds as well as the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) and the selling of the Bonds to the Underwriter, (ii) has been duly and validly adopted by the Issuer and (iii) is in full force and effect;

(c) The Issuer Documents shall constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Bond Resolution and this Contract, shall constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Bond Resolution and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and upon the issuance, authentication and delivery of the Bonds as aforesaid and the Indenture shall provide, for the benefit of the registered owners, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth therein;

(d) The Issuer is not in breach of or default in any respect under any applicable constitutional provision, statute or administrative rule or regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Bond Resolution and compliance with the provisions on the Issuer's part contained therein shall not conflict with or constitute a breach of or default under any constitutional provision, statute, administrative rule or regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject nor shall any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds or under the terms of any such statute,

rule or regulation or instrument, except as provided by the Indenture;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds and the Issuer Documents conform to the descriptions thereof contained in the Official Statement, and the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement;

(g) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the levy or collection of the Special Assessments (as such term is defined in the Preliminary Official Statement) from which principal of and interest on the Bonds are to be paid pursuant to the Bond Resolution or in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or, when finalized, the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of the Issuer Documents, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially, adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) The Preliminary Official Statement did not and, as of the date hereof, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Contract) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 3 of this Contract, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement, as so supplemented or amended, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer shall apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Resolution and the Indenture and shall not to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal or State income tax purposes of the interest on the Bonds;

(l) The Issuer shall furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to (A) qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (B) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (ii) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer shall not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and shall advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial information regarding the Issuer in the Preliminary Official Statement fairly presents, and in the Official Statement shall fairly present, the financial

position and results of the Issuer as of the dates and for the periods therein set forth, and, prior to the Closing, there shall be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer;

(n) The Issuer is not a party to any litigation or other proceeding pending or threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer, and except as disclosed in the Official Statement, the Issuer is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which may have a material adverse effect on the financial condition, operations or prospects of the Issuer or ability of the Issuer to comply with all the requirements set forth in the Official Statement, the Bond Resolution, the Issuer Documents and the Bonds;

(o) Prior to the Closing Date, the Issuer shall not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds without the prior approval of the Underwriter and

(p) The officers and officials of the Issuer executing the Official Statement, the Issuer Documents and the Bonds and the officers and officials of the Issuer listed on the certificate of the Issuer to be delivered on the Closing Date have been or will have been duly appointed and are or will be qualified to serve as such officers and officials of the Issuer, and any certificate signed by any officer or official of the Issuer authorized to do so in connection with the transactions contemplated by this Contract shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

5. Closing. (a) At 9:00 a.m., Mountain Standard Time, on November 17, 2005, or on such other date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing Date"), the Issuer shall, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter shall, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Contract by a certified or bank cashiers check or checks or wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of Bond Counsel or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Bonds shall be made through the facilities of DTC in New York City, New York, or, if by the means of a "F.A.S.T." closing, with the Trustee. The Bonds shall be printed or lithographed, shall be prepared and delivered as fully registered bonds, one Bond for the full amount maturing on each maturity date, and shall be registered in the name of "Cede & Co." and shall be made available to the Underwriter at least one (1) business day before the Closing Date for purpose of inspection in New York City, New York, at DTC.

6. Closing Conditions. The Underwriter has entered into this Contract in reliance upon the representations, warranties, covenants and agreements of the Issuer contained herein and of the Owner contained in the Indemnity Letter and to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Issuer of its obligations hereunder and by the Owner of its obligations pursuant to the Indemnity Letter, both as of the date hereof and on the Closing Date. Accordingly, the Underwriter's obligations under this Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and by the Owner of its obligations pursuant to the Indemnity Letter and under such documents and instruments on or prior to the Closing Date and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein and of the Owner contained in the Indemnity Letter shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) The Issuer shall have performed and complied with all covenants and agreements required by this Contract to be performed or complied with by it prior to or on the Closing Date;

(c) On the Closing Date, (i) the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and Counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) On the Closing Date, all official action of the Issuer relating to the Issuer Documents and the Bonds shall

be in full force and effect and shall not have been amended, modified or supplemented;

(e) Prior to or on the Closing Date, the Bond Resolution shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered, and the Trustee shall have duly authenticated, the Bonds;

(f) Prior to or on the Closing Date, no "event of default" shall have occurred or be existing under this Contract nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an event of default under this Contract;

(g) Prior to or on the Closing Date, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer or the Owner, from that set forth in the Official Statement that in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(h) Prior to or on the Closing Date, the Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(i) Prior to or on the Closing Date, all steps to be taken and all instruments and other documents to be executed and all other legal matters in connection with the transactions contemplated by this Contract shall be reasonably satisfactory in legal form and effect to the Underwriter;

(j) Prior to or on the Closing Date, the Underwriter shall have received two copies of the transcript of all proceedings of the Issuer relating to the authorization and issuance of the Bonds, certified, as necessary, by appropriate officials of the Issuer, including, but not limited to, the following opinions, letter, consent, certificate and other documents:

(1) An unqualified approving opinion of Gust Rosenfeld P.L.C., Bond Counsel, as to the Bonds, dated the Closing Date, addressed to the Issuer and substantially in the form included in the Official Statement;

(2) the supplemental opinion of such counsel, as Bond Counsel and Counsel to the Issuer, dated the

Closing Date, addressed to the Underwriter and substantially in the form attached hereto as Exhibit A;

(3) the opinion of Gallagher & Kennedy, PC, Counsel to the Owner, dated the Closing Date, addressed to the Underwriter and substantially in the form attached hereto as Exhibit B;

(4) An opinion of Greenberg Traurig, LLP, Counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter and substantially in the form attached hereto as Exhibit C;

(5) A consent of Burke Hansen, Inc., dated the Closing Date, addressed to the Underwriter and substantially in the form attached hereto as Exhibit D;

(6) A certificate from the Owner, dated the Closing Date, signed by an authorized official of the Owner and in form and substance satisfactory to the Underwriter, to the effect that the representations and warranties contained in the Indemnity Letter and in the documents executed by the Owner in connection with the issuance of the Bonds are true and correct in all material respects as of the Closing Date;

(7) A certificate or certificates of the Issuer, dated the Closing Date, signed by an authorized official or officials of the Issuer and in form and substance satisfactory to the Underwriter, in which such official, to the best of his knowledge, information and belief, states:

(i) That the representations and warranties contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date;

(ii) That, except as described in the Official Statement, no litigation is pending or threatened before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the issuance or delivery of the Bonds, the application of the proceeds thereof or the performance by the Issuer of the provisions of the Issuer Documents or the levy and collection of the Special Assessments for payment of the Bonds; (B) in any way contesting or affecting the authority for, or the validity of, this Contract or the application of the proceeds of the Bonds or (C) in any way contesting the existence or powers of the Issuer;

(iii) That no authority or proceedings for the issuance of the Bonds has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the Bonds has been filed with or received by any of the signors;

(iv) That the Issuer has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied prior to or on the Closing Date and

(v) That the Official Statement was, as of its date, and will be, as of the Closing Date, true, correct and complete in all material respects and did not, as of its date, and does not, as of the Closing Date, include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading and no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

(8) A specimen of the Bonds;

(9) A certified copy of the Bond Resolution;

(10) A counterpart original of the Official Statement manually executed on behalf of the Issuer by the Chairman of the District Board;

(11) A non-arbitrage certificate of the Issuer, in form and substance satisfactory to Bond Counsel;

(12) The filing copy of the Information Return Form 8038-G (IRS) and of the Report of Bond and Security Issuance Pursuant To A.R.S. § 35-301(B) (Arizona Department of Revenue) for the Bonds;

(13) An executed copy of each of the Issuer Documents as well as of a separate undertaking and dissemination agency agreement in similar form and for the same purposes with respect to the Owner as the Undertaking and the Agency Agreement, in the case of such undertaking in form and substance satisfactory to the Underwriter which shall be substantially in the form set forth in the Official Statement with such

changes as may be agreed in writing by the Underwriter and

(14) Such additional opinions, letters, certificates, instruments and other documents as the Underwriter or Counsel to the Underwriter may reasonably deem necessary to satisfy conditions to the issuance of the Bonds required by the Bond Resolution, to evidence the truth and accuracy on the Closing Date, or prior to such date, of the representations and warranties of the Issuer and the Owner and the due performance or satisfaction by the Issuer and the Owner of all agreements and covenants then to be performed and all conditions then to be satisfied by the Issuer and the Owner.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Issuer and the Owner shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Contract, this Contract shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 4 and 8(c) hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Contract and the Closing Date, the market price or marketability of the Bonds shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all

of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress, an order, decree or injunction issued by any court of competent jurisdiction or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, or that the Bond Resolution or the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state "blue sky" or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereon) upon trading securities generally by any governmental authority or any national securities exchange or a general banking moratorium declared by federal, State of New York or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force or increase materially those now in force with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), for the validity or enforceability of the Special Assessments to pay principal of and interest on the Bonds;

(g) any event occurring or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the Issuer or the Owner;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement and

(k) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay or cause to be paid from the proceeds of the sale of the Bonds, the expenses incident to the performance of its obligations hereunder, including but not limited to (1) the cost of printing, engraving or typewriting and mailing or delivering the definitive Bonds, the Preliminary Official Statement, the Official Statement and the Issuer Documents in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby; (2) the fees and disbursements of the Trustee in connection with the issuance of the Bonds; (3) the fees and disbursements of Bond Counsel and Counsel to the Underwriter in connection with the issuance of the Bonds; (4) the fees and disbursements of any other experts or consultants retained by the Issuer in connection with

the transactions contemplated hereby and (5) reasonable miscellaneous, normally occurring, "out-of-pocket" expenses incurred by the Underwriter in connection with the issuance and sale of the Bonds.

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Contract; (ii) all advertising expenses in connection with the public offering of the Bonds and (iii) all other expenses incurred by them in connection with the public offering of the Bonds.

(c) If this Contract shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Contract, or if for any reason the Issuer shall be unable to perform its obligations under this Contract, the Issuer will reimburse the Underwriter for all "out-of-pocket" expenses (including the fees and disbursements of Counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Contract or the offering contemplated hereunder.

9. (a) Notices. Any notice or other communication to be given to the Issuer under this Contract may be given by delivering the same to the address set forth on the first page of this Contract, and any notice or other communication to be given to the Underwriter pursuant to this Contract may be given by delivering the same in writing to RBC Dain Rauscher Inc., Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016, Attention: Ms. Shawn Dralle, Managing Director.

(b) Parties in Interest. This Contract as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter), and no other person shall acquire or have any right hereunder or by virtue hereof. This Contract may not be assigned by the Issuer. All of the Issuers representations, warranties, covenants and agreements contained in this Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Contract and (iii) any termination of this Contract.

(c) Effectiveness. This Contract shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

(d) Choice of Law. This Contract shall be governed by and construed in accordance with the law of the State.

(e) Severability. If any provision of this Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public

policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contract invalid, inoperative or unenforceable to any extent whatever.

(f) Business Day. For purposes of this Contract, "business day" means any day on which the New York Stock Exchange is open for trading.

(g) Section Headings. Section headings have been inserted in this Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Contract and will not be used in the interpretation of any provisions of this Contract.

(h) Counterparts. This Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

10. Notice Concerning Cancellation of Contracts. As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the State, its political subdivisions (including the Issuer) or any department or agency of either may, within three (3) years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This section is not intended to expand or enlarge the rights of the Issuer hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section which would adversely affect the enforceability of this Contract and covenants that it shall take no action which would result in a violation of such Section.

If you agree with the foregoing, please sign the enclosed counterpart of this Contract and return it to the Underwriter. This Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC DAIN RAUSCHER INC.

By.....
Shawn Dralle, Managing Director

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By.....
Dustin Hull, Chairman, District Board

ATTEST:

.....
Linda Garrison, District Clerk

APPROVED AS TO FORM:

GUST ROSENFELD, PLC, Attorney for the District

By.....

1506679.2-11/1/05

SCHEDULE

Dated Date: November 17, 2005

Aggregate Principal Amount: $1,448,000

Interest Payment Dates: July 1, 2006, and January 1 and July 1 thereafter

Maturity Schedule:

Maturity Date (July 1)	Principal Amount	Per Annum Interest Rate
2008	$ 33,000	4.000%
2009	35,000	4.200
2010	40,000	4.375
2011	40,000	4.550
2012	40,000	4.700
2013	45,000	4.800
2014	45,000	4.900
2015	50,000	5.000
2016	50,000	5.100
2017	55,000	5.150
2018	55,000	5.200
2019	60,000	5.250
2020	60,000	5.300
2025	365,000	5.400
2030	475,000	5.550

Redemption Provisions:

Special Redemption. The Bonds will be redeemed from funds of the Issuer at the option of the Issuer in whole or, from time to time, in part on any Interest Payment Date (as such term is defined in the Official Statement), as randomly determined by the Trustee within the applicable maturity, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which shall consist of the principal amount of the Bonds so redeemed, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium (i) if and to the extent on or after the completion of the Public Infrastructure (as such term is defined in the Official Statement), but in no event later than July 1, 2008, amounts are transferred from the Acquisition and Construction Fund for such purpose, and (ii) from the proceeds received from any foreclosure sale of any assessed parcel, to the extent such proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

Special Optional Redemption. The Bonds will be redeemable from funds of the Issuer at the option of the Issuer in whole on any date or, from time to time, in part on any Interest Payment Date, as randomly determined by the Trustee within the applicable maturity, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium from, and only from, funds of the Issuer, which are prepaid with respect to the Special Assessments and are deposited for such purpose plus amounts in excess of the Reserve Fund Requirement (as such term is defined in the Bond Resolution) as a result of prepayment and which are available for such purpose and from a transfer of Reserve Fund moneys if such moneys are sufficient to redeem all the Bonds.

Optional Redemption. The Bonds will also be redeemable, on or after July 1, 2015, at the option of the Issuer prior to the applicable maturity in whole on any date or, from time to time, in part on any Interest Payment Date as randomly determined by the Trustee within the applicable maturity upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium.

Mandatory (Sinking Fund) Redemption. The Bonds maturing on July 1 of the following years will be redeemed from funds of the Issuer prior to the applicable maturity on the following redemption dates and in the following (sinking fund) amounts upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date:

Redemption Date (July 1)	Principal Amount
Bonds Maturing in 2025	
2021	$ 65,000
2022	70,000
2023	75,000
2024	75,000
Bonds Maturing in 2030	
2026	$ 85,000
2027	90,000
2028	95,000
2029	100,000

Whenever Bonds of such maturity are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a *pro-rata* basis against the remaining mandatory redemption requirements for the Bonds of such maturity.

EXHIBIT A

[LETTERHEAD OF GUST ROSENFELD P.L.C.]

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

WE HAVE ACTED as Bond Counsel to Festival Ranch Community Facilities District (hereinafter referred to as the "Issuer") in connection with the issuance this date by the Issuer of bonds designated its Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005, in the aggregate principal amount of $1,448,000 (hereinafter referred to as the "Bonds") and otherwise as counsel to the Issuer including for purposes relating to the execution and delivery of the "Waiver Agreement" as such term is defined in the hereinafter described Purchase Contract. The Bonds (i) are issued under and secured by a resolution authorizing issuance of, and certain other matters related to, the Bonds adopted by the District Board of the Issuer on October 18, 2005 (hereinafter referred to as the "Resolution"), and an Indenture of Trust and Security Agreement, dated as of November 1, 2005 (hereinafter referred to as the "Indenture"), from the Issuer to Wells Fargo Bank, N.A., as trustee (hereinafter referred to as the "Trustee"); (ii) are the subject of an Official Statement, dated November 1, 2005 (hereinafter referred to as the "Official Statement") and (iii) are being sold pursuant to a Purchase Contract, dated November 1, 2005 (hereinafter referred to as the "Purchase Contract"), by and between the Issuer and RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter"). (You may rely on our opinion as Bond Counsel, dated of even date herewith, with regard to the Bonds as if addressed to you.)

IN OUR CAPACITY as Bond Counsel, and as counsel as described hereinabove to the Issuer, we have examined and relied upon:

(i) An executed copy of the Waiver Agreement;

(ii) An executed copy of the Purchase Contract;

(iii) An executed copy of the Official Statement;

(iv) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Purchase Contract);

(v) An executed copy of the Indenture;

(vi) An executed copy of a Letter of Representations, dated even date herewith (hereinafter referred to as the "Letter"), by and between the Issuer and The Depository Trust Company;

(vii) An executed copy of a Continuing Disclosure Undertaking, dated of even date hereof (hereinafter referred to as the "Undertaking"), from the Issuer;

(viii) An executed copy of a Dissemination Agency Agreement, dated as of November 1, 2005 (hereinafter referred to as the "Agreement" and, collectively with the Indenture, the Purchase Contract, the Waiver Agreement, the Letter and the Undertaking, as the "District Documents"), by and between the Issuer and RBC Dain Rauscher Inc.;

(ix) Such other agreements, certificates (including particularly, but not by way of limitation, representations of the "Owner" (as such terms is defined in the Official Statement, provided in the Waiver Agreement), opinions (including particularly, but not by way of limitation, opinions of counsel to the Owner, dated as of even date herewith), letters and other documents, including all documents delivered or distributed at the closing of the sale of the Bonds, as we have deemed necessary or appropriate in rendering the opinions set forth herein and

(x) Such provisions of the Constitution and laws of the State of Arizona and the United States of America as we believe necessary to enable us to render the opinions set forth herein.

IN OUR EXAMINATION, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and the accuracy of the statements contained in such certificates. In

connection with our representation of the Issuer in the capacities described above, we have also participated in conferences from time to time with representatives of the Issuer, the Underwriter, the Town of Buckeye, Arizona, the Trustee and the Owner relating to the Official Statement and the District Documents.

WE ARE OF THE OPINION, based upon the foregoing and subject to the qualifications hereinafter set forth, that under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Issuer is duly organized and validly existing as a community facilities district pursuant to the Constitution and laws of the State of Arizona and has all requisite power and authority thereunder (a) to adopt the Resolution, (b) to authorize, execute, deliver and issue, as applicable, the District Documents, and the Bonds, (c) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement, dated October 21, 2005 (the "Preliminary Official Statement"), with respect to the Bonds) and (d) to carry out and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds (including performing the applicable obligations thereunder).

2. Adoption of the Resolution; authorization, execution, delivery and issuance, as applicable, of, and the due performance of the obligations of the District under, the District Documents and the Bonds and the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) by the Issuer under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or of any existing law, ordinance, administration regulation, court order or consent decree to which the Issuer is subject.

3. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bonds), is required in connection with the adoption by the Issuer of the Resolution or the authorization, execution, delivery, issuance and performance, as applicable, by the Issuer of

the District Documents and the Bonds and the consummation of the transactions contemplated by the Official Statement.

4. The Issuer has duly (a) adopted the Resolution, (b) authorized (i) the authorization, execution, delivery and issuance, as applicable of, and the performance of its obligations under, the District Documents and the Bonds and (ii) the taking of the actions required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated by the Official Statement, the Bond Resolution, the District Documents and the Bonds and (c) levied the special assessments from which the Bonds are payable. The liens with respect to such assessments have been perfected pursuant to applicable law and as described in the Official Statement. The Issuer has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the aforesaid documents.

5. The District Documents have been duly authorized, executed and delivered by the Issuer and, assuming due and valid authorization, execution and delivery by the other party thereto, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms.

6. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or overtly threatened against or affecting the Issuer, and there is no basis therefor, (i) which in any way questions the powers of the Issuer referred hereinabove or the validity of the proceedings taken by the Issuer in connection with the issuance and sale of the Bonds, (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the Bond Resolution, the District Documents or the Bonds or would in any way adversely affect the validity or enforceability of the Bond Resolution, the District Documents or the Bonds (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or hereby or by the Official Statement) or (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement. Further, there are no lawsuits pending or threatened against the Issuer which question the right of the Issuer to levy, receive and pledge special assessments or taxes, nor lawsuits pending or overtly threatened

against the Issuer which, if decided adversely to the Issuer, would, individually or in the aggregate, have a material adverse effect on the financial condition of the Issuer or impair the ability of the Issuer to comply with all the requirements set forth in the Official Statement, the Bond Resolution, the District Documents or the Bonds.

7. The information contained in the Official Statement on the cover thereof, under the headings "THE DISTRICT AND THE ASSESSMENT AREA," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "LITIGATION," "TAX EXEMPTION," "QUALIFIED TAX-EXEMPT OBLIGATIONS," "CONTINUING DISCLOSURE" and "RELATIONSHIPS AMONG PARTIES" therein and in Appendix B - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," Appendix D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS," Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and Appendix G - "CERTAIN STATUTORY PROVISIONS APPLICABLE TO THE FORECLOSURE PROCESS" thereto does not contain any untrue statement of a material fact and does not omit any material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading insofar as such information purports to summarize certain provisions of federal or state law or of the Bonds and fairly summarizes the information which it purports to summarize. With regard to the other portions of the Official Statement, on the basis of our participation as Bond Counsel, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included in Appendix A thereto or otherwise included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

8. It is not necessary in connection with the issuance and sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution or the Indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the District Documents are dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other party thereto and to the extent that the enforceability of the Dis-

trict Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the District Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshalling of assets or (iv) purporting to grant to the owners of the Bonds or to any party to the District Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

This opinion may be relied upon only by you and by persons to whom we grant written permission to do so.

Respectfully submitted,

EXHIBIT B

[LETTERHEAD OF GALLAGHER & KENNEDY, PC]

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

We have acted as special counsel to Pulte Home Corporation, a Michigan corporation (hereinafter referred to as the "Owner"), in connection with the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds sold pursuant to a Purchase Contract, dated November 1, 2005 (hereinafter referred to as the "Purchase Contract"), by and between RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter") and Festival Ranch Community Facilities District (hereinafter referred to as the "District"). Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Contract.

In this connection, we have reviewed the following documents, each of which is dated as of the date hereof unless otherwise indicated (the "Documents"):

1. Purchase Contract;

2. Official Statement issued by the District;

3. Continuing Disclosure Undertaking (the "Undertaking") from Owner;

4. Dissemination Agency Agreement dated as of November 1, 2005 (the "Agency Agreement") by and between Owner and Dain Rauscher Inc.;

5. Waiver Agreement;

6. Owner Indemnity Letter of even date with the Purchase Contract (the "Indemnity Letter");

7. [insert organizational documents of Owner];

8. [insert authorizing resolutions of Owner];

9. [insert good standing certificate(s) of Owner]; and

10. Certificate of the ..... of the Owner issued in favor of the undersigned (the "Owner's Certificate").

In rendering the following opinions, we have assumed:

(a) The genuineness of all signatures to the Documents and the legal capacity of each natural person executing any of the Documents;

(b) The authenticity and completeness of Documents submitted as originals, and the conformity to originals of documents submitted as copies;

(c) The due authorization, execution, acknowledgment where necessary, and delivery, and the validity and binding effect, of the Documents with regard to the parties to those agreements, other than Owner, and that the transactions contemplated by the Documents were fully authorized by the District and are in compliance with all laws, rules or regulations governing the District;

(d) That all of the parties to the Documents (other than Owner) have obtained all necessary consents, authorizations, approvals, permits or certificates (governmental and otherwise) which are required as a condition to the execution and delivery of the Documents by such parties and to the consummation of the Transaction (as such term is hereinafter defined) by such parties;

(e) That the Documents constitute an integrated agreement between the parties to those agreements with respect to the matters contained therein and that the same constitute and evidence all of the agreements and understandings between the parties thereto

with respect to the matters contained therein and that there are no oral or written statements or agreements that modify, amend or vary, or purport to modify, amend or vary, any of the terms of the Documents;

(f) That Owner owns good and indefeasible interests in the real and personal property described in the Documents which are purported to be owned by it;

(g) That all parties to the Documents will enforce their respective rights thereunder in circumstances and in a manner which are commercially reasonable and in accordance with applicable law;

(h) The truth and accuracy of all of the representations and warranties of all parties contained in the Documents; and

(i) The truth and accuracy of all reports and other documents prepared by third party consultants relating to the Transaction or any of the property within the District.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is out opinion that:

1. The Owner is a limited liability company, duly organized and validly existing under the laws of the State of Arizona and duly authorized to transact business in the State of Arizona and has full power and authority to enter into and perform its obligations under, and to consummate all transactions contemplated by, the Indemnity Letter, the Waiver Agreement, the Undertaking and the Agency Agreement (hereinafter referred to as, collectively, the "Owner Documents").

2. The Owner has taken all actions necessary to be taken by it or in its behalf to authorize (i) the execution, delivery and performance by the Owner of the Owner Documents and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

3. The Owner Documents have been duly and validly authorized, executed and delivered by the Owner and the same are in full force and effect as of the date hereof and are the valid and legally binding obligations of the Owner, enforceable against the Owner in accordance with their respective terms.

4. The execution and delivery by the Owner of the Owner Documents and the consummation of the transactions contemplated thereby (a) do not and will not result in a violation of any provision of, or in default under, the organizational documents of the Owner or (b) to our knowledge, (i) any agreement or other instrument to which the Owner is a party or by which it or its properties are bound or (ii) conflict with any statute, rule, regulation, judgment, order or other governmental action or decree to which the Owner or its properties are subject which, in any of the above cases, would materially and adversely affect the business, properties, assets, liabilities or condition (financial or otherwise) of the Owner.

5. To our knowledge, all material actions necessary to be taken by the Owner have been taken, and no additional material approval, authorization, consent or other order of the Owner or any other public board or body that has jurisdiction over the Owner is legally required to allow the Owner to execute and deliver and consummate the transactions contemplated by the Owner Documents or to conduct the business of the Owner as presently being conducted and as described in the Official Statement, except for such actions, approvals, authorizations, consents and orders that the Owner would expect to obtain in the ordinary course of its business, provided that no opinion is hereby expressed as to the compliance of the offer and sale of the Bonds with any securities law or regulation or any consents, approvals, authorizations or other action by the Town or the District.

6. To our knowledge, the Owner is not in violation of any provision of, or in default under, its organizational documents or any agreement or other instrument, violation of or default under which would materially and adversely affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Owner.

7. To our knowledge, there are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the Owner is a party or of which any property of the Owner is subject, except as described in the Official Statement, which, if determined adversely to the Owner would individually or in the aggregate (i) have a material adverse effect on the financial condition or results of operations of the Owner and its affiliates considered as a whole, (ii) materially and adversely affect the validity or the enforceability of the Owner Documents, (iii) otherwise materially or adversely affect the ability of the Owner to comply with its obligations under the Owner Documents

or (iv) materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the Owner.

8. To our knowledge, the information contained in the Official Statement under the headings "THE DISTRICT AND THE ASSESSMENT AREA," "THE PUBLIC INFRASTRUCTURE," "THE OTHER INFRASTRUCTURE," "LAND DEVELOPMENT," "THE OWNER" and "RISK FACTORS" and in Appendix C - "APPRAISAL" thereto taken as a whole does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. In connection with our review of the Official Statement, we have not undertaken to determine independently the accuracy, completeness or fairness of the other statements contained therein, except as and to the extent provided in this paragraph, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information. However, on the basis of such review, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

The phrase "to our knowledge" means the actual knowledge of all of the attorneys in this firm, including attorneys having knowledge as a result of a review of documents referenced in the sections of the Official Statement described in numbered paragraph 8 hereinabove and attorneys having knowledge as a result of conferences with officers and other representatives of the Owner, at which conferences the information and related matters were discussed; provided, however, that with respect to numbered paragraph 8 hereinabove, such knowledge is limited to those attorneys of the firm who have worked on the transactions contemplated by the Owner Documents. Where statements in this opinion are qualified by the term "material" or "materially," those statements involve judgments and opinions as to the materiality or lack of materiality of any matter to the Owner or its business, assets, or financial condition that are entirely those of the Owner and its officers, after having been advised by us as to the legal effect and consequences of such matters.

The opinions expressed herein are subject to the following qualifications:

(i) Enforceability of the Owner Documents may be limited by bankruptcy, insolvency, fraudulent transfer, fraudulent conveyance, reorganization, moratorium, arrangement, or laws or court decisions affecting the enforcement of creditors' rights generally.

(ii) Enforceability of certain rights and remedies in the Owner Documents may be restricted by the doctrines of waiver, estoppel, election of remedies, commercial reasonableness or by the application of other equitable principles, whether remedies are sought in equity or at law. Without limiting the generality of the foregoing, we note specifically that such principles of equity are of general application, and in applying such principles an Arizona State court or a Federal District Court for the State of Arizona. The opinion on enforceability is limited to enforcement in courts in the State of Arizona.

(iii) Certain waivers, procedures, remedies, indemnities and other provisions of the Owner Documents may be unenforceable under or limited by Arizona law; however, such law does not, in our opinion, substantially prevent the practical realization of the benefits intended by the Owner Documents if the other party(ies) act in good faith and in a commercially reasonable manner in accordance with the requirements of applicable law, except for the economic consequences of any procedural delay.

(iv) The qualification that any matter stated in general terms herein shall be limited by any less general or any more specific statement on such matter as may also be contained herein; and

(v) The qualification that in rendering the opinions set forth herein, we do not purport to express any opinion on the financial capability or condition of Owner or its financial ability to perform under the Documents.

We are expressing no opinion as to:

(a) The enforceability of any indemnity provision with respect to any claims or other matters that result from the negligence or willful misconduct of any party or the failure of any party to act in a commercially reasonable manner;

(b) The enforceability of any indemnity or contribution provision with respect to any claims or other matters relating to or arising under federal or state securities laws, as they may be held to violate public policy;

(c) The applicability or effect of any registration or qualification with respect to the federal securities law or the securities laws or Blue Sky laws of any state;

(d) The title or the priority of any lien or security interest created by the Owner Documents or with respect to the Bonds; and

(e) The applicability or effect, if any, if any building codes or zoning ordinances or the laws or regulations of any municipality.

We are qualified to practice law only in the State of Arizona and we do not purport to express any opinion herein concerning any law other than the laws of the State of Arizona and [the corporate law of the State of Delaware - if applicable]. With respect to such law, our opinions are as to what the law is or might reasonably be expected to be at the date hereof, and we assume no obligation to revise or supplement this opinion due to any change in the law by legislative action, judicial decision or otherwise. We do not render any opinion with respect to any matters other than those expressly set forth above.

The opinions contained herein are solely for the benefit of the addressee. Accordingly, it may not be relied upon by, filed with or furnished or delivered to or quoted in any manner to any other person or entity, or referred to in any financial statement, report or related document, without, in each instance, our prior written consent.

Furthermore, we hereby consent to the references made to this firm in the Official Statement.

Respectfully submitted,

EXHIBIT C

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

This opinion is rendered pursuant to the Purchase Contract, dated November 1, 2005 (the "Purchase Contract"), by and between Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "District") and RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter"), relating to the purchase by the Underwriter from the District of its $1,448,000 Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (hereinafter referred to as the "Bonds"), and as counsel to the Underwriter solely for its use in connection with the issuance and the sale of the Bonds to the Underwriter by the District.

We have examined the Official Statement relating to the Bonds (hereinafter referred to as the "Official Statement"). We also have examined originals, or copies certified or otherwise identified to our satisfaction, of other documents, resolutions, instruments, records, certificates and opinions, have reviewed other laws and information and have made investigations, as we have considered necessary or appropriate, for the purpose of rendering this opinion.

In accordance with our understanding with you, we have rendered legal advice and assistance to you in the course of your investigations pertaining to, and your participation in the preparation of, the Official Statement. That assistance involved, among other things, inquiries concerning various legal and related matters, our review of certain corporate records, documents and proceedings and our participation in discussions with your representatives and other persons involved in the preparation of information for the Official Statement and representatives of the District and the Owners and Stonebridge (as such terms are defined in the Official Statement) concerning the contents of the Official Statement and related matters.

While we are not passing upon, and do not assume responsibility for, the accuracy, completeness or fairness of the contents of the Official Statement, on the basis of the information which was developed in the course of our performance of the services referred to hereinabove and without having undertaken to verify independently that accuracy, completeness or fairness, nothing has come to our attention which leads us to believe that the Official Statement, at its date or as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which such statements were made, not misleading. Reference in this paragraph to the Official Statement does not include the information contained in the Official Statement on the cover thereof, under the headings "THE DISTRICT AND THE ASSESSMENT AREA," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "THE PUBLIC INFRASTRUCTURE," "THE OTHER INFRASTRUCTURE," "LAND DEVELOPMENT," "THE OWNER," "RISK FACTORS," "LITIGATION," "TAX EXEMPTION," "CONTINUING DISCLOSURE" and "RELATIONSHIPS AMONG PARTIES" therein and in Appendix B - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," Appendix C - "APPRAISAL," Appendix D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS," Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and Appendix G - "CERTAIN STATUTORY PROVISIONS APPLICABLE TO THE FORECLOSURE PROCESS" thereto nor the financial information or other technical or statistical data included in the Official Statement or its Appendices, as to all of which we express no opinion.

Respectfully submitted,

EXHIBIT D

CONSENT OF BURKE HANSEN, INC.

Burke Hansen, LLC hereby consents to the inclusion in the Official Statement related to the sale of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 of the Appraisal prepared by Burke Hansen, LLC and addressed to Town of Buckeye, Arizona/ Festival Ranch Community Facilities District, dated August 17, 2005, and further represents and warrants that such Appraisal is true and correct in all respects and does not include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading, and no event affecting such Appraisal has occurred since the date of such Official Statement which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect.

BURKE HANSEN, LLC

By.....

Dated: November 17, 2005

OWNER INDEMNITY LETTER
FOR
$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2005

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Festival Ranch Community Facilities
District (Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

Attention: District Manager

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

This Indemnity Letter is delivered by Pulte Home Corporation, a Michigan corporation (hereinafter referred to as the "Owner"), in order to induce RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter") and Festival Ranch Community Facilities District (hereinafter referred to as the "District"), to enter into the Purchase Contract, dated even date herewith (hereinafter referred to as the "Purchase Contract"), related to the sale and purchase by the Underwriter and District of the captioned Bonds (hereinafter referred to as the "Bonds"). Terms which are defined in the Purchase Contract have the meanings ascribed to them therein when used herein.

1. In consideration of the execution and delivery of the Purchase Contract, the Owner represents and warrants to the Underwriter and the District that:

(a) The Owner is a limited liability company duly incorporated, validly existing and in good standing under the laws of the State of Arizona and is qualified to transact business in the State of Arizona.

(b) As of the date of the Preliminary Official Statement, the information in the Preliminary Official Statement under the headings "THE DISTRICT AND THE ASSESSMENT AREA," "THE PUBLIC INFRASTRUCTURE," "THE OTHER INFRASTRUCTURE," "LAND DEVELOPMENT," "THE OWNER" and "RISK FACTORS" and in Appendix C - "APPRAISAL" thereto, taken as a whole, is true and correct in all material respects for the purposes for which its use is or was authorized, and such information does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein in light of the circumstances under which they are or were made, not misleading.

(c) Neither the execution or delivery of this Indemnity Letter, the Waiver Agreement, the Continuing Disclosure Undertaking, dated of even date with the initial issuance and delivery of the Bonds or the Dissemination Agency Agreement, dated as of November 1, 2005, by and between the Owner and RBC Dain Rauscher Inc. (hereinafter referred to as, collectively, the "Owner Documents") nor the consummation of any of the transactions herein and therein contemplated, nor the fulfillment of, or compliance with, the terms hereof or thereof, contravenes the organizational documents of the Owner or conflicts with or results in a breach by the Owner of any of the terms, conditions or provisions of, or constitute a default by the Owner under, any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Owner is a party or by which it is bound or to which any of the property or assets of the Owner is subject, or any law or any order, rule or regulation applicable to the Owner of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Owner or any of its properties or operations, or will result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Owner under the terms of any such restriction, bond, debenture, note, mortgage, indenture, agreement, instrument, law, order, rule or regulation, in each case which would materially affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Owner taken as a whole.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the best knowledge of the Owner, threat-

ened against the Owner wherein an adverse decision, ruling or finding would (i) result in any material adverse change in the condition (financial or otherwise), results of operations, business or prospects of the Owner, or which would materially and adversely affect the properties (taken as a whole) of the Owner, taken as a whole, and which has not been disclosed in the Preliminary Official Statement as of its date, (ii) materially adversely affect the transactions contemplated by the Purchase Contract or the Owner Documents or (iii) adversely affect the validity or enforceability of the Owner Documents against the Owner.

(e) The Owner has the full power and authority to execute and deliver the Owner Documents and perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Purchase Contract and the Owner Documents, and the Owner Documents have been duly authorized by the Owner and, when executed will constitute valid, binding and enforceable obligations of the Owner except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights and general principles of equity and except as the indemnification provisions hereof may be limited by applicable securities laws or public policy.

(f) No consent, approval, authorization or other action by any governmental or regulatory authority that has not been obtained is or will be required for the consummation by the Owner of the transactions contemplated by the Purchase Contract and the Owner Documents; provided that no representation is made as to the compliance of the offer and sale of the Bonds with any securities law or regulation or any consents, approvals, authorizations or other action by the Town or the District.

2. To the extent permitted by law, the Owner shall indemnify and hold harmless the Underwriter and each director, trustee, partner, member, officer, official or employee thereof and each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended (the Underwriter and any such person being herein called an "Underwriter Indemnified Party") and the District and each director, trustee, partner, member, officer, official or employee thereof and each person, if any, who controls the District within the meaning of the Securities Act of 1933, as amended (the District and any such person being herein called a "District Indemnified Party" and, together with each Underwriter Indemnified Party, the "Indemnified Parties"), for, from and against any and all losses, claims, damages or liabilities, several as to the Underwriter Indemnified Parties, but joint or several as to the District Indemnified Parties, (i) to which any such Indemnified Party may become

subject, under any statute or regulation at law or in equity or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact set forth in the information identified in Section 1(b) above in the Official Statement or any amendment or supplement thereto, taken as a whole, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such section(s) or which is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official Statement and (ii) with respect to a District Indemnified Party only, to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened to the extent arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Owner (which consent shall not be unreasonably withheld).

An Indemnified Party shall, promptly after the receipt of notice of a written threat of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the Owner, notify the Owner in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of the Owner by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Owner, but the omission to notify the Owner of any such action shall not relieve the Owner from any liability that it may have to such Indemnified Party otherwise than under this Section. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Owner of the commencement thereof, the Owner may, or if so requested by such Indemnified Party shall, participate therein or assume the defenses thereof, with counsel reasonably satisfactory to such Indemnified Party and the Owner (it being understood that, except as hereinafter provided, the Owner shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Owner to such Indemnified Party of an election so to assume the defenses thereof, the Owner will not be liable to such Indemnified Party under this Section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that unless and until the Owner assumes the defense of any such action at the request of such Indemnified Party, the Owner shall have the right to participate at its own expense in the defense of any such action. If the Owner shall not have employed counsel to have charge of the

defense of any such action or if an Indemnified Party shall have reasonably concluded that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Owner (in which case the Owner shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, reasonable legal and other necessary expenses, including the expense of separate counsel, incurred by such Indemnified Party shall be borne by the Owner.

3. All of the representations, warranties, and agreements of the Owner contained in the Owner Documents shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Underwriter, any controlling person referred to in paragraph 2 hereof or the Owner or (ii) delivery of and payment for the Bonds.

4. This letter is solely for the benefit of the Underwriter and the District and its successors or assigns, and, to the extent provided in paragraph 2 hereof, each Indemnified Party, and no other person shall acquire or have any right under or by virtue hereof. The terms "successors" and "assigns" as used in this letter shall not include any purchaser, as such purchaser, from the Underwriter of the Bonds.

5. The Owner hereby consents to the references made to the Owner in the Official Statement.

Respectfully submitted,

PULTE HOME CORPORATION, a Michigan corporation

By.....

Printed Name: Rich Gallagher

Title: Vice President Finance

CONTINUING DISCLOSURE UNDERTAKING
(OWNER)

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

(CUSIP BASE NUMBER 315599)

This Undertaking is executed and delivered by Pulte Home Corporation, a Michigan corporation (hereinafter referred to as the "Owner"), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the "Securities") for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

"Annual Report" shall mean any annual report provided by the Owner pursuant to, and as described in, Section 2.

"Assessment Area" shall have meaning provided thereto in the Official Statement.

"Authorizing Documents" shall mean, collectively, the resolutions authorizing the issuance of the Securities and the Indenture of Trust and Security Agreement from the Issuer to Wells Fargo Bank, N.A. with respect to the Securities.

"Central Post Office" shall mean an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to the Repositories for purposes of the Rule. As of the date of this Disclosure Undertaking, the Central Post Office is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosure USA.org

"Dissemination Agent" shall mean any agent which has executed a dissemination agency agreement with the Owner and the successors and assigns of such agent.

"Issuer" shall mean Festival Ranch Community Facilities District, a community facilities district organized and existing pursuant to the laws of the State of Arizona.

"Material Events" shall mean any of the events listed in Section 3(a).

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Owner shall contact the Securities and Exchange Commission to determine the National Repositories existing at such time.)*** Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: munis@bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: nrmsir@interactivedata.com

The names and addresses of the then-current National Repositories should be verified each time information is delivered pursuant to this Undertaking. (A current listing of the National Repositories can be found at http://www.sec.gov/info/municipal/nrmsir.htm.)

"Notice of Material Event" shall mean any notice provided by the Owner pursuant to, and as described in, Section 3.

"Objective Criteria" shall mean, as to any owner of land within the boundaries of the Assessment Area in question at the

time in question, that the unpaid portions of the Special Assessments levied against such land owned by such owner equals or exceeds twenty percent (20%) of the total principal amount of the Securities then outstanding.

"Official Statement" shall mean the Official Statement, dated November 1, 2005, with respect to the Securities.

"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.

"Special Assessments" shall have the meaning provided thereto in the Official Statement.

"State Repository" shall mean any public or private repository or entity designated by the State of Arizona and recognized by the Securities and Exchange Commission as a state repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Owner shall contact the Securities and Exchange Commission to determine the State Repositories existing at such time.)*** Currently, no State Repositories exist for the State of Arizona. ***The name and address of the then-current State Repository should be verified each time information is delivered pursuant to this Undertaking.***

Section 2. Contents and Provision of Annual Reports.

(a) (i) ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN JULY 1 OF EACH YEAR, COMMENCING JULY 1, 2006, PROVIDE TO EACH REPOSITORY AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF EACH ANNUAL REPORT TO THE ISSUER.***

(ii) ***IF THE OWNER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO EACH REPOSITORY AND TO THE MUNICIPAL SECURITIES RULEMAKING BOARD ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information with respect to (I) single family lot closings and issuance of building permits within the boundaries of the portion of the Assessment Area owned by the Owner,

(II) the full cash value for taxation purposes of the land within the Assessment Area owned by the Owner, (III) update of the land sales and land development (including particularly the status of completion of the items included under the heading "THE OTHER INFRASTRUCTURE"), (IV) any conveyance in a single transaction to any entity by the Owner of land within the boundaries of the Assessment Area which has unpaid portions of the Special Assessments levied there against in an amount equal to or exceeding five percent (5%) of the principal amount of the Securities then outstanding (including identity of the entity and location of property conveyed) and (V) changes in the description of residential product mix, development and sale of lots, project financing and encumbrances of the Owner set forth in the relevant sections of the Official Statement.

(B) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis generally accepted accounting principles. ***IF THE FISCAL YEAR OF THE OWNER CHANGES, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided to each Repository.***

Section 3. Reporting of Material Events.

(a) This Section shall govern the giving of notices of the occurrence of the following events (the "Material Events") with respect to the Securities:

(i) The conveyance in a single transaction to any entity by the Owner of land within the boundaries of the Assessment Area which has unpaid portions of the Special Assessments levied thereagainst in an amount equal to or exceeding twenty percent (20%) of the principal

amount of the Securities then outstanding (including identity of the entity and location of property conveyed).

(ii) Any failure by the Owner to pay, prior to delinquency, general property taxes, special taxes or assessments with respect to property of the Owner within the boundaries of the Issuer.

(b) ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF MATERIAL EVENT OF THE OCCURRENCE OF A MATERIAL EVENT WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH REPOSITORY. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE OF MATERIAL EVENT TO THE ISSUER.***

Section 4. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Owner file the Annual Reports, the notices of any Material Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Owner may instead comply with the provisions of this Undertaking by filing the Annual Reports and such notices with a Central Post Office.

Section 5. Termination of Reporting Obligation. The obligations of the Owner pursuant to this Undertaking shall terminate upon (i) the legal defeasance, prior redemption or payment in full of all of the Securities or (ii) the failure of the Owner to satisfy the Objective Criteria. ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO EACH REPOSITORY AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

Section 6. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Owner may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is 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 the Owner or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Owner or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authorizing Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report 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. Such 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 Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE OWNER CHANGE, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

Section 7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Owner from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Undertaking. If the Owner chooses to include any information in any Annual Report or Notice of Material Event in addition to that which is specifically required by this Undertaking, the Owner shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Material Event.

Section 8. Default. In the event of a failure of the Owner to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Owner to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authorizing Documents, and the sole remedy under this Undertaking in the event of any failure of the Owner to comply with this Undertaking shall be an action to compel performance.

Section 9. Dissemination Agent. The Owner may, from time to time, appoint or engage a Dissemination Agent to assist it in satisfying the obligations of the Owner hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Recordkeeping. The Owner shall maintain copies of each Annual Report and Notice Material Event as well as the

names of the entities with whom the same was filed and the date of filing thereof.

Section 11. Subsequent Transfers of Owner's Land. Upon any sale by the Owner of land within the boundaries of the Assessment Area such that the acquiring owner of land within the boundaries of the Assessment Area then satisfies the Objective Criteria, the Owner shall require such acquiring owner of land within the boundaries of the Assessment Area to execute an undertaking substantially similar to this Undertaking and in compliance with the Rule prior to the conveyance of title to such acquiring owner of such land within the boundaries of the Assessment Area.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and the Owner shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or wilful misconduct of the Dissemination Agent. The obligations of the Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Section 13. Copies for Issuer. Any copy provided by this Undertaking to be given or furnished to the Issuer by the Owner shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Issuer addressed to it at c/o Town of Buckeye, Arizona, Suite A, 100 North Apache, Buckeye, Arizona 85326, Attention: District Clerk or at any other address furnished previously in writing to the Owner by the Issuer.

Dated: November 17, 2005

PULTE HOME CORPORATION, a Michigan corporation

By.....

Printed Name: Rich Gallagher

Title: Vice President Finance

1506672.1-11/15/2005

PULTE HOME CORPORATION

and

RBC DAIN RAUSCHER INC.

DISSEMINATION AGENCY AGREEMENT

Dated as of November 1, 2005

$1,448,000
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
Assessment District No. 1
Special Assessment Revenue Bonds, Series 2005

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* * *

THIS DISSEMINATION AGENCY AGREEMENT, dated as of November 1, 2005 (hereinafter referred to as this "*Agreement*"), by and between Pulte Home Corporation, a corporation duly incorporated and validly existing pursuant to the laws of the State of Michigan (hereinafter together with its successors referred to as the "*Owner*"), and RBC Dain Rauscher Inc., a corporation duly incorporated and validly existing pursuant to the laws of the State of Delaware (hereinafter together with its successors referred to as the "*Agent*");

W I T N E S S E T H:

WHEREAS, pursuant to a Resolution of the district board of Festival Ranch Community Facilities District (hereinafter referred to as the "*Board*") adopted on October 18, 2005, the Board has authorized the issuance of certain special assessment bonds (hereinafter referred to as the "*Securities*") to provide funds for certain public infrastructure purposes provided for in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended; and

WHEREAS, in order to provide terms for providing for compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, with respect to the Securities, the Owner has duly authorized the execution and delivery of a Continuing Disclosure Undertaking, dated the date of initial delivery of the Securities (hereinafter referred to as the "*Undertaking*"); and

WHEREAS, in order to assist the Owner in complying with the Undertaking, the Owner has determined to enter into this Agreement;

NOW, THEREFORE, in the joint and mutual exercise of the their powers, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree that:

ARTICLE ONE

SECTION 1.01. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

A. The terms in this Agreement have the meanings assigned to them hereinabove and in Section 1 of the Undertaking and include the plural as well as the singular.

B. All references in this instrument to designated "Articles," "Sections," "Clauses" and other subdivisions are to the designated Articles, Sections, Clauses and other subdivisions of this instrument as originally executed.

C. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Agreement by the Owner or the Agent to be made upon, given or furnished to or filed with,

1. the Owner shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Owner addressed to it at Suite 100, 15111 North Pima Road, Scottsdale, Arizona 85260, Attention: Area Counsel - Arizona, or at any other address furnished previously in writing to such person by the Owner, and

2. the Agent shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to it at Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016, Attention: Managing Director, or at any other address furnished previously in writing to such person by the Agent.

Any copy or notice provided by this Agreement to be given or furnished to the Issuer by the Agent shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Issuer addressed to it at c/o Town of Buckeye, Arizona, 100 North Apache, Suite A, Buckeye, Arizona 85326, Attention: District Clerk, or at any other address furnished previously in writing to the Owner by the Issuer.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Owner and the Agent shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05. *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06. *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

SECTION 1.07. *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State of Arizona and the federal laws of the United States of America.

SECTION 1.08. *Further Assurances; Recording.*

The Agent shall do, execute, acknowledge and deliver all and every such further acts, conveyances and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

SECTION 1.09. *Amendments.*

This Agreement may be amended by an instrument in writing executed and delivered by each of the Owner and the Agent.

SECTION 1.10. *Termination.*

The Owner or the Agent may terminate this Agreement by giving written notice to the other party at least thirty (30) days prior to such termination. Otherwise, this Agreement shall terminate coincident with the termination of the Undertaking. The Owner is not required to appoint a successor to the Agent. The absence of the Agent or a successor to the Agent shall not relieve the Owner of the responsibilities of the Owner pursuant to the Undertaking.

SECTION 1.11. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement between the Owner and the Agent with regard to the matters provided for herein.

* * *

ARTICLE TWO

SECTION 2.01. *Annual Reports.*

The Agent shall compile and deliver each Annual Report to the Owner by April 1 of each year for review by the Owner, and the Owner shall thereafter deliver to the Agent any revisions to each Annual Report by the next succeeding June 15 for dissemination as set forth in Section 2.03.

SECTION 2.02. *Material Events.*

A. The Owner shall provide a written description to the Agent of the occurrence of any Material Event in a timely manner, signed by an appropriate representative of the Owner. Upon the Agent becoming aware of any Material Event, the Agent shall promptly notify the Owner of such Material Event. (The Agent shall have no duty or responsibility to review the written description of such Material Event.)

B. The Agent shall disseminate Notices of Material Events as set forth in Section 2.04.

SECTION 2.03. *Dissemination of Annual Reports.*

A. The Agent shall disseminate each Annual Report to the entities, in the manner and on the dates provided in Section 2 of the Undertaking.

B. The Agent shall disseminate such information in the form delivered to the Agent by the Owner pursuant to Section 2.01. (Any information furnished by the Agent hereunder for such purpose may contain a legend to such effect.)

C. The Agent shall promptly provide a copy of each Annual Report to the Owner and the Issuer, along with a notice stating the date and the identities of the entities with which such Annual Report was filed.

D. The Agent shall also, if necessary, file the notices required pursuant to Sections 2(a)(ii) and 2(b)(i)(B) of the Undertaking with respect to inability or failure to provide an Annual Report and change of fiscal year of the Owner, respectively, and shall provide a copy thereof to the Owner and the Issuer.

SECTION 2.04. *Dissemination of Notices of Material Events.*

A. The Agent shall disseminate each Notice of Material Event to the entities and in the manner provided in Section 3 of the Undertaking within one (1) business day after receipt of such information by the Agent pursuant to Section 2.02.

B. The Agent shall disseminate such information in the form delivered to the Agent by the Owner pursuant to Section 2.02. (Any information furnished by the Agent hereunder for such purpose may contain a legend to such effect.)

C. The Agent shall promptly provide a copy of each Notice of Material Event to the Owner and the Issuer, along with a notice stating the date and the identities of the entities with which such Notice of Material Event was filed.

SECTION 2.05. *Dissemination of Other Notices.*

The Agent shall file the notices required pursuant to Section 5 and 6(b) of the Undertaking with respect to termination of the Undertaking and changes in accounting principles of the Owner, respectively, and shall provide a copy thereof to the Owner and the Issuer.

SECTION 2.06. *Duty to Update.*

One (1) business day prior to the date the Owner is required to file information with a Repository or the Municipal Securities Rulemaking Board, as applicable, the Agent shall determine, in the manner the Agent deems appropriate, the names and addresses of the then existing, applicable Repositories and the manner and medium by which information is to be transmitted and filed with such Repository or the Municipal Securities Rulemaking Board.

SECTION 2.07. *Consequences of Default by Agent; Standard of Care.*

A. In the event of a failure of the Agent to comply with any provisions of this Agreement, the Owner may take any action at law or in equity to enforce the obligations of the Agent hereunder.

B. In the absence of bad faith on its part, the Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Agent or matters of public record.

C. The Agent shall have only such duties as are specifically set forth in this Agreement and the Undertaking.

D. To the extent permitted by applicable law, the Owner shall indemnify and save the Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Agent may incur arising out of or in the exercise or performance of the powers and duties of the Agent pursuant to this Agreement and the Undertaking, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Agent. The obligations of the Owner under this Section shall survive resignation or removal of the Agent and payment of the Securities.

SECTION 2.08. *Additional Information.*

Nothing in this Agreement shall be deemed to prevent the Owner from delivering any other information to the Agent, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Agreement. If the Owner chooses to include any such information, the Owner shall have no obligation pursuant to this Agreement to update such information or include it in any future disclosure or notice.

SECTION 2.09. *Compensation.*

The Owner shall compensate the Agent for the services provided and the expenses incurred pursuant to this Agreement in an amount to be agreed upon from time to time.

SECTION 2.10. *Recordkeeping.*

The Agent shall maintain records of the Annual Reports and the Notices of Material Events including the names of the entities with which the same were filed and the date of filing, and copies thereof shall be available to the Owner and the Issuer upon reasonable request and the payment of reasonable copying and delivery charges.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

PULTE HOME CORPORATION, a Michigan corporation

By.....

Printed Name: Rich Gallagher

Title: Vice President Finance

RBC DAIN RAUSCHER INC.

By.....

Shawn Dralle, Managing Director

1506676.1-11/15/2005

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

PULTE HOME CORPORATION, a Michigan corporation

By.....

Printed Name:.....

Title:.....

RBC DAIN RAUSCHER INC.

By.....
Shawn Dralle, Managing Director

1506676.1-11/10/2005

$1,448,000
FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

REQUEST AND AUTHORIZATION
TO THE TRUSTEE TO
AUTHENTICATE AND DELIVER THE BONDS

TO: Wells Fargo Bank, N.A., as Trustee
Phoenix, Arizona

With reference to the issue of the above-captioned Bonds (the "*Bonds*"), and pursuant to Section 3.3 of the Indenture of Trust and Security Agreement dated as of November 1, 2005 (the "*Indenture*"), by and between Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*Issuer*") and Wells Fargo Bank, N.A., as Trustee (the "*Trustee*"), the Issuer has caused the Bonds to be delivered to you for authentication and delivery to, or on the order of, RBC Dain Rauscher Inc. (the "*Underwriter*") against payment therefor, all in accordance with the following instructions:

1. You are hereby directed to authenticate the Bonds which are in the form of a single registered bond for each maturity in the aggregate principal amount of $1,448,000.

2. You are to deliver the Bonds to, or on the order of, said Underwriter upon receipt by you, and in a form satisfactory to you, of payment for the account of the Issuer of $1,404,560.00 (representing the par amount of the Bonds less Underwriter's compensation of $43,440.00), being the amount received for the Bonds.

3. Upon receipt of the amounts described in 2 above, you shall disburse the proceeds in the manner set forth in Section 5.9 of the Indenture.

Dated: November 17, 2005

FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
Chairman

KCH:gmh 613401.2 11/03/05

$1,448,000
FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CERTIFICATE AND RECEIPT OF TRUSTEE

The undersigned, an authorized representative of Wells Fargo Bank, N.A., as trustee (the "*Trustee*") under the Indenture of Trust and Security Agreement dated as of November 1, 2005 (the "*Indenture*"), by and between Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") and the Trustee hereby certifies that:

1. The Trustee is existing under and by virtue of the laws of the United States of America and is duly qualified to do bank and trust business in the State of Arizona, and in all jurisdictions where the nature of its operations as contemplated by the Indenture legally requires such qualification and has the corporate power to take all action required or permitted of it under the Indenture and the above-referenced Bonds.

2. By all necessary action, the Trustee has authorized the execution, delivery and due performance by it of the Indenture, and the authentication and delivery by it of the Bonds and such other agreements and documents as may be required to be executed, delivered and performed in order to consummate the transactions contemplated by the Indenture and the Bonds.

3. To the best knowledge of the undersigned, there is no litigation against the Trustee pending or threatened in any court nor is there any proceeding, inquiry or investigation affecting the Trustee before or by any public board or body, either pending or overtly threatened, calling into question the Trustee's role or the performance of its role, in the transactions contemplated by the Bonds and the Indenture.

4. Pursuant to the provisions of the Indenture, the Trustee has authenticated $1,448,000 principal amount of the Bonds, in the form of registered Bonds maturing on July 1 in the years 2008 through 2020, 2025 and 2030.

5. The Trustee delivered the Bonds so authenticated on the date hereof to, or to the order of, RBC Dain Rauscher Inc. (the "*Underwriter*") registered in the name of Cede & Co.

6. The Trustee received from the Underwriter, as the purchaser of the Bonds, the sum of $1,404,560.00 (representing the par amount of the Bonds less Underwriter's compensation of $43,440.00), and deposited the following amounts to the funds created by the Indenture in accordance with the terms thereof:

FUND OR ACCOUNT	AMOUNT
Reserve Fund	$ 113,782.50
Issuance and Expense Fund	113,350.00
Acquisition and Construction Fund	1,177,427.50
Total:	$ 1,404,560.00

7. Attached hereto as *Exhibit A* is a true, complete and correct copy of a resolution of the Trustee demonstrating the authority of the undersigned to act on behalf of the Trustee. Said resolution was in effect on the date or dates that the said officer acted and it remains in full force and effect on the date hereof.

8. The Bond was authenticated by one of the persons indicated on *Exhibit B* which is attached hereto, who held, at the time of such authentication, and now hold the offices indicated on *Exhibit B* and were and are duly authorized to authenticate the Bonds and execute all documents relating to the Bonds on behalf of the Trustee.

9. The signatures appearing on *Exhibit B* are the true and lawful signatures of the persons listed thereon, and that the signatures appearing on the Bond constitutes the true and lawful signature of the signer described in paragraph 8 hereof.

Dated: November 17, 2005

WELLS FARGO BANK, N.A.

By: _____
Its: Vice President

KCH:gmh 613450.2 11/03/05

WELLS FARGO BANK, NATIONAL ASSOCIATION
ASSISTANT SECRETARY'S CERTIFICATE

I, Paula N Boemer, hereby certify that I am an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association, (the "Bank"), and I hereby further certify as follows:

1. The following is a true and correct extract from resolutions duly adopted by the Board of Directors of the Bank on November 25, 2003, and no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate.

> **RESOLVED**, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions;
>
> ***
>
> C. Signing Officers
>
> **FURTHER RESOLVED**, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:
>
> ***
>
> Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as trustee, fiscal and paying agent, transfer agent, registrar or in another similar capacity; and certificates of cancellation and cremation of stocks, bonds, debentures or other securities.

2. The following named persons are Signing Officers of the Bank as of the date hereof, and their correct titles and genuine signatures appear beside their names:

Name	Title	Signature
Brenda Black	Vice President	
Eunice Ortega	Vice President	
Jeffrey B. Kassels	Assistant Vice President	
Kathleen Jakubowicz	Vice President	
Nancy Eatros	Vice President	

IN WITNESS WHEREOF, I have hereunto set my hand this day November 17, 2005.

Paula N Boemer
Assistant Secretary

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CERTIFICATE OF PURCHASER REGARDING THE INITIAL OFFERING PRICE OF THE BONDS TO THE PUBLIC AND AS TO YIELD

The undersigned (the "*Purchaser*") understands that for purposes of the arbitrage restrictions and other requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations (collectively, the "*Code*"), it is necessary for the issuer to determine the "yield" on the captioned bonds (the "*Bonds*") in order to be in a position to take steps to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code. The term "yield" in this context means that discount rate which, when used in computing the present value of all unconditionally payable payments of principal and interest on the issue produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Bonds as of the issue date. In determining the yield on the Bonds, aggregate issue price of the Bonds is the aggregate of the issue price of each maturity of the Bonds. The issue price of each maturity of the Bonds is that initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which a substantial amount of Bonds of that maturity (i.e., at least ten percent (10%) of such maturity) are reasonably expected to be sold. In the case of maturities sold to bond houses or broker, the Purchaser has obtained from such entity the initial offering prices to the public at which a substantial amount of the Bonds of the applicable maturity were expected to be sold. Accordingly, the issuer and bond counsel need to be informed by the Purchaser as to the initial offering price of the Bonds to the public.

Therefore, the Purchaser certifies that a bona fide public offering of the Bonds for purposes of the Code has been made and the initial offering price of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Purchasers or wholesalers) at which a substantial amount of the Bonds of that maturity (i.e., at least ten percent (10%) of such maturity) were reasonably expected to be sold as of November 1, 2005, is as follows:

Payment Dates of Term Bond (July 1)	Par Amount	Offering Price	Total for Maturity
2008	$ 33,000	100.00%	$ 33,000
2009	35,000	100.00%	35,000
2010	40,000	100.00%	40,000
2011	40,000	100.00%	40,000
2012	40,000	100.00%	40,000
2013	45,000	100.00%	45,000
2014	45,000	100.00%	45,000
2015	50,000	100.00%	50,000
2016	50,000	100.00%	50,000
2017	55,000	100.00%	55,000
2018	55,000	100.00%	55,000
2019	60,000	100.00%	60,000
2020	60,000	100.00%	60,000
2021*	65,000	100.00%	65,000
2022*	70,000	100.00%	70,000
2023*	75,000	100.00%	75,000
2024*	75,000	100.00%	75,000
2025	80,000	100.00%	80,000
2026**	85,000	100.00%	85,000
2027**	90,000	100.00%	90,000
2028**	95,000	100.00%	95,000
2029**	100,000	100.00%	100,000
2030	105,000	100.00%	105,000

* Mandatory call dates of Term Bond maturing in 2025
** Mandatory call dates of Term Bond maturing in 2030

To the knowledge of the Purchaser, the Bonds were sold at prices that willing buyers would purchase such investments from willing sellers in bona fide, arms-length transactions.

Based upon the purchase price so certified, the undersigned hereby certifies that the yield on the Bonds is at least 5.3471%.

DATED: November 17, 2005.

RBC DAIN RAUSCHER INC.

By Shawn Malli

KCH:gmh 613494.2 11/03/05

$1,448,000
FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

RECEIPT FOR BONDS

On behalf of the purchasers of the $1,448,000 principal amount Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*"), the undersigned hereby acknowledges receipt of all such Bonds on the date set forth in this receipt.

DATED: November 17, 2005

RBC DAIN RAUSCHER INC.

By Shawn Malle
Its MANAGING DIRECTOR

KCH:gmh 613447 11/01/05

No. R-____ $_____

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA
STATE OF ARIZONA

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2005

Interest Rate	Maturity Date	Original Issue Date	CUSIP No.
_____%	July 1, _____	November 17, 2005	315599 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS ($_____.00)

Festival Ranch Community Facilities District, a community facilities district formed by the Town of Buckeye, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter referred to as the "*Issuer*"), for value received, hereby promises to pay to the "Registered Owner" specified above or registered assigns (herein referred to as the "*Holder*"), on the "*Maturity Date*" specified above, the "*Principal Amount*" specified above and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid portion thereof from the "*Original Issue Date*" specified above, or from the most recent "*Interest Payment Date*" (as such term is hereinafter defined) to which interest has been paid or duly provided for, until paid or the payment thereof is duly provided for at Maturity (as such term is deemed in the hereinafter described "*Indenture*"), semiannually on each January 1 and July 1, commencing July 1, 2006 (each an "*Interest Payment Date*"), at the per annum "Interest Rate" specified above.

As provided in the Indenture, the interest, principal and Redemption Price (as such term is defined in the Indenture) payable on the Bonds shall be paid to CEDE & Co. or its registered assigns in same-day funds no later than the time established by DTC on the date due (or in accordance with then existing arrangements between the Issuer and DTC).

If the specified date for any such payment shall not be a Business Day, then such payment may be made on the next succeeding day which is a Business Day without additional interest and with the same force and effect as if made on the specified date for such payment, except that in the event of a moratorium for banking institutions generally at the Place of Payment or in the city where the principal corporate trust office of the Paying Agent is located, such payment may be made on such next succeeding day except that the Bonds on which such payment is due shall continue to accrue interest until such payment is made or duly provided for.

Words with initial capitals shall have such meanings set forth in the Indenture, unless otherwise defined herein.

Neither the full faith and credit nor the general taxing power of the Issuer, the Town of Buckeye, Arizona, Maricopa County, Arizona or the State of Arizona or any political subdivision thereof is pledged to the payment of the Bonds.

Unless the Certificate of Authentication hereon has been executed by the Trustee, by manual signature, this Bond shall not be entitled to any benefit under the hereinafter described Bond Resolution or the Indenture or be valid or obligatory for any purpose.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to or in the issuance of this Bond have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that the Assessments (as hereafter defined) from which said Bonds are to be paid are first liens on the property assessed, subject only to the lien for general taxes and prior special assessments. For the levy of the Assessment, reassessment, collection and payment of said Assessments, the full faith and diligence of the Issuer are hereby irrevocably pledged. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. This Bond shall be construed in accordance with and governed by the laws of the State of Arizona.

This Bond is one of a duly authorized issue of assessment revenue bonds of the Issuer having the designation specified in its title (herein referred to as the "*Bonds*"), issued in one series, with the limitations described herein, pursuant to an Indenture of Trust and Security Agreement, dated as of November 1, 2005 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, N.A., as trustee (herein referred to as the "*Trustee*," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder of the Holders of the Bonds, the Trustee, and the Issuer, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. Pursuant to Resolution No. 10-05, adopted on October 18, 2005 (herein referred to as the "*Bond Resolution*"), the Board of the Issuer authorized the issuance and sale of not to exceed $1,448,000 aggregate principal amount of Bonds for the purpose of financing the costs of acquiring and constructing certain public infrastructure, including particularly the acquisition and/or construction by the Issuer of the improvements and public infrastructure purposes (the "*Improvements*") described in Resolution No. 06-05 which was adopted by the Board of the Issuer on September 6, 2005.

The Bonds are limited obligations of the Issuer payable only out of the special fund to be collected from special assessments (the "*Assessments*") levied only against the lots or parcels of land fronting on or benefited by the Improvements (the "*Assessed Property*"). The Assessed Property represents approximately 153.2 acres of the District. Said special fund is set apart in accordance with the laws of the state and pursuant to the Indenture for the payment of the Bonds and can be used for no other purpose.

Notwithstanding any provision hereof or of the Bond Resolution, however, the Indenture may be released and the obligation of the Issuer to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Governmental Obligations sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in the denominations of $1,000 and any $1,000 multiple in excess thereof.

The Bonds are subject to special redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, and if in part randomly in a manner determined by the Trustee, at a Redemption Price of 100% of the unpaid principal amount thereof, without premium, if and to the extent moneys are received by the Issuer as a result of any one or more of the following events: (i) on or after the Completion Date of the Improvements, moneys are transferred from the Acquisition and Construction Fund to the Prepayment Account of the Bond Fund; or (ii) the receipt by the Issuer of proceeds from any foreclosure sale of any assessed real property due to a failure to pay an assessment installment, if and to the extent that the foreclosure sale proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

The Bonds are subject to optional redemption on or after July 1, 2015, at the option of the Issuer, in whole on any date or in part on any Interest Payment Date, upon payment of the Redemption Price of 100% of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, without premium.

The Bonds maturing on July 1, 2025 and July 1, 2030 will be subject to mandatory sinking fund redemption on the following Redemption Dates and in the following amounts upon payment of the Redemption Price, which will consist of the principal amount of the Bonds so redeemed plus accrued interest on the Bonds so redeemed from the most recent Interest Payment Date to the applicable Redemption Date but without premium.

Redemption Date (July 1)		Principal Amount
	Bonds maturing on July 1, 2025	
2021		$65,000
2022		70,000
2023		75,000
2024		75,000
2025	(maturity)	80,000
	Bonds maturing on July 1, 2030	
2026		$85,000
2027		90,000
2028		95,000
2029		100,000
2030	(maturity)	105,000

Whenever Bonds of the applicable maturity are purchased, redeemed (other than pursuant to mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy on a *pro rata* basis against the remaining mandatory redemption requirements for the Bonds of the applicable maturity.

Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed, at his address appearing in the Bond Register.

Upon any partial redemption of any such Bond the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Bonds in authorized form and Authorized Denominations for the unredeemed portion of principal. Bonds (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture and the Bond Resolution shall thereupon cease to be entitled to the benefits of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

If the Book-Entry-Only System is not in effect and if less than all the Outstanding Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected not more than sixty (60) days prior to the Redemption Date by the Trustee, as nearly as practicable, from Bonds of each maturity in the same proportion as the outstanding principal amount of Bonds of that maturity bears to the total outstanding principal amount of all Bonds of all maturities, and by lot within each maturity.

The Bonds shall initially be issued as a single fully-registered bond in each Stated Maturity and so long as the ownership of the Bonds is maintained in book-entry form by DTC or a nominee thereof, this Bond may be transferred in whole but not in part only to DTC or a nominee thereof or to a successor to DTC or its nominee.

Neither the Issuer nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person not shown on the registration books of the Trustee as being a Holder with respect to: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the timely or ultimate payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (4) the delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolution or the Indenture to be given to the Holders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as the Holder.

The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Bonds under the Bond Resolution and the Indenture at any time by the Issuer with the consent of the Holders of a majority in principal amount of the Bonds at the time Outstanding affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond or any Predecessor Bond evidencing the same debt shall be

conclusive and binding upon such Holder and upon all future Holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Paying Agent at the Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new fully registered Bonds of authorized denominations and for the same aggregate principal amount shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Bonds are exchangeable for a like aggregate principal amount of Bonds in authorized denominations, as requested by the Holder, upon surrender of the Bonds to be exchanged to the Paying Agent at the Place of Payment.

The Paying Agent may require payment of a sum sufficient to cover any tax or other charges payable in connection therewith.

The Issuer, the Trustee, and any agent of either of them may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Trustee, and any such agent shall be affected by notice to the contrary.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

ATTEST: Chairman

District Clerk

Dated: November 17, 2005

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture.

WELLS FARGO BANK, N.A., as Trustee

By_____
Authorized Representative

DATE: November 17, 2005

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

SPECIMEN

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT _____
(Cust.)
Custodian for _____ (Minor)
Under Uniform Gifts/Transfers to Minors Act of _____
(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee:)

_____

_____

(Print or typewrite Social Security or other identifying number of transferee: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints (Print or typewrite name of attorney) _____, attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

_____
Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee

_____
NOTICE: The signature(s) on this assignment must correspond with the name(s) of the registered owner(s) appearing on the face of the within Bond in every particular

SPECIMEN

SWR:gmh 613663 11/2/05

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)

[Name of Issuer]

October 18, 2005
[Date]

[For Municipal Issues:
Underwriting Department—Eligibility; 50th Floor]
[For Corporate Issues:
General Counsel's Office; 49th Floor]
The Depository Trust Company
55 Water Street
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____

Very truly yours,

Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
(Issuer)

By: C E Reynolds
(Authorized Officer's Signature)

Carroll Reynolds
(Print Name)

100 N. Apache, Suite A
(Street Address)

Buckeye, Arizona USA 85326
(City) (State) (Country) (Zip Code)

(602) 386-4691
(Phone Number)

creynolds@buckeyeaz.gov
(E-mail Address)

DTCC

The Depository Trust & Clearing Corporation

[2/02]

(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the"Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue,and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue 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.]

2. 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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 securities 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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**.

3. Purchases of Securities 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 Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable 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], Agent, or Issuer, 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 Issuer or 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.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

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

Report of Bond and Security Issuance

Pursuant to A.R.S. § 35-501B

This information is due to the Department of Revenue within 60 days of the issue.

1. Jurisdiction: FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)	
2. Issue Name/title: Assessment District No. 1, Special Assessment Revenue Bonds, Series 2005	
3. Dated date: November 17, 2005 Closing Date: November 17, 2005	4. Par Amount: $1,448,000
5. Overall Interest Rate (TIC or NIC): 5.5685% (NIC)	6. Type of Bond or Security: community facilities district special assessment
7. Repayment sources: property owner assessments	
8. Total amount outstanding: $1,448,000	9. Total amount outstanding of senior or subordinate bonds: $-0-
10. Original issue price: Attach Schedule 1 a. Par Amount (principal amount) $1,448,000.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: **For general obligation bonds:** a. Secondary net assessed value: N/A
b. Original Issue Discount (-) $0	b. Debt limit percentage: N/A
c. Premium Amount (+) $0	c. Total debt limit: N/A
d. Original Issue Price (=) $1,448,000.00	12. Available debt limit: N/A
e. Underwriter Compensation (discount) (-) $43,440.00	13. Total amount authorized: N/A
f. Net Proceeds (=) $1,404,560.00	
14. Remaining authorized amount: N/A	15. If voter authorized, election dates: N/A

15-18 Please attach 1) a schedule providing a detailed listing of Issue Costs; 2) the Debt Service Schedule; 3) Form 8038; and 4) the Final Official Statement. Please refer to instructions.

Signature

November 17, 2005
Date

Title, address and phone number

Festival Ranch Community
Facilities District
100 N. Apache, Suite A
Buckeye, Arizona 85326
623.386.4691

Trustee name, address and phone number

Wells Fargo Bank, N.A.
Corporate Trust Services
100 West Washington, 8th Floor
Phoenix, Arizona 85003
602.378.2337

Political Subdivision Contact Name, address and phone number

Festival Ranch Community
Facilities District
100 N. Apache, Suite A
Buckeye, Arizona 85326
623.386.4691

Submit this form with attachments within 60 days of issuance to:

Arizona Department of Revenue
Attention: Econometrics Section
1600 W. Monroe
Phoenix, AZ 85007

KCH:gmh 613531.1 11/03/05

Arizona Department of Revenue
Report of Bond and Security Issuance
Schedule 1

For each maturity date, list either the Original Issue Discount or the Premium Amount. The total of these figures should equal the amounts listed on 10b and 10c on the form. In all cases, 10a-10b+10c-10e=10f.

Name of Issue **FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005**

Par Amount: $1,448,000

Date Closed: November 17, 2005

Mandatory Redemption Date (July 1)	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
2008	$ 33,000	4.000%	4.000%	$ 33,000	0
2009	35,000	4.200%	4.200%	35,000	0
2010	40,000	4.375%	4.375%	40,000	0
2011	40,000	4.550%	4.550%	40,000	0
2012	40,000	4.700%	4.700%	40,000	0
2013	45,000	4.800%	4.800%	45,000	0
2014	45,000	4.900%	4.900%	45,000	0
2015	50,000	5.000%	5.000%	50,000	0
2016	50,000	5.100%	5.100%	50,000	0
2017	55,000	5.150%	5.150%	55,000	0
2018	55,000	5.200%	5.200%	55,000	0
2019	60,000	5.250%	5.250%	60,000	0
2020	60,000	5.300%	5.300%	60,000	0
2021*	65,000	5.400%	5.400%	65,000	0
2022*	70,000	5.400%	5.400%	70,000	0
2023*	75,000	5.400%	5.400%	75,000	0
2024*	75,000	5.400%	5.400%	75,000	0
2025	80,000	5.400%	5.400%	80,000	0
2026**	85,000	5.550%	5.550%	85,000	0
2027**	90,000	5.550%	5.550%	90,000	0
2028**	95,000	5.550%	5.550%	95,000	0
2029**	100,000	5.550%	5.550%	100,000	0
2030**	105,000	5.550%	5.550%	105,000	
TOTAL	**$1,448,000**			**$1,448,000**	**0**
10e Underwriter discount and/or Placement Agent Fee, if any				(43,440)	
10f Net Proceeds (as shown on issuance form)				$1,404,560	

KCH:gmh 613531.1 11/03/05

Name of Issue: **FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005**

Costs of Issuance

Underwriter fees	$43,440.00
Bond counsel fee and costs	30,850.00
Underwriter counsel fee	25,000.00
Financial advisor fees	10,000.00
Trustee fees	4,500.00
Official statement printing	13,000.00
District administration fee	25,000.00
Miscellaneous	5,000.00
TOTAL	$156,790.00

EXHIBIT A

$1,448,000
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
Assessment District No. 1
Special Assessment Revenue Bonds, Series 2005

Debt Service Schedule

Date	Principal	Coupon		Interest	Semi-Annual Debt Service	Fiscal Year Total	CUSIPs (315599)
11/17/2005							
01/01/2006							
07/01/2006				$ 47,133.33	$ 47,133.33	$ 47,133.33	
01/01/2007				37,875.00	37,875.00		
07/01/2007				37,875.00	37,875.00	75,750.00	
01/01/2008				37,875.00	37,875.00		
07/01/2008	$ 33,000.00	4.000%		37,875.00	70,875.00	108,750.00	AA8
01/01/2009				37,215.00	37,215.00		
07/01/2009	35,000.00	4.200%		37,215.00	72,215.00	109,430.00	AB6
01/01/2010				36,480.00	36,480.00		
07/01/2010	40,000.00	4.375%		36,480.00	76,480.00	112,960.00	AC4
01/01/2011				35,605.00	35,605.00		
07/01/2011	40,000.00	4.550%		35,605.00	75,605.00	111,210.00	AD2
01/01/2012				34,695.00	34,695.00		
07/01/2012	40,000.00	4.700%		34,695.00	74,695.00	109,390.00	AE0
01/01/2013				33,755.00	33,755.00		
07/01/2013	45,000.00	4.800%		33,755.00	78,755.00	112,510.00	AF7
01/01/2014				32,675.00	32,675.00		
07/01/2014	45,000.00	4.900%		32,675.00	77,675.00	110,350.00	AG5
01/01/2015				31,572.50	31,572.50		
07/01/2015	50,000.00	5.000%		31,572.50	81,572.50	113,145.00	AH3
01/01/2016				30,322.50	30,322.50		
07/01/2016	50,000.00	5.100%		30,322.50	80,322.50	110,645.00	AJ9
01/01/2017				29,047.50	29,047.50		
07/01/2017	55,000.00	5.150%		29,047.50	84,047.50	113,095.00	AK6
01/01/2018				27,631.25	27,631.25		
07/01/2018	55,000.00	5.200%		27,631.25	82,631.25	110,262.50	AL4
01/01/2019				26,201.25	26,201.25		
07/01/2019	60,000.00	5.250%		26,201.25	86,201.25	112,402.50	AM2
01/01/2020				24,626.25	24,626.25		
07/01/2020	60,000.00	5.300%		24,626.25	84,626.25	109,252.50	AN0
01/01/2021				23,036.25	23,036.25		
07/01/2021	65,000.00	5.400%	(a)	23,036.25	88,036.25	111,072.50	
01/01/2022				21,281.25	21,281.25		
07/01/2022	70,000.00	5.400%	(a)	21,281.25	91,281.25	112,562.50	
01/01/2023				19,391.25	19,391.25		
07/01/2023	75,000.00	5.400%	(a)	19,391.25	94,391.25	113,782.50	
01/01/2024				17,366.25	17,366.25		
07/01/2024	75,000.00	5.400%	(a)	17,366.25	92,366.25	109,732.50	
01/01/2025				15,341.25	15,341.25		
07/01/2025	80,000.00	5.400%	(a)	15,341.25	95,341.25	110,682.50	AP5
01/01/2026				13,181.25	13,181.25		
07/01/2026	85,000.00	5.550%	(b)	13,181.25	98,181.25	111,362.50	
01/01/2027				10,822.50	10,822.50		
07/01/2027	90,000.00	5.550%	(b)	10,822.50	100,822.50	111,645.00	
01/01/2028				8,325.00	8,325.00		
07/01/2028	95,000.00	5.550%	(b)	8,325.00	103,325.00	111,650.00	
01/01/2029				5,688.75	5,688.75		
07/01/2029	100,000.00	5.550%	(b)	5,688.75	105,688.75	111,377.50	
01/01/2030				2,913.75	2,913.75		
07/01/2030	105,000.00	5.550%	(b)	2,913.75	107,913.75	110,827.50	AQ3
Total	$ 1,448,000.00			$ 1,232,980.83	$ 2,680,980.83	$ 2,680,980.83	

(a) Represents mandatory sinking fund redemptions for term bond due July 1, 2025.
(b) Represents mandatory sinking fund redemptions for term bond due July 1, 2030.

Form **8038-G**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate Instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ▶ ☐

1 Issuer's name **Festival Ranch Community Facilities District (Town of Buckeye, Arizona)**		2 Issuer's employer identification number applied for	
3 Number and street (or P.O. box if mail is not delivered to street address) **c/o Town of Buckeye, 100 N. Apache**	Room/suite **A**	4 Report number **3 2005-1**	
5 City, town, or post office, state, and ZIP code **Buckeye, Arizona 85326**		6 Date of issue **November 17, 2005**	
7 Name of issue **Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005**		8 CUSIP number **315599 AQ 3**	
9 Name and title of officer or legal representative whom the IRS may call for more information **Doug Allen, District Treasurer**		10 Telephone number of officer or legal representative **(623) 386-4691**	

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☑ Utilities	17	1,448,000
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	7/1/2030	$ 1,448,000	$ 1,448,000	15.8 years	5.3471 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	1,448,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	156,790		
25	Proceeds used for credit enhancement	25	0		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	113,783		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	270,573
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	1,177,427

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ _____ years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ _____ years
33 Enter the last date on which the refunded bonds will be called ▶ _____
34 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☑
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐
40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ Signature of issuer's authorized representative	November 17, 2005 Date	▶ Doug Allen, District Treasurer Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CERTIFICATE OF MAILING

I hereby certify and declare that I deposited in the United States mail, postage prepaid, certified mail, return receipt requested, the Report of Bond and Security Issuance for the above-captioned bond issue addressed to the Arizona Department of Revenue, Econometrics Section., 1600 West Monroe, 9th Floor, Phoenix, Arizona 85007, on December 6, 2005.

Gwyne M. Henning

SWR:gmh 619650 12/06/05

Form **8038-G** (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate Instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ▶ ☐

1 Issuer's name: **Festival Ranch Community Facilities District (Town of Buckeye, Arizona)**

2 Issuer's employer identification number applied for

3 Number and street (or P.O. box if mail is not delivered to street address): **c/o Town of Buckeye, 100 N. Apache** — Room/suite: **A**

4 Report number: 3 **2005-1**

5 City, town, or post office, state, and ZIP code: **Buckeye, Arizona 85326**

6 Date of issue: **November 17, 2005**

7 Name of issue: **Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005**

8 CUSIP number: **315599 AQ 3**

9 Name and title of officer or legal representative whom the IRS may call for more information: **Doug Allen, District Treasurer**

10 Telephone number of officer or legal representative: **(623) 386-4691**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☑ Utilities	17	1,448,000
18	☐ Other. Describe ▶	18	

19 If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐

20 If obligations are in the form of a lease or installment sale, check box ▶ ☐

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	7/1/2030	$ 1,448,000	$ 1,448,000	15.8 years	5.3471 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	1,448,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	156,790		
25	Proceeds used for credit enhancement	25	0		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	113,783		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	270,573
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Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ _____ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ _____ years

33 Enter the last date on which the refunded bonds will be called ▶ _____

34 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☑

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative — Date: **November 17, 2005** — Type or print name and title: **Doug Allen, District Treasurer**

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

CERTIFICATE OF MAILING

I hereby certify and declare that I deposited in the United States mail, postage prepaid, certified mail, return receipt requested, the Information Return for the above-captioned bond issue addressed to the Internal Revenue Service Center, Ogden, Utah 84201, on December 6, 2005.

Gwyne M. Henning

SWR:gmh 619649 12/06/05

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT, DATED OCTOBER 21, 2005

NEW ISSUE - BOOK-ENTRY ONLY FORM **NOT RATED**

In the opinion of Gust Rosenfeld P.L.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District as mentioned under "TAX EXEMPTION" herein, interest income on the Bonds will be excluded from gross income for federal income tax purposes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of preference to be included in the alternative minimum tax of individuals or corporations; such interest income must, however, be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations which income is subject to federal alternative minimum tax. See "TAX EXEMPTION" herein.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and, in that regard, will certify that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by or on behalf of the District in calendar year 2005 will not exceed $10,000,000.

$1,448,000*
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2005

DATED: Date of Initial Delivery **DUE: July 1, as shown below**

The Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds") will be issued in the form of fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers under the book-entry system maintained by DTC in amounts of $1,000 of principal amount due on a specified maturity date or integral multiples in excess thereof. Interest on the Bonds (except defaulted interest, if any) will be paid semiannually on each January 1 and July 1 of each year, commencing July 1, 2006. Payments of principal and interest will be paid by wire transfer to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Bonds. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

See Inside Front Cover for Maturity Schedule

The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and will be issued pursuant to a resolution of the District Board of Festival Ranch Community Facilities District (the "District") and an Indenture of Trust and Security Agreement, to be dated as of November 1, 2005, from the District to Wells Fargo Bank, National Association, as trustee. The Bonds will be payable solely from and secured by a special, separate fund maintained by the District which fund will contain installments due with respect to certain special assessments levied and assessed by the District on certain parcels of land within the District in accordance with a method of apportionment established by the District Board of the District and agreed to by the landowners of such parcels for the costs of certain public infrastructure, each of which assessments constitute a first lien on the parcel against which it is assessed and levied, subject only to general property taxes and prior special assessments. ***(THERE ARE SUCH TAXES (BUT NOT PRIOR SPECIAL ASSESSMENTS) IN THE CASE OF THE BONDS. See "OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES.")*** Any such parcel will be offered for sale for nonpayment of the special assessment levied and assessed by the District on such parcel and, if sold, the proceeds thereof deposited in such special fund. The rights and obligations of the District relating to collection and payment of assessments and the enforcement of remedies against delinquent assessments may be subject to bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights and may be subject to judicial discretion in accordance with general principles of equity. **SEE "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" AND "RISK FACTORS" HEREIN.**

THE BONDS WILL BE SUBJECT TO OPTIONAL, SPECIAL AND MANDATORY REDEMPTION BY THE DISTRICT PRIOR TO MATURITY AS DESCRIBED HEREIN UNDER THE HEADING "THE BONDS - REDEMPTION PROVISIONS." PLEASE NOTE SPECIFICALLY THAT PURSUANT TO SUCH SPECIAL REDEMPTION UNDER CERTAIN CIRCUMSTANCES THE BONDS ARE SUBJECT TO REDEMPTION ON ANY INTEREST PAYMENT DATE.

Proceeds of the sale of the Bonds will be used to pay a portion of the costs of acquisition of certain public infrastructure and costs of issuance relating to the Bonds and to fund a reserve fund for the payment of debt service on the Bonds. See "THE PUBLIC INFRASTRUCTURE" herein.

INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS THAT EACH PROSPECTIVE INVESTOR SHOULD CONSIDER PRIOR TO INVESTING. SEE "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" AND "RISK FACTORS" HEREIN.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE DISTRICT, THE TOWN OF BUCKEYE, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE ABOVE DESCRIBED SPECIAL ASSESSMENTS.

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and subject to the approval of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for Pulte Home Corporation by its counsel, Gallagher & Kennedy, PC, Phoenix, Arizona. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about November 17, 2005.

RBC DAIN RAUSCHER

_____, 2005

*Subject to change.

MATURITY SCHEDULE*

Year (July 1)	Principal Amount	Rate	Price or Yield
2008	$28,000	%	%
2009	30,000		
2010	35,000		
2011	35,000		
2012	40,000		
2013	40,000		
2014	45,000		
2015	45,000		
2016	50,000		
2017	50,000		
2018	55,000		
2019	60,000		
2020	60,000		

$375,000 Term Bonds @____% Due July 1, 2025 - Price ___%
$500,000 Term Bonds @____% Due July 1, 2030 - Price ___%

*Subject to change.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

District Board

Dustin "Dusty" Hull, Chairman
Levi Beard, Board Member
Chris Urwiller, Board Member
Jackie Meck, Board Member
Robert Garza, Board Member
W. Robert Doster, Board Member
Elaine May, Board Member

District Staff

Carroll Reynolds, District Manager

Trustee

Wells Fargo Bank, National Association
Phoenix, Arizona

Appraiser

Burke Hansen, LLC
Phoenix, Arizona

District Financial Consultant

Stone & Youngberg LLC
Phoenix, Arizona

This Official Statement, which includes the cover page and the Appendices hereto, should be considered in its entirety, and no one subject should be considered less important than another by reason of location in the text. Brief descriptions of the Bonds, the Bond Resolution, the Indenture, the security for the Bonds, the District, the development of land within the District and other information are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds, the Bond Resolution, the Indenture, the Appraisal and other documents are qualified in their entirety by reference to such documents, copies of which may be obtained from RBC Dain Rauscher Inc. (the "Underwriter") at Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS 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.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS THE PROMISE OR GUARANTEE OF THE UNDERWRITER. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF *AD VALOREM* TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IS INTENDED TO SHOW RECENT HISTORICAL INFORMATION, AND, EXCEPT AS EXPRESSLY STATED OTHERWISE, IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS. NO REPRESENTATION IS MADE THAT THE PAST EXPERIENCE SHOWN BY SUCH INFORMATION WILL NECESSARILY CONTINUE OR BE REPEATED IN THE FUTURE. THIS OFFICIAL STATEMENT CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION WHICH ARE NOT INTENDED AS STATEMENTS OF FACT, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS, OR THAT THEY WILL BE REALIZED. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE DISTRICT OR THE UNDERWRITER AND THE PURCHASERS OR HOLDERS OF ANY OF THE BONDS.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN, SINCE THE DATE OF THIS OFFICIAL STATEMENT.

THE DISTRICT AND THE OWNER HAVE COVENANTED TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THIS OFFICIAL STATEMENT UNDER "CONTINUING DISCLOSURE" AND IN APPENDIX D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS" PURSUANT TO RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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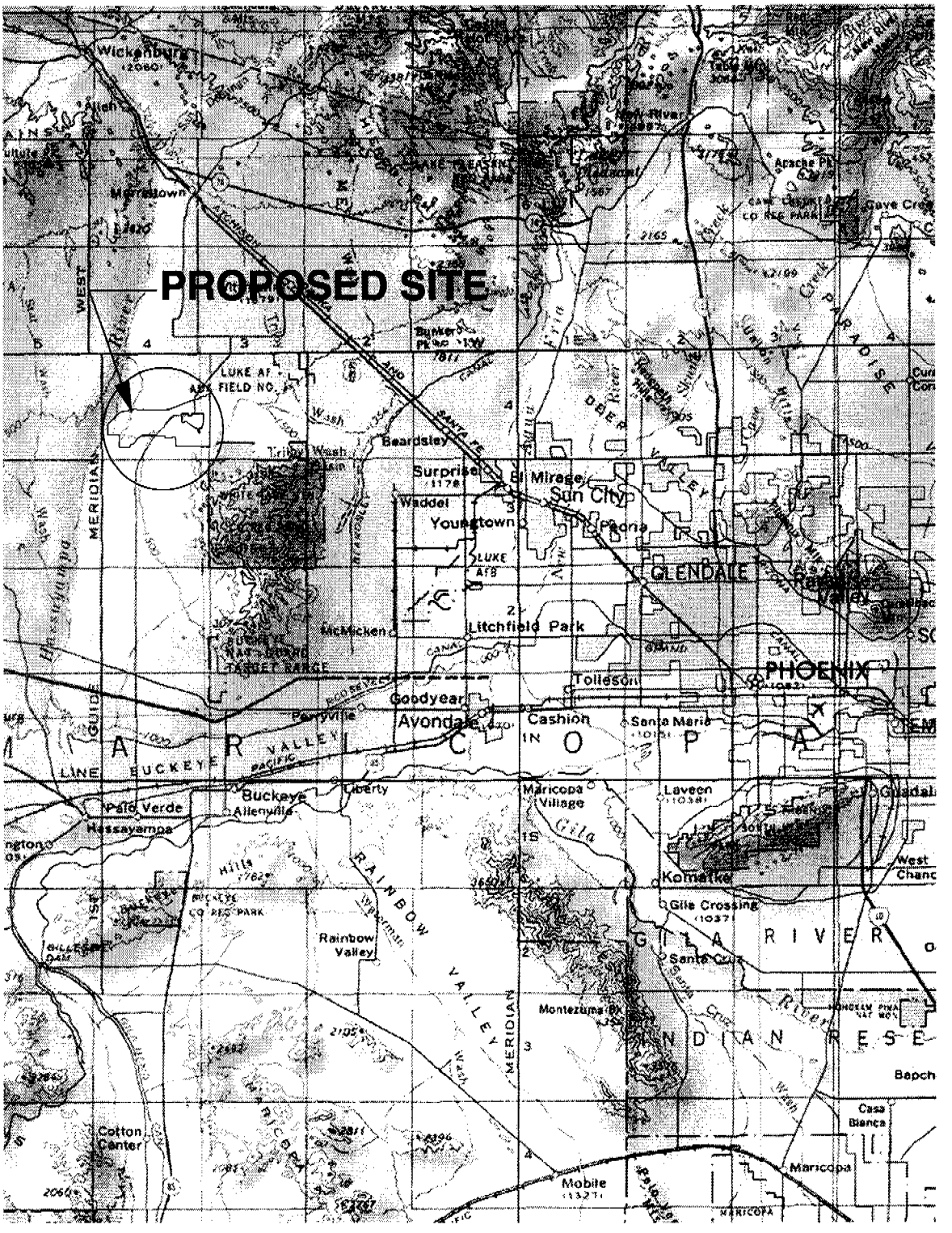
MAP SHOWING LOCATION OF THE DISTRICT WITHIN METROPOLITAN PHOENIX AREA

FESTIVAL RANCH

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



LOCATION MAP

SCALE : NONE

Pulte Homes

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

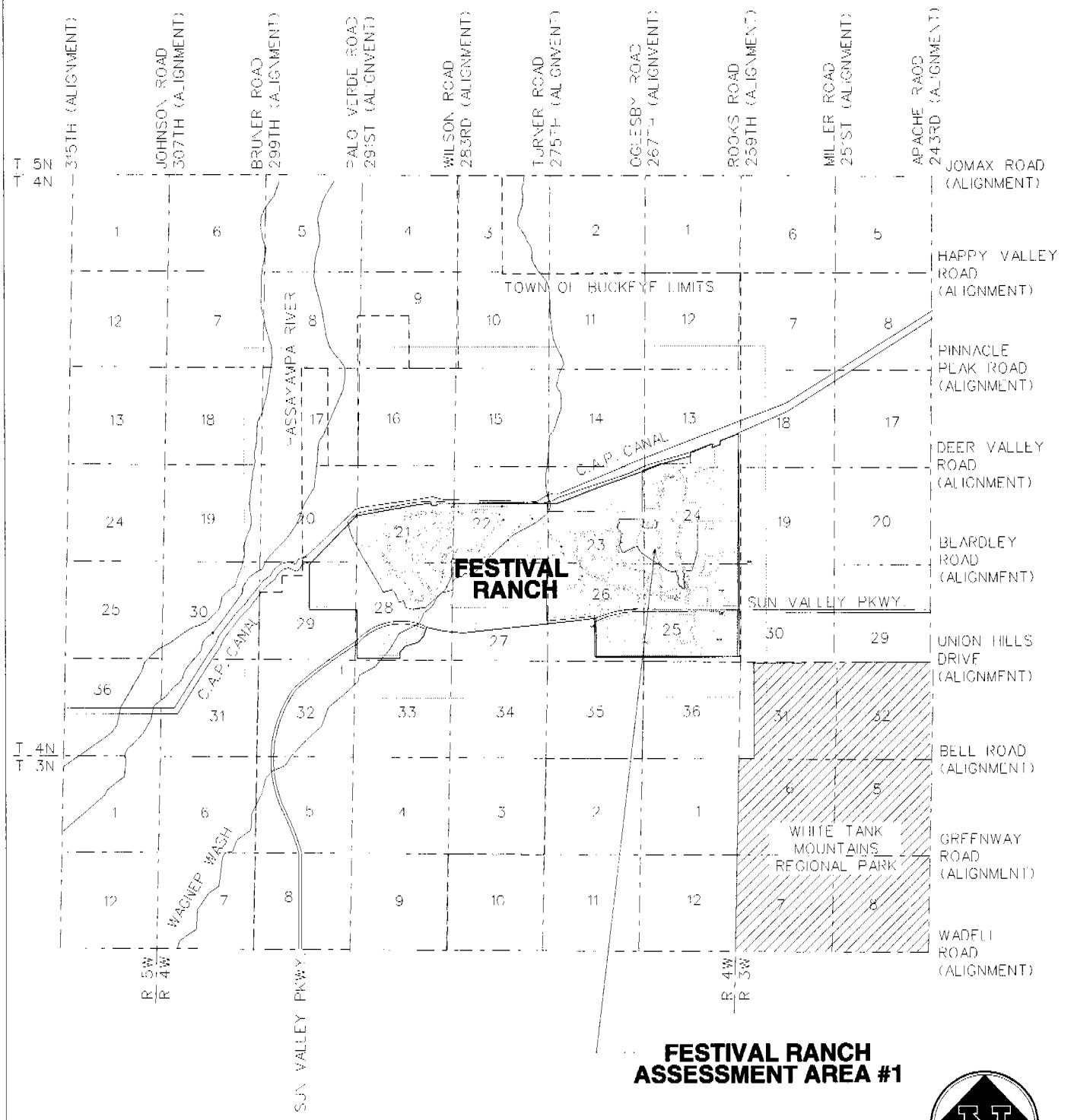
JOB NO. 680030-01

FIGURE 1

MAP SHOWING LOCATION OF THE DISTRICT AND FESTIVAL RANCH IN THE CONTEXT OF THE SURROUNDING AREA

FESTIVAL RANCH

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



VICINITY MAP

SCALE : NONE

Pulte Homes

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

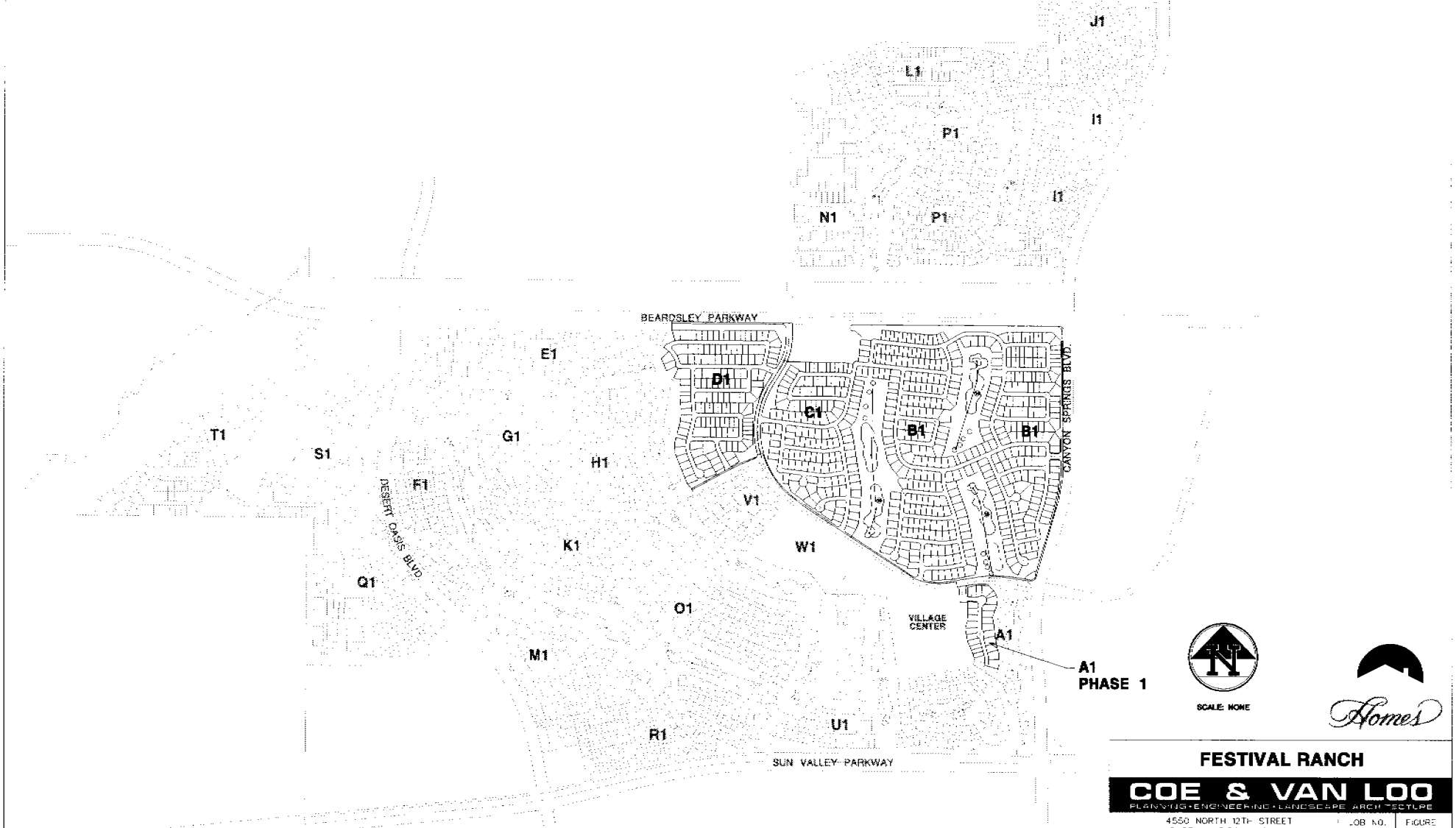
JOB NO. 680030-01

FIGURE **2**

MAP SHOWING LOCATION OF THE ASSESSMENT AREA IN THE CONTEXT OF THE DISTRICT

FESTIVAL RANCH

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



SCALE: NONE

Homes

FESTIVAL RANCH

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

JOB NO. 680030-01

FIGURE 3

$1,448,000*
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2005

This Official Statement, which includes the cover page and the appendices hereto (this "Official Statement"), provides certain information concerning the issuance of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds"), in the aggregate principal amount of $1,448,000*. **Certain capitalized terms not defined in the text of this Official Statement are defined in Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms" herein.** Copies of any of the documents referenced herein are available upon request to the Underwriter at Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016.

THE DISTRICT AND THE ASSESSMENT AREA

Pursuant to the Community Facilities Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and in response to a petition by Pulte Home Corporation, a corporation organized and existing pursuant to the laws of the State of Michigan (the "Owner" or "Pulte"), the Mayor and Council (the "Town Council") of the Town of Buckeye, Arizona (the "Town"), adopted a resolution on April 19, 2005, which formed Festival Ranch Community Facilities District (the "District"). See Appendix A hereto for certain information about the Town and the information under the heading "THE OWNER" for specific information about Pulte.

The District encompasses approximately 4,015 acres within the Town and is located approximately thirty-four (34) miles west of downtown Phoenix, Arizona, south of Interstate 10. See the maps at pages (iii) and (iv) with respect to the location of the District.

The District is a special purpose, tax levying public improvement district for purposes of the Constitution of Arizona and a municipal corporation for certain purposes of the laws of the State of Arizona (the "State"). Except as otherwise provided in the Act, the District is considered to be a municipal corporation and political subdivision of the State, separate and apart from the Town. The Town Council serves as the District Board of the District (the "Board"), and the Town Manager of the Town currently serves as the District Manager.

Among other things, the District is intended, pursuant to a series of development agreements among the Town, the Owner and the District, to provide the vehicle for financing certain public

*Subject to change.

infrastructure necessary for development of the land within the boundaries of the District. See "LAND DEVELOPMENT."

On September 6, 2005, the Board adopted a resolution approving a feasibility study relating to the financing of a portion of the costs of certain of such public infrastructure (collectively, the "Public Infrastructure") to be acquired by the District and thereafter transferred to the Town. See "THE PUBLIC INFRASTRUCTURE." On September 6, 2005, the Board also adopted a resolution declaring its intent to acquire the Public Infrastructure and to pay the costs thereof and levying special assessments (collectively, the "Special Assessments" and individually as the Special Assessments relate to a particular parcel in the hereinafter defined Assessment Area, a "Special Assessment") on certain non-governmentally owned parcels of land within the District (such parcels collectively referred to herein as the "Assessment Area" and individually, including as hereafter reapportioned, an "Assessment Parcel").

The Assessment Area is composed of approximately 153 assessable acres in the District which lie generally in the southeast portion of the District and currently is expected to represent 724 residential lots, all of which have been finally established by the approval of final plats by the Town. See "LAND DEVELOPMENT - The Assessment Area" and, particularly, Table 5 thereunder as well as the map at page (v) hereof with respect to the location of Festival Ranch and the Assessment Area.

THE BONDS

Authorization and Purpose

The Bonds are authorized pursuant to the Act and will be issued, sold and delivered pursuant to a resolution adopted by the Board on October 18, 2005 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of November 1, 2005 (the "Indenture"), from the District to the Trustee. See Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." The Bonds will be issued to provide funds (i) to pay a portion of the costs of the Public Infrastructure and costs of issuance relating to the Bonds and (ii) to fund a reserve fund for the payment of debt service on the Bonds. (See "SOURCES AND APPLICATION OF FUNDS.")

General Description

The Bonds will be dated the date of their initial delivery, and will mature and bear interest as set forth on the inside front cover page of this Official Statement.

Interest on the Bonds will be paid semiannually on January 1 and July 1 of each year, commencing July 1, 2006 (each such date being referred to herein as an "Interest Payment Date"). The Bonds will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has

been paid, from the date of their initial delivery, calculated on the basis of a 360-day year of twelve 30-day months.

Beneficial ownership interests may be purchased through the facilities of The Depository Trust Company, New York, New York ("DTC"), in the book-entry-only form described herein in amounts of $1,000 of principal amount due on a specified maturity date and integral multiples in excess thereof. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions*

Special Redemption. The Bonds will be redeemed from funds of the District at the option of the District in whole or, from time to time, in part on any Interest Payment Date, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which shall consist of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium (i) if and to the extent on or after the completion of the Public Infrastructure, but in no event later than July 1, 2008, amounts are transferred from the Acquisition and Construction Fund for such purpose and (ii) from the proceeds received from any foreclosure sale of any assessed parcel, to the extent such proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

Special Optional Redemption. The Bonds will be redeemable from funds of the District at the option of the District in whole on any date or, from time to time, in part on any Interest Payment Date, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium from, and only from, funds of the District, which are prepaid with respect to the Special Assessments and are deposited for such purpose plus amounts in excess of the Reserve Fund Requirement in the Reserve Fund as a result of prepayment and which are available for such purpose and from a transfer of Reserve Fund moneys if such moneys are sufficient to redeem all the Bonds.

Optional Redemption. The Bonds will also be redeemable, on or after July 1, 2015, at the option of the District prior to the applicable maturity in whole on any date or, from time to time, in part on any Interest Payment Date as randomly determined by the Trustee within the applicable maturity upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus interest, if any, on the Bonds so

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* Subject to change.

redeemed from the most recent Interest Payment Date to the applicable redemption date without premium.

Mandatory (Sinking Fund)Redemption. The Bonds maturing in the following years will be redeemed from funds of the District prior to the applicable maturity on the following redemption dates and in the following (sinking fund) amounts upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date:

Redemption Date (July 1)		Principal Amount
	2025	
2021		$ 65,000
2022		70,000
2023		75,000
2024		80,000
	2030	
2026		90,000
2027		95,000
2028		100,000
2029		105,000

Whenever Bonds of such maturity are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the District to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a *pro-rata* basis against the remaining mandatory redemption requirements for the Bonds of such maturity.

Notice of Redemption. Notice of redemption in advance of maturity will be given by the Trustee, not less than thirty (30) days nor more than sixty (60) days before the date fixed for redemption, to DTC. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Effect of Redemption. If on the date of redemption of Bonds sufficient moneys for payment of the redemption price and accrued interest are held under the Indenture, interest on the portion of the Bonds to be redeemed will cease to accrue and such portion of the Bonds will cease to be entitled to any benefit or security under the Indenture except the right to receive payment from the moneys held for such portion of the Bonds under the Indenture.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

Bond Fund and Special Assessments

The Bonds will be payable solely from and secured by a special, separate fund established pursuant to the Bond Resolution and

maintained by the District (the "Bond Fund") which will contain the installment payments collected with respect to the Special Assessments levied on the land in the Assessment Area. (The remaining land in the District does not represent security for the Bonds.) The Bonds will, under certain circumstances, also be payable from amounts available from time to time in the hereinafter described "Reserve Fund". The Board has levied the Special Assessments on the parcels of land comprising the Assessment Area based on the benefit determined by the Board to be received by such land from the Public Infrastructure. The District and the County Treasurer of Maricopa County, Arizona (the "Treasurer"), may enter into an agreement for the Treasurer to collect the Special Assessments in the manner and by the officers provided by law for the collection and enforcement of general taxes. Such an agreement between the District and the Treasurer may provide for procedures different from the hereinafter described Foreclosure Process.

The Special Assessments are a first lien on the property assessed subject only to, notwithstanding any such agreement with the Treasurer, general property taxes and prior special assessments. **(THERE ARE SUCH TAXES IN THE CASE OF THE BONDS; HOWEVER, THERE ARE NO PRIOR SPECIAL ASSESSMENTS. SEE "OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES.")** ***Failure to pay such taxes and subsequent foreclosure of the related lien does not extinguish a Special Assessment though. Neither the current owners nor any subsequent owners of any Assessed Parcel will be obligated to pay the Special Assessments or the Bonds, and the assets of the current owners or any subsequent owners, other than the Assessed Parcels, do not secure such payment. The Special Assessments and the Bonds will be secured only by the Assessed Parcels. The Special Assessments are not cross defaulted.)***

In the event of nonpayment of amounts due with respect to a Special Assessment, the procedures for collection of delinquent assessments and sale of delinquent property prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended (the "Foreclosure Process"), apply, as nearly as practicable, **except that neither the District nor the Town is required to purchase the Assessed Parcels subject to delinquency at the sale even if there is no other purchaser. SEE, "Foreclosure Process" and "RISK FACTORS - NON-PAYMENT OF ASSESSMENTS."** Any Assessed Parcel will be offered for sale pursuant to the Foreclosure Process for nonpayment of the Special Assessment on such Assessed Parcel and, if sold, the proceeds thereof deposited in the Bond Fund or to replenish the Reserve Fund. The rights and obligations of the District relating to collection and payment of the Special Assessments and the enforcement of remedies against delinquent Special Assessments (including the Foreclosure Process) may be subject to bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights and may be subject to judicial discretion in accordance with general principles of equity.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE DISTRICT, THE TOWN, THE STATE, OR ANY POLITICAL

SUBDIVISION THEREOF WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT BUT WILL BE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL ASSESSMENTS AND AMOUNTS HELD IN THE RESERVE FUND.

Reserve Fund

As indicated in "SOURCES AND APPLICATIONS OF FUNDS," $120,000* of the proceeds of the sale of the Bonds will be deposited in the Reserve Fund. The amount in the Reserve Fund shall be not more than the lesser of ten percent (10%) of the outstanding principal amount of the Bonds or an amount equal to the maximum debt service payments due on the Bonds in any Fiscal Year as determined in either case from time to time (the "Maximum Reserve Fund Requirement"). All income from investments of the Reserve Fund will be transferred to the "Interest Account" of the Bond Fund and used to pay semiannual interest on the Bonds.

If at any time it appears that the collection of installments of the Special Assessments will not raise money sufficient to pay the then forthcoming principal or interest payment on the Bonds, any or all investments in the Reserve Fund may be liquidated and such amounts transferred to the "Principal or Interest Accounts" of the Bond Fund as is necessary to make timely payments of principal or interest or both on the Bonds. The Reserve Fund will be reimbursed from either: (i) the proceeds from the sale of delinquent Special Assessments pursuant to the Foreclosure Process or (ii) from all future installments on the Special Assessments provided, however, that no payments shall be made to the Reserve Fund which will prejudice the punctual payment of principal and interest on the Bonds.

Whenever the amount in the Reserve Fund equals or exceeds the aggregate of all outstanding principal of, interest accrued or to accrue on the Bonds, the amount in the Reserve Fund may be transferred to the Bond Fund to pay principal and interest on the Bonds when due either at maturity or prior redemption.

Foreclosure Process

The Foreclosure Process is provided by the Bond Resolution which provides that certain sections of the "General Public Improvements and Improvement Bonds Law" of the Arizona Revised Statutes are applicable. Appendix G includes portions of certain sections of such law. Generally, a representative of the District is required, within 20 days from the date any installment is due on the Special Assessments, to begin publication of the list of the Special Assessments on which any installment is delinquent. Such representative also is required to append to and publish with the list a notice that unless each delinquent installment, together with the penalty and costs thereon, is paid, the whole amount of the Special Assessment will be declared due by him, and the corresponding Assessed Parcel upon which

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* Subject to change.

the Special Assessment is a lien will be sold at public auction at a time and place to be specified in the notice. The notice of the delinquent Special Assessments is required to be published and circulated in the District for a period of 10 days in a daily newspaper, or for two weeks in a weekly newspaper so published and circulated. Before the date fixed for the sale or the date to which the sale has been postponed, the representative is required to obtain a record search that shows the names and addresses of all lien claimants on, and other persons with an interest in, all the Assessed Parcels on which an installment of the Special Assessment is delinquent. At least ten days before the sale date or the date to which the sale has been postponed, the representative is required to mail notice of the sale to the owner and to each of the lien claimants and other interested persons. A final sale may not be held unless the representative has mailed such notice. The time of sale shall not be less than five days after the last publication, and the place of sale shall be in or in front of the office of such representative, or in front of the usual place of meeting of the Board. The sale may be postponed.

To comply with certain notice requirements, it may be necessary to postpone or continue such sales from time to time until such requirements are satisfied.

On the day fixed for the sale, the representative of the District shall, at 10 o'clock a.m., or at a time thereafter to which the sale may be adjourned, begin the sale of the Assessed Parcel advertised, commencing at the head of the list and continuing in the numerical order of lots, until all are sold. He may postpone or continue the sale from day to day until all the property is sold. Each Assessed Parcel separately assessed shall be offered for sale separately. The sale shall be for the entire Special Assessment including the delinquent installments, and the person who will take the Assessed Parcel of land and then and there pay the amount of the Special Assessment, penalty and costs due, including 50 cents to the representative of the District for a certificate of sale, shall become the purchaser.

None of the District, the Town or the Owner are required to purchase delinquent land at any sale, even if there is no other purchaser.

Special Assessment Amounts and Land Values

Special Assessment Amounts. The maximum amounts of the Special Assessments have been established by a methodology established by the District Assessment Engineer and levied by the Board, based on the benefit to be received by the respective parcels. The Owner has agreed to the amounts of the Special Assessments pursuant to a waiver agreement applicable to the Assessment Area which runs with the Assessment Area. The Special Assessments have been levied on the Assessment Area and against the parcels indicated in Table 5, as further described herein under the section "LAND DEVELOPMENT."

Appraisal Values. An appraisal of the land in the Assessment Area, dated August 17, 2005 (the "Appraisal"), was performed by Burke Hansen, LLC, Phoenix, Arizona (the "Appraiser"), at the request of the District for the purpose of determining the value of the Assessment Area as security for the Special Assessments. The discussion of the Appraisal contained herein is expanded and supplemented by the Appraisal which is attached to this Official Statement as Appendix C hereto. **THE APPRAISAL SHOULD BE READ IN ITS ENTIRETY TOGETHER WITH THIS OFFICIAL STATEMENT.**

Subject to the terms and conditions thereof, the Appraisal provides the "wholesale bulk values" which are the "as is values" using a "modified cost approach" of each of the four parcels that comprise the Assessment Area. (Please review carefully the explanation of these terms provided in the Appraisal.) The Assessment Area had an overall value to assessment ratio of not less than 16* to 1 as of such date. The value to assessment ratio of each individual parcel is different though; the ratio and the value are computed on a parcel by parcel basis in Table 5 herein.

Details of the Special Assessment liens for each of the parcels, the appraised value and value-to-assessment ratio are set forth in Table 5. **SEE, "RISK FACTORS PARTICULARLY" - FAILURE OR INABILITY TO COMPLETE PROPOSED DEVELOPMENT" AND - "COMPLETION OF THE PUBLIC INFRASTRUCTURE AND THE OTHER INFRASTRUCTURE."**

There can be no assurance that the values described in the Appraisal are accurate or that the assumptions relied upon in the Appraisal were accurate. There can be no assurance that the value determined in the Appraisal is related in any way to future value or the value as of the date of any default under the Bonds. SEE "RISK FACTORS PARTICULARLY - APPRAISED VALUES."

Full Cash Values. **The estimated "full cash value" for tax year 2005-2006 as determined by the County Assessor of Maricopa County, Arizona (the "Assessor"), for the property within the Assessment Area is $1,215,000, much less than the total of the values shown in the Appraisal of $25,020,000.** (Estimated "full cash value" is the total market value as determined by the Assessor.)

OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES

Introduction

The District has no control over the amount of additional indebtedness or other amounts payable from taxes or assessments on all or a portion of the property within the District or the Assessment Area which may be issued or levied in the future by other governmental entities or political subdivisions, including but not limited to the

*Subject to change.

Town, Maricopa County, Arizona (the "County"), school districts, certain other special districts or other entities having jurisdiction over all or a portion of the land within the District or the Assessment Area. To the extent such indebtedness is payable from general property taxes or taxes are levied for other purposes, such taxes will have a lien on the property within the District paramount and superior to the lien of the Special Assessments. Under current law, any special assessment lien securing indebtedness issued after the Bonds by any such entity would be subordinate and subject to the lien of the Special Assessments. See "Other Debt of the District." Currently, there are no prior special assessment liens in the Assessment Area. **SEE, ALSO, "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES" FOR A DISCUSSION ABOUT THE IMPACT OF SUCH LIENS, EVEN IF SUCH LIENS ARE SUBORDINATE LIENS.**

The State has two different valuation bases for levying *ad valorem* property taxes. They are "limited property" and "full cash value." Taxes levied against the assessed limited property value are referred to as primary taxes, which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. Limited property value cannot exceed the full cash value and is derived statutorily by using either the limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use established at the previous year's limited property value increased by the greater of either ten percent of the previous year's limited property value or 25 percent of the difference between the previous year's limited property value and the current year's full cash value or the limited property value for parcels that underwent modification through construction, destruction or change in use, and for new parcels, is established by applying a ratio of the full cash to limited property values of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city/town and community college district is constitutionally limited to a maximum increase of two percent over the previous year's levy limit plus any taxes on property not subject to tax in the previous year (e.g., new construction and property brought into the jurisdiction because of annexation). The two percent limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal property are the same. Primary taxes on owner-occupied residential property only are constitutionally limited to one percent of the full cash value of such property. (To offset the effects of the one percent limitation, a tax equalization program has been instituted for school equalization purposes. This program required the counties to levy a tax of $0.4358 per $100 of assessed value under the primary system for fiscal year 2005-2006.)

Taxes levied against the assessed value are referred to as secondary taxes, which are used for debt retirement, voter-approved budget overrides and the maintenance and operation of special service

districts such as sanitary, fire and road improvement districts (including maintenance and operation expenses of the District). There is no limitation on the annual increases in full cash value of any property, and annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

All taxes become a lien upon the property assessed (they are not a personal obligation of the property owner), attaching on the first day of January of each tax year. Generally, a tax lien is not satisfied or removed until the taxes are paid or the property is finally vested in a purchaser under a tax lien sale as hereinafter described. An *ad valorem* property tax lien is prior and superior to all the liens and encumbrances on the property, except liens and encumbrances held by the State.

If the *ad valorem* property taxes are not paid when due, the Treasurer is required to secure a payment through the sale of the tax lien. Not later than December 31 of each year, the Treasurer must prepare a list of all real property upon which the *ad valorem* property taxes for prior years were unpaid and delinquent. The property so listed is advertised for sale, and the sale of the tax lien for delinquent *ad valorem* property taxes must be held by the Treasurer in February of the calendar year immediately following the publication of notice of the tax lien sale. The Treasurer will offer at the sale a tax lien on each delinquent property at a price equal to the amount of taxes, interest and penalties due on the property to the bidder willing to accept the lowest rate of interest on the amount paid by the bidder for the tax lien. If no bidder is willing to accept less than 16 percent per annum, the lien is assigned to the State and held for subsequent resale. If a tax lien is sold, the bidder is required to pay in cash at the time of sale a purchase price equal to the amount of taxes, interest and penalties due on the property. If the lien is assigned to the State, the *ad valorem* property taxes due will remain unpaid until subsequent resale or redemption of the property.

Accordingly, delinquent *ad valorem* property taxes should, if the assessed property has sufficient value to attract bidders at the tax lien sale, be recovered within 15 months after the end of the calendar year in which such taxes were levied and assessed.

The holder of a tax lien is entitled to foreclose the right to redeem the tax lien by judicial sale after the third anniversary of the tax lien sale and to foreclose the tax lien by administrative process, without judicial action, after the fifth anniversary of the tax lien sale.

Existing, Overlapping, Superior, General Obligation, Bonded Indebtedness and Taxes

Overlapping, general obligation, bonded indebtedness and tax levies for other purposes with respect to land in the Assessment Area, the lien for which is paramount and superior to that of the Bonds is shown below including a breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net assessed

valuation and combined tax rate per $100 of assessed valuation. The applicable percentage of each jurisdiction's assessed valuation which lies within the Assessment Area was derived from information obtained from the Assessor. The District has authorized the issuance of up to $175,000,000 of general obligation bonds. However, the District and Pulte only intend to issue such debt, if any, in the event that property values within the District, and subsequent property tax revenues, are sufficient to support the debt service related to such debt at a tax rate not expected to exceed $3.00 per $100 of assessed valuation, but which would, if necessary, be unlimited as to rate and amount. See "Overlapping, Superior, General Obligation Bonded Indebtedness of the District and Maintenance and Operation Tax."

TABLE 1

OVERLAPPING GENERAL OBLIGATION BONDED INDEBTEDNESS

Direct and Overlapping Jurisdiction	2005-2006 Secondary Assessed Valuation	Net Outstanding Bonded Debt(a)	Proportion Applicable to the District (b) Approx. Percent	Proportion Applicable to the District (b) Net Amount	2005-2006 Combined Tax Rate Per $100 Assessed (c)
State of Arizona	$44,480,893,202	None	–	None	$0.0000
Maricopa County (e)	33,197,218,389	None	0.001%	None	2.0238 (d)
Maricopa County Community College District (f)	33,197,218,389	$234,440,000	0.001	$2,268	1.0315
Maricopa County Special Health Care District	33,166,737,515	0	0.001	0	0.1206
Wickenburg Unified School District No. 9	104,103,107	21,790,000	0.309	67,231	5.7053
Town of Buckeye (g)	115,318,474	880,000	0.279	2,451	1.5509
The District	321,200 (h)	0	100.000	0	0.0000
Total Net Direct and Overlapping General Obligation Bonded Debt				$71,950	

(a) This table does not include the Salt River Project Agricultural Improvement and Power District general obligation bonded debt. Such debt has been refunded in advance of maturity and is secured for payment by government securities held in irrevocable trust. This table also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the U.S. Department of the Interior to deliver Colorado River water to central Arizona down to Tucson. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. CAWCD was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to Arizona's portion of

the costs reimbursable to the federal government. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised Statutes, Section 48-3715 *et. seq.*) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona legislation. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation.

This table also does not include the obligation of the Maricopa County Flood Control District to contribute $80 million to CAP. The Flood Control District's sole source of revenue to pay the contribution will be raised from ad valorem taxes.

(b) Except as indicated in footnote (h), proportion applicable to the District is computed on the ratio of secondary assessed valuation for 2005-2006. Because the Assessment Area only encompasses the area shown on the map on page (v) which is a smaller area than the area of the District, these amounts are greater than what actually overlaps the Assessment Area.

(c) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which, in some

cases, is based on the primary assessed valuation of the jurisdiction.

(d) The County's tax rate includes the $0.1200 tax rate of the Central Arizona Water Conservation District, the $0.2119 tax rate of the Maricopa County Flood Control District, the $0.4358 tax rate of the Education Equalization District, the $0.0069 tax rate for the contribution to the Maricopa County Fire District and a $1.2492 tax rate of the County (which includes the County Free Library tax rate). It should be noted that the County Flood Control District does not levy taxes on personal property.

(e) Does not include Maricopa County, Arizona Certificates of Participation outstanding in the aggregate principal amount of $5,115,000 or lease revenue bonds issued by the Maricopa County Public Finance Corporation in the aggregate principal amount of $91,830,000.

(f) Does not include Maricopa County Community College District revenue bonds outstanding in the amount of $23,360,000.

(g) Does not include obligations of the Town outstanding in the following aggregate principal amounts:

Miller Road ID Bonds	$ 3,805,000
Excise Tax Revenue Obligations	11,860,000

(h) The 2005-06 secondary assessed valuation is not available as the District was formed too late for it to be eligible for mapping and determination of that value for such year. For comparison purposes, this value has been calculated based on the acreage of the District, treating all that acreage as if it was valued at $500 per acre and then assessed as vacant property (16%).

Source: Individual jurisdictions and miscellaneous other sources.

Overlapping, Superior, General Obligation, Bonded Indebtedness and Maintenance and Operations Tax of the District

Pursuant to an election held on May 25, 2005, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed $175,000,000 in order to finance, among other things, the costs of public infrastructure within the District, including incidental costs and the costs of issuing bonds. Additional indebtedness for the District could be authorized by elections in the future. The District has authority to issue, in accordance with the procedures set forth in the Act, such bonds payable from *ad valorem* property taxes to be levied on property within the District. However, there are no current plans to issue any of such bonds. It is anticipated though that the District will levy immediately an additional secondary *ad valorem* property tax rate of $.30 per $100 of secondary assessed valuation for administrative, operational and maintenance costs of the District. The lien for such taxes would be superior and paramount to that for the Special Assessments with respect to the

Bonds. **SEE "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES."**

Other Additional, Overlapping, Superior, General Obligation, Bonded Indebtedness and Taxes

As noted hereinabove, the District has no control over the amount of additional debt payable from taxes or tax levies for other purposes on all or a portion of the property within the District that may be issued or levied in the future by other political subdivisions, including but not limited to the Town, the County, school districts, certain other special districts or other entities having jurisdiction over all or a portion of the land within the District. To the extent such obligations are payable from general property taxes, such taxes will have a lien on the taxable property within the District superior and paramount to that for the Special Assessments with respect to the Bonds. Additional indebtedness or tax levies for other purposes could be authorized for such overlapping jurisdictions in the future. **SEE "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES."**

The following overlapping entities of the District have the indicated authorized but unissued general obligation bonded debt available for future issuance:

TABLE 2
AUTHORIZED BUT UNISSUED
GENERAL OBLIGATION BONDS

Maricopa Community College District	$761,089,000

Source: Individual jurisdictions.

Other Debt of the District

The District has no other debt. SEE, HOWEVER "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES."

SOURCES AND APPLICATIONS OF FUNDS

The sources and application of funds with respect to the Bonds is as follows:

TABLE 3

SOURCES OF FUNDS	
Par Amount of Bonds	$
TOTAL SOURCES	$
USES OF FUNDS	
Costs of Issuance (including Underwriter's Discount)	$
Deposit to Debt Service Reserve Fund	
Deposit to Project Construction Fund	
TOTAL USES	$

THE PUBLIC INFRASTRUCTURE

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

The Public Infrastructure is composed of more than 34,000 linear feet of arterial roadways in the Assessment Area which are expected to cost more than $3,500,000 and to all be completed by May 2007. *These costs are estimated and, once contracted for, subject to change orders and unforeseen events. Completion dates are also estimated and, once contracted for, subject to change orders and unforeseen events and other potential delays.* The total estimated cost of the Public Infrastructure is greater than the amount to be available from proceeds of the sale of the Bonds; the balance of the cost of the Public Infrastructure will be paid by the Owner. See "LAND DEVELOPMENT - In General."

The Public Infrastructure has been or will be publicly bid in compliance with the process required by State law and the District. The Public Infrastructure will be constructed and completed by the Owner and then acquired by the District and transferred to the Town upon completion. Proceeds of the sale of the Bonds will be used by the District to acquire the Public Infrastructure.

THE OTHER INFRASTRUCTURE

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes

any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

Certain other infrastructure (collectively, the "Other Infrastructure") is being constructed in connection with the development of the Assessment Area and the construction of homes therein as described hereinbelow. None of the Other Infrastructure is being financed with proceeds of the sale of the Bonds, but instead will be financed by the Owner. See "THE OWNER."

Water Reclamation Facility

The District will be serviced by an ultimate 3.0 million gallon per day water reclamation facility which, ultimately, will be owned and operated by the Town. This facility will be constructed in three phases of 1.0 million gallons of capacity each. All necessary permits and approvals for the construction of the first phase (1.0 million gallons per day capacity) have been secured. These include a MAG 208 Amendment (4.0 million gallons per day capacity), County Environmental Services Approval to Construct, Town approved construction drawings, United States Army Corps of Engineers 404 permit, AZPDES discharge permit and dust control permit. The first phase of the water reclamation facility is anticipated to service approximately 4,000 homes within the District including the Assessment Area. Current development plans would require construction of the second phase (an additional 1.0 million gallons per day capacity) in 2009.

Pulte has entered into a construction contract for the first phase of the water reclamation facility in the amount of $8,643,000. Construction commenced in September 2005 and is to be substantially completed by June 2006.

Water Production Campus

The District will be serviced by two water production campuses which, ultimately, will be owned and operated by the Town. The first water production campus which will serve the Assessment Area will be located at the southeast corner of Desert Vista Boulevard and Beardsley Parkway. Within this water production campus will be 2.4 million gallons of storage (constructed in two phases of 1.2 million gallons), a well and booster pumps. It is anticipated that four groundwater wells will ultimately be constructed. To date, two groundwater wells have been constructed and equipped with a third well proposed to be drilled by the end of 2005. Construction of the fourth well will be dependent on the production rate of the third well as to timing. All permits and approvals have been secured including County Environmental Services Approval to Construct, United States Army Corps of Engineers 404 permit, Town construction drawing approval, AZPDES stormwater discharge permit and dust control permits.

Pulte has entered into a construction contract for the first portion of the water production campus in the amount of $5,275,000. Construction commenced in September 2005 and is to be substantially completed by May 2006.

The Town is not designated as having an assured water supply pursuant to applicable Arizona law. An assured water supply means that sufficient water of adequate quality will be continuously available to satisfy the water needs of the proposed use for at least 100 years, that any projected groundwater use is consistent with the water management plan approved by the Arizona Department of Water Resources ("ADWR") and achievement of the management goal for the area, and that financial capability to construct the delivery system and any necessary treatment works has been demonstrated to ADWR. An "analysis of assured water supply" approved by ADWR was obtained by the Owner. On November 23, 2004, the Owner received the certificate of assured water supply for the property in the District owned by it (including that within the Assessment Area). Until such time as ADWR designates the Town as having an assured water supply, the Owner must seek and obtain certificates of assured water supply in accordance with applicable Arizona law as a prerequisite for subdividing and developing areas within the District, which it has done with respect to the Assessment Area. The Town has agreed to take all reasonable steps to assist the Owner in connection with applications for certificates of assured water supply for portions of such area and entering into such contracts as may reasonably be required by the Central Arizona Groundwater Replenishment District pursuant to applicable Arizona law which are required in order for the area to qualify as "member land" under applicable Arizona law. The assured water supply designation, which can be terminated or modified by ADWR should circumstances warrant, is a necessary condition to the ability of the Owner to plat, construct and sell homes within the related area of the District.

Other

The Owner is spending more than $7,500,000 for arterial and collector roads (including related landscaping), $6,000,000 for sewer trunk and collector lines and $11,000,000 for water distribution lines and facilities within the District (including the Assessment Area). *These costs are estimated, and once contracted for, subject to change orders and unforeseen events. Completion dates are estimated and, once contracted for, subject to change orders and unforeseen events and other potential delays.* Included in such costs are the following: The Owner has received construction drawing approval for Canyon Springs Boulevard from Sun Valley Parkway to Beardsley Parkway, Desert Vista Boulevard from Canyon Springs Boulevard to Beardsley Parkway and Beardsley Parkway from Canyon Springs Boulevard to Desert Vista Boulevard from the Town. Construction of these roadways will be necessary to provide safe vehicular access to and from the Assessment Area. Construction will take place between January and June of 2006.

The Owner is also in the process of permitting a temporary police and fire facility to be constructed in the southeast corner of

Beardsley Parkway and Canyon Springs Boulevard. This facility shall be operational by January 2006. Ultimately, the Town police and fire departments will be housed in a permanent facility located at the southwest corner of Desert Oasis Boulevard and Mountain Ridge Boulevard. Construction of the permanent facility is currently scheduled for 2008.

LAND DEVELOPMENT

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

In General

The Assessment Area is part of the District. The District consists of approximately 4,015 acres which are being developed as part of a larger, approximately 10,281 acre mixed use, master-planned community known as "Festival Ranch." Festival Ranch is planned to include ultimately, among other uses, approximately 24,176 residential units and approximately 7,187,410 square feet of mixed commercial and multi-family use. The residential units within the Assessment Area will be developed as part of an "age restricted" community. (Only the Assessment Area, and not the remaining area in the District, represents security for the Bonds.) (See maps at pages (iii), (iv) and (v) for the location of the District and the Assessment Area.) The major components of the infrastructure necessary for development of the Assessment Area are described under the headings "THE PUBLIC INFRASTRUCTURE" and "THE OTHER INFRASTRUCTURE."

Located approximately forty (40) miles northwest of downtown Phoenix, Arizona, primarily north of Interstate 10, the land within the boundaries of the District is located in the northern portion of the Town, and fee title interest under certain purchase agreements was acquired by the Owner in 2004. All of the property in the Assessment Area is owned by the Owner. See "THE OWNER". The District is the subject of a Community Master Plan ("CMP") adopted by the Town in October of 2000. An Area Plan for Festival Ranch was adopted by the Town in June of 1997.

Festival Ranch is also the subject of a Development Agreement, dated October 4, 2000 (the "Land Development Agreement"), which addresses the rights of the Owner to develop the property as provided in and subject to the conditions of such agreement. (The Land Development Agreement has been modified by way of a single recorded amendment.) The Land Development Agreement addresses various issues often times made the subject of development agreements in

Arizona, such as, among other things Town services, reimbursements to the Owner for certain public infrastructure, the Town's processing of plans and permits, and public bidding. The Land Development Agreement, as amended, also addresses the legal right to obtain and legal obligation to provide potable water and the required capital and operations contributions to the Town for water, sewer, police and fire services within the District. Police, fire and sanitation services are provided to the District by the Town. The Owner is obligated to assist in the funding of certain capital and operational costs associated with the provision of water, sewer, police and fire protection within the District.

Although the number of acres devoted to each particular land use may ultimately vary from those presented, the development of the District and the Assessment Area is currently expected to include the following land uses:

TABLE 4

Total Project	Approximate District Acres	Approximate Assessment District Acres
Single Family Residential Units	3,190	153.2
3 Golf Courses	600	0
Recreation Centers	75	0
Commercial	150	0
Total	4,015	153.2

Development of the property within the District and construction of homes and other infrastructure is subject to obtaining various development and construction approvals and permits. As a condition to the sale of homes in the Assessment Area and as described more fully below, the homebuilders will be required to obtain building and any additional permits required for the construction and completion of all such homes and other infrastructure.

The Owner is responsible for the construction of all offsite infrastructure and subdivision improvements (including the Public Infrastructure), necessary to deliver fully finished lots. The lots will be developed in four phases consisting of 24, 408, 143, and 149 lots, respectively. See Table 6. The single family residences constructed by Owner on such lots range in size from 5,060 to 8,800 square feet, base priced from $180,000 to over $360,000.

The District

Infrastructure Development. The facilities described under the headings "Water Reclamation Facility," "Water Production Campus" and "Other" under the heading "THE OTHER INFRASTRUCTURE" will provide sewer and water service for the area in the District (including the Assessment Area). See "RISK FACTORS - Availability of Utilities."

The District, including the Assessment Area, receives primary vehicular access from Sun Valley Parkway. The Public Infrastructure along with provisions for arterial and collector vehicular access described under the subheading "Other" under the heading "THE OTHER INFRASTRUCTURE" will provide necessary additional access for the area in the District (including the Assessment Area).

Electrical service for the District is provided by Arizona Public Service Company. Telephone service is provided by Qwest. Cable service is provided by Cox Communication.

Schools. The District is located in the Wickenburg Unified School District. Because the residential units within the Assessment Area will be developed as part of an age-restricted community, no school facilities are planned within the Assessment Area.

Environmental. In connection with the acquisition and preparation for the development of Festival Ranch, certain third parties have performed various inspections and evaluations of the property contained in the District for potential archaeological impediments or biological impediments to the development of the property within the District. Specifically, in July of 1998 a site file search and subsequent archaeological survey was prepared. This search and subsequent survey identified 1 isolated occurrence of artifacts. Such archaeological survey indicated that the isolated occurrence of artifacts did not require any further work. The Owner has not encountered any such buried cultural resources during the development of land within the District to date and have no knowledge of the existence of any such buried cultural resources in the District; however, the Owners can provide no assurances that buried cultural resources will not be discovered within the District. Additionally, the Owner can provide no assurances that such archaeological survey and the conclusions therein are accurate and complete.

With respect to biological impediments, a biological evaluation of the District was performed in July of 1998. Such evaluation found that there were no endangered, threatened, proposed endangered or proposed threatened plants or animals known to occur regularly within the District, and the Owner has not encountered any such plants or animals known to them to be endangered, threatened, proposed endangered or proposed threatened; however, the Owner can provide no assurances that an endangered, threatened, proposed endangered or proposed threatened plant or animal will not be discovered within the District or that such biological evaluation and the conclusions therein are accurate and complete.

Additionally, a Phase I environmental site assessment for the District was performed. Such environmental report did not identify any concerns directly affecting the Assessment Area. The Owner can provide no assurances that other environmental concerns will not be discovered within the District or that such environmental reports and all conclusions therein are accurate and complete.

The Assessment Area

The Assessment Area is shown on the map at page (v) and includes approximately 153 acres. Final zoning for all lands within the Assessment Area has been obtained and is consistent with the Owner's current development plans for such lands; all such lands are also subject to final plats. While the lot sizes vary within each parcel in the Assessment Area, there are four sizes/types of lots: 46 feet x 110 feet, 60 feet x 110 feet, 70 feet x 110 feet and 80 feet x 110 feet. It is currently planned that, upon completion, the Assessment Area will include the following uses described in Table 5, affected by the corresponding Special Assessments:

TABLE 5

Parcel (a)	Assessable Acreage	Estimated Single Family Home Lots (b)	Assessment Per Lot (c)*	Estimated Appraised Value Per Lot (c)	Assessment Per Assessed Parcel*	Estimated Appraised Value Per Assessed Parcel	Per Assessed Parcel Value to Lien*
A-1 Phase 1	4.6	24	$2,000	$46,542	$ 48,000	$ 1,117,000	23:1
B-1	74.4	408	2,000	35,150	816,000	14,341,000	18:1
C-1	36.9	143	2,000	34,203	286,000	4,891,000	17:1
D-1	37.3	149	2,000	31,349	298,000	4,671,000	16:1
TOTAL	153.2	724			$1,448,000	$25,020,000	

(a) The Assessment Area is depicted on the map at page (v).

(b) Lots relate to single family, residential lots.

(c) "Per Lot" figures are derived by dividing the "Estimated Single Family Home Lots" into the "Assessment Per Assessed Parcel" and the "Estimated Appraised Value Per Assessed Parcel" as reported in the latter case in the Appraisal. See Appendix C.

Table 6 reflects the projected 2006 and 2007 sale of lots by the Owner in the Assessment Area.

TABLE 6

Calendar Year	Estimated Single-Family Lot Closings
2006	150
2007	574

The Owner may sell parcels (or portions thereof) to other subsequent owners. There can be no guarantee that the Owner or any subsequent owners will have the financial capabilities to complete development discussed in this section of the Official Statement on any land so acquired. There can also be no assurance that build-out will occur at the rates indicated hereinabove or if in fact any such sales will be consummated. Moreover, as the ownership of the parcels is

* Subject to change.

subject to change, the development plans may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of the Town. The projections above are also subject to the timely completion of the Public Infrastructure and the Other Infrastructure. The amounts due with respect to the Special Assessments are not personal obligations of the Owners or of any subsequent landowners; the Bonds are secured solely by the Special Assessments.

THE OWNER

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

Pulte, a Michigan corporation, is a wholly-owned subsidiary of Pulte Homes, Inc., a Michigan corporation, which is a publicly traded company listed on the New York Stock Exchange ("Pulte Homes"). Pulte Homes is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and Northwestern Atrium Center, 400 West Madison Street, Suite 1400, Chicago, Illinois. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at http://www.sec.gov. None of the District, Bond Counsel, the Original Purchaser nor Counsel to the Original Purchaser has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

RISK FACTORS

Investment in the Bonds involves a significant degree of risk and is speculative in nature. The relatively high interest rates borne by the Bonds (as compared to prevailing interest rates on bonds that have an investment grade rating) is intended to compensate the investor for such risks. INVESTMENT IN THE BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF

SOME OF THE PRINCIPAL RISK FACTORS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS OFFICIAL STATEMENT, BEFORE MAKING AN INVESTMENT DECISION.

Failure or Inability to Complete Proposed Development

The land in the District including in the Assessment Area is under development. The development of each phase of Festival Ranch (including the phase in which the Assessment Area is included) will be staged so that a particular phase will not be developed all at once. The financing for development of Festival Ranch as a whole will be provided by third party lenders, funds provided by the Owner and other sources. The availability of funding for the completion of Festival Ranch will depend upon the demand for residential lots or units within Festival Ranch and local, regional and national market and economic conditions. No assurance is given that funding will be obtained for development of Festival Ranch, or, if obtained, will be in an amount sufficient to complete development of Festival Ranch. If satisfactory funding is unavailable, the Owner may be required to delay or suspend completion of the development of the balance of Festival Ranch.

Public and private on-site and off-site improvements may increase the public and private debt for which the land within the District including the Assessment Area is security. The burden of additional debt would be placed on the land within the District to complete the necessary improvements. See "Direct and Overlapping Indebtedness."

Proposed development within the District (including the foregoing) may be affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, changes in the income tax treatment of real property ownership, unexpected increases in development costs and other similar factors as well as availability of utilities and the development or existence of environmental concerns with such land. See "Availability of Utilities" and "Environmental Matters." Land development within the District could also be affected adversely by changes in governmental policies, including, but not limited to, governmental policies to restrict or control development. (Any approvals needed in the future for the development of Festival Ranch must come from the Town, over which the District has no control.) Moreover, there are similar, competing master planned communities in the vicinity of Festival Ranch which could affect adversely the market share expected for Festival Ranch, and there can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with Festival Ranch. A slowdown of the development process and the related absorption rate within Festival Ranch because of any or all of the foregoing could affect adversely land values. THE TIMELY PAYMENT OF THE BONDS DEPENDS UPON THE WILLINGNESS AND ABILITY OF THE OWNER AND ANY SUBSEQUENT OWNERS TO PAY THE SPECIAL ASSESSMENTS WHEN DUE. ANY OR ALL OF THE FOREGOING COULD REDUCE THE WILLINGNESS AND THE ABILITY OF SUCH OWNERS TO PAY THE SPECIAL ASSESSMENTS AND COULD GREATLY REDUCE THE VALUE OF PROPERTY

WITHIN THE ASSESSMENT AREA IN THE EVENT SUCH PROPERTY HAS TO BE FORECLOSED. In that event, there could be a default in the payment of the Bonds.

The land in the Assessment Area is partially developed and, if any or all of the foregoing occurs, the undeveloped portion could continue as such. Vacant land provides less security to the holders of the Bonds should it be necessary for the District to foreclose due to nonpayment of the Special Assessments. An inability to develop the remaining land within the Assessment Area will likely reduce the diversity of ownership on land within the Assessment Area.

Growing Smarter

During 1998, the Arizona Legislature promulgated the Growing Smarter Act of 1998 ("Growing Smarter") which created new planning requirements throughout the State and provided stronger tools for local governments in their efforts to manage rapid development. Growing Smarter also created the "Growing Smarter Commission" which conducted hearings throughout the State on ways to enhance the law and to address certain other issues. During 2000, the Arizona Legislature adopted additional legislation known as "Growing Smarter Plus" which significantly expands Growing Smarter particularly the planning requirements passed in 1998. Fast-growing communities must now plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is now required. To pay for growth, communities are permitted to establish service area limits, beyond which new growth pays the full cost for services. Growing Smarter allowed citizens to refer general plans passed by local government to the ballot for voter approval. Growing Smarter Plus goes a step farther by requiring fast growing and large cities and Pima and Maricopa Counties to submit their general plans to the voters for ratification. (The Town has not yet submitted a plan to the electorate but plans to do so within the next two years.) Every 10 years, voters will have the final say over general planning in their communities. It is unclear at this time how Growing Smarter and Growing Smarter Plus will affect development activity in the State and particularly the Town and the District in the future.

Amendment of Documents Referenced

The reports, inspections and other documents described in this Official Statement may be modified, updated or amended (as new reports and/or inspections may be obtained), and such modifications may materially and adversely affect the development of the property (e.g., updating of environmental reports.

The development of the property within the Assessment Area is in the early phases of development and construction. Circumstances could change as the development process continues and other issues are raised or new developers or owners become involved. Accordingly, the Owner anticipates that there may be significant changes to the agreements and contracts summarized in this Official Statement to

address any such issues. Because the existing contracts and agreements are subject to change, the summaries of any contracts or agreements contained hereinabove may not accurately reflect the future conditions relating to the development of the Assessment Area and the District; however, the Owner does not presently anticipate that any modifications of the current contracts or agreements would materially affect the repayment of the Bonds.

Availability of Utilities

Water and sewer service to the District will be provided by the Town as described under the subheading "LAND DEVELOPMENT - The District." Failure or inability to complete proposed development including development of necessary utilities could affect adversely development of the land in the District, including the Assessment Area. See "Failure or Inability to Complete Proposed Development." Certain utilities are to be developed by the Town pursuant to certain development agreements including as described above. There can be no assurances that such utilities will be financed and developed.

Direct and Overlapping Indebtedness and Taxes

The ability of an owner of land within the Assessment Area to pay the Special Assessments could be affected by the existence of other taxes and assessments imposed upon the property. The District and other public entities 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 ad valorem taxes or assessment liens on the property within the District in order to finance public improvements to be located inside or outside of the District. (The existing public debt relating to the District is set forth in "OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES.") The lien created on the property within the District through the levy of ad valorem taxes would be superior and paramount to that for the special assessments securing the Bonds. The imposition of additional superior and paramount liens, or subordinate liens in the case of future special assessments, or for that matter for private financing, may reduce the ability or willingness of the landowners to pay the Special Assessment. In that event, there could be a default in the payment of the Bonds.

Appraised Value

The Appraisal was prepared for the purpose of estimating the "wholesale bulk values" which are "as is" values using a "modified cost approach" of the fee simple interest of each of the parcels that comprise the Assessment Area as described herein under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Special Assessments and Land Values -- Appraisal Values." As described in complete detail in the Appraisal, the basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of the subject property. The hypothetical "as if complete" market value is the value of the property upon completion of

the proposed residential lots - a subdivision of finished residential lots. The "as if complete" value is estimated using "static analysis" and "yield analysis" (discounted cash flow). The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit. Other approaches were not utilized for the Appraisal to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant front-loaded infrastructure costs to accommodate this particular segment of the population.)

There can be no assurance that the values described in the Appraisal are accurate or that the assumptions relied upon in the Appraisal were accurate. There can be no assurance that the value determined in the Appraisal is related in any way to future value or the value as of the date of any default under the Bonds. No assurance can be given that should any parcel become delinquent due to unpaid Special Assessments, and be foreclosed upon and sold for the amount of such delinquency, that any bid would be received or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Assessment or would approximate the appraised value.

Non-Payment of Assessments

As discussed below, payments with respect to the Special Assessments could be insufficient to pay the Bonds due to nonpayment of the amounts levied.

In order to pay debt service on the Bonds, it is necessary that the Special Assessments levied against the Assessment Area within the District be paid in a timely manner. Should a Special Assessment not be paid on time, the District has established a Reserve Fund in the amount of the Maximum Reserve Fund Requirement to pay debt service on the Bonds to the extent other funds are not available therefor.

Foreclosure proceedings will be instituted against any property with a delinquent Special Assessment in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Assessment to protect its security interest. See "SECURITY FOR THE BONDS - Foreclosure Process" for provisions which apply if foreclosure is required and which the District is required to follow in the event of delinquency in the payment of a Special Assessment.

If amounts are withdrawn from the Reserve Fund to make payments on the Bonds on account of a default in a Special Assessment on a portion of the Assessment Area, the amount received by the District from the sale of such portion of the Assessment Area, after

the deduction of the expenses of sale, will be paid over and credited to the Reserve Fund.

Bankruptcy and Foreclosure Delays

The payment of the Special Assessments and the ability of the District to foreclose the lien of delinquent, unpaid Special Assessments may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of Arizona relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Special Assessments to become extinguished, bankruptcy of a property owner could result in a delay in foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the Bonds when due.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) and relating to the Indenture will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Assessments to become extinguished, bankruptcy of a property owner could result in a delay in foreclosure proceedings and could result in the possibility of a delinquent Special Assessment not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

Depletion of Reserve Fund

Failure of the owners of assessed property to pay the Special Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resales of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of, and interest on, the Bonds if sufficient amounts are not available in the Reserve Fund.

Completion of the Public Infrastructure and the Other Infrastructure

The construction of the Public Infrastructure and the Other Infrastructure which is necessary for development of the Assessment Area is not yet complete. The cost and time for completion of all of such improvements is uncertain and may be affected by changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in Festival Ranch, which may render the sale of such

homes difficult or unattractive; acts or war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Owners or its affiliates. If cost overruns result in delay of construction, or if other delays are experienced, the Owner may be unable to complete timely all of such necessary improvements.

General Risks of Real Estate Investment and Development

Investments in developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. Festival Ranch will be subject to the risks generally incident to real estate investments and development. Many factors that may affect Festival Ranch, as well as the operating revenues of the Owner derived from Festival Ranch, are not within the control of the Owner. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in Festival Ranch, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Owner or its affiliates.

Festival Ranch, including the phase of the development plan which represents the real estate development in the Assessment Area, cannot be initiated or completed without the Owner obtaining a variety of governmental approvals and permits, some of which have already been obtained. Such permits are necessary to initiate construction of each phase of Festival Ranch and to allow the occupancy of the homes and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. Matters like those discussed hereinabove under the headings "Growing Smarter" could be a factor in this regard. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Owner. See "LAND DEVELOPMENT."

Environmental Matters

Festival Ranch, including the phase of the development plan which represents the real estate development in the Assessment Area, will be subject to risks arising out of environmental, archeological, biological considerations generally associated with the ownership of real estate and the construction of improvements located thereon. Such risks include, in general, potential liability arising as a result of any contamination later discovered on the site and the possibility of a decline in property values in Festival Ranch resulting from any contamination on the site or from the proximity of the site to other contaminated areas; or discovery of archeological artifacts located on the site or in the vicinity of the site; discovery of endangered species of animals, plants or other habitat for endangered species. Liability may arise under a variety of federal, state or local environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Endangered Species Act and the National Historical Preservation Act. See "LAND DEVELOPMENT - Environmental."

In a recent decision, the 9th U.S. Circuit Court of Appeals said it was inappropriate for the U.S. Environmental Protection Agency in 2002 to cede its authority to issue water discharge permits (including those necessary for facilities like that described under the subheading "THE OTHER INFRASTRUCTURE - Water Reclamation Facility") to the Arizona Department of Environmental Quality ("ADEQ"). The decision, unless overturned, removes the authority of ADEQ to issue any more permits for water discharge. The Director of ADEQ has indicated that the decision may also invalidate permits already issued by ADEQ for projects already underway. It is unclear how the decision will ultimately be interpreted and what the effect that interpretation will be on the continuing development of Festival Ranch.

Cancellation of Contracts

The State, its political subdivisions, including the District, or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, including the District or any of the departments or agencies of either is, while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. Cancellation of contracts entered into by the District may adversely affect the Bonds.

No Credit Rating

No credit rating for the Bonds has been sought, nor is it anticipated that any such rating will be applied for. There can be no

guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Projections

Included in this Official Statement are various projections for lot closings, completion dates, completion costs and other items. The projections for lot closings, completion dates, completion costs and other items are based on assumptions concerning future events and should be viewed with an abundance of caution. Circumstances that may not yet be ascertainable, which the Owner believes to be significant and which the Owner cannot control may also exist. There are usually differences between projections for lot closings, completion dates, completion costs and other items and actual lot closings, completion dates, completion costs and other items, because the lot closings, completion dates, completion costs and other items frequently do not occur as expected, and those differences may be material. There can be no assurances that the various projections set forth in this Offering Memorandum can be achieved.

LITIGATION

At the time of delivery and payment for the Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, overtly threatened against the District affecting the existence of the District, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution or the Indenture, or the collection or application of any revenues providing for the payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Indenture, any action of the District contemplated by any of the said documents, or the collection or application of the revenues provided for the payment of the Bonds, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

TAX EXEMPTION

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial

decisions, and assuming continued compliance with certain restrictions, conditions and requirements by the District as described below, interest income on the Bonds will be excluded from gross income for federal income tax purposes and will be exempt from State of Arizona income taxes. The opinion of Bond Counsel will be dated as of the date of delivery of the Bonds. A form of such opinion is included as Appendix B attached hereto.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of its investment earnings with respect to the Bonds. The District has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The opinion of Bond Counsel assumes continuing compliance with such restrictions, conditions and requirements.

The Code also imposes an "alternative minimum tax" ("AMT") upon certain corporations and individuals. The AMT is equal to the excess (if any) of a taxpayer's "tentative minimum tax" for a taxable year over its regular income tax liability for the taxable year. The tentative minimum tax is based upon a taxpayer's "alternative minimum taxable income" ("AMTI"). A taxpayer's AMTI is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMT of individuals or corporations.

Notwithstanding the preceding sentence, included in the adjustments of AMTI for corporations is an adjustment increasing the corporation's AMTI by seventy-five percent (75%) of the excess (if any) of the corporation's "adjusted current earnings" over the corporation's AMTI for the taxable year (determined without regard to such adjustment for excess adjusted current earnings and the alternative tax net operating loss deduction). A corporation's "adjusted current earnings" includes all tax-exempt interest, including the interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a bondholder's federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers purchasing the Bonds, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations should consult their tax consultants as to the

applicability of such tax consequences to the respective Bondholder. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such tax consequences.

The Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.

Under existing federal tax law, if the Bonds are determined to be invalid for failure to comply with a substantive or procedural requirement of local law, the Bonds will be deemed not to be an obligation of the District and interest thereon will not be excludable from gross income for federal income tax purposes. The Bonds do not provide for an adjustment in interest rate or yield in the event of taxability, and an event of taxability does not cause an acceleration of the principal of the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code and, in that regard, will certify that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by or on behalf of the District in calendar year 2005 will not exceed $10,000,000.

NO CREDIT RATING

The District has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds. **See "RISK FACTORS."**

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds, and with regard to the tax-exempt status of the interest thereon are subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. (See "TAX EXEMPTION" herein.) Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered upon the initial delivery of the Bonds in substantially the form of Appendix B hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg

Traurig, LLP, Phoenix, Arizona, and for the Owner by its counsel, Gallagher & Kennedy, PC. **See "RELATIONSHIPS AMONG PARTIES."**

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issue explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The Bonds are being purchased by RBC Dain Rauscher Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $_____ (reflecting the aggregate principal amount of the Bonds, less Underwriter's compensation of $_____). The prices or yields set forth on the inside front cover page hereof may be changed after the initial offering by the Underwriter.

CONTINUING DISCLOSURE

The District and the Owner have each separately covenanted for the benefit of certain beneficial owners of the Bonds to provide certain financial information and operating data relating to the District and development therein, as applicable, by not later than seven months after the end of their respective fiscal years (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notices of Material Events"). The Annual Reports will be filed by the District and the Owner with a "Central Post Office" for distribution to each "Nationally Recognized Municipal Securities Information Repository" and with the appropriate "State Information Depository," if any. The Notices of Material Events will be filed by the District and the Owner with the same entities as well as the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Reports or in the Notices of Material Events, and the circumstances under which subsequent landowners of land now owned by the Owner will enter into an undertaking to provide continuing disclosure, are set forth herein under the caption Appendix D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS" and which includes forms of undertakings which will be executed by the District and the Owner with respect to the Bonds. The District has no obligation to enforce the obligations of the Owner (or subsequent landowners of land now owned by the Owner) under their respective Continuing Disclosure Undertaking.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). Should the District or the Owner

not comply with such covenants, they have covenanted to provide notice of such fact to each Nationally Recognized Securities Information Repository, the State Information Depository, if any, and the Municipal Securities Rulemaking Board or to a Central Post Office. A failure to provide continuing disclosure may adversely affect the transferability and liquidity of the Bonds and their market price.

The District has not previously entered into any continuing disclosure undertakings; the Owner has been and is in material compliance with continuing disclosure undertakings previously entered into by it for purposes of the Rule.

RELATIONSHIPS AMONG PARTIES

Gust Rosenfeld P.L.C., Bond Counsel, has acted as counsel to the underwriter in other transactions underwritten by the Underwriter and by Stone & Youngberg LLC, financial consultant to the District (the "Financial Consultant") and as bond counsel in other transactions underwritten by the Underwriter and by the Financial Consultant. Greenberg Traurig, LLP, Counsel to the Underwriter, has acted as bond counsel in other transactions underwritten by the Underwriter and by the Financial Consultant. Greenberg Traurig, LLP and Gust Rosenfeld P.L.C. have also acted as bond counsel and/or underwriter's counsel with respect to bonds issued by the Town and other overlapping political subdivisions. Gust Rosenfeld P.L.C. also serves as general counsel to the Town.

The Underwriter and the Financial Consultant have underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions. The Underwriter and the Financial Consultant have underwritten or acted as financial advisor on other transactions together and expect to do so in the future.

This Official Statement has been approved, executed and delivered by the District.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By .....
Chairman, District Board

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APPENDIX A

INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA

The following information is given as background information concerning the Town. THE BONDS ARE NOT AN OBLIGATION OF THE TOWN. The Bonds are secured and payable only as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" herein. The holders of the Bonds have no right to payment except as described therein.

General

The Town is located approximately 30 miles from downtown Phoenix, Arizona, the original townsite being approximately four miles south of Interstate 10 on State Highway 85. The Town, which was founded in 1889 and incorporated in 1929, encompasses approximately 112 square miles and sits at an elevation 888 feet above sea level. The Town has approximately 650 square miles in the planning area. The following table illustrates population statistics for the Town, the County and the State.

Population Statistics
Town of Buckeye, Maricopa County
and the State of Arizona

Years	Town of Buckeye	Maricopa County	State of Arizona
2004 Estimate*	14,505	3,524,175	5,832,150
2000 Census	6,537	3,072,149	5,130,632
1990 Census	5,038	2,122,101	3,655,228
1980 Census	3,434	1,509,252	2,718,425
1970 Census	2,599	971,228	1,775,399
1960 Census	2,286	663,510	1,302,161

*Estimate as of July 1, 2004.

Source: Arizona Department of Economic Security, Population Statistics Unit and U.S. Department of Commerce, Bureau of the Census.

Transportation

State Highway 85, connecting the Town with the City of Phoenix, Arizona, traverses the downtown portion of the Town. Interstate 10 also traverses the northern portion of the Town. The Town has a small airport adjacent to Interstate 10 with plans for a future runway extension. Sky Harbor Airport in Phoenix provides passenger air service. Bus lines are available in the Phoenix metropolitan area.

Government

The Town operates under a Council-Manager form of government. The Mayor is elected for two years and six council members are elected at large on a non-partisan ballot for staggered four-year terms. The Town Council appoints a Manager who has full responsibility for carrying out council policies and administering operations. Currently, the Town has an interim manager.

The Town provides a portion of its residents with water and sewer services, electricity is provided by Arizona Public Service Company, natural gas is provided by Southwest Gas Company and telephone service is provided by Qwest Communications Inc. In some areas of the Town water and/or sewer services are provided by private utility companies.

Economy

The principal economic activity for the Town and outlying areas of the Town is agriculture. Part of the Town's agricultural production includes Pima Cotton which is processed in local cotton gins and exported worldwide. The Roosevelt and Buckeye Irrigation canals supply necessary water for the Town's farming needs. Employment for the Town's residents is provided by agricultural activity services, education, government and the nearby Palo Verde Nuclear Plant. The Palo Verde Nuclear Plant is located outside the boundaries of the Town approximately twenty miles west. The close proximity of the Town to the greater Phoenix metropolitan area also provides employment. See below for certain historic employment information and a list of major employers located in and within close proximity of the Town.

Area Unemployment Averages

Year	United States	State of Arizona	Maricopa County	Town of Buckeye
2004	5.5%	5.0%	4.0%	9.2%
2003	6.0	5.6	4.9	11.3
2002	5.8	6.2	5.6	12.8
2001	4.8	4.7	3.9	9.0
2000	4.0	3.9	2.6	6.2

Source: Arizona Department of Economic Security, Research Administration.

Major Employers
Town of Buckeye and Surrounding Area, Arizona

Employer	Product/Service	Approximate Number of Employees
Palo Verde Nuclear Plant	Energy Plant	2,100
Lewis Prison Complex	Prison	1,200
Wal-Mart Distribution	Retail Warehouse	837
Schult Homes, Inc.	Mobile Home Manufacturer	250
Department of Corrections (Juvenile)	Government	263
Rip Griffin's Truck/Travel Center	Commercial Oasis	180
Buckeye Elementary School District	Education	250
Town of Buckeye	Government	330
Buckeye Union High School	Education	190

Source: Economic Development Department, Town of Buckeye, Arizona.

Non-Agricultural Wage and Salary Employment
Maricopa County

Industry	2000	2001	2002
Manufacturing	162,700	158,500	143,000
Mining	1,100	1,200	900
Construction	115,500	120,400	114,900
Transportation, Communications and Public Utilities	83,600	83,400	80,900
Trade	369,400	373,100	376,500
Finance, Insurance and Real Estate	124,000	122,700	124,000
Services and Miscellaneous	518,100	507,300	504,900
Government	178,800	189,900	194,000
Total	1,553,200	1,555,600	1,539,100

	2003	2004
Manufacturing	127,700	129,700
Construction and Mining	128,500	139,400
Trade, Transportation, and Public Utilities	321,500	332,200
Information	36,000	35,500
Financial Activities	129,400	136,600
Professional and Business Services	254,800	268,000
Education and Health Services	159,400	168,600
Leisure and Hospitality	152,700	151,200
Other Services	61,800	63,500
Government	197,200	204,700
Total	1,569,000	1,632,900

Source: Arizona Department of Economic Security, Research Administration

Town of Buckeye
Sales Tax Collections

Budget Year	Amount
2003-04	$4,648,570
2002-03	2,776,931
2001-02	1,676,502
2000-01	1,411,865
1999-00	1,445,838

Source: Town of Buckeye, Finance Department.

Agriculture

The Town is surrounded by farmland on which a variety of agricultural products are grown and vacant desert. The main income crops grown within the Town and the surrounding area include cotton, vegetables, alfalfa, citrus and grains. While no figures are available for acreages or dollar amounts of individual crops grown within the Town, the following statistics show total cash receipts for the area encompassing the County.

Maricopa County
Cash Receipts from Agricultural Marketings
(Total Crops and Livestock)

Year	Total Receipts
2003	$871,419,000
2002	792,307,000
2001	886,169,000
2000	818,160,000
1999	807,701,000
1998	835,808,000

Source: 2003 Arizona Agricultural Statistics Bulletin, July 2004.

Educational Facilities

Elementary and high school education is available through a number of Elementary School Districts and Union High School Districts. Higher education is provided by Estrella Mountain Community College ten miles east of the Town, Arizona State University located in the eastern part of the greater Phoenix area in the City of Tempe, Arizona, and Arizona State University's west campus located in the northwestern part of the greater Phoenix area in the City of Glendale, Arizona.

Banking

The financial needs of the Town are served by two banks. The following table illustrates the total dollars on deposit with participating banks of the Arizona Bankers Association for Maricopa County on December 31 of each year.

Maricopa County
Bank Deposits
($ in thousands)

Year	Amount
2004	$40,082,859(a)
2003	38,901,769
2002	31,628,767
2001	27,859,411(b)
2000	27,336,883(c)

(a) Bank of the West, Ironstone, Nordstrom fsb and US Bank did not participate.
(b) BNC National Trust, Bank of the Southwest, First Interstate Bank and Trust, Frontier State Bank, Johnson Bank, United Arizona Bank NA, and Washington Mutual did not participate.
(c) First International Bank and Trust did not participate.

Source: Arizona Bankers Association.

Construction

The following tables were compiled from Arizona Construction Report, a publication of the Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and information from the Town. The Center obtains its data from County and City divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued is not to be construed as the date of construction.

Town of Buckeye
Value of Building Permits

Year	Residential	Commercial & Industrial	Other	Total
2005(a)	$ 146,537,000	$ 392,000	$ 2,395,000	$ 149,324,000
2004	394,647,000	1,516,000	10,070,000	406,233,000
2003	68,411,000	N/A	N/A	68,411,000(c)
2002	20,849,777	N/A	N/A	20,849,777(c)
2001	19,287,101	N/A	N/A	19,287,101(c)
2000	8,282,083	53,062,000(b)	699,425	62,043,508

(a) Through the second quarter of 2005.

(b) Commercial & Industrial classification includes an approximately $52 million amount relating to Wal-Mart retail warehouse.

(c) Includes amounts for Residential classification only.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and Town of Buckeye.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2005(a)	1,073
2004	2,986
2003	570
2002	209
2001	71
2000	137

(a) Through the second quarter of 2005.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and Town of Buckeye.

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APPENDIX B

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

[LETTERHEAD OF GUST ROSENFELD, P.L.C.]

District Board
Festival Ranch Community Facilities District

Re: Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

Honorable Board:

At your request we have examined the official proceedings leading to the issuance of $1,448,000* aggregate principal amount of Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005, dated the date hereof (the "Bonds"), issued by the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "District") initiated under Resolution of Intention No. .....

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. 05-...., passed and adopted by the District Board on October 6, 2005 (the "Resolution"). As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The District is duly created and validly existing as a community facilities district and political subdivision of the State of Arizona with power to pass and adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

---

* Subject to change.

2. The Resolution has been duly passed and adopted by the District Board and is valid and binding upon and enforceable against the District, and the Indenture (as such term is defined in the Resolution) is valid and binding upon and enforceable against the District.

3. The Bonds and the proceedings leading to and including the issuance thereof are legal and constitute a valid obligation payable by the District, from the Bond Fund provided for that purpose.

4. The Bonds are payable at the office of the Trustee, Wells Fargo Bank, National Association. The Bonds are payable solely from the funds pledged pursuant to the Indenture and from payments of the unpaid assessments upon the real property within the boundaries of the District assessed for the improvement, which assessments may be subject to reduction to the extent the improvement is not completed and the land assessed does not receive benefits commensurate with the amount assessed.

5. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; such interest income must, however, be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations which income is subject to the federal alternative minimum tax. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of the investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The District has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the District with such restrictions, conditions and requirements.

The rights of the owners of the Bonds and the enforceability of those rights and the rights and obligations of the District with respect to the Resolution and the Indenture and to collection of assessments may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and to the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

By.....
Scott W. Ruby
Bond Counsel

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APPENDIX C

APPRAISAL

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AN

APPRAISAL OF

FOUR RESIDENTIAL

PLANNING AREAS

WITHIN SUN CITY

FESTIVAL, A PROPOSED

ACTIVE ADULT MASTER

PLANNED COMMUNITY

IN

BUCKEYE, ARIZONA

AN APPRAISAL OF

Four Residential Planning Areas Within Sun City Festival,
A Proposed Active Adult Master Planned Community
In Buckeye, Arizona

The Four Residential Planning Are To Be Included In
The Festival Ranch Community Facilities District 1st Special Assessment

DATE OF VALUATION

August 12, 2005

DATE OF REPORT

August 17, 2005

PREPARED FOR

Town of Buckeye/Festival Ranch Community Facilities District
Attn: Mr. Scott Ruby
Gust Rosenfeld P.L.C.
201 East Washington Street, Suite 800
Phoenix, Arizona

PREPARED BY

Frank R. Kleinman, MAI, CRE
and
Stephen E. Niebling
BURKE HANSEN, LLC
2700 North Central Avenue, 9th Floor
Phoenix, Arizona 85004

Burke
Hansen,
LLC
REAL ESTATE APPRAISERS
& CONSULTANTS

August 17, 2005

Town of Buckeye/Festival Ranch Community Facilities District
Attn: Mr. Scott Ruby
Gust Rosenfeld P.L.C.
201 East Washington Street, Suite 800
Phoenix, Arizona

Subject: Market Value Appraisal of **FOUR PLANNING AREAS WITHIN SUN CITY FESTIVAL, A PROPOSED ACTIVE ADULT MASTER PLANNED COMMUNITY** In Buckeye, Arizona (Burke Hansen File No. 5570N)

Dear Mr. Ruby:

At your request, we have inspected the above-captioned properties in connection with preparing the attached complete appraisal, the purpose of which is to form an opinion of the wholesale (bulk) value of each of the four planning area referenced above which are specifically identified below.

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

Within this letter the term "subject" or "subject property" includes all four of the planning area listed above.

The wholesale value reflects the value of the subject property in the condition as of the date of valuation (August 12, 2005). At the time of inspection (August 12, 2005), all four parcels had been cleared and mass grading of each site was underway. The supporting infrastructure (sewer, water, utilities, roads, etc.) will be constructed over the next six to twelve months. The first home closings are projected to occur in September 2006.

Each of the four planning areas have been engineered and platted for residential development. The Town of Buckeye has approved final plats for each of the four parcels. Development of the four properties began in July 2005.

The values addressed in this appraisal are the "as is" value of each of the planning areas, .i.e., the value of the property in its condition as of the date of valuation. The value estimates for each parcel reflect a wholesale (bulk) value of final platted residential lots within each planning area. The wholesale value assumes the following:

- A sale to a single purchaser; or
- The discounted net present value reflecting the sale of various lots over a projected absorption period, taking into account the cost involved in marketing the respective lots.

The Modified Cost Approach or residual analysis was utilized to value the subject. The basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of the subject property. The hypothetical "as if complete" market value is the value of the property upon completion of the proposed residential lots – a subdivision of finished residential lots. The "as if complete" value is estimated using the Income Approach, more specifically static analysis and yield analysis (discounted cash flow). Neither the Sales Comparison nor traditional Cost Approach were utilized to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant front-loaded infrastructure costs to accommodate this particular segment of the population).

The starting point for the Modified Cost Approach, which is utilized to form an opinion of the subject's "as is" value, is the "as if complete" value. The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit.

The appraisal has been prepared at the request of Festival Ranch Community Facilities District on behalf of the Town of Buckeye, Arizona, Attn: Mr. Scott W. Ruby, 201 East Washington Street, Suite 800, Phoenix, Arizona, with the intent of complying with:

- The Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by The Appraisal Standards Board of the Appraisal Foundation; and
- The Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of The Appraisal Institute.

The definition of Market Value, which is in conformance with the Uniform Standards of Professional Appraisal Practice, effective January 1, 2005, adopted for purposes of this report is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The property rights addressed in this report represent the Fee Simple Estate, which is defined as follows:

"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation."

The subject property was inspected on numerous occasions in 2005 with the most recent occurring August 12, 2005. The wholesale value of each parcel, as of August 12, 2005, subject to the hypothetical conditions stated in the attached report, has been concluded:

<u>WHOLESALE (BULK) MARKET VALUE</u>

PLANNING AREA A-1
ONE MILLION ONE HUNDRED SEVENTY-SIX THOUSAND DOLLARS
($1,176,000)

PLANNING AREA B-1
FIFTEEN MILLION NINETY-SIX THOUSAND DOLLARS
($15,096,000)

PLANNING AREA C-1
FIVE MILLION ONE HUNDRED FORTY-EIGHT THOUSAND DOLLARS
($5,148,000)

PLANNING AREA D-1
FOUR MILLION NINE HUNDRED SEVENTEEN THOUSAND DOLLARS
($4,917,000)

The subject properties are being appraised in connection with the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the market value of each of the subject's four planning area be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. *The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; rather it reflects a special instruction from the client.*

ESTIMATED WHOLESALE (BULK) MARKET VALUE LESS 5% CFD ADMINISTRATIVE FEE

PARCEL A-1		PARCEL C-1	
Wholesale (Bulk) Value	$1,176,000	Wholesale (Bulk) Value	$5,148,000
Less: Admin. Fee (5%)	($59,000)	Less: Admin. Fee (5%)	($257,000)
Wholesale (Bulk) Value Less Admin. Fee	$1,117,000	Wholesale (Bulk) Value Less Admin. Fee	$4,891,000
PARCEL B-1		PARCEL D-1	
Wholesale (Bulk) Value	$15,096,000	Wholesale (Bulk) Value	$4,917,000
Less: Admin. Fee (5%)	($755,000)	Less: Admin. Fee (5%)	($246,000)
Wholesale (Bulk) Value Less Admin. Fee	$14,341,000	Wholesale (Bulk) Value Less Admin. Fee	$4,671,000

Disclosure of the contents of this appraisal report is governed by the By-laws and Regulations of the Appraisal Institute. Neither all, nor any part, of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm of Burke Hansen, LLC, nor any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, or any other public means of communication, without prior written consent and approval of the undersigned.

We appreciate this opportunity to serve you and request you contact us if there are any questions.

Respectfully submitted,

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/06

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/07

CERTIFICATION

We certify to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of The Appraisal Foundation, and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- Frank Kleinman and Stephen Niebling have made personal inspections of the property that is the subject of this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Frank Kleinman has not completed the requirements of the continuing education program of the Appraisal Institute.
- No one provided significant professional assistance to the person(s) signing this report.

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/06

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/07

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of liens, easements, encroachments and other encumbrances unless otherwise stated, and all improvements (if any) are assumed to lie within property boundaries.

2. The property is appraised assuming responsible ownership and competent management.

3. Information furnished by others, upon which all or portions of this appraisal are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.

4. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that affect value. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such factors.

5. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local zoning, use, occupancy, environmental and similar regulations and laws, unless otherwise stated. The typical due diligence expected of an appraiser was performed in this assignment, but a comprehensive examination of laws and regulations affecting the subject property was not undertaken.

6. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns regarding these items since the appraisers have not made a comprehensive examination of laws and regulations affecting the subject property.

7. The appraisers have made no survey of the property and no responsibility is assumed in connection with such matters. Maps, plats and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purposes, nor should they be removed from, reproduced, or used apart from this report. Where site and improvement areas are shown, they represent the best information available.

8. Generally, no consideration has been given in this appraisal as to the value of any personal property located on the premises, or the cost of moving or relocating such personal property.

9. The allocation, if any, of the total valuation in this appraisal between land, buildings, and other classifications applies only under the stated program of utilization. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

10. Neither Burke Hansen, LLC nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements therefore have been made a reasonable time in advance.

11. One (or more) of the signatories of this appraisal report is either a designated member or associate member of the Appraisal Institute. The Bylaws and Regulations of the Appraisal Institute require each designated and associate member to control the use and distribution of each appraisal report signed by such designated or associate member. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising, media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

12. It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact our office.

13. Neither all, nor any part of the content of this report, or copy thereof (including conclusions as to value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the appraisers are connected), shall be used for any purposes by anyone other than the intended users identified in the report, and no other parties shall have any right to use or rely upon this appraisal for any purpose without the previous written consent of the signatories of this appraisal report.

14. All opinions of value are based on the appraisers' analyses and conclusions as of the effective date of value. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's market value that may take place subsequent to the effective date of value.

15. The appraiser has personally inspected the subject property and found no obvious evidence of structural deficiencies except as stated in this report. However, no

responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes can be assumed without provision of specific professional or governmental inspections. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report. If concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

16. We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we are aware of any problems of this nature, they are disclosed in this report. However, nondisclosure should not be taken as an indication that such a problem does not exist. No chemical or scientific tests were performed by the appraisers on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the property does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report. It is imperative for the client to retain the services of a qualified, independent engineer to determine the existence and extent of any hazardous materials, as well as the cost associated with any required or desirable treatment or removal thereof.

17. The reader should note that the subject property may be subject to the requirements of the Americans With Disabilities ACT (ADA), a federal law codified at 42 USC Section 12101 et seq. Among other requirements of the ADA that could apply to this property, Title III of the ADA requires owners and tenants of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992 (the regulations under Title III of the ADA are codified at 28 CFR Part 36). The reader should note that the appraisers have not made a specific compliance survey and analysis of this property to determine if it is in conformity with the requirements of the ADA. Non-compliance could have a negative effect upon the value of the property.

18. Any prospective value opinion (if applicable) is considered to be an extraordinary assumption and will be predicated upon market conditions forecast to exist as of corresponding prospective date of value. As such, the appraiser cannot be held responsible for unforeseeable events that alter market conditions subsequent to the effective date of the appraisal.

EXECUTIVE SUMMARY

Description of the Property: The four planning areas within Special Assessment Area No. 1 comprise the initial development phase of Sun City Festival, a proposed active adult master planned community.

Location: North side of Sun Valley Parkway between the alignments of 259th and 291st avenues, Buckeye, Arizona

Property Size: 153.20± net acres (net land area is the aggregate land area of the 724 lots)
724 final platted and engineered residential lots

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

Property Rights Appraised: Fee Simple Estate

Zoning: All four planning area are zoned for single family residential development

Highest and Best Use: Development with residential subdivisions within an age-restricted master planned community

Date of Valuation: August 12, 2005 (Final date of property inspection)

Date of Appraisal: August 17, 2005

Wholesale (Bulk) Value Conclusions:	Planning Area A-1	$1,176,000	$49,000 per lot
	Planning Area B-1	$15,096,000	$37,000 per lot
	Planning Area C-1	$5,148,000	$36,000 per lot
	Planning Area D-1	$4,917,000	$33,000 per lot

Wholesale (Bulk) Value Conclusions Less 5% CFD Administrative Fee:

Wholesale Value Planning Area A-1	$1,176,000
Less: (5% CFD Admin. Fee)	($59,000)
Wholesale Value Less Admin. Fee	**$1,117,000**
Wholesale Value Planning Area B-1	$15,096,000
Less: (5% CFD Admin. Fee)	($755,000)
Wholesale Value Less Admin. Fee	**$14,341,000**
Wholesale Value Planning Area C-1	$5,148,000
Less: (5% CFD Admin. Fee)	($257,000)
Wholesale Value Less Admin. Fee	**$4,891,000**
Wholesale Value Planning Area D-1	$4,917,000
Less: (5% CFD Admin. Fee)	($246,000)
Wholesale Value Less Admin. Fee	**$4,671,000**

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GROUNDWATER REPLENISHMENT DISTRICT CC&RS
APPRAISERS' QUALIFICATIONS

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INTRODUCTION AND PURPOSE OF THIS APPRAISAL

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject of this Complete, Self Contained appraisal is four planning areas within the initial development phase of Sun City Festival, a proposed 3,100 acre active adult community within the boundaries of the Town of Buckeye, Arizona. The Sun City Festival community will comprise a total of 3,100 acres, most of which lie on the north side of the Sun Valley Parkway between the alignments of 259th and 291st avenues. Although Sun City Festival lies within the town limits of Buckeye, its location is closer to "downtown" Surprise than it is to "downtown" Buckeye. This relationship is illustrated on Exhibit 1, a map of northwestern Maricopa County. A January 2005 black and white aerial photograph of the community is included as Exhibit 2.

PURPOSE OF THIS APPRAISAL

The purpose of this appraisal is to form an opinion of the wholesale (bulk) value of each of the subject's four planning areas, which are more specifically identified in Table 1.

TABLE NO. 1

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

As indicated in Table 1, all four planning areas are designated for residential use. The location of the subject's four planning areas within Sun City Festival is illustrated on Exhibit 3.

EXHIBIT NO. 1
Location Map

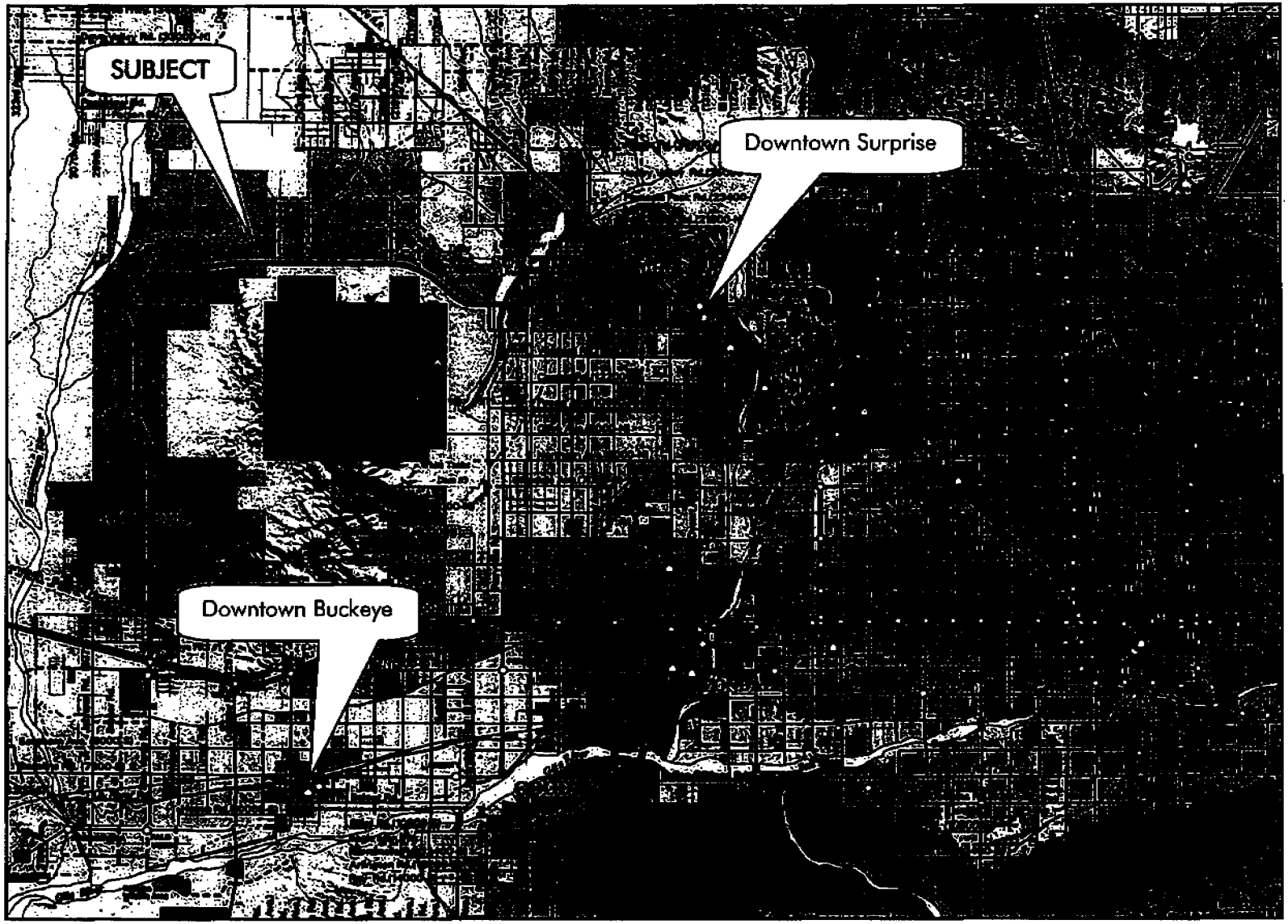


EXHIBIT NO. 2

Sun City Festival Black/White Aerial (January 2005)

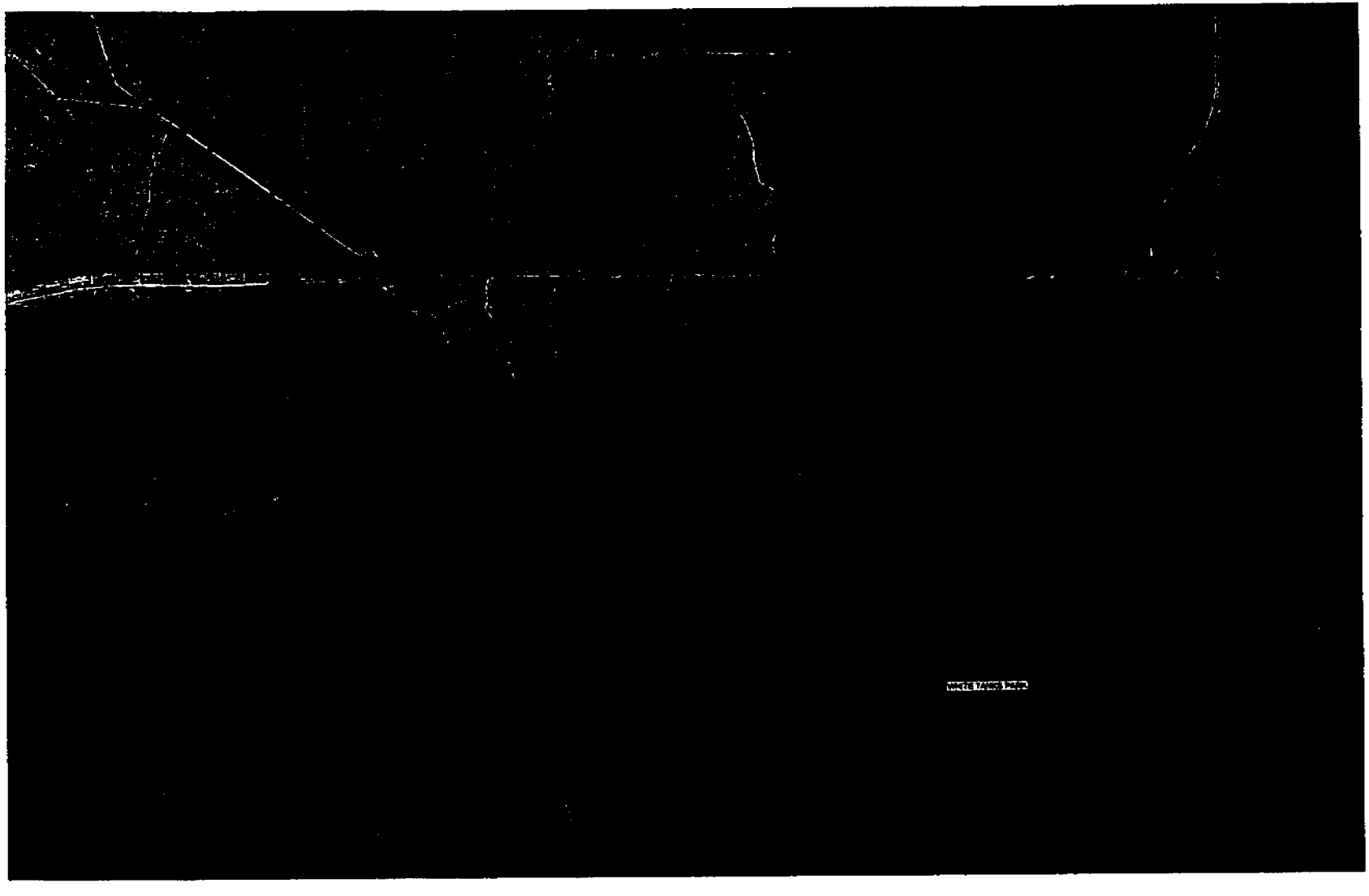
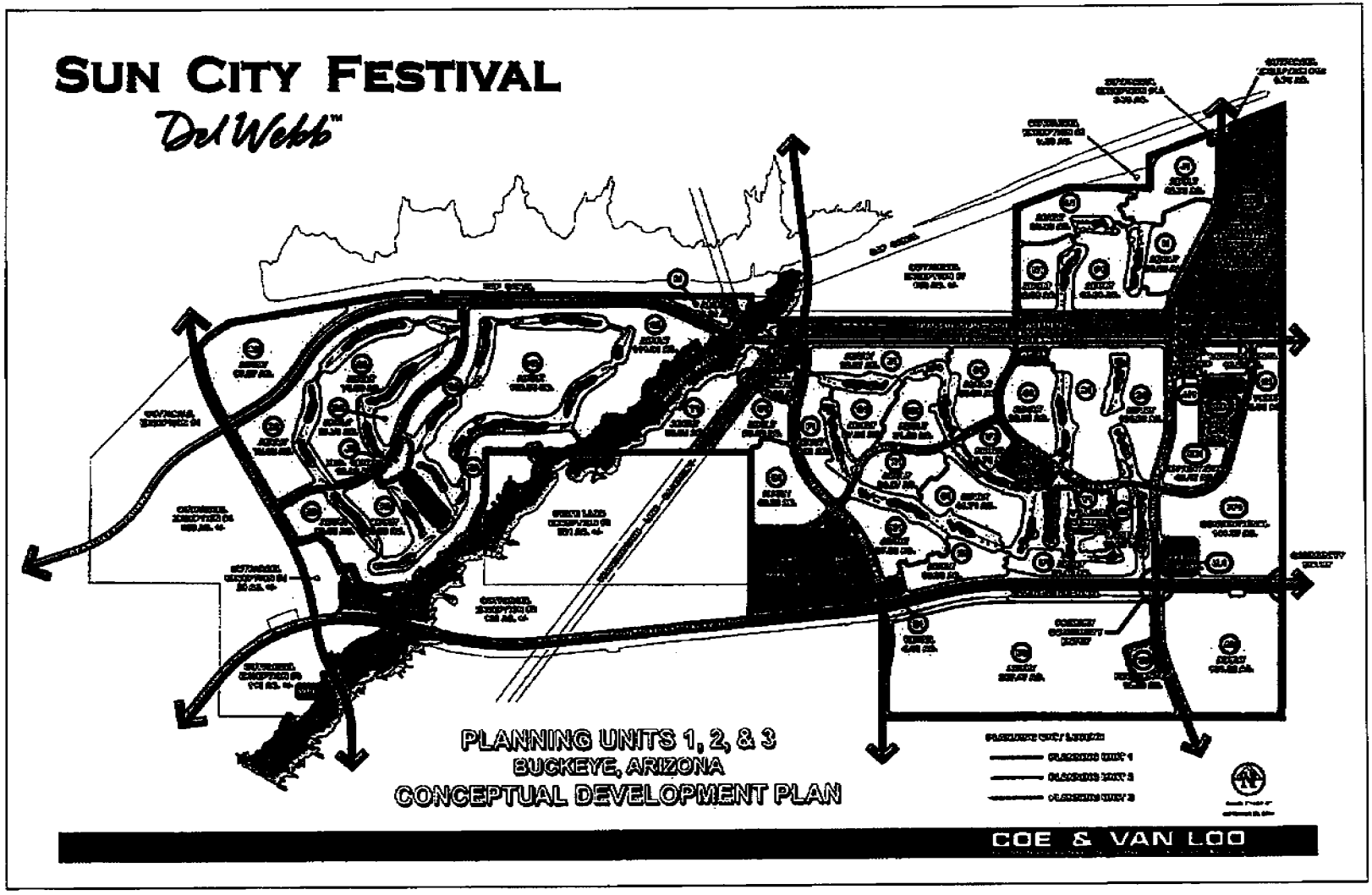


EXHIBIT NO. 3
Sun City Festival Master Plan Map



INTENDED USER AND USE OF THE APPRAISAL

The appraisal has been prepared at the request of Festival Ranch Communities Facilities District on behalf of the Town of Buckeye, Arizona, Attn: Mr. Scott W. Ruby, 201 East Washington Street, Suite 800, Phoenix, Arizona, with the intent of complying with:

- The Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by The Appraisal Standards Board of the Appraisal Foundation; and
- The Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of The Appraisal Institute.

It is understood the intended use of the report will also be disseminated as part of a financing package for Festival Ranch Communities Facilities District (Town of Buckeye, Arizona).

DATE OF THE REPORT

The report was prepared during July and August 2005 and was completed on August 17, 2005.

DATE OF VALUATION

The opinions of market value addressed in this report for the four subject parcels are as of August 12, 2005, i.e., the latest date of property inspection.

DEFINITION OF MARKET VALUE

The definition of market value used in this report is in conformance with the Uniform Standards of Professional Appraisal Practice, effective January 1, 2005 and is quoted as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four residential planning areas are being appraised in their "as is" conditions, i.e., condition at the time of final inspection – August 12, 2005. All four parcels have received final residential subdivision plat approval from the Town of Buckeye. Therefore, the value estimates for each parcel concluded in this report reflect their wholesale (bulk) value of platted and engineered residential lots within a developing active adult community. The wholesale value assumes the following:

- A sale to a single purchaser; or
- The discounted net present value reflecting the sale of various lots over a projected absorption period, taking into account the cost involved in marketing the respective lots.

The timeline for development of the subject property is detailed in Table 2.

TABLE NO. 2

SUN CITY FESTIVAL PHASE 1 CONSTRUCTION SCHEDULE

Date	Construction Event
July 2005	Construction begins (clearing, grading, wells, WP, WRF)
October 2005	Backbone infrastructure (aerterial & collector streets - water, sewer, paving, etc.)/Sales Center starts
February 2006	Model Home Construction
June 2006	Production homes start
July 2006	Sales Center/Model Complex Open
September 2006	Home Closings

As of the date of appraisal, work on clearing and grading of the site was well underway and also drilling of water wells and construction of the wastewater treatment facility.

PROPERTY RIGHTS APPRAISED

The property rights addressed in this report represent the fee simple estate, which is defined as follows:

> "Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government."

SCOPE OF THIS APPRAISAL

The scope of this appraisal is to accurately collect, confirm, report and analyze sufficient market data to allow the reader to readily follow the logic of the appraisers in reaching their conclusion regarding the estimated wholesale values reported for the four subject parcels.

Work completed in connection with this engagement includes the following:

- On-site inspections of the property and surrounding neighborhood were conducted on various occasions during the June, July and August 2005 with the most recent inspection taking place on August 12, 2005.
- Information regarding Sun City Festival (land planning, entitlements and construction) was provided by Pulte Homes, Inc., 15111 North Pima Road, Suite 100, Scottsdale, Arizona (developer). This data had been accepted as being correct and no effort has been made to confirm it with a second source.
- Additional data for the subject parcels were obtained the Town of Buckeye Planning and Zoning Department, Maricopa County Assessor's and Treasurer's offices and flood maps provided by the Federal Emergency Management Agency (FEMA).
- Research of historical and projected employment, population and household growth trends was conducted using demographic data provided by the Arizona Department of Economic Security, Maricopa County, Town of Buckeye, Arizona Real Estate Center within the W.P. Carey School of Business at Arizona State University as well as information supplied by local newspapers, etc.
- The "as is" value of the subject property is concluded using the Modified Cost Approach. The basis or starting point of the modified cost approach is the subject's hypothetical "as if complete," which is concluded by the Income Approach, more specifically through the use of static and yield analyses. The hypothetical "as if complete" value is the value of the proposed residential lots in a finished lot condition. From this figure, on and off-site development costs and entrepreneurial profit are subtracted to derive the underlying vacant land value. Any expended development costs and incurred profit are then added back which results in the "as is" value.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

These two factors are defined and/or explained as follows:

Extraordinary Assumptions: An assumption, directly related to a specific assignment, which if found to be false, could alter the appraiser's opinions or conclusions; i.e., extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

Hypothetical Condition: That which is contrary to what exists but is supposed for the purpose of analysis; i.e., hypothetical conditions assume conditions contrary to

known facts about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

Extraordinary Assumptions

No environmental hazards were noted during the inspection of the property and it is assumed none exist. After acknowledging the lack of any indication of an environmental problem, it is specifically noted should the client have concern about the existence of such substances on the property, the appraiser considers it imperative for the client to retain the services of a qualified, independent engineer or contract to determine the existence and extent of any hazardous material, as well as the costs associated with any required or desirable treatment and/or removal thereof.

Hypothetical Conditions

Some infrastructure required to support the development of the four subject parcels listed in Table 1 has been completed as of the date of valuation; however the majority of the work will be completed after the date of valuation with some of the proceeds of the proposed bond offering for Special Assessment No. 1.

Special Assessment No. 1 specifically relates to in-tract street improvements i.e., installation of underground utilities sewer, water, curb, gutters and paving. Table 3 summarizes the street improvements to be funded (reimbursed) through the special assessment bonds.

TABLE NO. 3

SUN CITY FESTIVAL ASSESSMENT DISTRICT NO. 1 INFRASTRUCTURE COSTS

Planning Area	No. Of Lots	Street Improvements Costs	Street Names	Linear Feet	Estimated Date of Completion
A-1	24	$ 121,695	Wahalla Ln. 264th Ave.	1,159	12/31/2005
B-1	408	$ 2,046,765	Ross Ave., Potter Dr., Burnett Rd., Mohawk Ln., Runion Dr., Runion Ln., Yukon Dr., Yukon Ct., Tonopah Dr., Tonopah St., Pontiac Dr., Sierra Pinta Dr., Escuda Dr., 262nd Dr., 263rd Dr., 264th Ave., 264th Dr., 265th Ave., 265th Dr., Sierra Pinta Dr.	19,493	12/31/2005
C-1	143	$ 710,115	Irma Ln., Burnett Rd., Mohawk Ln., Runion Dr., Tonopah Dr., Tonopah Ct., Yukon Ct., 267th Ave., 266th Ave.	6,763	2/28/2006
D-1	149	$ 695,835	Ross Ave., Potter Dr., Irma Ln., Mohawk Ln., Runion Dr., 268th Dr., 268th Ave., 267th Dr., 267th Ln.	6,627	5/31/2006
Total	724	$ 3,574,410		34,042	

EXHIBIT NO. 4

Sun City Festival Assessment Area No. 1 Map

Special Appraisal Instructions

The subject property is being appraised as part of the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the value of each of the subject's four parcels be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. ***The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; it reflects a special instruction from the client.***

OWNERSHIP – OWNERSHIP HISTORY

The majority of the land which comprises approximately 31,000 acres of Sun City Festival was acquired by Pulte Homes Corporation from 10,000 West L.L.C. (The Lyle Anderson Company) in May 2004 for a recorded purchase price of $33,818,541.85. According to sources familiar with the transaction, the purchase contract also includes deferred compensation due to the seller in the amount of 2.25% of the sales price of each dwelling unit sold by Pulte Homes.

The subject's 329 acres are contained within this purchase. Therefore, the owner of record in the Treasurer's Office is Pulte Homes Corporation, 15333 North Pima Road, Scottsdale, Arizona. No other sales involving the subject property were discovered during a search of public records for the past three years.

LEGAL DESCRIPTION OF THE FOUR SUBJECT PARCELS

The four subject parcels are within Sections 23, 24 and 25, Township 4 North, Range 4 West, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. Since all four subject parcels have been final platted, more detailed legal descriptions indicate individual residential lots. The detailed legal descriptions are summarized in Table 4.

TABLE NO. 4

LEGAL DESCRIPTIONS	
Parcel A-1:	Lots 1 through 14, and Lots 41 through 50 of Sun City Festival – Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.
Parcel B-1:	Lots 1 through 408, inclusive, of Sun City Festival – Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.
Parcel C-1:	Lots 1 through 143, inclusive, of Sun City Festival – Parcel C1. (Approved but unrecorded)
Parcel D-1:	Lots 1 through 149, inclusive, of Sun City Festival – Parcel D1. (Approved but unrecorded)

The Maricopa County Assessor's Office also identifies the subject properties are portions of Tax Parcel No. 503-84-19A, 503-84-20, and 503-84-24A. Subject's tax parcels are illustrated on Exhibit 5, a copy of an assessor's plat map.

CITY AND REGIONAL DATA

Subject's location in the northwestern most part of Metropolitan Phoenix is illustrated on Exhibit 6 and its relationship to the other communities comprising metropolitan Phoenix is indicated on Exhibit 7. The overall economic condition of the City of Phoenix, along with all of Metropolitan Phoenix, is generally considered good measured in terms of employment, population growth, retail sales, etc. The following discussion addresses Metropolitan Phoenix, which includes the City of Phoenix. The economic well being of Phoenix is tied directly to the economic fortunes of Metropolitan Phoenix.

METROPOLITAN PHOENIX

Metropolitan Phoenix comprises 22 incorporated communities, which vary in population from 3,310 (Carefree) to 1,416,055 (Phoenix). Buckeye is one of the smallest communities in Metropolitan Phoenix with only a population of 14,505 people. Because of subject's proximity to Surprise, it is also relevant to note a population in Surprise of 63,960 people.

EXHIBIT NO. 5
Assessor's Map

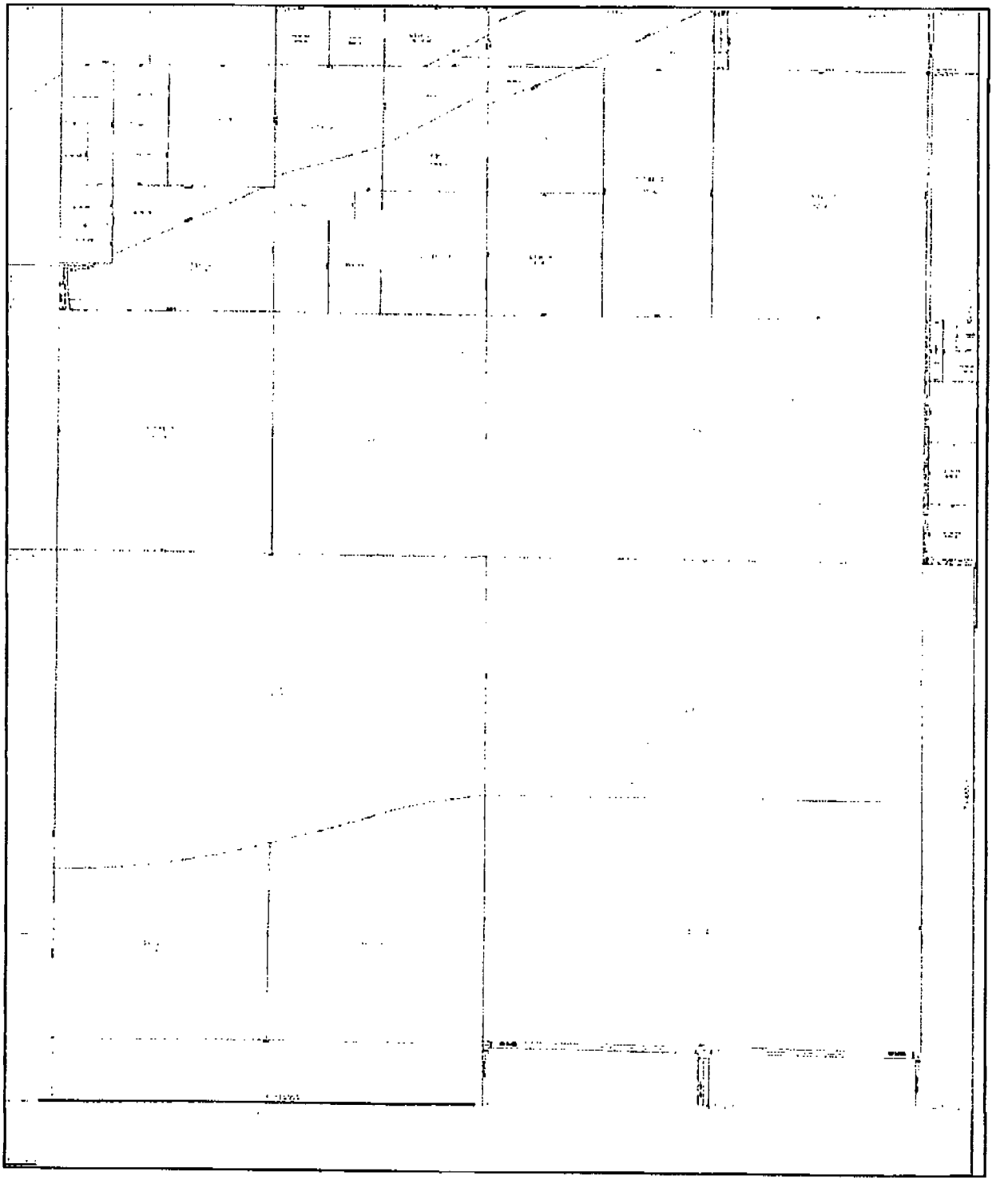


EXHIBIT NO. 6
Location Map

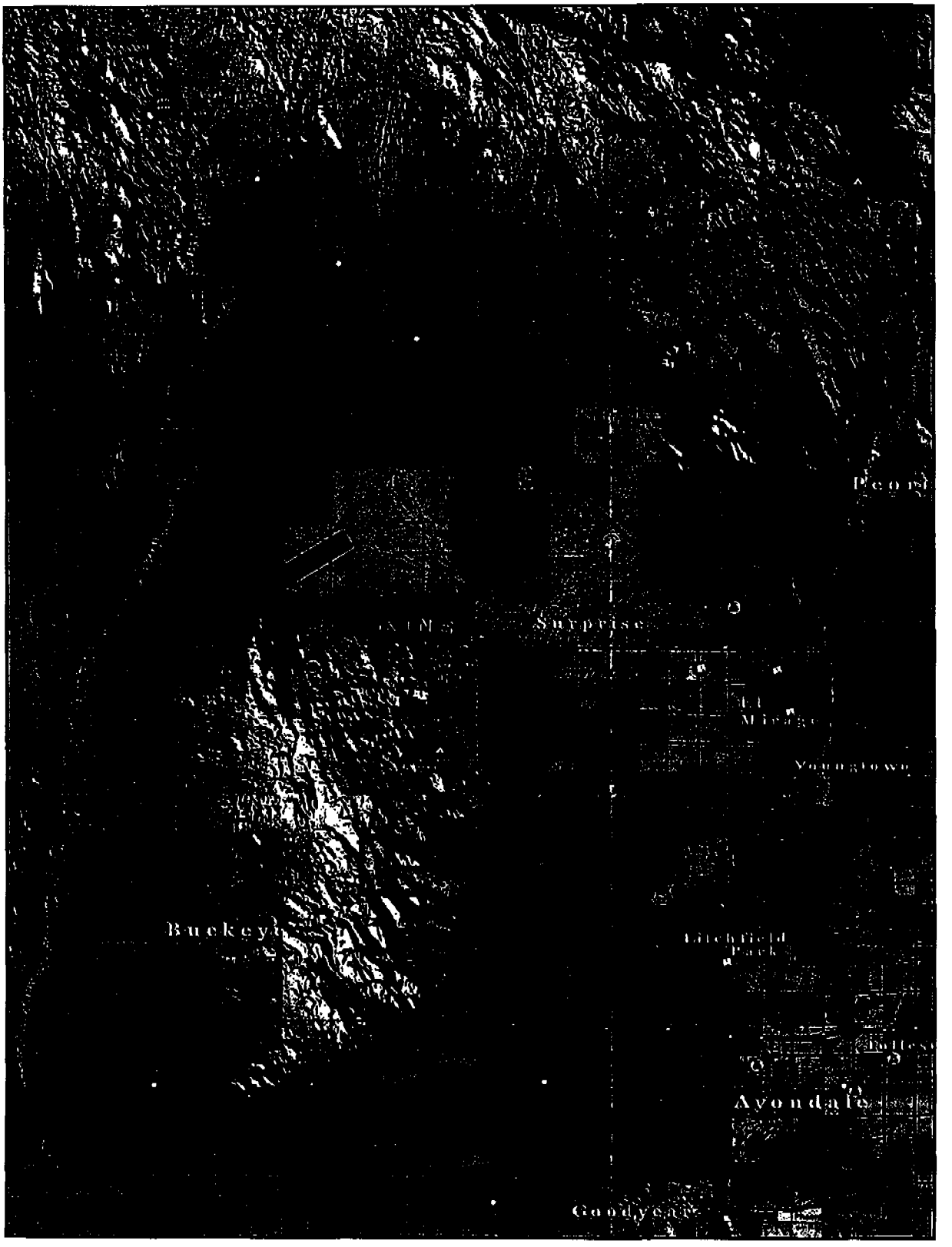


EXHIBIT NO. 7
Metropolitan Phoenix Map

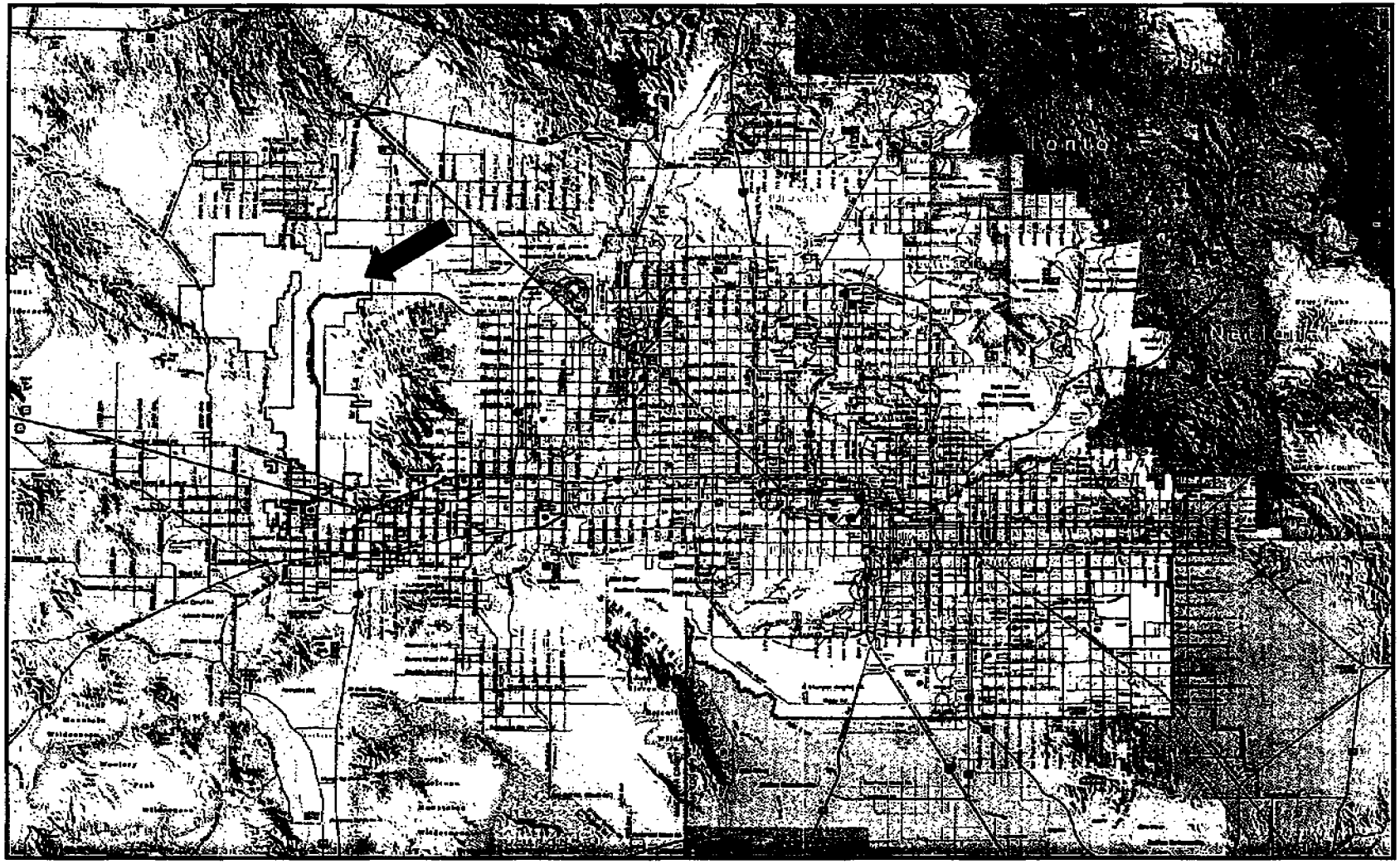


Table 5 is a list of the 16 communities having populations in excess of 10,000 people as of July 1, 2004.

TABLE NO. 5

City	2004 Population
Avondale	60,255
Buckeye	**14,505**
Chandler	220,705
El Mirage	28,310
Fountain Hills	22,475
Gilbert	164,685
Glendale	233,330
Goodyear	35,810
Mesa	447,130
Paradise Valley	14,410
Peoria	132,300
Phoenix	1,416,055
Scottsdale	221,130
Surprise	**63,960**
Tempe	160,820
Queen Creek	11,245

There have been significant increases in both population and employment within most of the communities comprising Metropolitan Phoenix during the past decade. As illustrated in Table 1, the population of the City of Phoenix is significant at more than 1.4 million people. In fact, the population of Phoenix is 3 times larger than the next largest city, Mesa, with approximately 450,000 people.

Table 6 summarizes the population growth of the largest communities in Metropolitan Phoenix since 1996.

TABLE NO. 6

City	1996	1997	1998	1999	2000	2001	2002	2003	2004
Chandler	141,735	151,370	160,165	169,000	176,970	186,875	194,390	208,450	220,705
*Growth	10.7%	6.8%	5.8%	5.5%	4.7%	5.6%	4.0%	7.2%	5.9%
Gilbert	67,440	79,310	91,290	100,850	108,745	122,360	133,640	151,290	164,685
*Growth	22.8%	17.6%	15.1%	10.4%	7.8%	12.5%	9.2%	13.2%	8.9%
Glendale	186,695	191,105	196,820	208,095	211,555	224,970	227,495	230,610	233,330
*Growth	8.4%	2.4%	3.0%	5.7%	1.7%	6.3%	1.1%	1.4%	1.2%
Mesa	343,710	350,555	361,895	374,560	388,185	414,075	427,550	434,215	447,130
*Growth	4.6%	2.0%	3.2%	3.5%	3.6%	6.7%	3.3%	1.6%	3.0%
Peoria	78,310	83,505	89,930	101,235	108,295	117,200	122,655	126,410	132,300
*Growth	12.0%	6.6%	7.7%	12.6%	7.0%	8.2%	4.7%	3.1%	4.7%
Phoenix	1,180,740	1,205,285	1,220,710	1,240,775	1,249,450	1,344,775	1,365,675	1,387,670	1,416,055
*Growth	9.1%	2.1%	1.3%	1.6%	0.7%	7.6%	1.6%	1.6%	2.0%
Scottsdale	178,525	186,610	195,495	204,660	207,145	209,960	214,090	217,555	221,130
*Growth	9.1%	4.5%	4.8%	4.7%	1.2%	1.4%	2.0%	1.6%	1.6%
Tempe	156,000	158,135	159,220	161,995	162,000	159,435	159,425	159,615	160,820
*Growth	0.3%	1.4%	1.0%	1.7%	0.0%	-1.6%	0.0%	0.1%	0.1%
Other	301,480	314,700	330,575	350,306	378,905	412,475	451,330	481,060	528,020
*Growth	1.0%	4.4%	5.0%	6.0%	8.2%	8.9%	9.4%	6.6%	9.8%
Maricopa Co.	2,634,625	2,720,575	2,806,100	2,913,475	2,991,250	3,192,125	3,296,250	3,396,875	3,524,175
	7.3%	3.3%	3.1%	3.8%	2.7%	6.7%	3.3%	3.1%	3.7%

Source: Arizona Department of Economic Security/Percentages represent the growth rate from the previous year.

Though employment growth has been slow the past few years, approximately 1.6 million people are employed in Metropolitan Phoenix. Table 7 provides an employment summary for the past 10 years.

TABLE NO. 7

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Manufacturing	153,200	153,700	154,000	169,300	167,100	169,000	161,300	145,700	130,200	128,300
Mining	5,100	6,700	7,100	5,900	900	3,000	2,500	2,300	2,300	2,000
Construction	79,000	91,500	89,900	103,500	115,800	117,900	121,200	117,100	128,700	144,000
TCPU*	61,900	66,900	67,600	76,300	81,000	86,600	84,500	81,800	87,700	94,600
Trade	287,300	319,300	331,900	356,300	376,300	377,100	380,800	384,100	328,000	273,400
FIRE**	91,300	95,900	99,600	117,700	125,900	122,500	123,200	124,800	130,300	136,100
Services	353,800	405,500	414,200	465,400	473,200	525,500	515,900	513,200	576,000	657,600
Government	165,700	162,900	172,400	187,800	181,400	187,500	203,300	209,900	214,200	222,800
Total	1,199,295	1,302,400	1,338,697	1,482,200	1,521,600	1,598,100	1,592,700	1,578,900	1,597,400	1,660,804
Job Growth	107,900	105,100	137,405	145,500	39,400	67,500	-5,400	-13,800	18,500	63,404
% Job Growth	10%	8.8%	10.28%	10.89%	2.66%	4.44%	-0.34%	-0.86%	1.17%	3.97%

* TCPU = Transportation, Communication, and Public Utilities
* FIRE = Finance, Insurance, and Real Estate

Although the overall economy slowed during 2001 and 2002, the Phoenix real estate market began a slow recovery in 2003, which continued through 2004, though the pace of recovery remained very modest. Further economic growth is anticipated throughout 2005.

METROPOLITAN PHOENIX RESIDENTIAL MARKET

The latest period of growth in the residential housing market began in 1993. In each of the last seven years, the residential market has reported more than 30,000 new housing permits. A summary of the residential permit activity in Metropolitan Phoenix since 1990 with particular attention given to the past seven years is summarized in Table 8.

The housing sector has been, by far, the strongest real estate sector for the past decade. Though the three major housing permit tabulators differ on the final number of permits or 2004, by any of the three accounts 2004 was another record year. Two of the three permit trackers report Metropolitan Phoenix as the top homebuilding location in the nation, surpassing Metropolitan Atlanta, which has held the title for the past 13 years. Since 2000, more than 225,000 residential permits have been issued in Metropolitan Phoenix. Economists indicate that one of every three dollars in the local economy is generated by the Metropolitan Phoenix housing industry.

TABLE NO. 8

RESIDENTIAL BUILDING PERMITS
Metropolitan Phoenix
1990 – 2Q 2005

	Single-Family		Townhouse		Multi-Family		Residential	
Year	Total	Percent	Total	Percent	Total	Percent	Total	% Change
1990	10,633	81.9%	449	3.5%	1,891	14.6%	12,973	-4.1%*
1991	13,510	91.9%	485	3.3%	710	4.8%	14,705	13.4%*
1992	18,329	91.1%	566	2.8%	1,234	6.1%	20,153	36.9%*
1993	21,896	90.1%	607	2.5%	1,799	7.4%	24,302	20.7%*
1994	26,614	78.7%	1,212	3.6%	6,015	17.8%	33,853	39.3%*
1995	26,824	73.7%	1,599	4.4%	7,991	21.9%	36,414	7.6%*
1996	28,157	73.8%	1,456	3.8%	8,533	22.4%	38,146	4.8%*
1997	29,124	74.5%	2,174	5.6%	7,799	19.9%	39,097	2.5%*
1998	33,811	78.2%	1,525	3.5%	7,877	18.2%	43,213	10.5%*
1999	33,252	78.3%	1,454	3.4%	7,759	18.3%	42,465	-1.7%*
2000-Q1	8,164	71.8%	673	5.9%	2,535	22.3%	11,372	1.4%*
2000-Q2	9,605	78.4%	398	3.2%	2,254	18.4%	12,257	4.8%*
2000-Q3	8,331	77.5%	705	6.6%	1,711	15.9%	10,747	6.6%*
2000-Q4	6,394	76.5%	458	5.5%	1,509	18.0%	8,361	-11.7%*
2000	32,494	76.1%	2,234	5.2%	8,009	18.7%	42,737	1.0%*
2001-Q1	8,783	69.1%	696	5.5%	3,227	25.4%	12,706	11.7%*
2001-Q2	9,393	83.7%	302	2.7%	1,531	13.6%	11,226	-8.4%*
2001-Q3	8,385	76.9%	548	5.0%	1,966	18.1%	10,899	1.4%*
2001-Q4	6,306	89.6%	255	3.6%	477	6.8%	7,038	-15.8%*
2001	32,867	78.5%	1,801	4.3%	7,201	17.2%	41,869	1.3%*
2002-Q1	7,682	86.1%	299	3.3%	950	10.6%	8,931	-29.7%*
2002-Q2	9,667	82.8%	566	4.8%	1,439	12.4%	11,672	4.0%*
2002-Q3	8,690	76.6%	324	2.9%	2,337	20.5%	11,351	4.1%*
2002 Q4	8,273	87.8%	278	3.6%	881	9.3%	9,432	34.0%*
2002	34,309	82.9%	1,467	3.5%	5,607	13.6%	41,386	-1.2%*
2003 Q1	8,030	90.3%	343	3.8%	521	5.9%	8,894	-0.4%*
2003 Q2	10,612	83.8%	441	3.5%	1,612	12.7%	12,665	8.5%*
2003 Q3	11,192	90.1%	561	4.5%	670	5.4%	12,423	9.4%*
2003 Q4	9,818	79.2%	549	4.4%	2,033	16.4%	12,400	31.5%*
2003	39,652	85.5%	1,894	4.1%	4,836	10.4%	46,382	12.1%*
2004 Q1	10,046	85.1%	667	5.7%	1,089	9.2%	11,802	32.7%*
2004 Q2	13,638	91.1%	678	4.6%	647	4.3%	14,963	18.1%*
2004-Q3	14,113	86.8%	759	4.7%	1,390	8.5%	16,262	30.9%*
2004-Q4	10,339	81.4%	493	3.9%	1,871	14.7%	12,703	2.4%*
2004	48,136	86.4%	2,597	4.7%	4,997	8.9%	55,730	20.2%*
2005-Q1	10,356	86.4%	1,421	11.4%	319	2.6%	12,096	2.5%
2005-Q2	12,013	88.0%	833	6.1%	811	5.9%	13,657	8.7%

* Percentage change is from the same quarter previous year

Source: Arizona Real Estate Center, ASU; Phoenix Metropolitan Housing Study Committee; Data provided through the cooperation of 26 permit issuing agencies.

During the second quarter 2005, residential permits continued the record pace of permits set in 2004. Though interest rates, particularly short-term, have started to rise with the improving economy, rates are still less than 7.00% which bodes well for sustained growth in the residential sector.

METROPOLITAN PHOENIX OFFICE MARKET

The following discussion regarding the Metropolitan Phoenix office market is based upon information supplied by CB Richard Ellis for the second quarter 2005. The survey covers multi-tenant office buildings over 10,000 square feet in each of Metropolitan Phoenix's 24 geographical submarkets.

In the second quarter 2005, a total of 105,645 square feet of multi-tenant space was added to the market bringing the total inventory to more than 61.78 million square feet. Currently, 1.97 million square feet of office space are under construction with the majority of the projects to be delivered in 2005 or early 2006.

While new construction is spread across the metropolitan market, the West Phoenix and North Phoenix submarkets has roughly 35% of the new construction with 702,329 square feet. The East Phoenix and Paradise Valley submarkets also have notable space under construction with 114,000 square feet and 136,291 square feet, respectively.

Overall office vacancy declined slightly in the second quarter of 2005. At the end of second quarter 2005, vacancy stood at 14.5%, compared with 15.3% at the end of the first quarter 2005. The vacancy rate of 14.5% at the end of the second quarter 2005 is a significant improvement over the 16.8% at the end of the second quarter 2005. This is the ninth consecutive quarterly decrease in the vacancy rate.

The result of continued improvement in occupancy is continued upward pressure on rental rates. North Scottsdale and Scottsdale Airpark will see the most pressure, while other submarkets including Downtown Phoenix, Downtown Tempe, Camelback Corridor and Deer Valley will begin to see some upward movement in rents.

Net absorption in the second quarter was 540,133 square feet compared to 818,367 square feet for the first quarter of 2005. Class "B" properties accounted for the majority of the absorption with 289,669 square feet of absorption, Class "A" properties had 285,410 square feet, and Class "C" properties had negative absorption of 34,946 square feet in the quarter.

METROPOLITAN PHOENIX RETAIL MARKET

The Metropolitan Phoenix retail market continued its expansion trend during the first quarter of 2005. Population growth and new housing continued to drive the market. Total retail inventory is 119.8 million square feet in 909 centers (including regional malls.) The overall vacancy rate is 5.59%, down from the 5.99% rate at the end of the first quarter in 2005. Net absorption in the second quarter was 1.7 million square feet compared to 2.7 million square feet for the first quarter in 2005. Additionally, 1,495,084 square feet of new retail space was completed, while another 3.4 million square feet of new retail space were under construction. Planned projects total approximately 24.9 million square feet scattered throughout metropolitan Phoenix.

The average rental rate in Metropolitan Phoenix remained above $15.00 per square foot triple net with rents for new space in the range of $28.00 to $36.00, while second generation space leased at rates between $12.00 and $20.00 per square foot.

Metropolitan Phoenix continues to attract national tenants looking for expansion in the Southwest. These tenants range from electronics to home improvement to department stores. Grocery and drug stores continually rise up in newly developing residential areas.

METROPOLITAN PHOENIX INDUSTRIAL MARKET

During the past few years, the industrial market has experienced tremendous expansion. The fundamentals of the real estate market were healthy throughout most of 2001; however increasing pressure from the local and national economies began to stress the industrial sector in 2002. Overall vacancy in 2002 went above 10% and remained at just over 10% for most of 2003. During the fourth quarter 2003, vacancy decreased to 9.71%, a direct result of two consecutive quarters of strong net absorption. At the end of the fourth quarter 2004, the vacancy rate stood at 8.53%, or slightly below the rate of 8.60% at the end of the previous quarter. Going into 2005, at the end of the first quarter, the vacancy rate was 7.70%, which was the first

time in four years vacancy fell below 8%. During the second quarter 2005, the vacancy continued to fall to a rate of 7.21%.

Net absorption during the second quarter of 2005 totaled 2,311,112. This is down from the net absorption of the first quarter of 2005 which was 2,715,646 square feet.

During the second quarter, there were 1,605,531 square feet of building completions. Approximately 4.68 million square feet were under construction at the end of the second quarter. Additionally, there is approximately 8.8 million square feet of planned projects throughout the Valley.

METROPOLITAN PHOENIX MULTI-FAMILY MARKET

Multi-family residential building permits for the past eight and one-half years are summarized in Table 9.

TABLE NO. 9

MULTI-FAMILY PERMITS

Year	Multi-Family Permits
1997	7,799
1998	7,877
1999	7,759
2000	8,009
2001	7,201
2002	5,607
2003	4,836
200 an4	4,997
1Q2005	319
2Q2005	811

Development of new apartment projects has been limited in the past few years due to significant overbuilding in a number of submarkets. Additionally, the apartment market has been struggling with an exodus of residents being lured by home ownership. The slower pace of new construction will bolster both occupancy and rental rates for existing projects. The second quarter permit level more than doubled to 811 permits from the 319 permits issued during the first quarter. The first quarter permit active was the weakest quarterly performance in more than a decade.

CITY AND REGIONAL DATA CONCLUSION

Metropolitan Phoenix population growth was one of the highest in the country over the 10-year period 1994-2003, with an increase of more than 1 million people. The market added over 600,000 new jobs during the same period. As a result, Metropolitan Phoenix has become one of the fastest growing metropolitan areas in the country. Phoenix is now the fifth largest city in the nation, having recently surpassed Philadelphia.

Although the Metropolitan Phoenix market has been affected by an earlier national slowdown, it appears its economy, as well as the national economy began to return to a growth pattern in late 2003. The residential sector will continue to lead the economy in the foreseeable future. The retail sector will remain strong due as a result of the strong residential growth and vacancy rates in the office market will continue to see improvement.

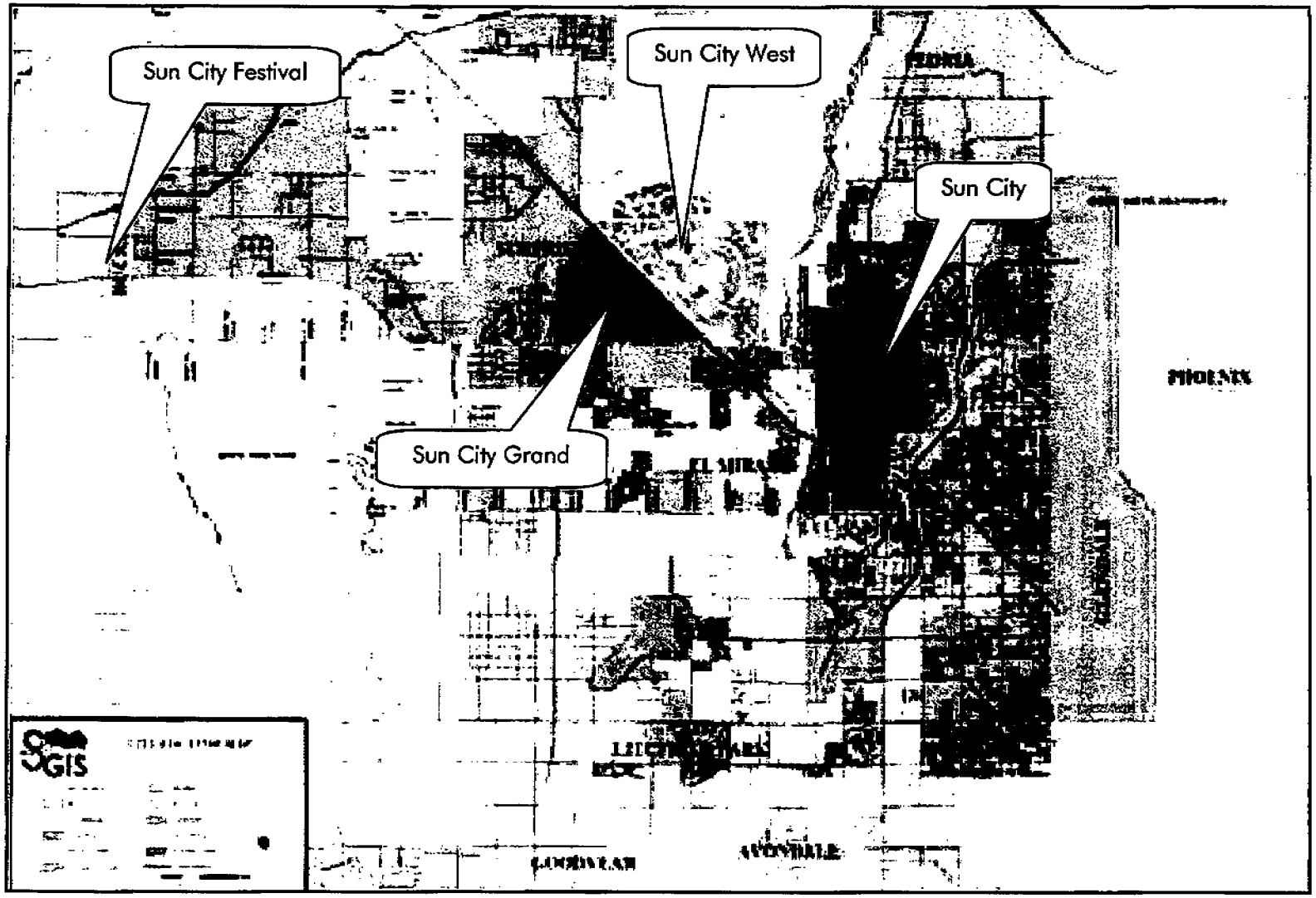
NEIGHBORHOOD DESCRIPTION

While the subject property lies within the town limits of Buckeye, proximity of the City of Surprise is much closer. The downtown area of Buckeye is some 19 miles south of subject's Sun Valley Parkway frontage, while the downtown area of Surprise is 15 miles to the east. In Surprise, Pulte Homes is completing the last of its inventory within the Sun City Grand project, a 9,800 lot community oriented around four golf courses. Sun City Grand is the third extension of the Sun City product line in northwestern Maricopa County. The first Sun City project, which is four miles east of Sun City Grand, was developed in the 1960s. Its success fueled the development of Sun City West, which lies between Sun City and Sun City Grand. The location of these three communities is illustrated on Exhibit 8.

In May 2004, Pulte Homes acquired 3,100 acres from the Lyle Anderson Company for the development a new active adult community to be called Sun City Festival. The subject's 330 acres are the first phase of development of this new community which will include a total of 7,100 homes, two golf course and numerous other amenities.

EXHIBIT NO. 8

Sun City/Sun City West/Sun City Grand Location Map



Subject's immediate location along the north side of Sun Valley Parkway at the alignment of 259th Avenue is in an area of sparse development. Development to date has been limited almost exclusively to small ranchette properties. Speculation and land planning is taking place around the Sun City Festival project and future development of the area is anticipated. The greatest challenges to new development in the area is the lack of infrastructure, i.e., any new community must development the entire new infrastructure to support residential development – sewer, water, power, roads, etc. The first future developments will most likely approach the subject property from the Surprise on the east, as this area is closer to the path of development. Significant new residential development is currently taking place 10 miles east of the subject at Surprise Farms. The only notable project in Buckeye north of Interstate 10 is Tartesso (11 miles south of the subject property at the southwest corner of Sun Valley Parkway and Indian School Road. Exhibit 9 is a map of the residential development within the City of Surprise. Subject's eastern boundary is at the far left hand side of this exhibit. It is also important to note that while not illustrated on the exhibit, a large community called Surprise Foothills is being planned just to the east of the subject.

The first phase of development within Tartesso began in early 2005 with expectations of delivering finished residential lots to homebuilders by year-end 2005. The first phase of development will be on 1,290 acres and consist of 3,400 dwelling units. Development of Tartesso has been hindered by the need to construct all infrastructure to support the community.

The development of the Sun City Festival at the north end of the Sun Valley Parkway and Tartesso on the south end of the Sun Valley Parkway will provide the catalyst for additional development along the parkway. In the late 1990s, as a result of tremendous residential growth throughout Metropolitan Phoenix, interest in the Sun Valley area began to rise again. A number of the large land holding were acquired by real estate developers and additional assemblages started to place. As a result, the Sun Valley area has a number of large planned areas being readied for master plan community development. Table 10 summarizes a number of the new Sun Valley communities.

EXHIBIT NO. 9
Surprise Residential Development Map

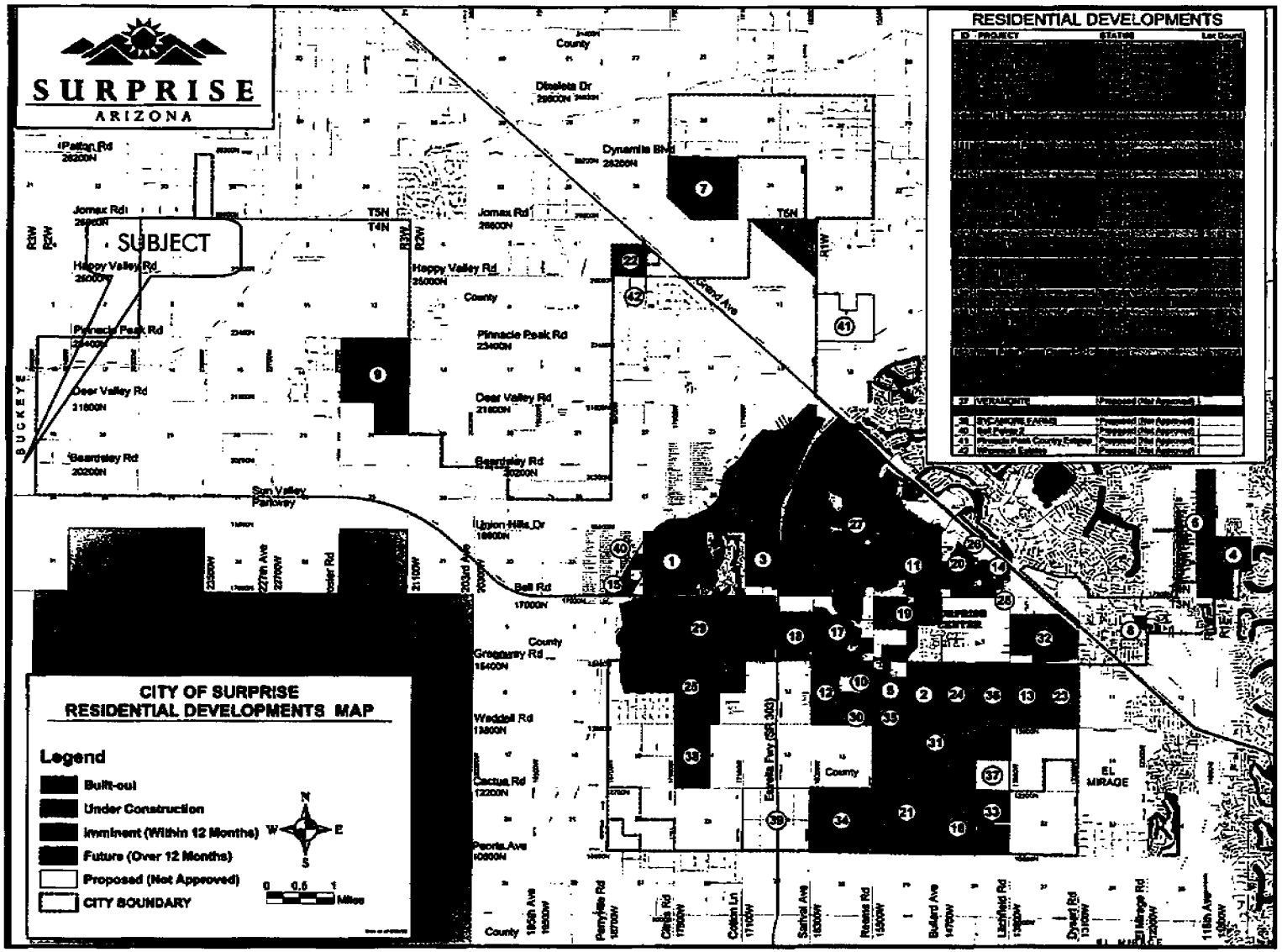


TABLE NO. 10

PLANNED SUN VALLEY COMMUNITIES		
Community	Size (Acres)	Dwelling Units
Tartesso	9,000	9,600
Festival Ranch	10,105	29,000
Douglas Ranch	33,810	90,000
Sun Valley South	11,200	29,000
Sun Valley	13,200	34,000
Belmont	19,800	90,000

The six large communities summarized account for more than 280,000 new dwelling units. The location of these communities is illustrated on Exhibit 10.

RESIDENTIAL DEVELOPMENT

To date there have been no significant developments in the proximity of the subject property, however it is noteworthy to mention the proximity of subject to the three existing Sun City communities as the subject will be the initial phase of the next extension of the Sun City product series.

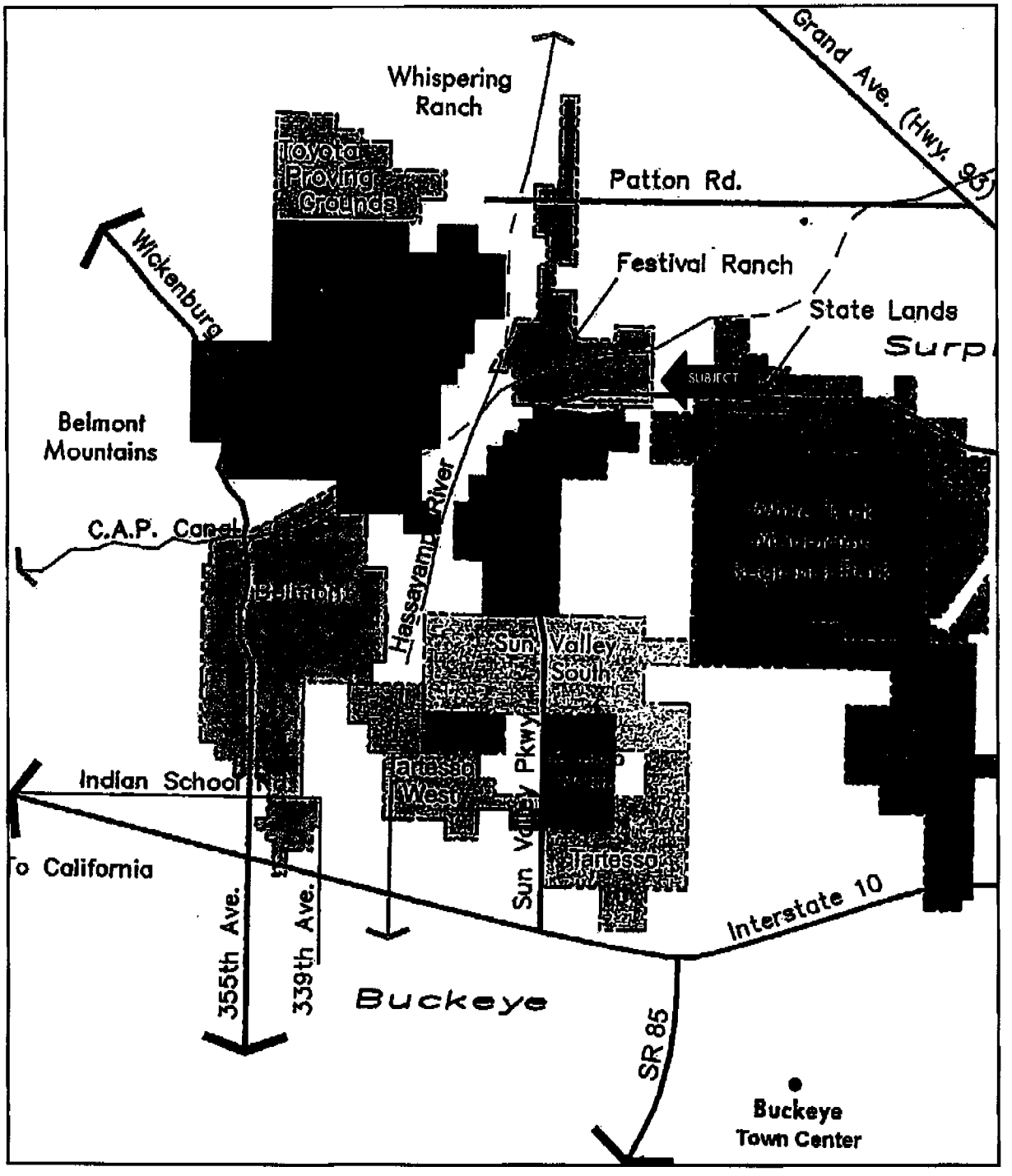
COMMERCIAL DEVELOPMENT

There are currently no commercial developments with reasonable proximity of the subject property. The closest retail development is at the intersection of Bell Road and Cotton Estrella Parkway in Surprise. An Albertsons store is open at the northwest corner of this intersection and a new Safeway store is under development just west of the southwest corner of this intersection. Additional retail opportunities are available further east in Surprise. The most significant retail development is found at the intersection of Bell Road and Grand Avenue.

EMPLOYMENT

There are no significant employers in the subject's immediate area.

EXHIBIT NO. 10
Sun Valley Communities Map



COMMUNITY SERVICES

There are no community services in the immediate area. As demand warrants, public schools will be constructed to serve the expanding population base. Fire and police protection will be provided by the Town of Buckeye due to the fact the subject lies within the town limits of Buckeye. Temporary fire and police facilities will be developed in the first phase of Sun City Festival to serve the community.

While a number of physicians' offices and urgent care facilities are located in Surprise, the most significant medical development is Del E. Webb Memorial Hospital is at the northeast corner of Grand Avenue and Meeker Boulevard in Sun City West. This is a full service facility providing specialty services for the older population base of the Sun City communities as well as traditional hospital services for the increasing population of the surrounding Surprise area. Boswell Memorial Hospital is a second facility serving the area. It is within the original Sun City community near Grand Avenue and 99th Avenue. The focus of this facility is geriatric medicine.

INFRASTRUCTURE

Because much of the area is undeveloped desert acreage, the infrastructure is limited. Pulte Homes is responsible for the construction of the majority of the infrastructure. Arizona Public Service provides electrical service and Southwest Gas provides gas. Qwest is the local telephone service provider.

WATER AND SEWER

The Town of Buckeye is the provider of water services for some areas of the community; however, much of the area is served by private wells. As new communities are developed, the infrastructure of the town will increase. Sewer service for most of Buckeye is provided by a single facility located just south of the downtown area and just north of the Salt River bed, however Sun City Festival will be served by a wastewater treatment plant which is to be constructed within the community. Additional facilities are being constructed in Buckeye to accommodate residential growth.

ACCESS

The most significant and only traffic artery is Sun Valley Parkway. Sun Valley Parkway is a four-lane divided road way which connects Interstate 10 in Buckeye with Surprise. The parkway follows the western and north slopes of the White Tank Mountain, which have historically represented the western boundary of Metropolitan Phoenix.

The Sun Valley Parkway provides the subject property and surrounding area with convenient access to Surprise and its many services. As development pushes further toward the west from Surprise, additional arterials will be developed. Plans for Sun City Festival indicate the development of numerous arterials.

CONCLUSION OF NEIGHBORHOOD DESCRIPTION

Only sparse development has taken place in the subject's immediate area; however that will change significantly with the development of the subject property and balance of the 3,100 acre Sun City community. The development of Sun City Festival will provide the catalyst for additional developments which are currently in the planning stages. Given the topography of the area along the Sun Valley Parkway, the fact a number of properties have entitlements, the desire for large scale developments and access via the Sun Valley Parkway, development along the corridor should show a dramatic increase in the next five years. As noted, Sun City Festival will encourage additional development.

Overall the outlook for the subject's immediate area is for the development of numerous large-scale master planned communities with the first being the subject property.

DESCRIPTION OF THE SUBJECT PROPERTIES

As noted on Page 1, the subject of this report includes four planning area within the initial development phase of Sun City Festival, a proposed 3,100 acre active adult community in far northern Buckeye, Arizona. The four planning areas comprise a net land area of 152.3 acres, which is the aggregate land area of the 724 residential lots. The four subject properties have been platted and engineered with approved final plats from the Town of Buckeye. On the date of final inspection, August 12, 2005, clearing and mass grading of the first phase was underway.

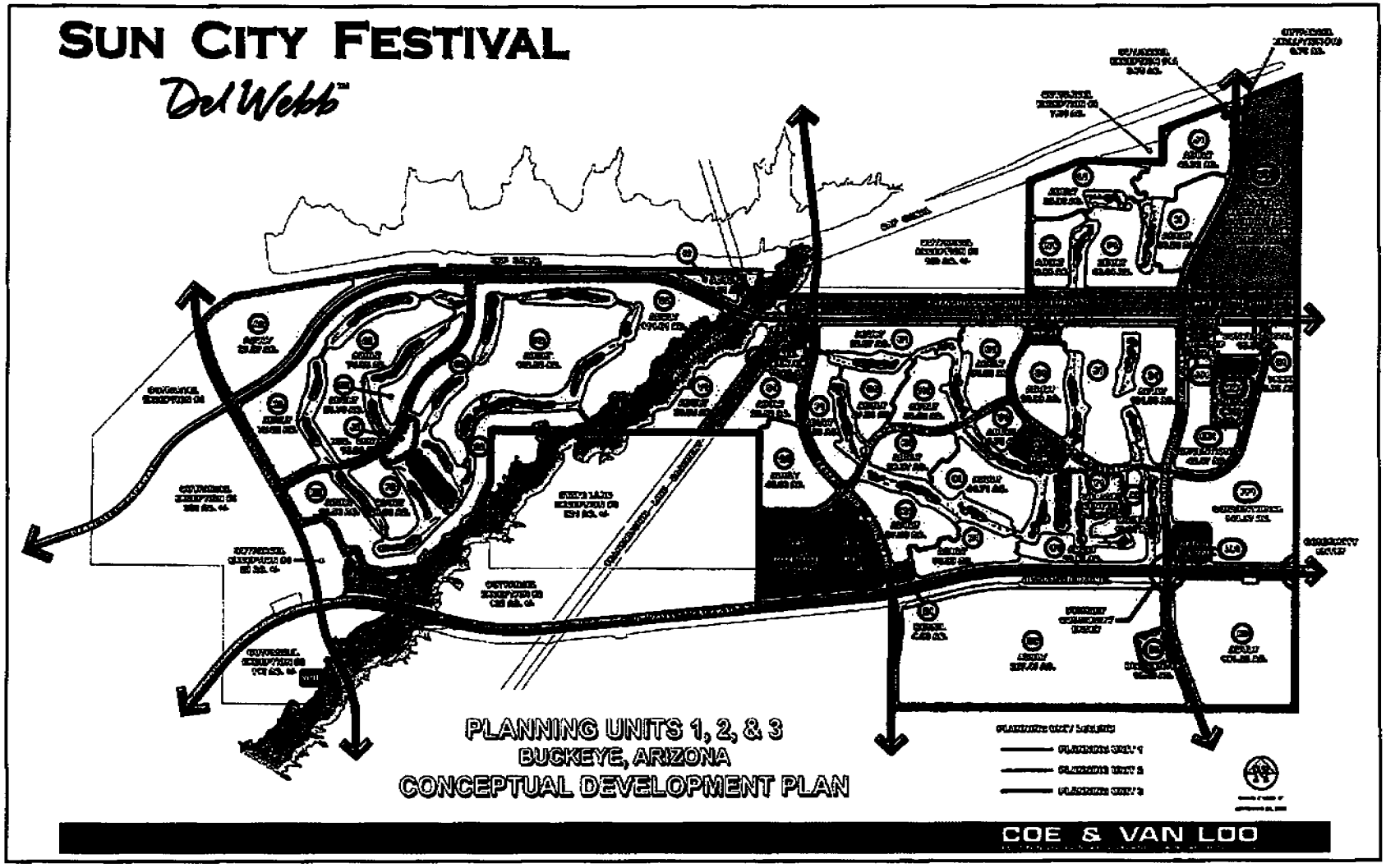
Table 11 provides a brief summary of the four planning area within the first phase of Sun City Festival. The location of the subject's four planning areas is illustrated on Exhibit 10, a conceptual plan for the entire Sun City Festival community.

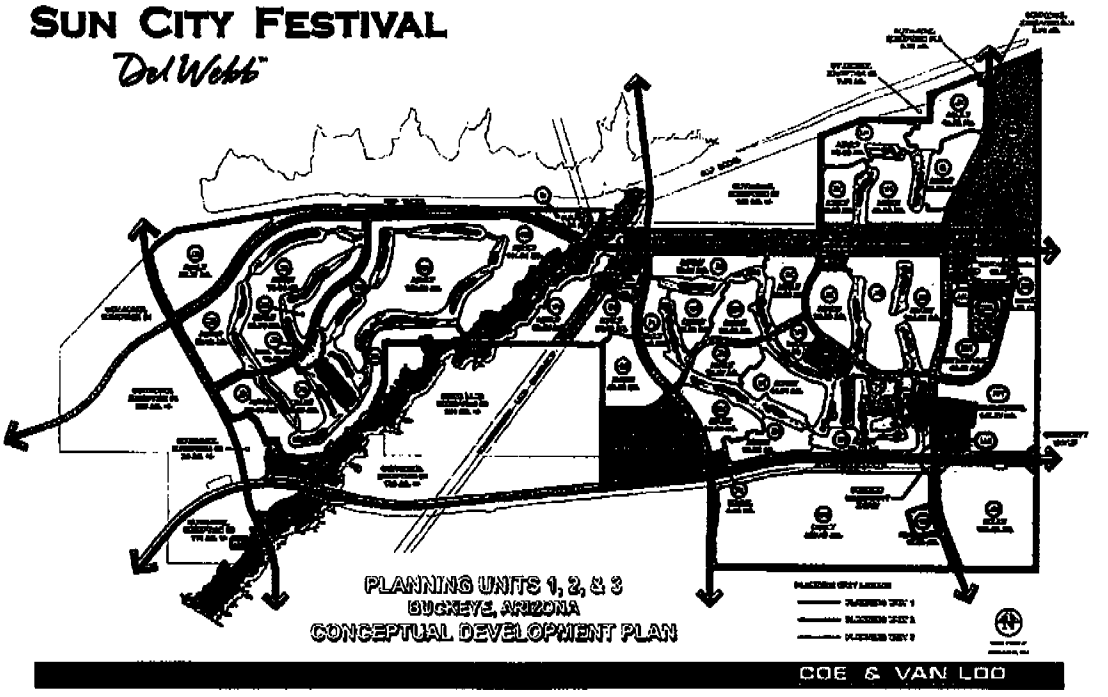
TABLE NO. 11

DESCRIPTION OF PLANNING AREAS

Parcel No.	Description	Size and Number of Lots
A-1	This parcel is on the west side of Canyon Springs Boulevard on the south side of Desert Vista Boulevard. Hole 10 of the golf course is on the west end of this parcel, Hole 11 on the south side and Hole 12 covers the parcel's east length. These three holes provide Parcel A-1 with 19 lots of golf course frontage. It is final platted for 24 lots with 5 lots of 46' width, 5 lots of 60' width, 11 lots of 70' width and 3 lots of 80' width.	4.6 net acres 24 lots
B-1	This parcel is on the southwest corner of Beardsley Parkway and Canyon Springs Boulevard. Golf course Holes 13 and 14 are positioned in the middle of this parcel, with Hole 15 on the west end. These three holes provide Parcel B-1 with 87 lots of golf course frontage. It is final platted for 408 lots with 123 lots of 46' width, 116 lots of 60' width, 88 lots of 70' width and 81 lots of 80' width.	74.4 net acres 408 lots
C-1	This parcel is along the curving Desert Vista Boulevard just south of Beardsley Parkway with access to Mountain Ridge Boulevard. Hole 15 of the golf course is on the east end of this parcel providing Parcel C-1 with 21 lots of golf course frontage. It is final platted for 143 lots with 33 lots of 46' width, 56 lots of 60' width, 28 lots of 70' width and 26 lots of 80' width.	36.9 net acres 143 lots
D-1	This parcel is at the southwest corner of Beardsley Parkway and Desert Vista Boulevard with Mountain Ridge Boulevard as the south boundary. Hole 8 of the golf course is located to the southwest of this parcel providing Parcel D-1 with 17 lots of golf course frontage. It is final platted for 193 lots with 32 lots of 46' width, 76 lots of 60' width, 25 lots of 70' width and 16 lots of 80' width.	37.3 net acres 149 lots

EXHIBIT NO. 10
Sun City Festival Conceptual Plan





Subject Parcel:	A-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	4.6 net acres
Total Number of Lots:	24
Lot Size:	

Lot Width	No. of Lots	% of Total
46′	5	21
60′	5	21
70′	11	46
80′	3	13
Total	24	100%

Premium Lots:	19 golf frontage lots
Comments:	This parcel has been final platted.

FINAL PLAT
OF
"SUN CITY FESTIVAL - PARCEL A1"

A SUBDIVISION LOCATED IN THE NORTH HALF OF SECTION 35, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND

KEY MAP

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

VICINITY MAP

TRACT INFORMATION TABLE

CERTIFICATIONS

ACKNOWLEDGMENT

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

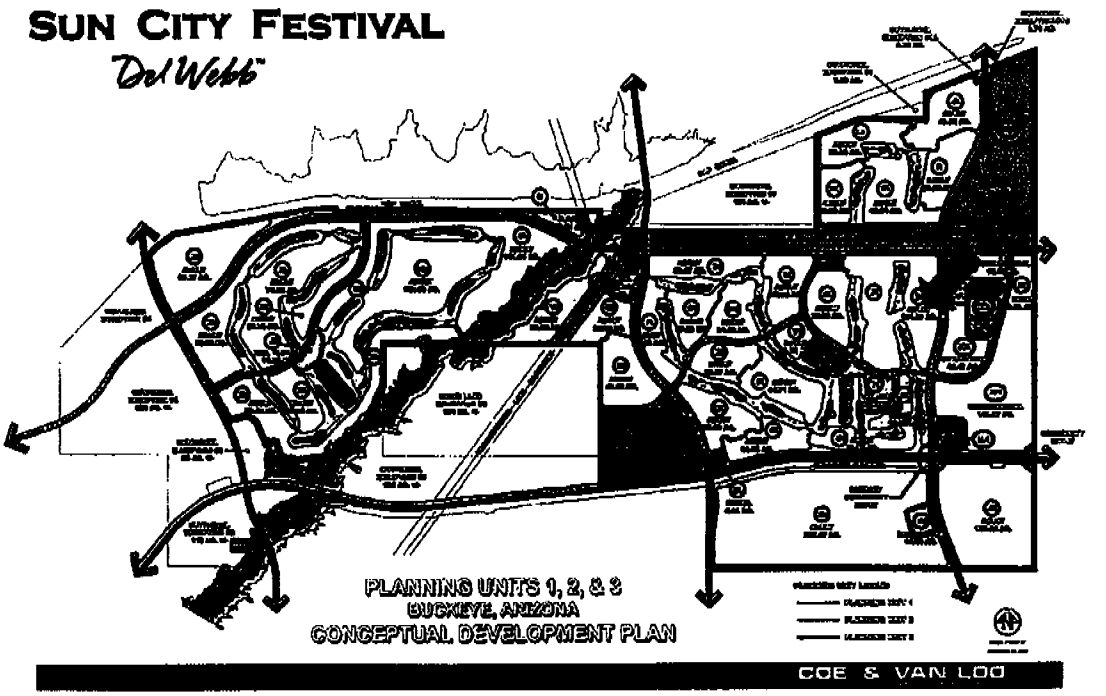
CERTIFICATION

BASIS OF BEARING

SHEET 1 OF 6

NET AREA =48.937 AC.
GROSS AREA =49.795 AC.

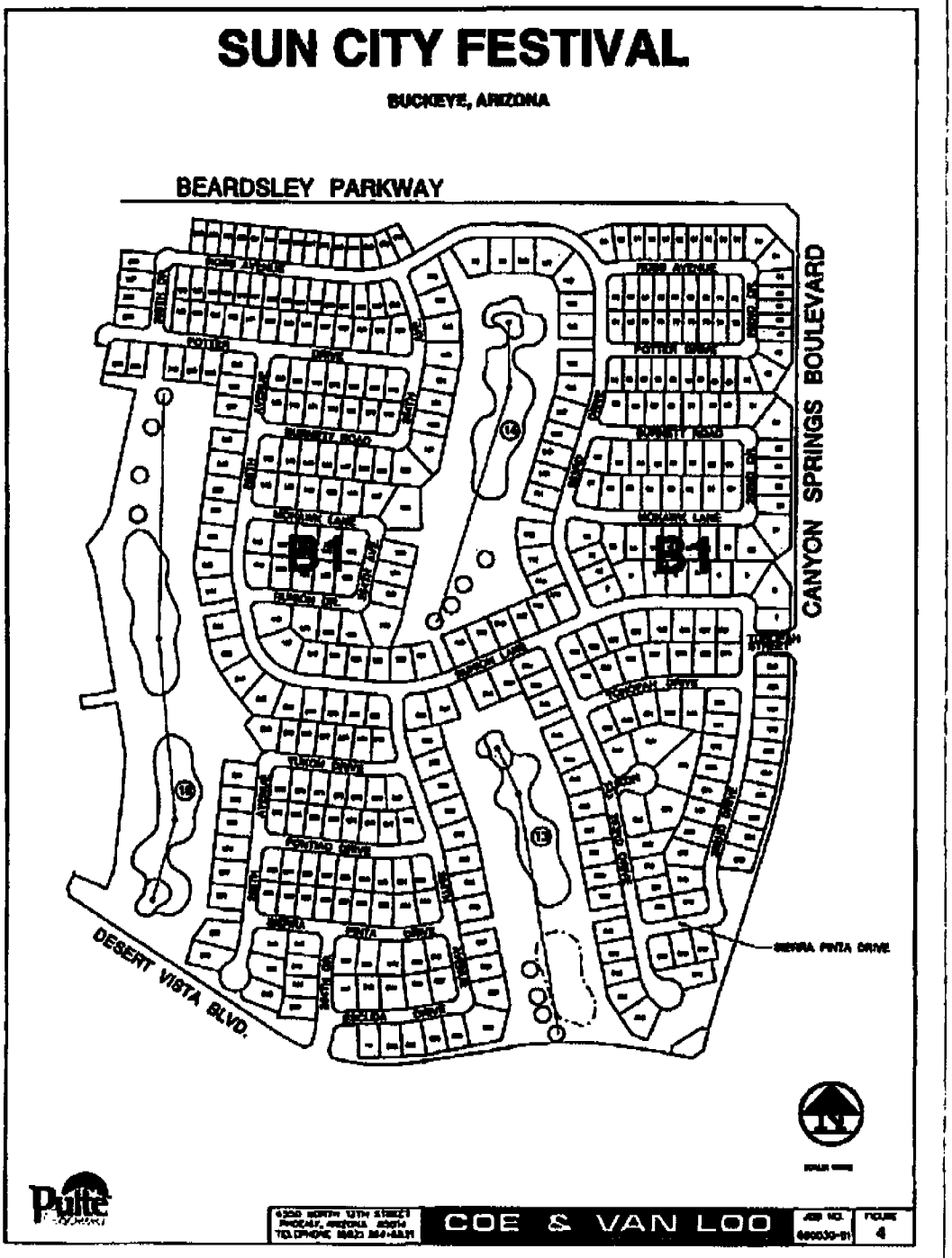
LOOKING NORTHWESTERLY ACROSS PARCEL A-1



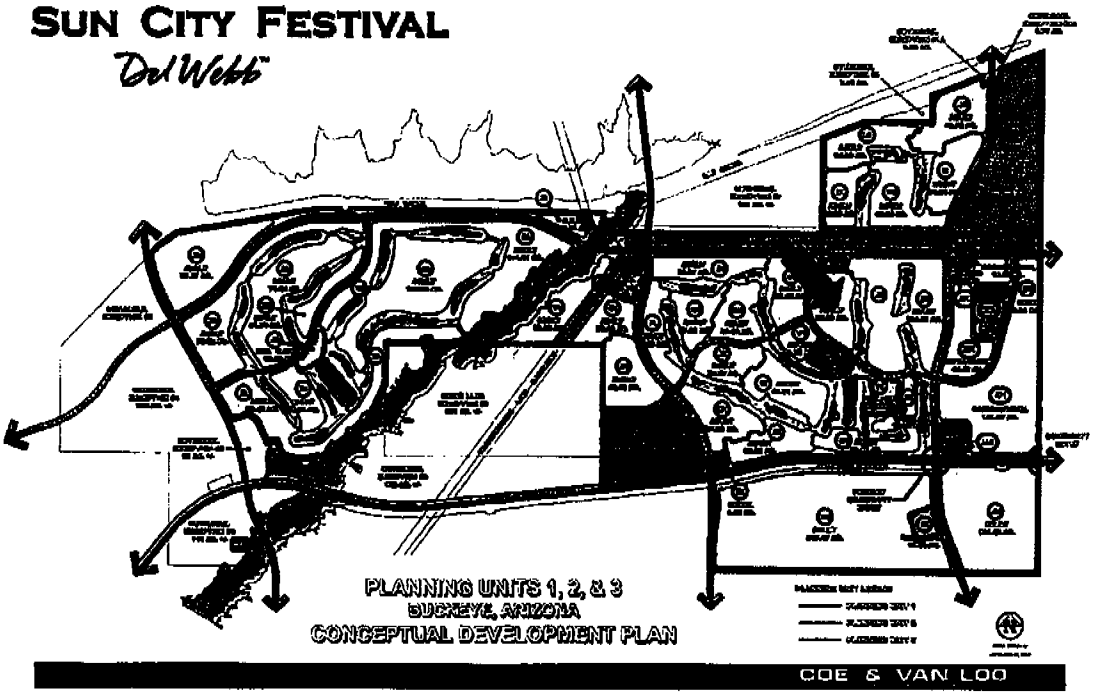
Subject Parcel:	B-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	208.49 gross acres 184.15 net acres
Total Number of Lots:	408
Lot Size:	

Lot Width	No. of Lots	% of Total
46′	123	30%
60′	116	28%
70′	88	22%
80′	81	20%
Total	408	100%

Premium Lots:	87 golf frontage lots
Comments:	This parcel has been final platted.


SUN CITY FESTIVAL
BUCKEYE, ARIZONA
BEARDSLEY PARKWAY
CANYON SPRINGS BOULEVARD
DESERT VISTA BLVD.
SIERRA PINTA DRIVE
B-1
B-1
COE & VAN LOO
FIGURE
4

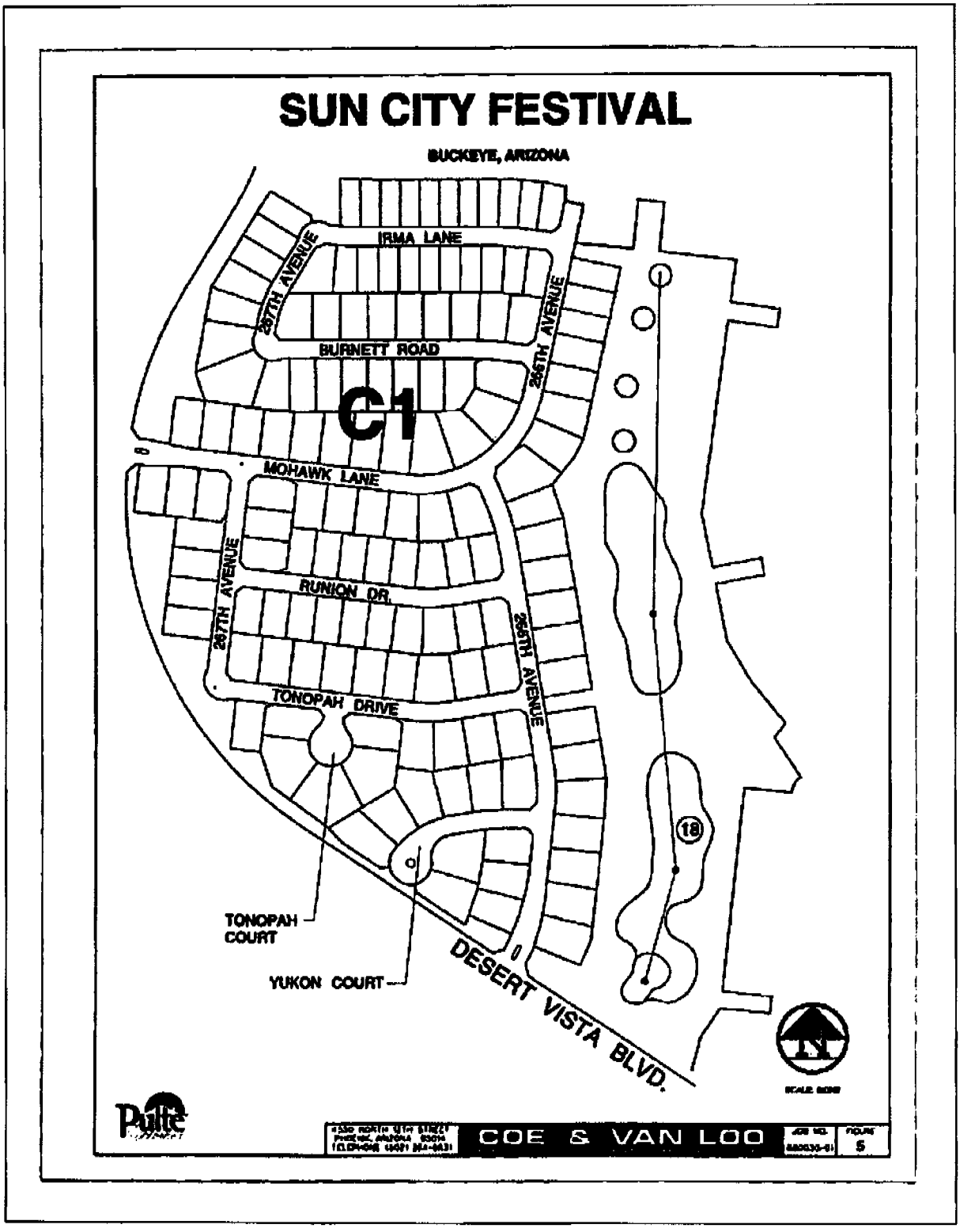
LOOKING SOUTHWESTERLY ACROSS PARCEL B-1

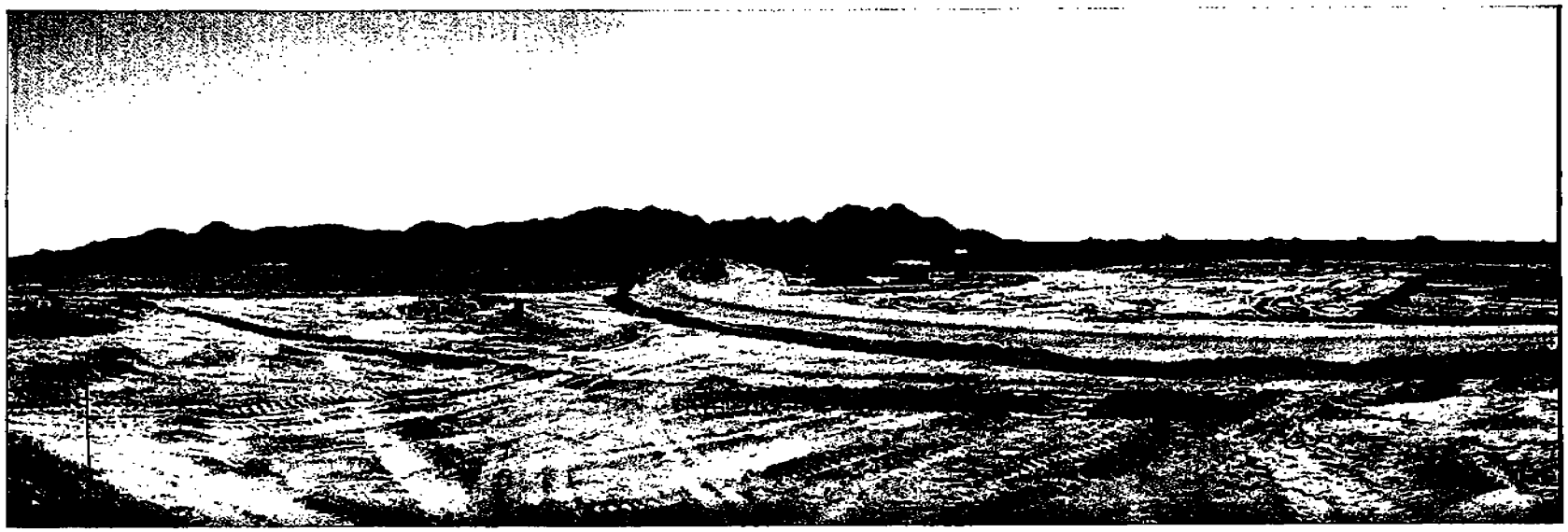


Subject Parcel:	C-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	38.86 gross acres 36.87 net acres
Total Number of Lots:	143
Lot Size:	

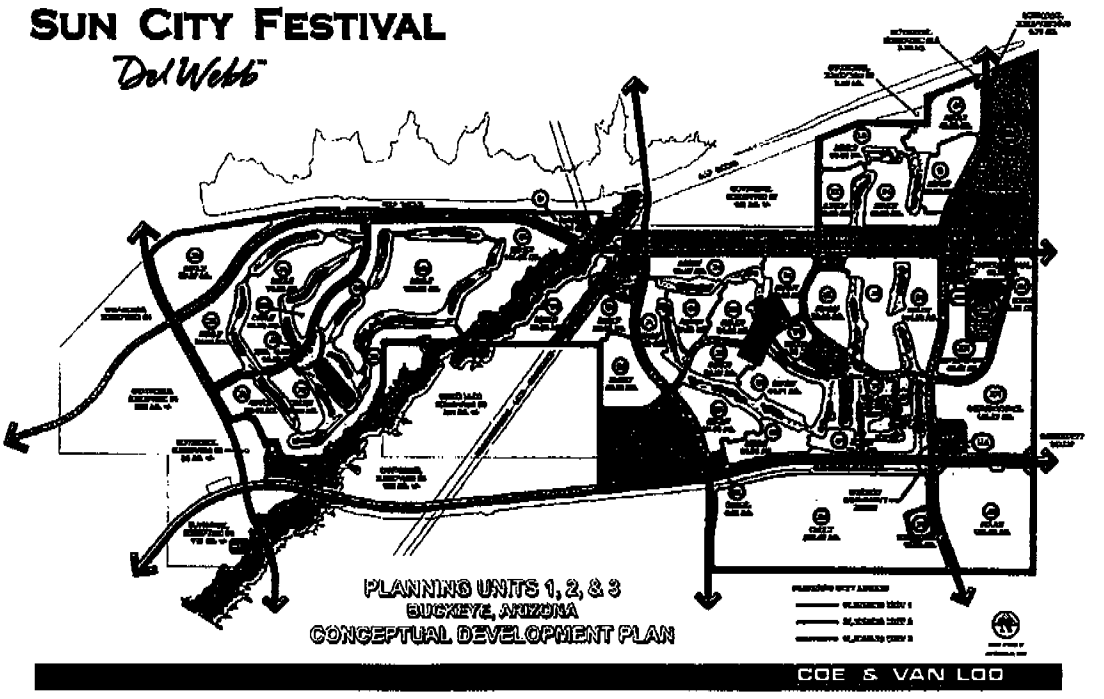
Lot Width	No. of Lots	% of Total
46'	33	23
60'	56	39
70'	28	20
80'	26	18
Total	143	100%

Premium Lots:	21 golf frontage lots
Comments:	This parcel has been final platted.


SUN CITY FESTIVAL
BUCKEYE, ARIZONA
IRMA LANE
257TH AVENUE
BURNETT ROAD
256TH AVENUE
C1
MOHAWK LANE
257TH AVENUE
RUNION DR.
256TH AVENUE
TONOPAH DRIVE
18
TONOPAH COURT
YUKON COURT
DESERT VISTA BLVD.
N
Pulte
COE & VAN LOO
FIGURE
5



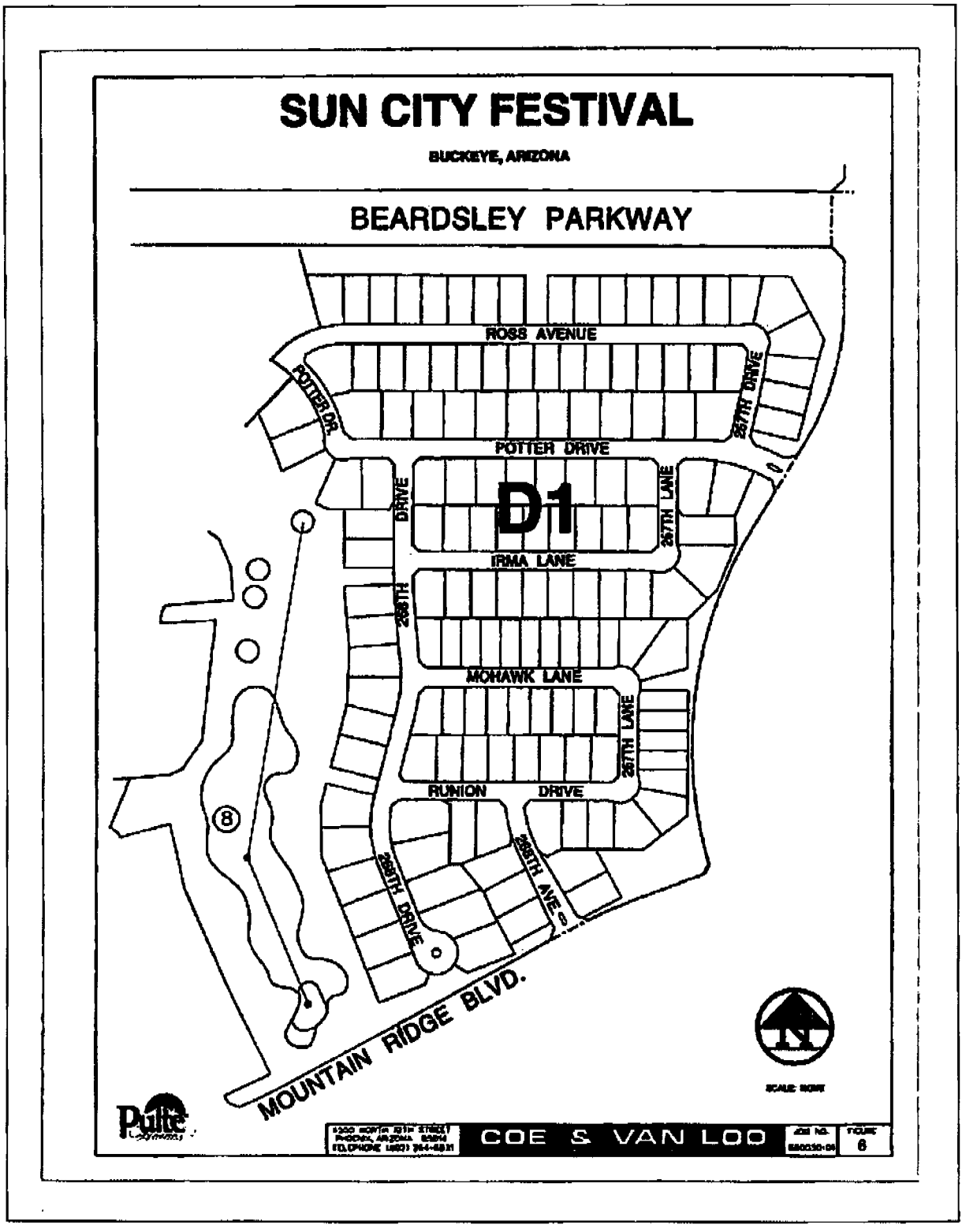
LOOKING SOUTHWESTERLY ACROSS PARCEL C-1

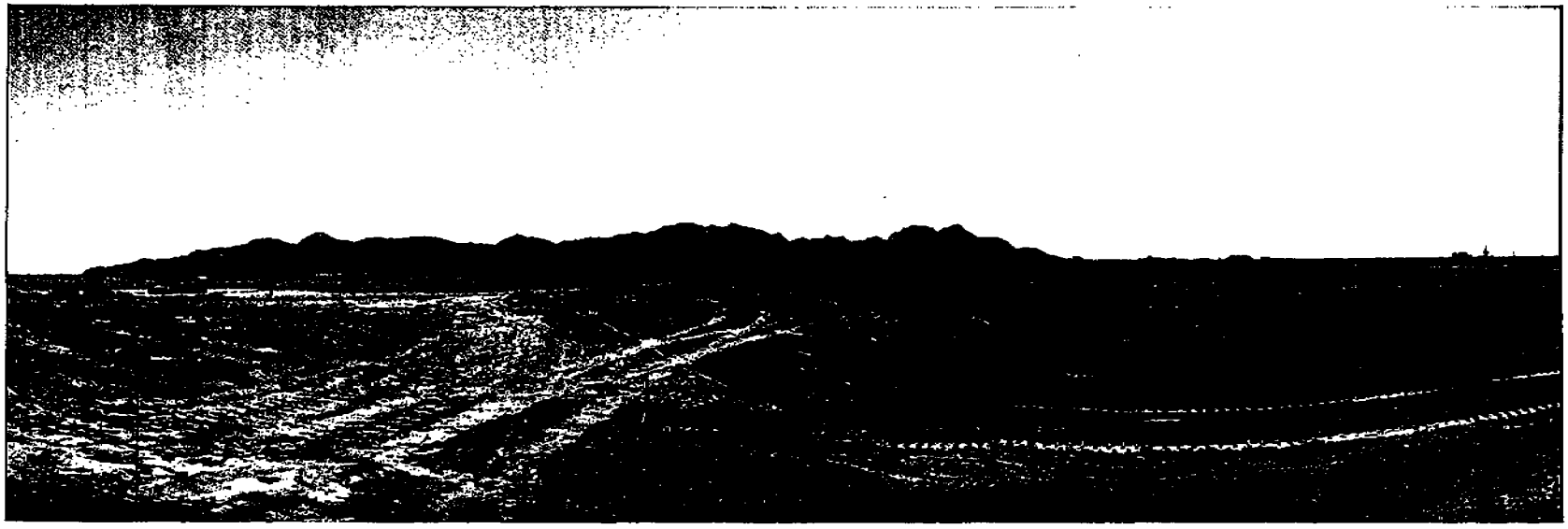


Subject Parcel:	D-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	43.02 gross acres 40.99 net acres
Total Number of Lots:	193
Lot Size:	

Lot Width	No. of Lots	% of Total
46′	32	21
60′	76	51
70′	25	17
80′	16	11
Total	149	100%

Premium Lots:	17 golf frontage lots
Comments:	This parcel has been final platted.


SUN CITY FESTIVAL
BUCKEYE, ARIZONA
BEARDSLEY PARKWAY
ROSS AVENUE
POTTER DR.
POTTER DRIVE
257TH DRIVE
D1
257TH LANE
IRMA LANE
258TH
MOHAWK LANE
257TH LANE
RUNION DRIVE
258TH DRIVE
258TH AVE.
MOUNTAIN RIDGE BLVD.
8
N
SCALE: NONE
Pulte
COE & VAN LOO
FIGURE
6



LOOKING SOUTH ACROSS PARCEL D-1

GENERAL DESCRIPTIVE DATA

The following subsections provide additional details regarding the four subject properties collectively.

Topography

The subject is generally level with some moderate sloping toward the southwest. While there are cost advantages in developing level land when compared to the costs connected with developing a similarly sized parcel with varying topography, the level land project does not provide the opportunity to develop lot premiums typically associated with a project with varying topography.

Soil

A soil report was not provided in connection with this assignment; however, soil testing has been completed as part of the engineering and design work. Based on this work it is assumed there are no soil conditions, which would limit, in a meaningful way, either physically or economically, the development of the four subject parcels discussed in this report.

Utilities

All utilities will be placed underground within dedicated public utility easements. The utilities will be provided by:

Electricity -	Arizona Public Service
Natural Gas -	Southwest Gas
Sewer -	Town of Buckeye
Water -	Town of Buckeye
Telephone -	Qwest

Floodplain and Drainage

The subject parcels are part of a larger area that does not require flood insurance. The four subject parcels have been engineered to provide both for drainage and required retention. A 404 permit from the Army Corps of Engineers has been issued for the development of the subject site. A 404 Permit address various environmental impacts, the most notable being drainage issues.

Required retention within each of the subject's four planning area will be handled through retention areas or open space (golf course) within each parcel The location of these retention area is shown on the individual subdivision plats.

Easements and Restrictions

A title report was not furnished in connection with this assignment and it is assumed there are no easements or restrictions, which would limit, in a meaningful way, the development of each parcel to the uses discussed in this report. Having stated that, there will be covenants, conditions and restrictions (CC&R's) which will be recorded as development of the community proceeds which will have some impact on the subject parcels. The overall impact of CC&R's will have on the community as well as the four subject parcels is positive; i.e., they will ensure the long-term maintenance of common areas and as a consequence enhance the long-term street appeal of the community.

Environmental Hazards and Concerns

A Phase I Study has been completed, however it was not reviewed in connection with the preparation of this appraisal. It is reported there are no environmental concerns, i.e., hazards anywhere on or immediately adjacent to the four subject parcels.

Assessed Valuation and Real Estate Taxes

Because the subject property consists of four parcels which have yet to be fully improved, the current assessments are based upon their unimproved condition. However, as the Maricopa County Assessor's Office becomes aware of the change in land use status, each individual lot within the four residential parcels will be assessed as an improved residential lot. Real estate taxes for finished lots are estimated at $300.

Special Assessments

The purpose of this appraisal is to address the market value of the four subject parcels for the purpose of placing a special assessment on these properties to reimburse the developer for the cost of qualified public improvements. An assessment in the amount of approximately $2,000 per lot will be placed upon the subject's 724 lots. The assessment will cover a potion of the costs of in-tract street improvements. An annual assessment payment of $150 is estimated.

RESIDENTIAL MARKET ANALYSIS

In order to better analyze the financial feasibility and marketability of residential uses within the subject development and an approximate absorption time table, a detailed discussion and analysis of the residential market conditions for Metropolitan Phoenix (largest residential market most proximate to the subject property) as well as the subject's more immediate market area is provided.

METROPOLITAN PHOENIX OVERVIEW

Permit Activity

The Metropolitan Phoenix housing market has just finished its 14th year of a strong recovery that started in 1991 after 6 years of steady declines in permit activity. Table 12 summarizes the residential permit activity for Metropolitan Phoenix between 1985 and 2004.

TABLE NO. 12

RESIDENTIAL BUILDING PERMITS
Phoenix Metropolitan Area

	Single Family		Townhouse		Multifamily		Total
Year	No. of Permits.	% of total	No. of Permits.	% of total	No. of Permits.	% of total	No. of Permits.
1985	19,432	38.7	6,617	13.2	24,113	48.1	50,162
1986	20,052	47.9	5,516	13.2	16,327	39.0	41,895
1987	15,944	58.0	3,123	11.4	8,427	30.7	27,494
1988	13,843	67.1	1,317	6.4	5,457	26.7	20,617
1989	11,194	82.8	625	4.6	1,701	12.6	13,520
1990	10,633	81.9	449	3.5	1,891	14.6	12,973
1991	13,510	91.9	485	3.3	710	4.8	14,705
1992	18,328	91.1	566	2.8	1,234	6.1	20,128
1993	21,896	90.5	607	2.5	1,799	7.4	24,302
1994	26,626	78.7	1,212	3.6	6,015	5.6	33,853
1995	26,824	73.7	1,599	4.4	7,991	21.9	36,414
1996	28,157	73.8	1,456	3.8	8,533	22.4	38,146
1997	29,124	74.5	2,174	5.6	7,799	19.9	39,097
1998	33,811	78.2	1,525	3.5	7,877	18.2	43,213
1999	33,252	78.3	1,454	3.4	7,759	18.3	42,465
2000	32,494	76.0	2,218	5.2	8,009	18.8	42,737
2001	32,867	78.5	1,801	4.3	7,201	17.2	41,869
2002	34,312	82.9	1,467	3.5	5,607	13.6	41,386
2003	39,652	85.5	1,894	4.1	4,836	10.4	46,382
2004	48,136	86.4	2,597	4.7	4,997	8.9	55,730

Source: Phoenix Metro Housing Study Committee; Arizona Real Estate Center, College of Business, Arizona State University

As shown in Table 13, total permit activity has been particularly strong the past 5 years with 2004 the strongest in the past two decades. As a result of record permit levels, the Phoenix metropolitan area ranks in the top 5 of all major metropolitan areas in the nation in terms of residential growth.

Mortgage Rates

A primary reason for the recovery in the Metropolitan Phoenix housing market has been the relatively low 30-year mortgage interest rates that have been below 9% since 1991 and primarily ranging between 7% and 8% over the past 5 years with recent rates falling to as low as 6%. These rates are in significant contrast to the early 1980's, which experienced interest rates in excess of 15%. The spread between a 30-year fixed mortgage rate (5.38%) and the federal discount rate (2.00%) now stands at 3.38%, which is slightly less than the 4.2% average of the last 10 years. Nevertheless, even if a small hike in rates occurs, it will not seriously dampen market activity. However, if rates climb above 9%, new home affordability will decline and a significant number of first-time buyers may no longer qualify. Although interest rates began climbing during the summer of 2004, they have fallen back to the lower levels experienced in early 2003. At the end of 2004, the rate on a 30-year mortgage was under 6.0%.

New and Resale Housing Market

According to the Arizona Real Estate Center at the W.P. Carey School of Business at Arizona State University, a record total of 48,136 homes were authorized for construction during 2004 in Maricopa County. The median sales price of new single-family, detached homes in 2004 averaged $195,000, which is 12.5% high than the 2003 average of $173,240 and $162,545, 21.9% higher than the median of $159,990 for 2002. There were a total of 38,285 new single-family, detached home sales during 2004, compared to 32,700 sales in 2003.

The Arizona Real Estate Center also reports 102,115 sales of existing homes in Metropolitan Phoenix during 2004, compared to 73,785 resales in 2003, compared to 62,625 resales during 2002. This is an all-time record. As a result, the rapid sales rate has put upward pressure on home prices. The median sales price of resale homes in 2004 was $174,815, an increase of 12.8% over the median price of $155,000 in 2003.

The housing market in 2004 was at its highest level in terms of both new construction and resales of existing homes. While most market watchers believe 2005 will continue to be strong, the residential market will lag behind the record pace set in 2004.

Housing Affordability

Historically, there appears to be fairly significant degree of correlation between the affordability of single-family housing and interest rates. Table 13 provides a comparison of these two items

for new and resale homes. The affordability index is defined in terms of the median-income household; an index of 100 indicates that a median-income household is able to qualify for a median-priced home.

TABLE NO. 13

SINGLE-FAMILY AFFORDABILITY ANALYSIS

Metropolitan Phoenix

		Resale Homes		New Homes	
Year	Effective Interest Rate	Median Sales Price	Affordability Index	Median Sales Price	Affordability Index
1987	10.6%	$81,316	93	$99,650	73
1988	10.8%	$77,197	95	$103,950	72
1989	11.0%	$77,932	98	$105,850	72
1990	10.5%	$79,237	105	$109,300	76
1991	9.4%	$80,383	117	$107,500	87
1992	8.6%	$83,060	125	$108,800	95
1993	7.4%	$83,715	144	$112,500	108
1994	8.5%	$87,230	129	$124,475	90
1995	8.1%	$91,070	133	$127,600	94
1996	7.9%	$96,890	132	$130,800	98
1997	7.5%	$105,245	130	$136,220	101
1998	6.9%	$113,427	132	$139,073	107
1999	7.3%	$120,440	120	$146,645	99
2000	7.9%	$128,512	109	$150,790	92
2001	6.9%	$136,005	115	$156,450	100
2002	6.4%	$144,900	124	$159,990	113
2003	5.7%	$155,000	126	$173,235	113
2004	5.7%	$174,815	114	$195,000	102

Source: Arizona Real Estate Center, College of Business, Arizona State University

Also, single-family market share has tended to increase as the affordability of new single-family homes is improved. In particular, according to Arizona State University, during the high inflationary (and high interest rate) period from 1983 through 1986, the affordability index averaged roughly 64 and single-family building permit market share averaged (weighted) 58%. During the next 5 years (1987-1991), as interest rates declined, the affordability index increased to an average of about 76 and the single-family market share of permitting increased to a weighted average of roughly 76%. More recently (2001-2004), the affordability index increased above 100 to a high of 113, and as expected, single-family market share increased further. Historically low interest rates have fueled a considerable amount of the single family growth during the last three years.

COMPETITIVE MARKET AREA

The subject property is part of a proposed age-restricted, active adult community known as Sun City Festival. It is the next extension of the Sun City communities which have been developed in northwestern Maricopa County since the 1960. The original sun City community was developed by Del Webb in the 1960. Its success was follows by Sun City West which is directly west of Sun City. More recently Sun City Grand was developed in the City of Surprise. With Sun City Grand is nearing sell-out, subject's Sun City Festival community is being prepared for the latest expansion of the Sun City brand.

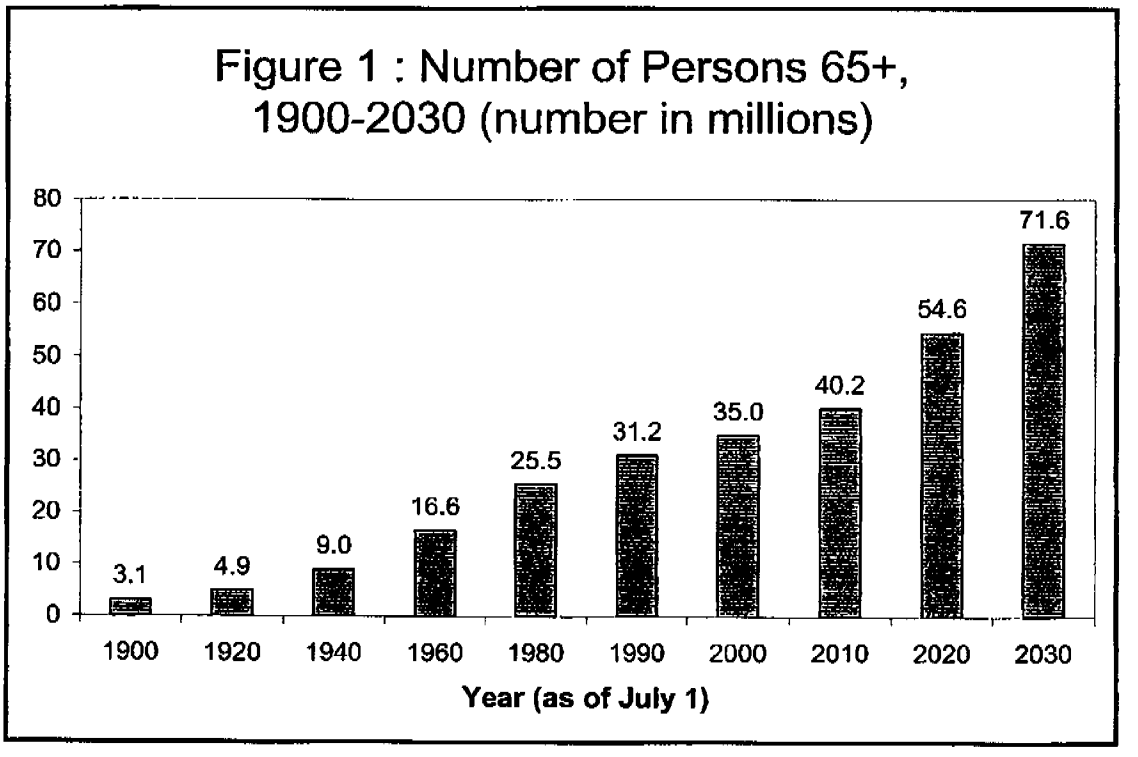
Active adult communities are large master-planned communities, usually including 500 or more dwellings, which cater to the senior population. At least one person in each household must be over a minimum age (typically 55 to 62 years). Active adult communities differ from other master-planned residential communities primarily because of their attention to centralized amenities that cater to a more leisure-oriented buyer. Typical recreational amenities include golf courses, tennis courts, swimming pools, and hiking paths. Large recreation centers offer racquetball courts, exercise equipment, billiard and card rooms, theaters, libraries, and multi-purpose rooms for crafts and hobbies. Another distinctive characteristic of an active adult community is the high percentage of primary home buyers. In contrast, a typical resort-oriented development (not age-restricted) has a much higher percentage of second home purchasers.

The typical home buyers within an active adult community are long time home owners who have amassed substantial equity in their urban homes. Selling their homes and converting this equity to cash and then purchasing a new home for much less can be very appealing. As a result, upwards of 75% of the homes sold in active adult communities are all cash transactions.

The success of active adult communities is directly dependent upon the aging of the general population. A steadily increasing portion of the United States population is living past age 65. Numbering 36.2 million (2005 estimate), this segment represents approximately 12.4% of the total population or about one in every eight Americans. Advances made in medical science in the areas of heart disease, strokes, and cancer, better medical care, improved diet, and increasing interest in physical fitness are allowing a larger percentage of the population to live into their 80's, 90's and beyond. Thus, the functional age of retirees is declining in comparison to chronological age. Since 1900, the average life expectancy at birth has lengthened more than

60%, from 48 years to almost 77 years today. Those over age 85 now constitute the fastest growing age segment in the United States, with women outliving men by steadily widening margins.

The senior population will continue to grow significantly in the future. This growth slowed somewhat during the 1990's because of the relatively small number of babies born during the Great Depression of the 1930's. But the senior population will burgeon between the years 2011 and 2030 when the "baby boom" generation reaches age 65. In fact, by 2030 there will be over 70 million seniors, more than twice their number in 2000, increasing the elderly segment of the population from its current 12.4% to 20%. Beginning in 2011, the population 65 and over will grow faster than the total population in every single state. The chart below summarizes this projected growth.



Within the state of Arizona, the July 1, 2004 population estimate for seniors age 65+ was 765,061 persons, which represented about 13.0% of the state's total population. Projections through the year 2025 are presented in Table 14.

TABLE NO. 14

POPULATION PROJECTIONS – AGE 65+
Arizona vs. United States*

	July 1, 2000	July 1, 2005	July 1, 2010	July 1, 2015	July 1, 2020	July 1, 2025
Arizona	668	765	922	1,181	1,521	1,940
United States	34,992	36,696	40,244	46,791	54,632	63,524
Arizona % of U.S.	1.9%	2.08%	2.29%	2.52%	2.78%	3.05%

* Numbers in thousands.

Source: U.S. Census Bureau

Unlike many areas of the country, the majority of Arizona's population growth is attributed to net migration into the state, rather than net natural increase. A combination of elements including a warm climate, growing economy, and abundant recreation and retirement opportunities will continue to draw newcomers to the state. A primary element in population projections is the expectation of a continuing inflow of retirees to Arizona from various parts of the country. Currently, Arizona is among the top 10 states in terms of senior population growth and the influx of retirees is expected to continue well into the future.

Metropolitan Phoenix Retirement Housing

The subject's Sun City Festival community is located in far northwestern Metropolitan Phoenix approximately12 miles west of Sun City Grand. While retirement developments are spread throughout Metropolitan Phoenix and new communities are being developed south of the Metropolitan Phoenix area in Pinal County, northwestern Metropolitan Phoenix was the birthplace of age-restricted development with the original Sun City development in the 1960s. Since the original development, two additional Sun City communities have been developed just to west of Sun City. Some small age-restricted communities including Arizona Tradition by D.R. Horton and Corta Bella by Pulte Homes have been developed in this area. Table 15 included on the following page summarizes the larger active adult projects in Maricopa County (Metropolitan Phoenix). As shown, well over half of planned residential inventories in active adult communities in Maricopa County have been sold.

TABLE NO. 15

LARGE ACTIVE METROPOLITAN PHOENIX AGE-RESTRICTED COMMUNITIES

Project	Developer	Location	Date Open	Planned Units	Sold Units	Unsold Units	Average Price	Average Sq.Ft.	Avg. Price Sq.Ft.	Min. Lot Size
Arizona Traditions	D.R. Horton	Northwest	02/96	1,772	1,649	123	$ 215,370	1,459	$ 147.61	4,750
Sun City Grand	Pulte Homes	Northwest	10/96	9,773	8,672	1,101	$ 262,001	2,002	$ 130.87	6,500
Sun Lakes	Robson	Southeast	10/90	3,901	3,805	96	$ 294,442	1,842	$ 159.85	4,703
Sunland Sprngs Village	Farnsworth	Southeast	12/97	2,301	1,399	902	$ 249,904	1,872	$ 133.50	4,313
Corte Bella	Pulte Homes	Northwest	03/03	1,848	880	968	$ 294,310	2,232	$ 131.86	6,900
Pebblecreek	Robson	Southwest	01/00	6,232	3,613	2,619	$ 439,153	2,588	$ 169.69	6,665
Solera	Pulte Homes	Southeast	01/01	1,149	1,149	-	$ 247,433	1,801	$ 137.39	6,633
Sundance	Meritage	Southwest	01/02	1,102	361	741	$ 165,364	1,578	$ 104.79	5,500
Trilogy @ Power Ranch	Shea Homes	Southeast	01/03	1,377	698	679	$ 282,850	1,762	$ 160.53	5,775
Trilogy @ Vistancia	Shea Homes	Northwest	02/04	2,400	642	1,758	$ 287,565	1,947	$ 147.70	6,900
Totals				31,855	22,868	8,987				

The active adult marketplace in Metropolitan Phoenix is very active although its inventory is rapidly diminishing. As a result, new communities such as the subject's Sun City Festival are being planned further from the center of Metropolitan Phoenix in previously undeveloped areas. For instance, the majority of new competition will come from projects being developed in Pinal County (south of Phoenix and north of Tucson). Table 16 summarized a number of the new communities being planned throughout the Metropolitan Phoenix and Pinal County areas.

TABLE NO. 16

FUTURE METROPOLITAN PHOENIX AGE-RESTRICTED COMMUNITIES

Project	Developer	Location	Acres	Planned Units
Estrella	Engle Homes	Southwest	500	1,500
Robson Ranch (Pinal Co.)	Robson	Southeast	1,566	3,700
Trilogy @ Hunt Highway (Pinal Co.)	Shea Homes	Southeast	740	2,500
Trilogy @ Maricopa (Pinal Co.)	Shea Homes	Southeast	1,965	6,000
Totals			4,771	13,700

As indicated in the table above, much of the new development is taking place south of Maricopa County in Pinal County, which is approximately 17 miles south of the southern boundary of Metropolitan Phoenix. Besides the Sun City Festival, the only project with firm development plans in Metropolitan Phoenix is the project at Estrella by Engle Homes. With large amounts of available land along the Sun Valley Parkway, it would not be surprising to see announcements of one or more communities along the corridor within the next five to ten years. For example, Douglas Ranch is a 33,000 acre planned community adjacent west of Sun City Festival. At 33,000 acre, a portion of the property could support a large active adult development.

Sun City Festival Proposed Housing Product

Pulte Homes plans to offer four product series within Sun City Festival: Cottages, Classics, Permieres and Estates. Table 17 summarized the proposed series mix for the entire 7,100 units planned for Sun City Festival.

TABLE NO. 17

SUN CITY FESTIVAL SERIES MIX		
Lot Width	No. Of Lots	% Of Total
Cottages	1,022	14%
Classics	2,364	33%
Permieres	2,861	40%
Estates	852	12%
Total	7,100	100%

Each of the four product series will be developed on lots within each of the four subject properties. The proposed housing product is intended to be a new generation of various existing product currently being sold at Sun City Grand. Ideally, the development of the Sun City Festival project is being timed to represent replacement inventory for the Sun City Grand community (sell-out of inventory is projected to be less than one year), capitalizing on the existing consumer base and sales/marketing efforts.

Projecting an absorption of product for the subject community is dependent upon several key issues: supply/demand elements; quality of the community; base home pricing (perceived value); and location. Regarding the supply/demand element, it is a general consensus that the existing inventory in Metropolitan Phoenix is considered a demand/supply balance, bordering on a somewhat undersupplied condition by market standards. When referencing retirement communities, their absorption rates tend to be relatively high and typically unaffected by economic conditions (which can significantly affect general housing market conditions). Without periodic new additions to supply, demand would soon outpace supply as the retirement segment of the population will continue to grow at a significant rate. It is presumed demand will escalate significantly during the next decade as the population ages.

The quality of the Sun City Festival community is considered above average for the targeted market. The amenity package of sports clubs and facilities, hiking, biking, golf and clubhouse/community centers are consistent with trends in the age-restricted community segment of the market. The size of the proposed project, overall planning/layout, location at the base of the White Tank Mountains (which provide recreational opportunities as well as mountain views)

and architectural design of the homes is considered good and appropriate. A fairly wide range of consumers should find the subject community desirable.

One of the most influential factors affecting absorption in an active adult community is base home pricing. Price sensitivity can occur in certain segments of the retiree market for a variety of reasons ranging from living on a fixed income to deciding to travel more and spend less money on a house. The broad range of product pricing should provide potential buyers with a wide enough spectrum to meet the varying price points of potential purchasers. According to market statistics provided by The Meyer's Group, absorption in Sun City Grand has averaged 24 sales per month (288 sales per year) over the project's life.

Considering all of the above discussion pertaining to supply/demand, quality of community, base home pricing, and location attributes affecting the subject property, it is our opinion the subject project should compete effectively in the active adult marketplace in Metropolitan Phoenix. Absorption levels of communities in the Maricopa County market range from about 300 to 600 sales per year (based upon average absorption rates per series and assuming 2 to 4 product series per community), with the most successful typically absorbing at 400 to 600 sales per year (or above). In our opinion an absorption level for the subject property should stabilize within a range of 300 to 350 sales per year and could reach higher rates as the population base of "baby boomers" expands into the retirement segment of the market.

Future Potential Supply

Regarding future potential supply of retirement communities believed directly competitive to the subject community, to the best of our knowledge, there are no new master-planned retirement communities planned in northwestern Maricopa County (Metropolitan Phoenix). Based upon Meyer's Group data, there are just fewer than 4,000 units in active projects in the northwest quadrant of Metropolitan Phoenix. According to the survey, Sun City Grand accounts for 1,100 of the units, however we believe this figure is overstated. The other significant inventory is the Trilogy at Vistancia community in northern Peoria. This is the newest age-restricted community in the area. It is planned for 2,400 units, of which more than 1,700 units are unsold. This community will most likely present the greatest direct competition to the subject.

With a diminishing supply of available units and an increasing supply of potential consumers, the subject property should gain a significant share of the consumers looking for the active adult lifestyle in the Sun City area.

CONCLUDING REMARKS - RESIDENTIAL MARKET ANALYSIS

All aspects of the Metropolitan Phoenix marketplaces seem to be strong, especially affordability and demand generators. The continuing population and employment growth in the area, coupled with relatively attractive mortgage interest rates and low housing prices has resulted in record new home sales in 1999 through 2004.

Real estate markets typically appear to react slowly because many decisions (i.e., buy, sell, lease, expand, etc.) can be postponed for various periods of time. Specifically addressing the residential housing market, analysts suggest the primary reason the residential marketplace has not faltered significantly this year is low mortgage interest rates. Historically, over the past 30 years, the average Mortgage Qualification Ratio has been a multiple of three times income. Today, borrowers can qualify for a mortgage equal to almost four times their income.

In general, it is our opinion that the marketplace will continue to require new housing developments, especially well-planned communities, to keep pace with the continued demand for at least the near term (6 to 12 months). This will remain true as long as mortgage interest rates remain low, the economy stabilizes, and no further unforeseen events occur (further eroding consumer confidence).

With regard to retirement communities, Arizona continues to draw potential residents from not only local, but regional and national marketplaces. There are several large and well known communities in the metropolitan Phoenix and Tucson areas which have been very successful in marketing and selling homes. Without exception, these communities offer a primary amenity such as golf and other community assets such as main gathering/social facilities (i.e. auditoriums, libraries, health spas, etc.). These communities demonstrate increasing levels of demand in response to the increasing size of the population segment served by them.

The typical homebuyer within an active adult community are long time homeowners who have amassed substantial equity in their urban homes. Selling their homes and converting this equity

to cash and then purchasing a new home for much less can be very appealing. As a result, upwards of 75% of the homes sold in active adult communities are all cash transactions. What this suggests is that mortgage interest rates do not significantly impact the absorption in active adult communities.

The existing inventory within active adult communities in the area suggests a balanced or slightly undersupplied condition overall, however with a diminishing supply of available units and an increasing supply of potential consumers, the subject property should gain a significant share of the consumers looking for the active adult lifestyle in northwestern quadrant of Metropolitan Phoenix (the Sun City area).

HIGHEST AND BEST USE

The four subject parcels comprise the initial development phase of a larger 3,100 acre master planned community to be known as Sun City Festival. At built-out, this community will have approximately 7,100 dwelling units which will be constructed around three golf courses and numerous other community amenities. Sun City Festival is being planned as the latest extension of the Sun City product line which began in the 1960s with the original Sun City community developed by Del Webb. Since the original development, two more communities have successfully followed along the Sun City product line. Sun City West was the next to be developed and most recent development has been the Sun City Grand community which is nearing sell-out.

The four subject property have all been platted and engineered for residential development with mix of lots sizes ranging from 46 foot to 80 foot wide lots. These lots will accommodate four home product series being proposed by Pulte Homes. Final plats for each parcel have been approved by the Town of Buckeye and development of the site commenced in July 2005.

In addressing the highest and best use of the subject parcels, consideration has been given to the following four factors:

- Is the proposed use legally permissible;
- Is the proposed use physically possible;
- Is the proposed use economically and financially feasible; and

- Does the proposed use represent the most profitable among the alternative uses that legally permissible, physically possible and economically feasible.

Because all four parcels are designated for single family residential development, the following analysis addresses their residential development potential.

LEGALLY PERMISSIBLE

The single-family use described above for the four subject parcels reflects the zoning currently in place, which is consistent with the Buckeye General Development Plan. The residential development of the subject parcels represents a legally conforming use under current zoning.

PHYSICALLY POSSIBLE

The boundaries of the four subject parcels have been established within a larger property containing 3,100± acres. The size of each, while probably reflecting some physical constraints tied to roadways and easements, are more accurately the results of a general layout design to maximize the physical layout and net efficiency of each parcel. The number of lots, their width and depth, has been a consideration and if the parcel did not work, from a physical standpoint, the design would have been altered to make them work. Final plats have been prepared for all the subject parcels. It is concluded the residential use designated for the subject parcels is physically possible.

FINANCIALLY FEASIBLE

The owner of the property is looking specifically to development an age-restricted community of 7,100 units on the entire 3,100 acres. The proposed community of Sun City Festival is the latest expansion or extension of the Sun City community which was developed in 1960s. Since the original Sun City development, two expansions have also been developed. Sun City West was developed adjacent west of Sun City and more recently Sun City Grand was developed just west of Su City West. This new Sun City community looks to piggy-back on the success of these three communities. New inventory is needed as the Sun City Grand project is nearing sell-out.

Bring a few miles west of the Sun City community, the new Sun City Festival should effectively compete with this segment of the residential market. As discussed previously in the Residential Market Analysis section, the inventory of age-restrict lots is rapidly diminishing at a time when

demand for new units is forecast to grow as the population of persons or 55 significantly increases.

MAXIMALLY PRODUCTIVE

The subject properties are located within a larger proposed residential community in which significant planning and development has already taken place. In order to development a project of the magnitude of a Sun City community, considerable planning and expense is incurred prior to on-site construction. For instance, the property must be secured, entitled, permits and development agreements must be attained to secure the necessary infratstructure. In the case of the subject property this has occurred. In fact, final plats have been recorded for each of the four subject parcels. Due to this fact, there is very little flexibility in terms of the development options now that the legal, physical and financial criteria have been met. It is our opinion that development of the property with the proposed use is the maximally productive use of the property.

HIGHEST AND BEST USE CONCLUSION

Reflecting the facts and reasoning outlined above, it is concluded the highest and best use of the four subject parcels is for the single-family development proposed which represents the initial development phase of Sun City Festival, an age-restricted community.

THE VALUATION DISCUSSION

As noted on page 1, the purpose of this appraisal is to form an opinion of the wholesale (bulk) value of the four subject parcels as of the date of valuation, i.e., "as is" value. In the case of the four subject properties, all four are vacant parcels with approved final plats for residential development. Clearing of the properties was underway at the time of inspection (date of valuation - August 12, 2005).

Given the nature of the subject properties, i.e., four platted and engineered subdivisions with an age-restricted community, the traditional valuation approaches (Cost, Income and Sales Comparison) are not well suited for analysis of the subjects' wholesale value. Therefore, the Modified Cost Approach or residual analysis was utilized to value the subject. The basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of

the subject property. The hypothetical "as if complete" market value is predicated upon the assumption the proposed residential lots are completed, i.e., the lots comprise a subdivision of finished residential lots. The "as if complete" value is estimated using the Income Approach, more specifically static analysis and yield analysis (discounted cash flow). Neither the Sales Comparison not traditional Cost Approach were utilized to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant infrastructure costs front-load to accommodate this particular segment of the population).

The starting point for the Modified Cost Approach, which is utilized to form an opinion of the subject's "as is" value, is the "as if complete" value. The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit.

MODIFIED COST APPROACH – RESIDUAL ANALYSIS

The "as is" value of the subject's four parcels is estimated using the Modified Cost Approach. A Modified (or residual) Cost Approach appears to be the most reasonable valuation approach given the scarcity of comparable sales of bulk final platted and engineered lots within an age-restricted development. The methodology of the Modified Cost Approach presumes that a prudent investor would pay no more for a property than the cost of obtaining a site and building comparable improvements with similar design and utility. This approach also tests the financial feasibility of the proposed subject development. There are three major steps involved in this approach: (1) form an opinion of the hypothetical market value of the property, i.e., as finished residential lots; (2) estimate and deduct all lot development costs as well as applicable entrepreneurial profit; and 3) add back any lot development costs incurred to date as well as any earned entrepreneurial profit.

FINISHED LOT VALUE OPINION

The first step in the residual valuation process is to estimate the finished lot value on an "as if compete" basis for each of the four subject properties. The Income Approach is the methodology by which the hypothetical finished lot values are estimated. Because subdivision development

differs from other types of income producing property, the Income Approach for analyzing subdivision development include two alternative valuation techniques: a static residual model and yield analysis.

The static residual analysis solves for finished lot value by subtracting all costs (including profit) from the anticipated revenues generated from home sale and lot premiums. Profit margins, which are usually expressed as a percentage of gross sales, are readily available from the market for this type of analysis. Surveys of merchant builders indicate that the time value of money and risks are considered in the profit margin. However, static profit margins can vary significantly dependent upon the product being built (i.e. entry-level vs. luxury), the expected level of market competition, the influence of pent-up demand, fluctuating interest rates and borrowing costs, the amount of lot inventory carried by the builder and its physical status (raw land vs. improved lots), the form of lot inventory acquisition (rolling option vs. bulk purchase of improved lots vs. development of raw land), and most importantly the length of the holding period. If all other things are equal, a project with a sellout period of four years will warrant a greater profit than a project with a two year sellout period.

Given the variability of static profit margins, it is also very important in subdivision valuation to analyze the timing of the expected cash flows that the project will generate. This form of dynamic analysis, which is otherwise known as yield analysis, helps to serve as a secondary independent valuation technique, but more importantly, it tests the reasonableness of the profit margin chosen in the static residual analysis. If acquisition, development, and/or construction financing is considered, the yield analysis is very useful in that the rate of return can be divided between the debt and equity components.

Static Residual Analysis

The static residual analysis begins by estimating all sources of revenues from which all costs of production, including profit, are subtracted. The residual number is therefore considered the finished lot value. In regards to the subject property, finished lot value is synonymous with the hypothetical "as if complete" market value.

Base Home Revenue Projections

Although the first sales in the community will not take place for six to nine months, the developer has established base home pricing for its four product series. Average price data for the four product series are summarized in Table 18.

TABLE NO. 18

SUN CITY FESTIVAL REVENUE PROJECTION

Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Base Sales Price	Avg. Price/ Sq.Ft.	Base Revenue Per Product
Cottages	46'	193	27%	1,400	$ 188,550	$ 134.68	$ 36,390,150
Classics	60'	253	35%	1,725	$ 240,307	$ 139.31	$ 60,797,671
Permieres	70'	152	21%	2,100	$ 291,420	$ 138.77	$ 44,295,840
Estates	80'	126	17%	2,700	$ 379,530	$ 140.57	$ 47,820,780
Totals		724	100%		$ 261,470		$ 189,304,441

As indicated above, the four product series average between 1,400 and 2,700 square feet with average base pricing between $188,550 and $379,530. The developer's pricing is consistent with the pricing of its product completed at the end of its Sun City Grand project. The most recent base pricing for Sun City Grand, as reported by the Meyer's Group, is summarized in Table 19.

TABLE NO. 19

SUN CITY GRAND BASE HOME PRICING

Product Series	Size Range Sq.Ft.		Price Range	
Cottages	1,161	1,392	$ 196,990	$ 209,990
Classics	1,115	1,814	$ 107,100	$ 244,990
Premieres	1,416	2,546	$ 128,100	$ 290,990
Estates	2,290	3,388	$ 209,990	$ 257,500

Source: Meyers Group 8/22/05

Given the success of the Sun City projects and the fact the developer's projected pricing is consistent with the base pricing of its final phase of Sun City Grand, the developer's base pricing is used to estimate base home pricing revenue. The projected revenue from base home pricing is summarized in Table 20, which provides a breakdown of revenues by planning area.

TABLE NO. 20

SUN CITY FESTIVAL REVENUE PROJECTION BY PLANNING AREA								
Planning Area	Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Base Sales Price	Avg. Price/ Sq.Ft.	Base Revenue Per Product
A-1								
	Cottages	46'	5	21%	1,400	$ 188,550	$ 134.68	$ 942,750
	Classics	60'	5	21%	1,725	$ 240,307	$ 139.31	$ 1,201,535
	Permieres	70'	11	46%	2,100	$ 291,420	$ 138.77	$ 3,205,620
	Estates	80'	3	13%	2,700	$ 379,530	$ 140.57	$ 1,138,590
			24	100%		$ 270,354		$ 6,488,495
B-1								
	Cottages	46'	123	30%	1,400	$ 188,550	$ 134.68	$ 23,191,650
	Classics	60'	116	28%	1,725	$ 240,307	$ 139.31	$ 27,875,612
	Permieres	70'	88	22%	2,100	$ 291,420	$ 138.77	$ 25,644,960
	Estates	80'	81	20%	2,700	$ 379,530	$ 140.57	$ 30,741,930
		Total	408	100%		$ 263,368		$ 107,454,152
C-1								
	Cottages	46'	33	23%	1,400	$ 188,550	$ 134.68	$ 6,222,150
	Classics	60'	56	39%	1,725	$ 240,307	$ 139.31	$ 13,457,192
	Permieres	70'	28	20%	2,100	$ 291,420	$ 138.77	$ 8,159,760
	Estates	80'	26	18%	2,700	$ 379,530	$ 140.57	$ 9,867,780
		Total	143	100%		$ 263,684		$ 37,706,882
D-1								
	Cottages	46'	32	21%	1,400	$ 188,550	$ 134.68	$ 6,033,600
	Classics	60'	76	51%	1,725	$ 240,307	$ 139.31	$ 18,263,332
	Permieres	70'	25	17%	2,100	$ 291,420	$ 138.77	$ 7,285,500
	Estates	80'	16	11%	2,700	$ 379,530	$ 140.57	$ 6,072,480
		Total	149	100%		$ 252,718		$ 37,654,912

Lot Premium Revenue Projection

Although there can be a variety of lot premiums including, golf course frontage, open space, cul-de-sac, corner lots, and city/mountain views. Of particular importance to the valuation of the subject property are those lots which will front along the future golf course. Of the subject's 724 lots, 144, or 20% of the lots have frontage along a portion of the proposed golf course or open space. Although a golf course is planned as port of the amenity package of the Sun City Festival community, lots premiums in this analysis are based upon an assumption that the lots front along open space, as development of the golf course has yet to commence. This is predicated upon the fact the value addressed in this appraisal reflects the "as is" condition of the property. Table 21 summarizes the lot premiums by planning area.

TABLE NO. 21

PREMIUM GOLF COURSE LOTS			
Planning Area	No. Of Lots	No. Of Golf Lots	% Of Total Lots
A-1	24	19	79%
B-1	408	87	21%
C-1	143	21	15%
D-1	149	17	11%
Total	724	144	20%

As indicated in the table above, premium lots are most significant to Planning Area A-1 (model home complex), as approximately 80% of the lots have frontage along the open space. The other three planning areas have far less premium lots.

Given the fact the subject's premium lots are being analyzed on an assumption that they each have frontage along a greenbelt or open space (more likely a future golf course), an average lot premium of $55,000 has been estimated. Based upon a $55,000 lot premium, total lot premium revenue is estimated at $7,920,000, or an average of just under $11,000 per lot. Table 22 summarizes the lot premium projections.

TABLE NO. 22

LOT PREMIUM REVENUE					
Planning Area	Total Lots	Prem. Lots	Lot Premium	Lot Premium Revenue	Avg. Lot Premium
A-1	24	19	$ 55,000	$ 1,045,000	$ 43,542
B-1	408	87	$ 55,000	$ 4,785,000	$ 11,728
C-1	143	21	$ 55,000	$ 1,155,000	$ 8,077
D-1	149	17	$ 55,000	$ 935,000	$ 6,275
Total	724	144	$ 55,000	$ 7,920,000	$ 10,939

Direct Home Construction Costs

Direct home construction costs are the physical materials required to construct the proposed residence and the associated labor costs. This is sometimes referred to as the "sticks and brick" of construction. Direct construction costs provided by the developer are summarized in Table 23.

TABLE NO. 23

SUN CITY FESTIVAL DIRECT HOME CONSTRUCTION COSTS BY SERIES						
Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Home Const. Cost	Avg. Cost/ Sq.Ft.
Cottages	46'	193	27%	1,400	$ 89,600	$ 64.00
Classics	60'	253	35%	1,725	$ 108,675	$ 63.00
Permieres	70'	152	21%	2,100	$ 134,400	$ 64.00
Estates	80'	126	17%	2,700	$ 164,700	$ 61.00
		724	100%	1,887	118,741	$ 62.93

Based upon the direct construction cost estimates furnished by the developer, direct construction costs for each of the four planning areas have been estimated. These costs are summarized in Table 24.

TABLE NO. 24

SUN CITY FESTIVAL DIRECT HOME CONSTRUCTION COSTS BY PLANNING AREA							
Planning Area	Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Home Const. Cost	Avg. Cost/ Sq.Ft.
A-1							
	Cottages	46'	5	21%	1,400	$ 89,600	$ 64.00
	Classics	60'	5	21%	1,725	$ 108,675	$ 63.00
	Permieres	70'	11	46%	2,100	$ 134,400	$ 64.00
	Estates	80'	3	13%	2,700	$ 164,700	$ 61.00
			24	100%	1,951	123,495	$ 63.30
B-1							
	Cottages	46'	123	30%	1,400	$ 89,600	$ 64.00
	Classics	60'	116	28%	1,725	$ 108,675	$ 63.00
	Permieres	70'	88	22%	2,100	$ 134,400	$ 64.00
	Estates	80'	81	20%	2,700	$ 164,700	$ 61.00
		Total	408	100%	1,901	119,596	$ 62.90
C-1							
	Cottages	46'	33	23%	1,400	$ 89,600	$ 64.00
	Classics	60'	56	39%	1,725	$ 108,675	$ 63.00
	Permieres	70'	28	20%	2,100	$ 134,400	$ 64.00
	Estates	80'	26	18%	2,700	$ 164,700	$ 61.00
		Total	143	100%	1,901	119,497	$ 62.87
D-1							
	Cottages	46'	32	21%	1,400	$ 89,600	$ 64.00
	Classics	60'	76	51%	1,725	$ 108,675	$ 63.00
	Permieres	70'	25	17%	2,100	$ 134,400	$ 64.00
	Estates	80'	16	11%	2,700	$ 164,700	$ 61.00
		Total	149	100%	1,823	114,911	$ 63.04

Indirect Home Construction Costs

These costs are those that are directly related to the construction of a specific home, however these cost are not typically for construction materials or the associated construction labor. Indirect costs generally include such items are sales commissions, sales tax, closing costs, concessions (discounts/incentives), customer service (warranty) and other miscellaneous expenses.

Sales Commissions and Sales Tax

In production housing, if no other sales commissions are payable, sale commissions are typically paid at 1.5% to 2.5% of the base home sale price to the in-house sales personnel. For co-brokerage situations, 1.5% to 2.5% is paid to the in-house sales personnel and 3.0% to 3.5% to outside salespersons. Average in-house sales commission and co-brokerage sales commission expenses are estimated to average 1.5% and 0.6% of total revenues, respectively. This assumes in-house commissions of 1.5% and co-broke commissions of 3.0% with 80% of all sales occurring as in-house sales. This is typical of an age-restricted community with substantial marketing efforts and significant sales center/model home complexes.

Sales tax generally ranges between 2.5% and 3.5% of base home sale price, depending upon the municipality and structure of the development/homebuilding entity. For this analysis, an average of 2.5% is utilized.

Warranty and Closing Costs

Warranty and closing costs are typically quoted on a per unit basis and not as a percentage of sales revenues. These costs are variable in the sense that they are dependent upon home price and quality. However, within a price and quality bracket, they are fairly consistent. Generally, closing costs range between 0.25% and 1.0% per home and warranty costs are about the same except in the higher-end home quality transactions. In these circumstances, warranty costs can be double the closing cost figures. Closing and warranty costs are each estimated to be about 0.75% of base home price per home, based upon input from the builder.

Miscellaneous (Contingency) Costs

Miscellaneous costs (contingency) can vary greatly depending upon the location of the property and quality of the construction materials. On average, this expense is usually 0.25% to 1% of base home revenues. For this analysis, we will use 0.75%.

Sales Concessions (Discounts/Incentives)

Sales concessions are the most volatile expense item since they are a reflection of changing market conditions. Instead of lowering home prices if the market slows down, most homebuilders offer discounts/incentives to lure home buyers. In some instances, sale concessions can be material, while no concessions can be the norm in other circumstances. Typical sale concessions range from none to some discounting of options/upgrades and lot premiums. In our opinion, it appears the marketplace is likely to offer some sort of incentive to buyers. A discount or incentive of 1% of the base home price is projected.

Project Costs

These costs are those that are not directly related to the construction or sale of a specific home (unit), but are general costs associated with the operational aspects of the project. Most builders generally include an allowance for construction overhead (on-site supervision), marketing and advertising (not related to sales commissions or incentives), and administrative and overhead items within this category of expenses.

Construction Overhead

Construction overhead relates to direct supervision of the actual homebuilding operations on-site, as well as the cost to construct or lease temporary construction trailers, lease and maintain construction equipment, and purchase certain construction materials not previously identified in the direct home construction discussion. This cost is generally 1% to 3% of total revenues. For this analysis, we have estimated a ratio of 1.5% of base home revenues.

Sales and Marketing

Advertising and promotion is generally 1% to 3% of base home revenues, depending upon the size and quality of the project and whether or not it is located in a master-planned community which may involve a joint marketing campaign with other builders. Most of the advertising expense for a typical subdivision is associated with signage, brochures, and newspaper ads. The four subject properties comprises a much larger development which is different than the typical

residential subdivision. Significant up-front sales and marketing expenses are associated with the promotion of a new age-restricted community. For instance, age-restricted communities typically include more elaborate model home and sales center complexes. Additional, expenditures for television, national magazine and newspaper advertisements can typically be associated with the start-up of a new community. Because the subject property represents the initial offerings within the community, additional expenditures, over and above the stabilized marketing budget, is considered appropriate. For this analysis, a sales and marketing expense of 3% of base home revenues.

Administrative and Overhead

Within the administrative and overhead category, there are numerous smaller expense items which collectively become quite sizable. These include: model operational costs (including model lease, maintenance, utilities, security, hostess, office supplies, telephone, computer and furniture leases, etc.), sales office construction, liability insurance, and appraisal, legal and accounting fees. Combined, these expenses can amount to as much as 4% of gross revenues, but are generally nearer mid-range. Because of the unique nature of the subject community (age-restricted), it is our opinion the administrative/overhead expense category should be at the higher end of the range, say 3% of base home revenues, to account for the specialized expertise required in successfully maintaining the operation of such a community.

In some instances, homebuilders will include an additional expense category labeled management fee, corporate overhead, or builder's fee. These are not generally project related costs, but instead are typically home-office expenses and executive salaries allocated to individual projects instead for accounting purposes. In most cases, these cost items are deducted from total profits at the corporate level, and as such we will not make any special category withholding for this purpose.

Holding Costs

These items are not directly related to the construction or sale of any residences within the subdivision, but instead are the necessary expenses to maintain lot inventory. Mainly, this category of expenses involve real estate taxes, special assessments (improvement district, bonds, special taxes, etc.) and homeowner's association subsidies.

Real Estate Taxes

As previously discussed in the Site Description section of the report, real estate taxes for the subject lots are believed to average $300 per lot per year.

Special Taxes (Assessments)

The subject property is being appraised in connection with the establishment of assessment to pay a portion of the cost of providing residential streets. Projections are for an assessment in the amount of $2,000 per lot. Based upon an assessment of $2,000, an annual assessment payment would likely equate to approximately $150.

Homeowner's Association Fees (Subsidies)

The homeowner's association subsidy for the subject lots that remain in the builder's inventory are estimated to be $85 per month per lot or $1,020 per annum.

The reader should understand that as time goes on and lots are sold, these holding costs are reduced accordingly, but also appreciate on an absolute basis.

Financing

Financing for acquisition of the raw land, development of improved lots, and construction of the homes is an integral part of any subdivision valuation, and certainly is an important aspect of homebuilding. However, because most lending institutions do not like to base underwriting decisions on the leveraged aspect of subdivision development, financing expenses are usually ignored in the static residual analysis, with an "all cash" development scheme adopted as standard. Instead, the cost of financing is recognized in the builder's profit margin: if the builder is providing all working capital, then the builder's yield (profit) should increase accordingly.

In reality though, very few homebuilders have the financial capacity to completely develop a subdivision without external funds. Through yield analysis performed on numerous other subdivision appraisals where financing costs are considered as a cost of production, they have consistently averaged between 2% and 4% of gross revenues. Nevertheless, if the profit margin selected in the static residual analysis properly reflects this "opportunity cost" savings, then performing the analysis on an "all cash basis" is not inappropriate or misleading.

Homebuilder Profit Margin

Profit in subdivision analysis can merely be stated as the residual cash flow to the developer/builder after all costs of production have been paid, including debt and equity contribution (preferred returns). The amount of profit expected from any particular subdivision is based on the perceived risk associated with the development, and must be sufficient to attract investment. Profit is site specific with a number of factors to consider. These include but are not limited to the following:

- Difficulty of the entitlement process
- Physical status of the property (raw/finished/partially finished)
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition
- Sources of financing and cost

We have surveyed successful homebuilders in the Phoenix area market over the past several years, including Centex Homes, Engle Homes, Pulte Homes, KB Homes, Capital Pacific Homes, Maracay Homes, Trend Homes, etc. These builders have indicated that a profit margin ranging between 8% and 15% of gross revenues is deemed acceptable. However, this profit is typically based on the total sale price of a home, inclusive of options which have a high mark-up built into these upgrades. The generally accepted profit range without considering upgrades is currently between 5% and 12%. The low-end of this range is typically associated with entry-level and first move-up housing product, while the high-end of the range is typically associated with second move-up and higher quality housing product. This profit range is also reflective of a leveraged development scheme, not an "all cash basis." Thus, the aforementioned 2% to 4% financing cost for a typical subdivision needs to be added to the 5% to 12% range for an "all cash basis" acceptable profit rate.

An appropriate builder profit margin is dependent upon two primary factors; sellout/construction period and base home price range. It is generally believed that builders with shorter sell-out and construction periods accept (receive) lower static profit margins for a couple of reasons: first, there are fewer lots over which to spread fixed building costs, limiting the profit margin somewhat; and secondly, because of the shorter timeframe, holding, construction, and market risks are perceived as slightly lower.

The second significant factor affecting builder profit is the base home price range studied, because in general, builder profit margins tend to increase as home prices increase. This is due to the increased costs/risks associated with constructing and selling more expensive homes, burdens a builder must account for in higher profit margins. The average base home price concluded for the subject's proposed product series fall between $188,550 and $370,530, however, when weighted by the proposed unit mix in each planning area a narrower range between $252,000 and $270,000 is indicated. With a such a narrow range, the same builder profit range is used amongst the four planning areas.

Based upon the two main factors influencing builder profit, a range between 12.0% and 16.0% is concluded.

Conclusion – Static Residual Analysis

Based upon the previously stated assumptions, the Static Residual Analysis Summaries for the subject four planning areas are included after Table 25, which is a valuation matrix for the four planning areas.

TABLE NO. 25

SUMMARY OF STATIC RESIDUAL ANALYSES

Planning Area	Static Residual Analysis Value Range Per Unit	
A-1 (Model home complex)	$ 104,575	$ 115,389
B-1	$ 71,770	$ 82,305
C-1	$ 68,440	$ 78,987
D-1	$ 63,547	$ 73,655

TABLE NO. 26

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA A-1

	Per Home	% Of Home Price	Total
Revenues			
Base Home Sales Proceeds	$ 270,354	86.13%	$ 6,488,495
Lot Premiums	$ 43,542	13.87%	$ 1,045,000
Total Revenue	$ 313,896	100.00%	$ 7,533,495
Unit Costs			
Direct Home Construction Costs	$ 123,495	45.68%	$ 2,963,875
Discounts (Incentives)	$ 2,704	1.00%	$ 64,885
Sales Commissions (In-house)	$ 4,055	1.50%	$ 97,327
Sales Commissions (Co-broke)	$ 2,028	0.75%	$ 48,664
Sales Tax	$ 6,759	2.50%	$ 162,212
Warranty	$ 2,000	0.74%	$ 48,000
Closing Costs	$ 1,250	0.46%	$ 30,000
Contingency	$ 2,028	0.75%	$ 48,664
Total Unit Costs	$ 144,318	53.38%	$ 3,463,627
Project Costs			
Construction Overhead	$ 4,055	1.50%	$ 97,327
Marketing & Advertising	$ 8,111	3.00%	$ 194,655
Administrative & Overhead	$ 8,111	3.00%	$ 194,655
Total Project Costs	$ 20,277	7.50%	$ 486,637
Holding Costs			
Real Estate Taxes	$ 300	0.11%	$ 7,200
Special Taxes (Assessments)	$ 150	0.06%	$ 3,600
HOA Fees (Subsidies)	$ 1,020	0.38%	$ 24,480
Total Holding Cost	$ 1,470	0.54%	$ 35,280
Builder Profit Margin @ 12.0%	$ 32,442	12.00%	$ 778,619
Residual Finished Lot Value @ 12.0%	**$ 115,389**	**26.58%**	**$ 2,769,331**
Builder Profit Margin @ 16.0%	$ 43,257	16.00%	$ 1,038,159
Residual Finished Lot Value @ 16.0%	**$ 104,575**	**22.58%**	**$ 2,509,792**

TABLE NO. 27

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA B-1

	Per Home	% Of Home Price	Total
Revenues			
Base Home Sales Proceeds	$ 263,368	95.74%	$ 107,454,152
Lot Premiums	$ 11,728	4.26%	$ 4,785,000
Total Revenue	$ 275,096	100.00%	$ 112,239,152
Unit Costs			
Direct Home Construction Costs	$ 119,596	45.41%	$ 48,795,000
Discounts (Incentives)	$ 2,634	1.00%	$ 1,074,542
Sales Commissions (In-house)	$ 3,951	1.50%	$ 1,611,812
Sales Commissions (Co-broke)	$ 1,975	0.75%	$ 805,906
Sales Tax	$ 6,584	2.50%	$ 2,686,354
Warranty	$ 2,000	0.76%	$ 816,000
Closing Costs	$ 1,250	0.47%	$ 510,000
Contingency	$ 1,975	0.75%	$ 805,906
Total Unit Costs	$ 139,965	53.14%	$ 57,105,520
Project Costs			
Construction Overhead	$ 3,951	1.50%	$ 1,611,812
Marketing & Advertising	$ 7,901	3.00%	$ 3,223,625
Administrative & Overhead	$ 7,901	3.00%	$ 3,223,625
Total Project Costs	$ 19,753	7.50%	$ 8,059,061
Holding Costs			
Real Estate Taxes	$ 300	0.11%	$ 122,400
Special Taxes (Assessments)	$ 150	0.06%	$ 61,200
HOA Fees (Subsidies)	$ 1,020	0.39%	$ 416,160
Total Holding Cost	$ 1,470	0.56%	$ 599,760
Builder Profit Margin @ 12.0%	$ 31,604	12.00%	$ 12,894,498
Residual Finished Lot Value @ 12.0%	**$ 82,305**	**26.80%**	**$ 33,580,312**
Builder Profit Margin @ 16.0%	$ 42,139	16.00%	$ 17,192,664
Residual Finished Lot Value @ 16.0%	**$ 71,770**	**22.80%**	**$ 29,282,146**

TABLE NO. 28

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA C -1

		Per Home	% Of Home Price		Total
Revenues					
Base Home Sales Proceeds	$	263,684	97.03%	$	37,706,882
Lot Premiums	$	8,077	2.97%	$	1,155,000
Total Revenue	$	271,761	100.00%	$	38,861,882
Unit Costs					
Direct Home Construction Costs	$	119,497	45.32%	$	17,088,000
Discounts (Incentives)	$	2,637	1.00%	$	377,069
Sales Commissions (In-house)	$	3,955	1.50%	$	565,603
Sales Commissions (Co-broke)	$	1,978	0.75%	$	282,802
Sales Tax	$	6,592	2.50%	$	942,672
Warranty	$	2,000	0.76%	$	286,000
Closing Costs	$	1,250	0.47%	$	178,750
Contingency	$	1,978	0.75%	$	282,802
Total Unit Costs	$	139,886	53.05%	$	20,003,697
Project Costs					
Construction Overhead	$	3,955	1.50%	$	565,603
Marketing & Advertising	$	7,911	3.00%	$	1,131,206
Administrative & Overhead	$	7,911	3.00%	$	1,131,206
Total Project Costs	$	19,776	7.50%	$	2,828,016
Holding Costs					
Real Estate Taxes	$	300	0.11%	$	42,900
Special Taxes (Assessments)	$	150	0.06%	$	21,450
HOA Fees (Subsidies)	$	1,020	0.39%	$	145,860
Total Holding Cost	$	1,470	0.56%	$	210,210
Builder Profit Margin @ 12.0%	$	31,642	12.00%	$	4,524,826
Residual Finished Lot Value @ 12.0%	$	78,987	26.89%	$	11,295,133
Builder Profit Margin @ 16.0%	$	42,190	16.00%	$	6,033,101
Residual Finished Lot Value @ 16.0%	$	68,440	22.89%	$	9,786,857

TABLE NO. 29

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA D-1

	Per Home	% Of Home Price	Total
Revenues			
Base Home Sales Proceeds	$ 252,718	97.58%	$ 37,654,912
Lot Premiums	$ 6,275	2.42%	$ 935,000
Total Revenue	$ 258,993	100.00%	$ 38,589,912
Unit Costs			
Direct Home Construction Costs	$ 114,911	45.47%	$ 17,121,700
Discounts (Incentives)	$ 2,527	1.00%	$ 376,549
Sales Commissions (In-house)	$ 3,791	1.50%	$ 564,824
Sales Commissions (Co-broke)	$ 1,895	0.75%	$ 282,412
Sales Tax	$ 6,318	2.50%	$ 941,373
Warranty	$ 2,000	0.79%	$ 298,000
Closing Costs	$ 1,250	0.49%	$ 186,250
Contingency	$ 1,895	0.75%	$ 282,412
Total Unit Costs	$ 134,587	53.26%	$ 20,053,519
Project Costs			
Construction Overhead	$ 3,791	1.50%	$ 564,824
Marketing & Advertising	$ 7,582	3.00%	$ 1,129,647
Administrative & Overhead	$ 7,582	3.00%	$ 1,129,647
Total Project Costs	$ 18,954	7.50%	$ 2,824,118
Holding Costs			
Real Estate Taxes	$ 300	0.12%	$ 44,700
Special Taxes (Assessments)	$ 150	0.06%	$ 22,350
HOA Fees (Subsidies)	$ 1,020	0.40%	$ 151,980
Total Holding Cost	$ 1,470	0.58%	$ 219,030
Builder Profit Margin @ 12.0%	$ 30,326	12.00%	$ 4,518,589
Residual Finished Lot Value @ 12.0%	**$ 73,655**	**26.66%**	**$ 10,974,655**
Builder Profit Margin @ 16.0%	$ 40,435	16.00%	$ 6,024,786
Residual Finished Lot Value @ 16.0%	**$ 63,547**	**22.66%**	**$ 9,468,458**

YIELD ANALYSIS

Timing of Sales Revenues and Home Construction

The projected sell-out periods for the subject units are predicated upon historical sales data From other age-restricted communities, particularly Sun City Grand – the predecessor to Sun City Festival, and discussions in the Residential Market Analysis section of this report. The following assumptions are made regarding absorption:

- In the first year of analysis, 300 sales are projected and held stable for the sellout of the subject units;
- No differentiation is made between product series – sales are based upon a average of all product series; and

At an absorption rate of 300 per year, 75 units per quarter will collectively be absorbed by the four planning areas. With overall absorption established at 75 units, each planning area will receive its proportionate share of units based on its share of the 724 lots within the initial development phase. For example, the 408 lots within Planning Area B-1 is approximately 55% of the total inventory of lots (724). Therefore, its absorption level per quarter is estimated at 40 units. Therefore, absorption of all 408 lots in Parcel B-1 will take place within 11 quarters, or approximately 3 years.

Phasing Schedule

The subject lots have yet to be developed, however construction has commenced on all four planning areas, therefore there will be no phasing of the units in the yield analysis.

Home Construction Sequence

Because the four planning areas are not yet ready for home construction, a lag of two quarters is anticipated prior to the first closings. Home construction should take place within a five to six month period. As there is no way to project which lots and when particular lots will sell, the average home price (including average lot premium) are utilized over the entire absorption period.

Future Retail Values

Based on historic changes in the base plan pricing in other age-restricted communities, an average annual appreciation rate of 3% to 6% is generally reasonable to expect. For this analysis, we estimate a 5% annual increase, scheduled to begin after the first quarter.

Holding Cost Escalation Factor

Based upon a study of historic direct home construction costs in other age-restricted communities, we estimate that all expenses will increase about 4.0% annually during the sell-out periods, beginning in the second quarter of the cash flow analysis.

Homebuilder Profit Margin

It is important to distinguish between profit margins in a static residual analysis and line item profit in yield analysis. Market participants confirm that profit utilized in static residual analysis takes into consideration the time value of money; i.e. they require more profit for a project with a longer construction/absorption period compared to a project that they can construct and sellout within two years. Since the time value of money is accounted for in the discount rate, the utilization of the same profit in the yield analysis as in the static residual analysis actually penalizes the value. Since few merchant builders perform yield analysis when making land purchase decisions, market supported line item profit figures and discount rates for yield analysis are virtually non-existent. Also, from a technical standpoint, one can question the appropriateness of treating profit as a line item expense in a yield analysis. In reality, profit is the residual cash flow received after all parties are paid, including debt and equity investors.

Project Discount Rate

The project discount rate, yield rate, or internal rate of return (IRR), is the rate of return on the total unleveraged investment in a development, including both equity and debt. It is based on risk, liquidity and management burden and is the rate that would attract a prudent investor. Although the actual rate of return on an investment cannot be calculated until the investment is sold, an investor may consider a target yield rate for the investment prior to or during ownership. This rate considers the influence or the degree of apparent risk, prospective rates of return for alternative investment opportunities, historical rates of return earned by comparable properties, market attitudes with respect to future inflation or deflation, supply of and demand for mortgage funds, availability of tax shelters, etc.

Analysts have attempted to apply rates of return typically utilized for income producing properties in subdivision analysis. However, subdivisions are constructed to sell not to produce a recurring income. A subdivision cash flow is a series of reversions, whereby the asset is continuously

disposed of until there is nothing left at the end of the holding period. Further, subdivision discount rates include both entrepreneurial profit and return on equity as opposed to income property rates which do not include entrepreneurial profit. Because the cash flow characteristics differ from those of income property, the application of "income property" rates is inappropriate to subdivision analysis.

Interviews and discussions with real estate professionals and investors who are experienced with multi parcel subdivision development (both commercial and residential) indicate that such properties are mostly evaluated on a total return basis. Currently, total returns ranging from approximately 15% to 40% (inclusive of entrepreneurial profit) are required depending on the size of the property, its improvement status, the expected holding (sell-out) period, holding costs, risk, etc. According to investment companies active in this particular region (including Hearthstone Advisors, Saybrook Community Capital, Prudential Homebuilding Investors, Stardust Development, Communities Southwest, Acacia Capital Corporation, and GMAC-RFC), homebuilding operations as well as land development or "land banking" operations generally require return rates between 15% and 25%.

Further support for a range of discount rates was obtained from the Korpacz *Real Estate Investor Survey, Second Quarter 2005 published by PricewaterhouseCoopers*. On a semi-annual basis, the Korpacz report includes survey information related to the land development market. While most of the data are directed toward the commercial land development market, some information regarding the residential land development market can be extracted from the data. Korpacz's surveyed participants include industrial, retail, office and single-family developers. Discount rates for all land development property types ranged from 11% to 25% with the highest concentration of responses between 20% and 25%.

Based on the foregoing and after considering the retirement nature of the subject community, the sell-out and construction periods of the subject units, and entry to mid level home pricing, it is our opinion IRRs (project yields) between 20% and 25% would be most appropriate for each product series. Thus, we have utilized a 20% to 25% discount rate range for these analyses.

Conclusion – Yield Analysis

Using the estimates and assumptions discussed above, we have performed cash flow analyses for each of the subject's four planning areas. The results of the cash flow analyses are summarized in Table 30. The individual cash flows for each planning area are on the following pages.

TABLE NO. 30

SUMMARY OF YIELD ANALYSES CONCLUSIONS

Planning Area	Yield Analysis Value Range Per Unit	
A-1 (Model home complex)	$ 104,450	$ 112,801
B-1	$ 70,940	$ 79,703
C-1	$ 69,428	$ 77,875
D-1	$ 65,055	$ 73,235

TABLE NO. 31

Summary of Input Items
Retail Acre Analysis

No. of Lots =	24
Quarterly Lot Sales Rate =	6.00
Average Home Sales Price =	$270,354
Average Lot Premium =	$43,542
Price Escalation Factor =	5%
Direct Home Construction Costs =	$ 123,495
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty =	$ 2,000
Closing Costs =	$ 1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes =	$ 300
Special Taxes (Assessments) =	$ 150
HOA Fees (Subsidies) =	$ 1,020

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	Totals
Lot Sales (Closings)	0	0	6	6	6	6	24
Beginning Lot Inventory	24	24	24	18	12	6	
Ending Lot Inventory	24	24	18	12	6	0	
Avg. Lot Inventory During Period	24	24	21	15	9	3	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	Totals
Revenue							
Income From Lot Sales	$ -	$ -	$ 1,622,124	$ 1,622,124	$ 1,703,230	$ 1,703,230	$ 6,650,70
Income from Lot Premiums	$ -	$ -	$ 274,313	$ 274,313	$ 274,313	$ 274,313	$ 1,097,25
Total Revenue	$ -	$ -	$ 1,896,436	$ 1,896,436	$ 1,977,542	$ 1,977,542	$ 7,747,95
Unit Costs							
Direct Home Construction Costs	$ 740,969	$ 748,378	$ 755,862	$ 763,421	$ -	$ -	$ 3,008,63
Discounts (Incentives)	$ -	$ -	$ 16,221	$ 16,221	$ 17,032	$ 17,032	$ 66,50
Sales Commissions (In-house)	$ -	$ -	$ 24,332	$ 24,332	$ 25,548	$ 25,548	$ 99,76
Sales Commissions (Co-broke)	$ -	$ -	$ 12,166	$ 12,166	$ 12,774	$ 12,774	$ 49,88
Sales Tax	$ -	$ -	$ 40,553	$ 40,553	$ 42,581	$ 42,581	$ 166,26
Warranty	$ -	$ -	$ 12,241	$ 12,364	$ 12,487	$ 12,612	$ 49,70
Closing Costs	$ -	$ -	$ 7,651	$ 7,727	$ 7,805	$ 7,883	$ 31,06
Contingency	$ -	$ -	$ 14,228	$ 14,223	$ 14,832	$ 14,832	$ 58,11
Total Unit Costs	$ 740,969	$ 748,378	$ 883,250	$ 891,007	$ 133,059	$ 133,262	$ 3,529,92
Project Costs							
Construction Overhead	$ -	$ -	$ 24,332	$ 24,332	$ 25,548	$ 25,548	$ 99,76
Marketing & Advertising	$ -	$ -	$ 48,664	$ 48,664	$ 51,097	$ 51,097	$ 199,52
Administrative & Overhead	$ -	$ -	$ 48,664	$ 48,664	$ 51,097	$ 51,097	$ 199,52
Total Project Costs	$ -	$ -	$ 121,659	$ 121,659	$ 127,742	$ 127,742	$ 498,80
Holding Costs							
Real Estate Taxes	$ 1,800	$ 1,818	$ 1,507	$ 1,159	$ 702	$ 235	$ 7,32
Special Taxes (Assessments)	$ 900	$ 909	$ 803	$ 580	$ 351	$ 118	$ 3,66
HOA Fees (Subsidies)	$ 6,120	$ 6,181	$ 5,463	$ 3,941	$ 2,388	$ 804	$ 24,89
Total Holding Costs	$ 8,820	$ 8,908	$ 7,873	$ 5,680	$ 3,442	$ 1,159	$ 35,88
Total Costs	$ 749,789	$ 757,287	$ 1,012,781	$ 1,018,346	$ 264,243	$ 262,163	$ 4,064,60
Cash Flow Before Profit	$ (749,789)	$ (757,287)	$ 883,655	$ 878,090	$ 1,713,299	$ 1,715,379	$ 3,683,34

NPV of Cash Flows Discounted at:	Total	Per Lot
20.00%	$2,707,233	$112,801
22.50%	$2,605,118	$108,547
25.00%	$2,505,806	$104,450

TABLE NO. 32

Summary of Input Items: Retail Acre Analysis	
No. of Lots =	408
Quarterly Lot Sales Rate =	40.00
Average Home Sales Price =	$263,268
Average Lot Premium =	$11,728
Annual Price Escalation Factor =	5%
Direct Home Construction Costs = $	119,596
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty = $	2,000
Closing Costs = $	1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes = $	300
Special Taxes (Assessments) = $	150
HOA Fees (Subsidies) = $	1,020

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Lot Sales (Closings)	0	0	40	40	40	40	40	40	40	40	40	40	8	408
Beginning Lot Inventory	408	408	408	368	328	288	248	208	168	128	88	48	8	
Ending Lot Inventory	408	408	368	328	288	248	208	168	128	88	48	8	0	
Avg. Lot Inventory During Period	408	408	388	348	308	268	228	188	148	108	68	28	4	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Revenue														
Income From Lot Sales	$ -	$ -	$ 10,799,735	$ 10,934,732	$ 11,071,416	$ 11,209,808	$ 11,349,931	$ 11,491,805	$ 11,635,453	$ 11,780,896	$ 11,928,157	$ 12,077,259	$ 2,833,606	$ 117,112,79
Income From Lot Premiums	$ -	$ -	$ 517,202	$ 543,062	$ 570,215	$ 499,180	$ 505,419	$ 511,737	$ 518,134	$ 524,611	$ 531,168	$ 537,808	$ 108,906	$ 5,367,44
Total Revenue	$ -	$ -	$ 11,316,937	$ 11,477,794	$ 11,641,631	$ 11,708,988	$ 11,855,350	$ 12,003,542	$ 12,153,587	$ 12,305,506	$ 12,459,325	$ 12,615,067	$ 2,942,512	$ 122,480,24
Unit Costs														
Direct Home Construction Costs	$ 4,783,824	$ 4,831,662	$ 4,879,978	$ 4,928,778	$ 4,978,066	$ 5,027,847	$ 5,078,125	$ 5,128,906	$ 5,180,195	$ 5,231,997	$ 1,056,863	$ -	$ -	$ 51,106,24
Discounts (Incentives)	$ -	$ -	$ 107,997	$ 109,147	$ 110,714	$ 112,098	$ 113,499	$ 113,918	$ 116,355	$ 117,809	$ 119,282	$ 120,773	$ 28,336	$ 1,171,23
Sales Commissions (In-house)	$ -	$ -	$ 161,996	$ 164,021	$ 166,071	$ 168,147	$ 170,249	$ 172,377	$ 174,532	$ 176,713	$ 178,922	$ 181,159	$ 42,504	$ 1,756,69
Sales Commissions (Co-broke)	$ -	$ -	$ 80,998	$ 82,010	$ 83,036	$ 84,074	$ 85,124	$ 86,189	$ 87,266	$ 88,357	$ 89,461	$ 90,579	$ 21,252	$ 878,34
Sales Tax	$ -	$ -	$ 269,993	$ 273,368	$ 276,785	$ 280,245	$ 283,748	$ 287,295	$ 290,886	$ 294,522	$ 298,204	$ 301,931	$ 70,840	$ 2,927,82
Warranty	$ -	$ -	$ 81,600	$ 82,424	$ 83,248	$ 84,081	$ 84,922	$ 85,771	$ 86,629	$ 87,495	$ 88,370	$ 89,253	$ 18,029	$ 871,82
Closing Costs	$ -	$ -	$ 51,005	$ 51,515	$ 52,030	$ 52,551	$ 53,076	$ 53,607	$ 54,143	$ 54,684	$ 55,231	$ 55,783	$ 11,268	$ 544,89
Contingency	$ -	$ -	$ 84,877	$ 86,083	$ 87,312	$ 87,817	$ 88,915	$ 90,027	$ 91,152	$ 92,291	$ 93,445	$ 94,613	$ 22,069	$ 918,60
Total Unit Costs	$ 4,783,824	$ 4,831,662	$ 5,718,453	$ 5,777,548	$ 5,837,263	$ 5,896,859	$ 5,957,659	$ 6,019,089	$ 6,081,157	$ 6,143,869	$ 1,979,778	$ 934,092	$ 214,299	$ 60,175,55
Project Costs														
Construction Overhead	$ -	$ -	$ 161,986	$ 164,021	$ 166,071	$ 168,147	$ 170,249	$ 172,377	$ 174,532	$ 176,713	$ 178,922	$ 181,159	$ 42,504	$ 1,756,69
Marketing & Advertising	$ -	$ -	$ 323,992	$ 328,042	$ 332,142	$ 336,294	$ 340,498	$ 344,754	$ 349,064	$ 353,427	$ 357,845	$ 362,318	$ 85,008	$ 3,513,38
Administrative & Overhead	$ -	$ -	$ 323,992	$ 328,042	$ 332,142	$ 336,294	$ 340,498	$ 344,754	$ 349,064	$ 353,427	$ 357,845	$ 362,318	$ 85,008	$ 3,513,38
Total Project Costs	$ -	$ -	$ 809,980	$ 820,105	$ 830,356	$ 840,736	$ 851,245	$ 861,885	$ 872,659	$ 883,567	$ 894,612	$ 905,794	$ 212,520	$ 8,783,46
Holding Costs														
Real Estate Taxes	$ 30,600	$ 30,906	$ 29,685	$ 26,891	$ 24,038	$ 21,125	$ 18,152	$ 15,117	$ 12,020	$ 8,859	$ 5,634	$ 2,343	$ 338	$ 225,70
Special Taxes (Assessments)	$ 15,300	$ 15,453	$ 14,842	$ 13,445	$ 12,019	$ 10,563	$ 9,076	$ 7,559	$ 6,010	$ 4,429	$ 2,817	$ 1,171	$ 169	$ 112,85
HOA Fees (Subsidies)	$ 104,040	$ 105,080	$ 100,929	$ 91,429	$ 81,729	$ 71,826	$ 61,717	$ 51,398	$ 40,867	$ 30,120	$ 19,154	$ 7,966	$ 1,149	$ 767,40
Total Holding Costs	$ 149,940	$ 151,439	$ 145,456	$ 131,765	$ 117,786	$ 103,514	$ 88,945	$ 74,074	$ 58,897	$ 43,408	$ 27,605	$ 11,480	$ 1,656	$ 1,105,96
Total Costs	$ 4,933,764	$ 4,983,101	$ 6,673,889	$ 6,729,418	$ 6,785,405	$ 6,841,109	$ 6,897,848	$ 6,955,048	$ 7,012,713	$ 7,070,845	$ 2,901,995	$ 1,851,367	$ 428,475	$ 70,064,97
Cash Flow Before Profit	$ (4,933,764)	$ (4,983,101)	$ 4,643,048	$ 4,748,376	$ 4,856,226	$ 4,867,879	$ 4,957,502	$ 5,048,494	$ 5,140,874	$ 5,234,661	$ 9,557,331	$ 10,763,700	$ 2,514,036	$ 52,415,26

NPV of Cash Flows Discounted at:	Total	Per Lot
20.00%	$32,518,720	$79,703
22.50%	$30,675,636	$75,185
25.00%	$28,943,652	$70,940

TABLE NO. 33

Summary of Input Items

Retail Acre Analysis

No. of Lots =	143
Quarterly Lot Sales Rate =	15.00

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Lot Sales (Closings)	0	0	15	15	15	15	15	15	15	15	5	15	3	143
Beginning Lot Inventory	143	143	143	128	113	98	83	68	53	38	23	18	3	
Ending Lot Inventory	143	143	128	113	98	83	68	53	38	23	18	3	0	
Avg. Lot Inventory During Period	143	143	135.5	120.5	105.5	90.5	75.5	60.5	45.5	30.5	20.5	10.5	1.5	

DISCOUNTED CASH FLOW ANALYSIS

		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
	Revenue														
Average Home Sales Price = $263,684	Income From Lot Sales	$ -	$ -	$ 4,054,767	$ 4,105,452	$ 4,156,770	$ 4,208,729	$ 4,261,339	$ 4,314,605	$ 4,368,538	$ 4,423,145	$ 1,492,811	$ 4,524,414	$ 1,063,879	$ 40,984,44
Average Lot Premium = $8,077	Income from Lot Premiums	$ -	$ -	$ 133,572	$ 140,251	$ 147,263	$ 128,918	$ 130,529	$ 132,161	$ 133,813	$ 135,485	$ 45,726	$ 138,894	$ 28,126	$ 1,294,73
Price Escalation Factor = 5%	Total Revenue	$ -	$ -	$ 4,188,339	$ 4,245,702	$ 4,304,033	$ 4,337,647	$ 4,391,868	$ 4,446,766	$ 4,502,351	$ 4,558,630	$ 1,538,538	$ 4,663,308	$ 1,092,065	$ 42,279,18
	Unit Costs														
Direct Home Construction Costs = $ 119,497	Direct Home Construction Costs	$ 1,792,448	$ 1,810,372	$ 1,828,476	$ 1,846,761	$ 1,865,228	$ 1,883,860	$ 1,902,719	$ 1,921,746	$ 646,988	$ 1,960,373	$ 395,995	$ -	$ -	$ 17,854,98
Discounts (Incentives) = 1.00%	Discounts (Incentives)	$ -	$ -	$ 40,548	$ 41,055	$ 41,565	$ 42,087	$ 42,613	$ 43,146	$ 43,685	$ 44,231	$ 14,928	$ 45,344	$ 10,639	$ 409,84
Sales Commissions (In-house) = 1.50%	Sales Commissions (In-house)	$ -	$ -	$ 60,822	$ 61,582	$ 62,352	$ 63,131	$ 63,920	$ 64,719	$ 65,528	$ 66,347	$ 22,392	$ 68,016	$ 15,958	$ 614,76
Sales Commissions (Co-broke) = 0.75%	Sales Commissions (Co-broke)	$ -	$ -	$ 30,411	$ 30,791	$ 31,176	$ 31,565	$ 31,960	$ 32,360	$ 32,764	$ 33,174	$ 11,196	$ 34,008	$ 7,979	$ 307,38
Sales Tax = 2.50%	Sales Tax	$ -	$ -	$ 101,369	$ 102,636	$ 103,919	$ 105,218	$ 106,533	$ 107,865	$ 109,213	$ 110,579	$ 37,320	$ 113,360	$ 26,597	$ 1,024,61
Warranty = $ 2,000	Warranty	$ -	$ -	$ 30,603	$ 30,909	$ 31,218	$ 31,530	$ 31,846	$ 32,164	$ 32,486	$ 32,811	$ 11,046	$ 33,470	$ 6,761	$ 304,84
Closing Costs = $ 1,250	Closing Costs	$ -	$ -	$ 19,127	$ 19,318	$ 19,511	$ 19,706	$ 19,904	$ 20,103	$ 20,304	$ 20,507	$ 6,904	$ 20,919	$ 4,226	$ 190,52
Contingency = 0.75%	Contingency	$ -	$ -	$ 31,413	$ 31,843	$ 32,280	$ 32,532	$ 32,939	$ 33,351	$ 33,768	$ 34,190	$ 11,539	$ 35,050	$ 8,190	$ 317,09
	Total Unit Costs	$ 1,792,448	$ 1,810,372	$ 2,142,767	$ 2,164,894	$ 2,187,252	$ 2,209,651	$ 2,232,434	$ 2,255,454	$ 984,736	$ 2,307,311	$ 511,321	$ 350,167	$ 80,350	$ 21,024,05
Cost Inflation Factor = 4%															
	Project Costs														
Construction Overhead = 1.50%	Construction Overhead	$ -	$ -	$ 60,822	$ 61,582	$ 62,352	$ 63,131	$ 63,920	$ 64,719	$ 65,528	$ 66,347	$ 22,392	$ 68,016	$ 15,958	$ 614,76
Marketing & Advertising = 3.00%	Marketing & Advertising	$ -	$ -	$ 121,643	$ 123,164	$ 124,703	$ 126,262	$ 127,840	$ 129,438	$ 131,056	$ 132,694	$ 44,784	$ 136,032	$ 31,916	$ 1,229,53
Administrative & Overhead = 3.00%	Administrative & Overhead	$ -	$ -	$ 121,643	$ 123,164	$ 124,703	$ 126,262	$ 127,840	$ 129,438	$ 131,056	$ 132,694	$ 44,784	$ 136,032	$ 31,916	$ 1,229,53
	Total Project Costs	$ -	$ -	$ 304,108	$ 307,909	$ 311,758	$ 315,655	$ 319,600	$ 323,595	$ 327,640	$ 331,736	$ 111,961	$ 340,081	$ 79,791	$ 3,073,83
Holding Costs =	**Holding Costs**														
Real Estate Taxes = $ 300	Real Estate Taxes	$ 10,775	$ 10,832	$ 10,367	$ 9,311	$ 8,234	$ 7,134	$ 6,011	$ 4,865	$ 3,695	$ 2,502	$ 1,698	$ 879	$ 127	$ 76,37
Special Taxes (Assessments) = $ 150	Special Taxes (Assessments)	$ 5,263	$ 5,416	$ 5,183	$ 4,656	$ 4,117	$ 3,567	$ 3,005	$ 2,432	$ 1,846	$ 1,251	$ 849	$ 439	$ 63	$ 38,19
HOA Fees (Subsidies) = $ 1,020	HOA Fees (Subsidies)	$ 36,465	$ 36,830	$ 35,247	$ 31,659	$ 27,995	$ 24,255	$ 20,437	$ 16,540	$ 12,564	$ 8,506	$ 5,774	$ 2,987	$ 431	$ 259,69
	Total Holding Costs	$ 52,553	$ 53,078	$ 50,797	$ 45,626	$ 40,346	$ 34,955	$ 29,453	$ 23,838	$ 18,107	$ 12,259	$ 8,327	$ 4,305	$ 621	$ 374,25
	Total Costs	$ 1,845,000	$ 1,863,450	$ 2,497,672	$ 2,518,428	$ 2,539,355	$ 2,560,261	$ 2,581,488	$ 2,602,887	$ 1,330,483	$ 2,646,206	$ 631,494	$ 694,554	$ 160,762	$ 24,472,15
	Cash Flow Before Profit	$ (1,845,000)	$ (1,863,450)	$ 1,690,667	$ 1,727,274	$ 1,764,678	$ 1,777,386	$ 1,810,380	$ 1,843,879	$ 3,171,868	$ 1,912,424	$ 906,934	$ 3,968,754	$ 931,243	$ 17,807,03

NPV of Cash Flows

Discounted at:	Total	Per Lot
20.00%	$11,136,064	$77,875
22.50%	$10,513,781	$73,523
25.00%	$9,928,177	$69,428

TABLE NO. 34

Summary of Input Items	
Retail Acre Analysis	
No. of Lots =	149
Quarterly Lot Sales Rate =	15.00
Average Home Sales Price =	$252,718
Average Lot Premium =	$6,275
Price Escalation Factor =	5%
Direct Home Construction Costs = $	114,911
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty = $	2,000
Closing Costs = $	1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes = $	300
Special Taxes (Assessments) = $	150
HOA Fees (Subsidies) = $	1,020

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Lot Sales (Closings)	0	0	15	15	15	15	15	15	15	15	5	15	9	149
Beginning Lot Inventory	149	149	149	134	119	104	89	74	59	44	29	24	9	
Ending Lot Inventory	149	149	134	119	104	89	74	59	44	29	24	9	0	
Avg. Lot Inventory During Period	149	149	141.5	126.5	111.5	96.5	81.5	66.5	51.5	36.5	26.5	16.5	4.5	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Revenue														
Income From Lot Sales	$ -	$ -	$ 3,886,124	$ 3,934,701	$ 3,983,885	$ 4,033,683	$ 4,084,104	$ 4,135,156	$ 4,186,845	$ 4,239,181	$ 1,430,723	$ 4,345,872	$ 3,058,893	$ 41,319,171
Income from Lot Premiums	$ -	$ -	$ 103,776	$ 108,964	$ 114,413	$ 100,159	$ 101,411	$ 102,679	$ 103,963	$ 105,262	$ 35,526	$ 107,910	$ 65,555	$ 1,049,618
Total Revenue	$ -	$ -	$ 3,989,900	$ 4,043,665	$ 4,098,297	$ 4,133,843	$ 4,185,516	$ 4,237,835	$ 4,290,808	$ 4,344,443	$ 1,466,249	$ 4,453,782	$ 3,124,448	$ 42,368,73
Unit Costs														
Direct Home Construction Costs	$ 1,723,661	$ 1,740,898	$ 1,758,307	$ 1,775,890	$ 1,793,649	$ 1,811,585	$ 1,829,701	$ 1,847,998	$ 622,159	$ 1,885,143	$ 1,142,396	$ -	$ -	$ 17,931,48
Discounts (Incentives)	$ -	$ -	$ 38,861	$ 39,247	$ 39,839	$ 40,337	$ 40,841	$ 41,352	$ 41,868	$ 42,392	$ 14,307	$ 43,458	$ 30,589	$ 413,39
Sales Commissions (In-house)	$ -	$ -	$ 58,292	$ 59,021	$ 59,758	$ 60,505	$ 61,262	$ 62,027	$ 62,803	$ 63,588	$ 21,461	$ 65,187	$ 45,883	$ 619,78
Sales Commissions (Co-broke)	$ -	$ -	$ 29,146	$ 29,510	$ 29,879	$ 30,253	$ 30,631	$ 31,014	$ 31,401	$ 31,794	$ 10,730	$ 32,594	$ 22,942	$ 309,89
Sales Tax	$ -	$ -	$ 97,753	$ 98,368	$ 99,597	$ 100,842	$ 102,103	$ 103,379	$ 104,671	$ 105,980	$ 35,768	$ 108,646	$ 76,472	$ 1,032,97
Warranty	$ -	$ -	$ 30,600	$ 30,909	$ 31,218	$ 31,530	$ 31,846	$ 32,164	$ 32,486	$ 32,811	$ 11,046	$ 33,470	$ 20,283	$ 318,36
Closing Costs	$ -	$ -	$ 19,127	$ 19,218	$ 19,511	$ 19,705	$ 19,904	$ 20,103	$ 20,204	$ 20,507	$ 6,904	$ 20,919	$ 12,677	$ 198,97
Contingency	$ -	$ -	$ 29,924	$ 30,227	$ 30,737	$ 31,004	$ 31,391	$ 31,784	$ 32,181	$ 32,583	$ 10,997	$ 33,403	$ 22,433	$ 317,76
Total Unit Costs	$ 1,723,661	$ 1,740,898	$ 2,061,413	$ 2,082,690	$ 2,104,189	$ 2,125,762	$ 2,147,677	$ 2,169,820	$ 947,873	$ 2,214,796	$ 1,253,610	$ 337,677	$ 232,279	$ 21,142,34
Project Costs														
Construction Overhead	$ -	$ -	$ 58,292	$ 59,021	$ 59,758	$ 60,505	$ 61,262	$ 62,027	$ 62,803	$ 63,588	$ 21,461	$ 65,187	$ 45,883	$ 619,78
Marketing & Advertising	$ -	$ -	$ 116,584	$ 118,041	$ 119,517	$ 121,010	$ 122,523	$ 124,055	$ 125,605	$ 127,175	$ 42,922	$ 130,375	$ 91,767	$ 1,239,57
Administrative & Overhead	$ -	$ -	$ 116,584	$ 118,041	$ 119,517	$ 121,010	$ 122,523	$ 124,055	$ 125,605	$ 127,175	$ 42,922	$ 130,375	$ 91,767	$ 1,239,57
Total Project Costs	$ -	$ -	$ 291,459	$ 295,103	$ 298,791	$ 302,526	$ 306,308	$ 310,137	$ 314,013	$ 317,939	$ 107,304	$ 325,937	$ 229,417	$ 3,098,93
Holding Costs														
Real Estate Taxes	$ 11,175	$ 11,287	$ 10,826	$ 9,775	$ 8,702	$ 7,607	$ 6,489	$ 5,347	$ 4,183	$ 2,994	$ 2,195	$ 1,381	$ 380	$ 82,34
Special Taxes (Assessments)	$ 5,588	$ 5,643	$ 5,413	$ 4,887	$ 4,351	$ 3,803	$ 3,244	$ 2,674	$ 2,091	$ 1,497	$ 1,098	$ 690	$ 190	$ 41,12
HOA Fees (Subsidies)	$ 37,995	$ 38,375	$ 36,808	$ 33,235	$ 29,587	$ 25,863	$ 22,061	$ 18,181	$ 14,221	$ 10,179	$ 7,464	$ 4,694	$ 1,293	$ 279,95
Total Holding Costs	$ 54,758	$ 55,305	$ 53,046	$ 47,897	$ 42,640	$ 37,273	$ 31,794	$ 26,202	$ 20,494	$ 14,670	$ 10,758	$ 6,765	$ 1,863	$ 403,46
Total Costs	$ 1,778,419	$ 1,796,203	$ 2,405,919	$ 2,425,690	$ 2,445,620	$ 2,465,561	$ 2,485,779	$ 2,506,158	$ 1,282,381	$ 2,547,405	$ 1,371,672	$ 670,378	$ 463,560	$ 24,644,74
Cash Flow Before Profit	$ (1,778,419)	$ (1,796,203)	$ 1,583,981	$ 1,617,976	$ 1,652,677	$ 1,668,281	$ 1,699,737	$ 1,731,677	$ 3,008,427	$ 1,797,038	$ 94,577	$ 3,783,254	$ 2,660,888	$ 17,723,99

NPV of Cash Flows Discounted at:	Total	Per Lot
20.00%	$10,911,945	$72,235
22.50%	$10,283,388	$68,016
25.00%	9,693,322	$65,055

FINISHED LOT VALUE CONCLUSION

The two income approach analyses preformed above indicate a tight range of finished lots values for each of the subject's four planning areas. The finished lot value conclusions for each planning area are summarized in Table 35.

TABLE NO. 35

SUMMARY OF "FINISHED LOT" CONCLUSIONS				
Planning Area/Analysis	Value Range Per Unit			
A-1 (Model home complex)				
Static Analysis	$	104,575	$	115,389
Yield Analysis	$	104,450	$	112,801
B-1				
Static Analysis	$	71,770	$	82,305
Yield Analysis	$	70,940	$	79,703
C-1				
Static Analysis	$	68,440	$	78,987
Yield Analysis	$	69,428	$	77,875
D-1				
Static Analysis	$	63,547	$	73,655
Yield Analysis	$	65,055	$	73,235

The variation in the finished lots values summarized in Table 35 reflect differences in unit mix as well as differences in the portion of premium lots per planning area. For instance, Parcel A-1 has a very high percentage of lots with premiums as opposed to the other three planning area. Similarly, Parcel D-1 has a higher percentage of smaller lots than the other three planning areas. Based upon the static and yield analyses for each planning area, individual per lot values "as if complete" are concluded. Table 36 summarized the "as if complete" lot values.

TABLE NO. 36

"FINISHED LOT" VALUE CONCLUSIONS		
Planning Area	Finished Lot Value	
A-1	$	108,000
B-1	$	75,000
C-1	$	75,000
D-1	$	70,000

The finished lot valuation conclusions provide the basis for concluding the "as is" value of the subject's four planning areas.

ESTIMATED COST NEW OF IMPROVEMENTS

There are two methods for deriving a cost new: reproduction cost or replacement cost. While either of these costs would be appropriate for the base in estimating cost new, it is our opinion that the most appropriate for this assignment is the replacement cost. Replacement cost is defined as:

> The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised using modern materials and current standards, design, and layout.[1]

Replacement cost new is composed of three separate groups: direct costs, indirect costs and entrepreneurial profit. These components are defined as follows:

Direct Costs:	Expenditures for the labor and materials used in the construction improvements (also called "hard costs").[2]
Indirect Costs:	Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. (also called "soft costs").[3]
Entrepreneurial Profit:	A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development.[4]

It should be noted that, for this assignment, contractor's overhead and profit is considered to be sole and separate from entrepreneurial profit.

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[1] The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, Chicago, Illinois, 2002, p. 244.

[2] *Ibid.*, p. 83.

[3] *Ibid.*, p. 145.

[4] The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, Chicago, Illinois, 2002, p. 96.

Direct/Indirect Costs

Development costs for both community infrastructure and on-site (in-tract) lot development have been provided by the developer.

Infrastructure Costs

The cost of infrastructure for the initial phase of development of Sun City Festival is summarized in Table 37.

TABLE NO. 37

SUN CITY FESTIVAL INFRASTRUCTURE COSTS

Infrastructure Item		Cost	Cost/ Lot
Grading (all in - clear and grub, mass excavation, finishing	$	1,070,000	1,478
Water Reclamation Facility (1mgd) [1]	$	2,162,500	2,987
Well #1 and Water Plant #1 [2]	$	1,320,000	1,823
12" and 16" water lines in Canyon Springs, Beardsley and Desert Vista	$	1,120,000	1,547
Sewer Trunk to WRF	$	2,300,000	3,177
Canyon Springs (CBS) - paving, concrete, storm drains, street lights, dry utilities	$	1,500,000	2,072
Sun Valley Parkway (SVP)	$	400,000	552
Beardsley Road - paving, concrete, storm drain, street lights, dry utilities	$	1,070,000	1,478
Desert Vista (DV) - paving, concrete, storm drain, street lights, dry utilities	$	1,230,000	1,699
Landscaping and walls (A1-D1, Beardsley, Desert Vista, Canyon Springs)	$	3,440,000	4,751
Entry Monuments (SVP/CBS and CBS/DV)	$	1,100,000	1,519
Temporary Police/Fire Facility	$	300,000	414
Golf Course Development (Parcels A1-D1 only)	$	2,200,000	3,039
Total	$	19,212,500	26,537

Source: Pulte Homes, Inc.

(1) Water reclamation facility sized for 3,100 homes ($8.56 million). Phase 1 will require approx. 25% of capacity.
(2) Well and water plant to service 3,100 homes ($5.28 million). Phase 1 will require approx. 25% of capacity.

Infrastructure costs allocated to the initial development phase are estimated at $19,212,500, or approximately $26,500 per lot. The per lot costs of $26,500 are higher than most standard subdivision development costs, however higher development costs are not uncommon in a multi-phased development, particularly an age-restricted community. Many of the development costs for age-restricted communities are front-loaded. Costs for some items, which benefit the entire community such as entry monuments, loop roads, recreation amenities, oversized water and sewer lines, etc., are developed during the initial phase of development.

Lot Development Costs (In-tract)

Lot development costs have been provided for each of the subject's four planning areas. The lot development costs are summarized in Table 38.

TABLE NO. 38

ON-SITE DEVELOPMENT COSTS

Planning Area	No. Of Lots	Lot Development Costs	Costs/ Lot
A-1	24	$ 740,000	$ 30,833
B-1	408	$ 4,300,000	$ 10,539
C-1	143	$ 1,300,000	$ 9,091
D-1	149	$ 1,200,000	$ 8,054

Source: Pulte Homes, Inc.

Lot development costs for Parcel A-1 are significantly higher than the three other planning areas. The higher costs are associated with two facts: (1) the 24 lots within Parcel A-1 will be developed with a model home complex from which the homes in the rest of the community will sold, and (2) there are only 24 lots to spread the lot development costs. While the lot development costs for Parcels B-1, C-1 and D-1 are lower than the development costs associated with typical single family residential subdivision development, the developer has significant development experience with age-restricted master planned communities. Given the experience of the developer, the developer's estimation of on-site development costs is utilized in the Modified Cost Approach analysis.

Entrepreneurial Profit

It is logical to assume that an investor or developer would require an entrepreneurial profit over and above the cost to acquire the property and holding costs. Entrepreneurial profit pertinent to the development of finished subdivision lots is separate from homebuilder's profit, but in a reasonably balanced marketplace, should reflect a similar prorata share of costs (land plus development costs). If the marketplace is significantly undersupplied, an argument can be made that lot development can capture a higher percentage of profits because there are typically several homebuilders competing for the right to purchase the lots.

Homebuilder profits are typically within the range of 9% to 15% of base home. The lot development portion of residential development is anticipated to be similar to the homebuilding portion of residential development (as a ratio of total costs), if similar factors are affecting both homebuilding and lot development efforts. These factors include potential revenue sources (i.e., price level of homes and lot premium projections) and level of supply and demand (both home and lot inventories).

Referring back to the static residual analysis in the Income Capitalization Approach section, a homebuilder profit range of 12% to 16% of base home price is concluded to be reasonable for the subject units. The lot development portion of residential development is anticipated to be similar to the homebuilding portion of residential development (as a ratio of total costs), if similar factors are affecting both homebuilding and lot development efforts. These factors include potential revenue sources (i.e., price level of homes and lot premium projections) and level of supply and demand (both home and lot inventories).

For the purposes of this report, we have utilized a development profit range of 12% to 16% (as a percentage of lot development costs and land value). This range encompasses the homebuilder static profit range utilized in the Income Capitalization Approach as well as what in our opinion is reasonable to expect to reflect a current "as if vacant" opinion of value. Table 39 on the following page provides a range of "as if vacant" lot values based the development cost estimations and profit assumptions.

TABLE NO. 39

PARCEL A-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$108,000	$108,000	$108,000
Less: Development costs	(30,800)	(30,800)	(30,800)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($11,571)	($13,263)	($14,897)
Raw Lot Value ("As if vacant")	$39,129	$37,437	$35,803

PARCEL B-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$75,000	$75,000	$75,000
Less: Development costs	(10,539)	(10,539)	(10,539)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($8,036)	($9,211)	($10,345)
Raw Lot Value ("As if vacant")	$29,925	$28,750	$27,616

PARCEL C-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$73,500	$73,500	$73,500
Less: Development costs	(9,091)	(9,091)	(9,091)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,875)	($9,026)	($10,138)
Raw Lot Value ("As if vacant")	$30,034	$28,883	$27,771

PARCEL D-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$70,000	$70,000	$70,000
Less: Development costs	(8,054)	(8,054)	(8,054)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,500)	($8,596)	($9,655)
Raw Lot Value ("As if vacant")	$27,946	$26,850	$25,791

"AS IS" VALUE CONCLUSION – PARCEL A-1

From the "as if vacant" value range concluded above, incurred development costs and earned profit as of the date of valuation must added back. While much of the on-site development will occur after the date of valuation, significant planning and engineering expenses have been incurred. For purposes of this analysis, incurred development costs are estimated at 15% of total development costs. Likewise, a portion of the profit to be earned for the successful development of the community has been earned up to the date of valuation. Because much of the profit is created through the efforts of planning and entitling the property, earned profit is estimated at 20% of total profit. Utilizing the incurred development costs and profit estimates, "As Is" lot values based the profit expectation rates of 12% to 16% are summarized in Table 40.

TABLE NO. 40

PARCEL A-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE

	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$108,000	$108,000	$108,000
Less: Development costs	(30,800)	(30,800)	(30,800)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($11,571)	($13,263)	($14,897)
Raw Lot Value	$39,129	$37,437	$35,803
Plus: Incurred development costs (1)	$8,595	$8,595	$8,595
Plus: Earned Profit (2)	$2,314	$2,653	$2,979
"As Is" Lot Value	$50,038	$48,684	$47,378
Rounded	**$50,000**	**$49,000**	**$47,500**

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $49,000 per lot, or $1,176,000 is estimated ($49,000 x 24 lots).

"AS IS" VALUE CONCLUSION – PARCEL B-1

The estimates and assumptions (percentages) utilized in estimating the "as is" value of Parcel A-1 are the same for the valuation of Parcel B-1. The only difference in the analyses is the staring

point, i.e., "as if vacant" per lot value range. The "as is" value range estimated for Parcel B-1 using the residual analysis is summarized in Table 41.

TABLE NO. 41

PARCEL B-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE

	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$75,000	$75,000	$75,000
Less: Development costs	(10,539)	(10,539)	(10,539)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($8,036)	($9,211)	($10,345)
Raw Lot Value	$29,925	$28,750	$27,616
Plus: Incurred development costs (1)	$5,556	$5,556	$5,556
Plus: Earned Profit (2)	$2,411	$2,763	$3,103
"As Is" Lot Value	$37,892	$37,069	$36,275
Rounded	$38,000	$37,000	$36,000

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $37,000 per lot, or $15,096,000 is estimated ($37,000 x 408 lots).

"AS IS" VALUE CONCLUSION – PARCEL C-1

The estimates and assumptions (percentages) utilized in estimating the "as is" value of Parcel A-1 are the same for the valuation of Parcel C-1. The only difference in the analyses is the staring point, i.e., "as if vacant" per lot value range. The "as is" value range estimated for Parcel C-1 using the residual analysis is summarized in Table 42.

TABLE NO. 42

PARCEL C-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$73,500	$73,500	$73,500
Less: Development costs	(9,091)	(9,091)	(9,091)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,875)	($9,026)	($10,138)
Raw Lot Value	$30,034	$28,883	$27,771
Plus: Incurred development costs (1)	$5,339	$5,339	$5,339
Plus: Earned Profit (2)	$1,575	$1,805	$2,028
"As Is" Lot Value	$36,948	$36,027	$35,137
Rounded	**$37,000**	**$36,000**	**$35,000**

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $36,000 per lot, or $5,148,000 is estimated ($36,000 x 143 lots).

"AS IS" VALUE CONCLUSION – PARCEL D-1

The estimates and assumptions (percentages) utilized in estimating the "as is" value of Parcel A-1 are the same for the valuation of Parcel D-1. The only difference in the analyses is the staring point, i.e., "as if vacant" per lot value range. The "as is" value range estimated for Parcel D-1 using the residual analysis is summarized in Table 43.

TABLE NO. 43

PARCEL D-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE

	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$70,000	$70,000	$70,000
Less: Development costs	(8,054)	(8,054)	(8,054)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,500)	($8,596)	($9,655)
Raw Lot Value	$27,946	$26,850	$25,791
Plus: Incurred development costs (1)	$5,183	$5,183	$5,183
Plus: Earned Profit (2)	$1,500	$1,719	$1,931
"As Is" Lot Value	$34,629	$33,752	$32,905
Rounded	**$35,000**	**$34,000**	**$33,000**

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $34,000 per lot, or $5,066,000 is estimated ($34,000 x 149 lots).

FINAL VALUE CONCLUSIONS

The value of each of the four subject parcels were concluded using the Modified Cost Approach, residual analysis. Within this analysis, the value of each parcel was effectively "backed" into from the finished home product. Construction costs, development cost and projected profits were subtracted from the final product to arrive at the "as if vacant" value of a raw residential lot within each planning area. At this point any incurred development costs and earned profit were added back to derive the "as is" value of each of the four subject parcels. Based upon the Modified Cost Approach analyses, the following "as is" wholesale market values are estimated, as of August 12, 2005:

WHOLESALE (BULK) MARKET VALUE

PLANNING AREA A-1
ONE MILLION ONE HUNDRED SEVENTY-SIX THOUSAND DOLLARS
($1,176,000)

PLANNING AREA B-1
FIFTEEN MILLION NINETY-SIX THOUSAND DOLLARS
($15,096,000)

PLANNING AREA C-1
FIVE MILLION ONE HUNDRED FORTY-EIGHT THOUSAND DOLLARS
($5,148,000)

PLANNING AREA D-1
FOUR MILLION NINE HUNDRED SEVENTEEN THOUSAND DOLLARS
($4,917,000)

The subject properties are being appraised in connection with the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the market value of each of the subject's four planning area be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. *The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; rather it reflects a special instruction from the client.*

ESTIMATED WHOLESALE (BULK) MARKET VALUE LESS 5% CFD ADMINISTRATIVE FEE

PARCEL A-1		PARCEL C-1	
Wholesale (Bulk) Value	$1,176,000	Wholesale (Bulk) Value	$5,148,000
Less: Admin. Fee (5%)	($59,000)	Less: Admin. Fee (5%)	($257,000)
Wholesale (Bulk) Value Less Admin. Fee	$1,117,000	Wholesale (Bulk) Value Less Admin. Fee	$4,891,000
PARCEL B-1		PARCEL D-1	
Wholesale (Bulk) Value	$15,096,000	Wholesale (Bulk) Value	$4,917,000
Less: Admin. Fee (5%)	($755,000)	Less: Admin. Fee (5%)	($246,000)
Wholesale (Bulk) Value Less Admin. Fee	$14,341,000	Wholesale (Bulk) Value Less Admin. Fee	$4,671,000

ADDENDA

LEGAL DESCRIPTION FOR FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT SPECIAL ASSESSMENT AREA #1

SUN CITY FESTIVAL PLAT MAPS (A-1 THROUGH D-1)

FINAL PLAT
OF

"SUN CITY FESTIVAL - PARCEL A1"

A SUBDIVISION LOCATED IN THE NORTH HALF OF SECTION 25, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND

VICINITY MAP

TRACT INFORMATION TABLE

CERTIFICATIONS

ACKNOWLEDGMENT

KEY MAP

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

CERTIFICATION

BASIS OF BEARING

SHEET 1 OF 8

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GROSS AREA =[illegible] AC.

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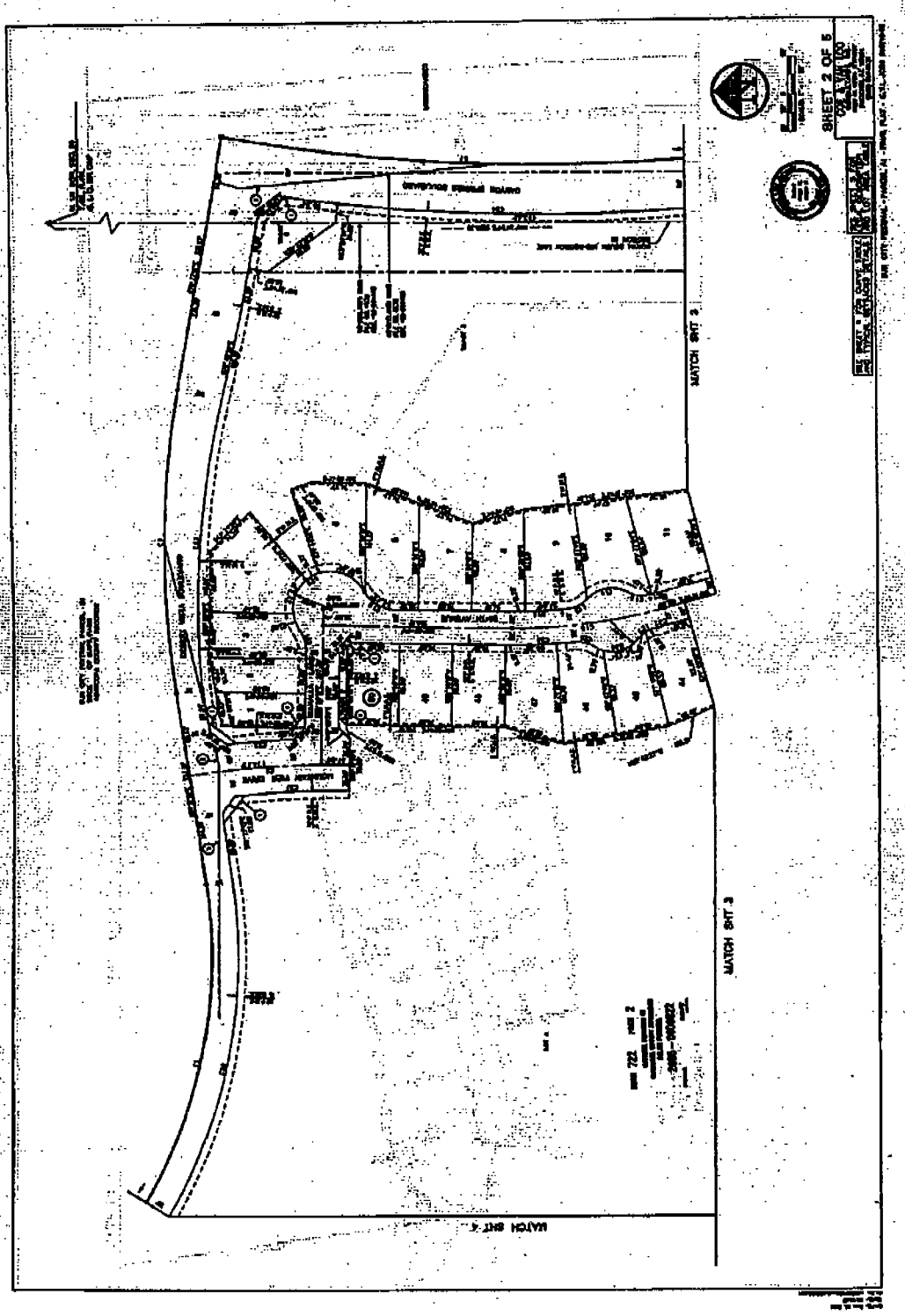

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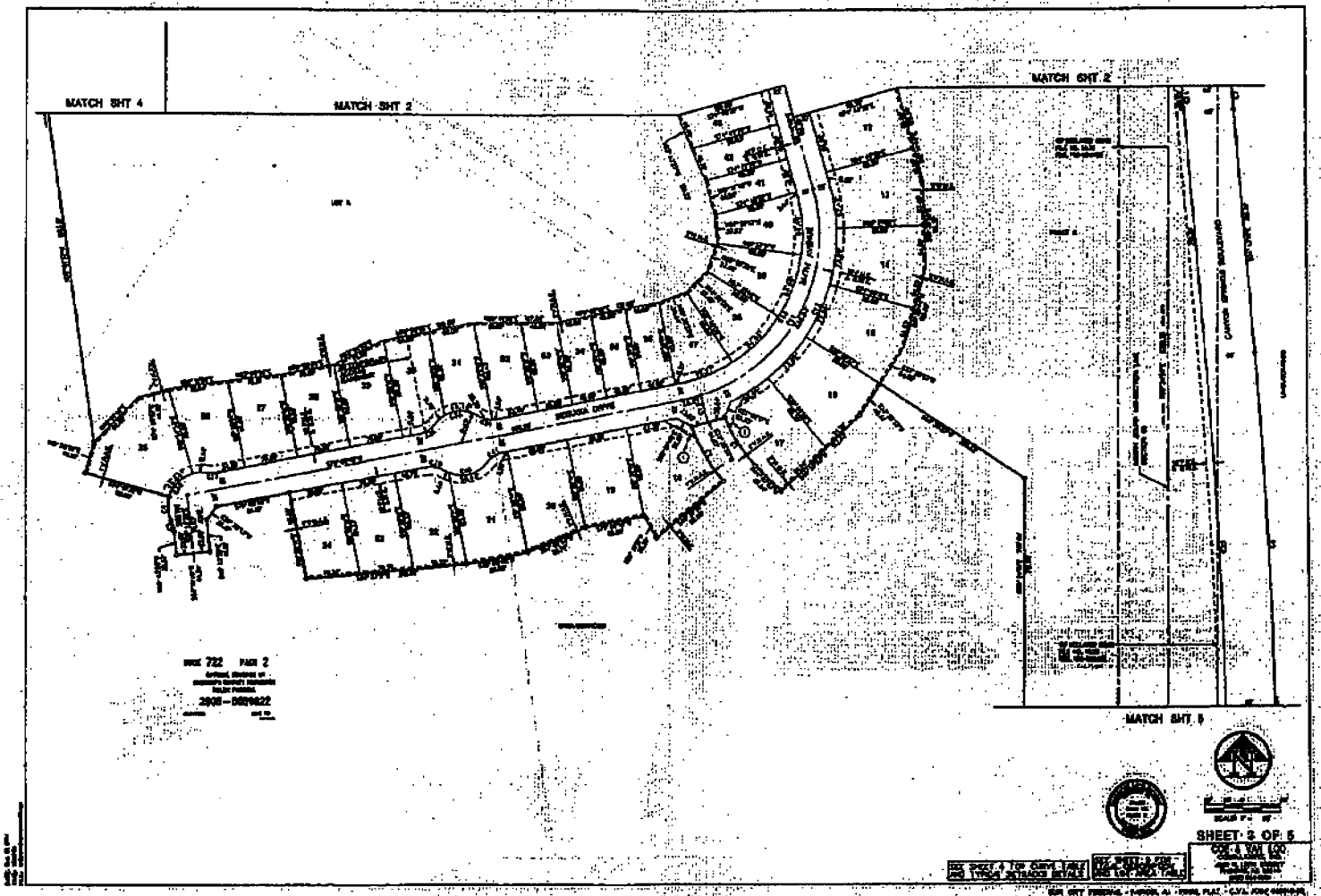

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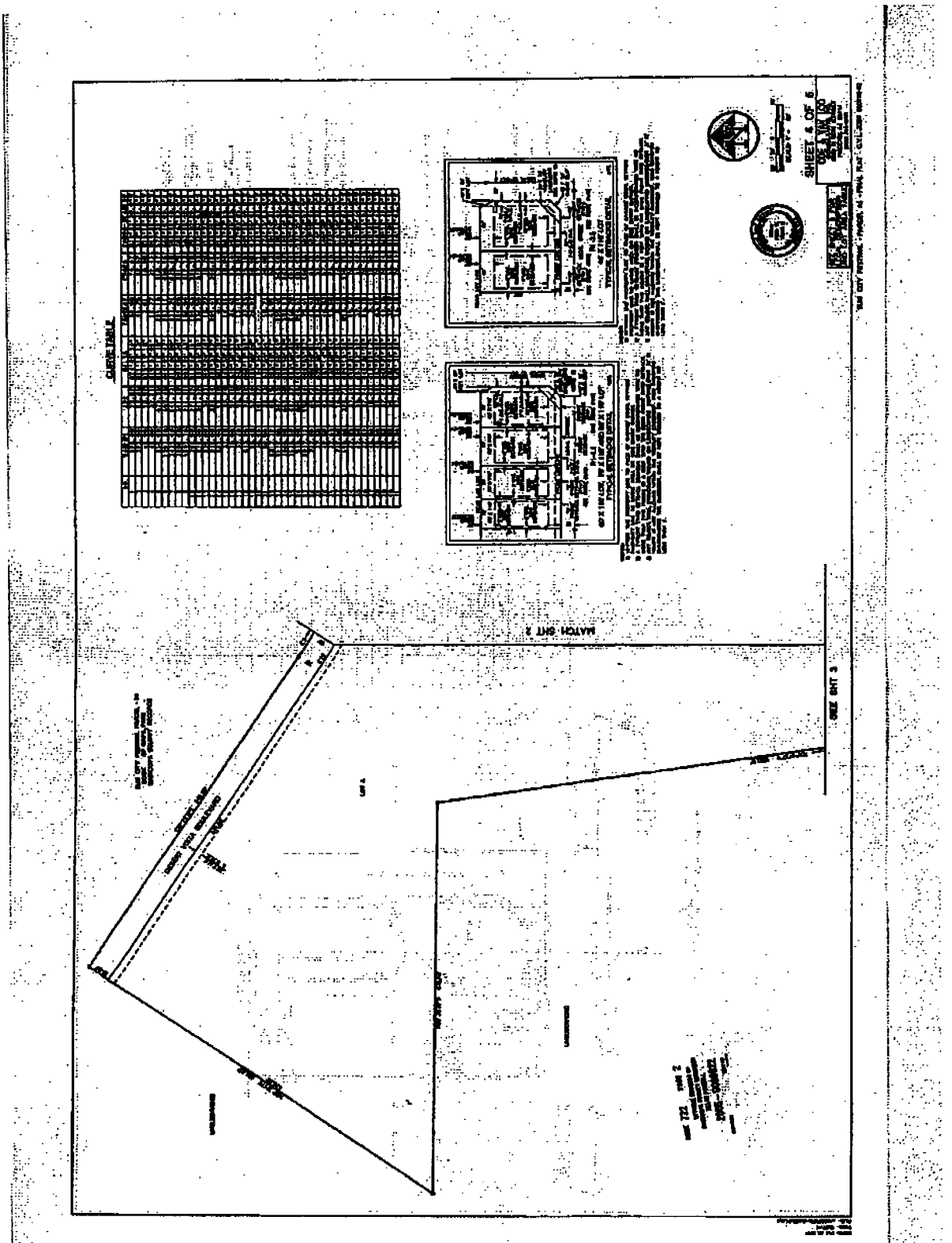

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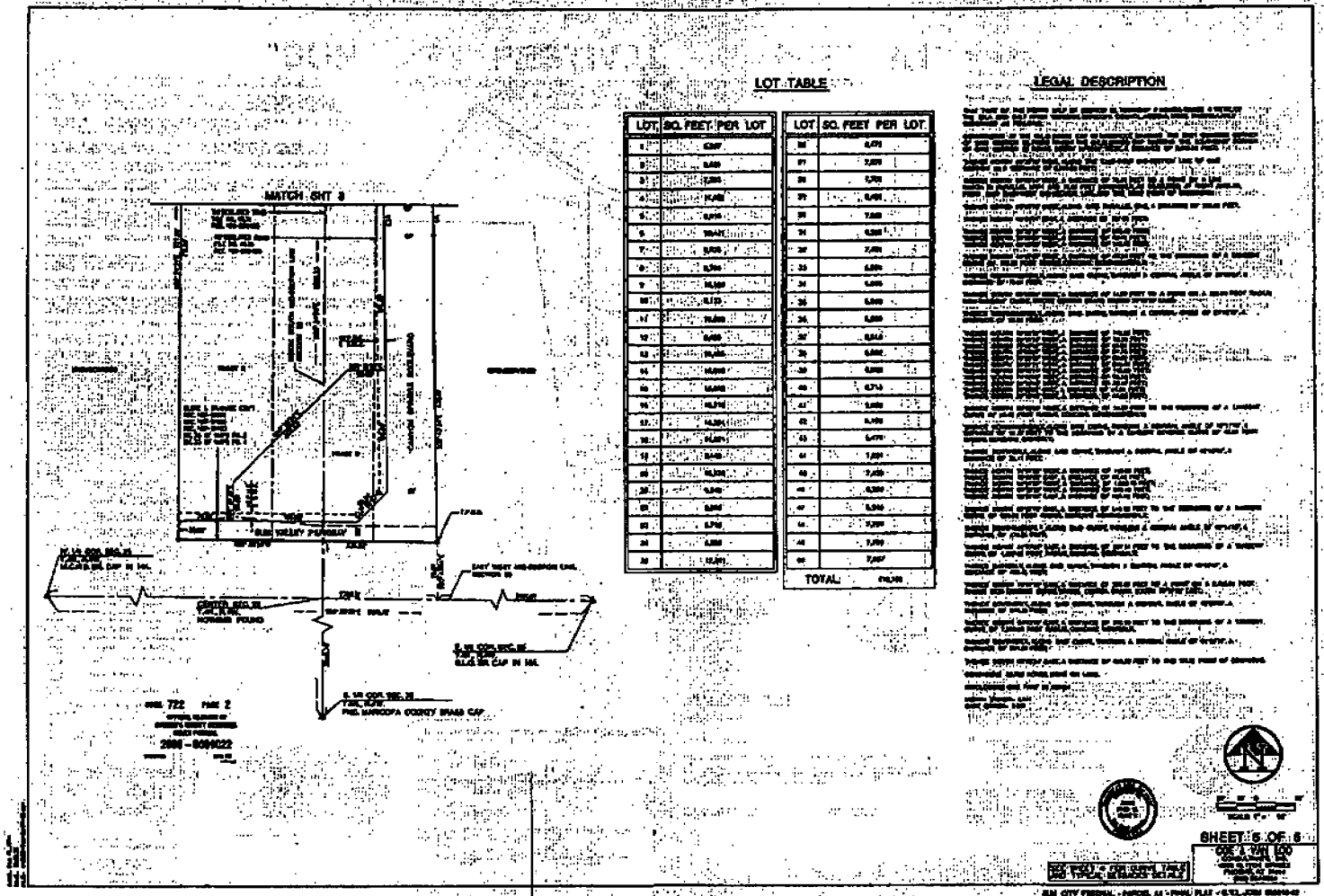
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SUN VALLEY PARKWAY
LOT TABLE
LEGAL DESCRIPTION
TOTAL
SHEET 5 OF 6

FINAL PLAT
OF
"SUN CITY FESTIVAL - PARCEL B1"

A SUBDIVISION LOCATED IN PORTIONS OF SECTIONS 23, 24, 25, AND 26, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

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2006-0000817

NOTES

LEGEND

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

KEY MAP

VICINITY MAP

TRACT INFORMATION TABLE

TRACT	PRIMARY USE	ACREAGE
A	LANDSCAPE DRAINAGE	[illegible] AC.
B	LANDSCAPE	[illegible] AC.
C	LANDSCAPE DRAINAGE	[illegible] AC.
D	LANDSCAPE DRAINAGE	[illegible] AC.
E	LANDSCAPE, PARK & SWIM	[illegible] AC.
F	LANDSCAPE DRAINAGE	[illegible] AC.
G	LANDSCAPE DRAINAGE	[illegible] AC.
H	FUTURE DEVELOPMENT	[illegible] AC.
I	LANDSCAPE	[illegible] AC.
J	FUTURE DEVELOPMENT	[illegible] AC.
LOT-A	FUTURE ARIZONA PUBLIC SERVICE	[illegible] AC.
LOT-B	FUTURE TOWN OF BUCKEYE	[illegible] AC.
LOT-C	ACCESS & LANDSCAPE	[illegible] AC.
LOT-D	FUTURE GOLF MAINTENANCE FACILITY	[illegible] AC.
	TOTAL	[illegible] AC.

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

ACKNOWLEDGMENT

CERTIFICATIONS

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

CERTIFICATION

BASIS OF BEARING

SHEET 1 OF 14

GROSS AREA = 227.940 AC.
NET AREA = 203.806 AC.

SUN CITY FESTIVAL - PARCEL B1 - FINAL PLAT - U.T.A. JOBS 00000-00

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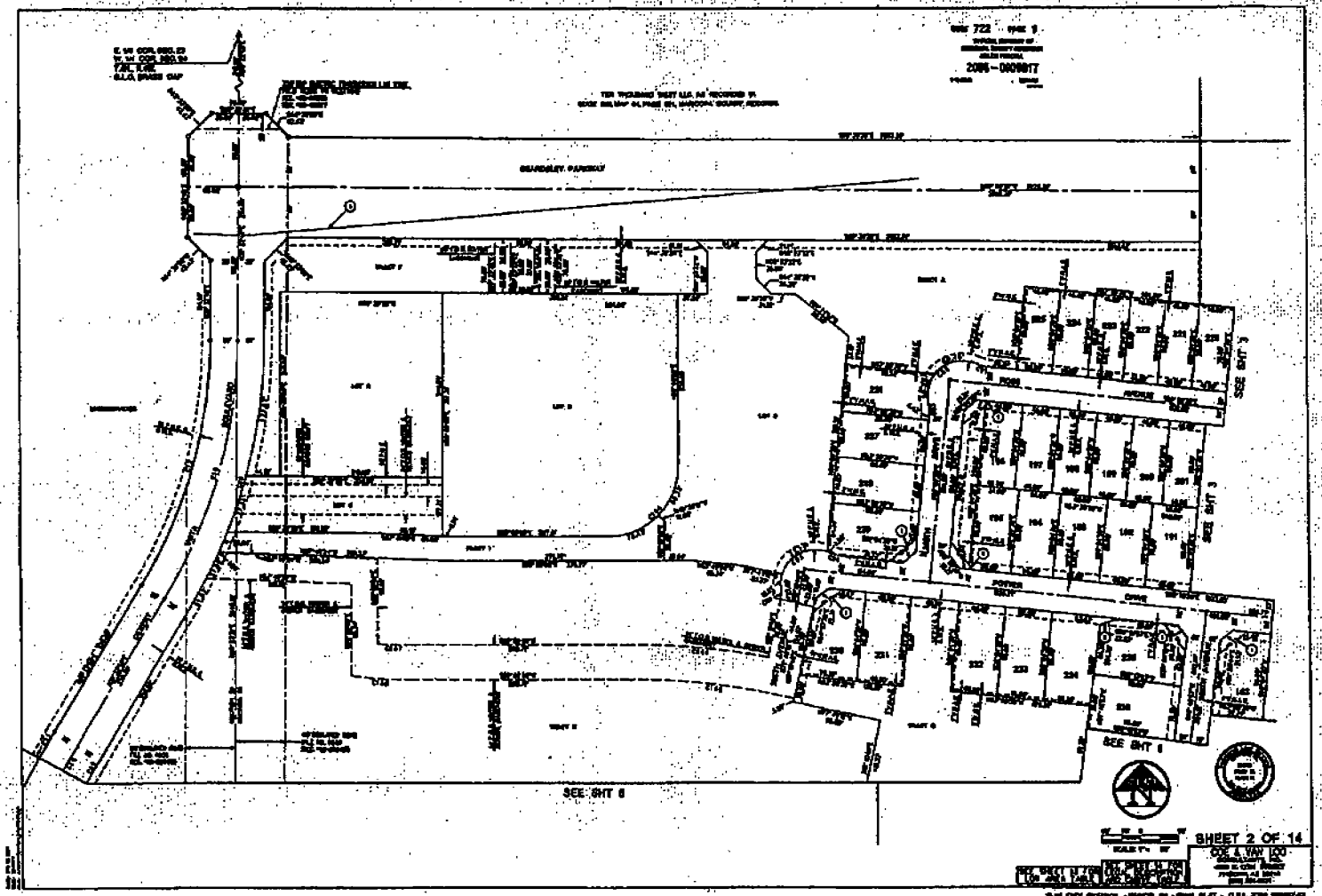

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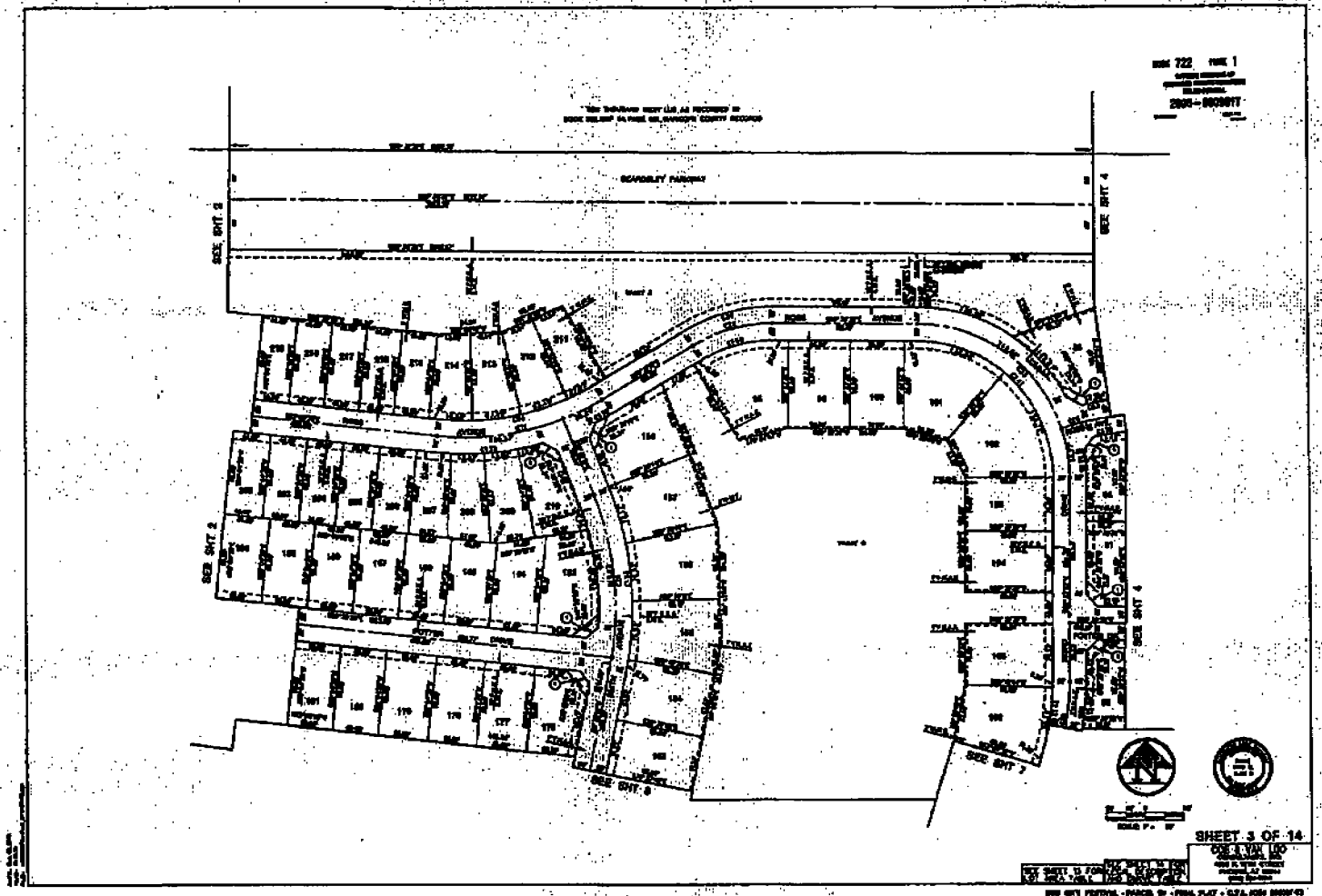

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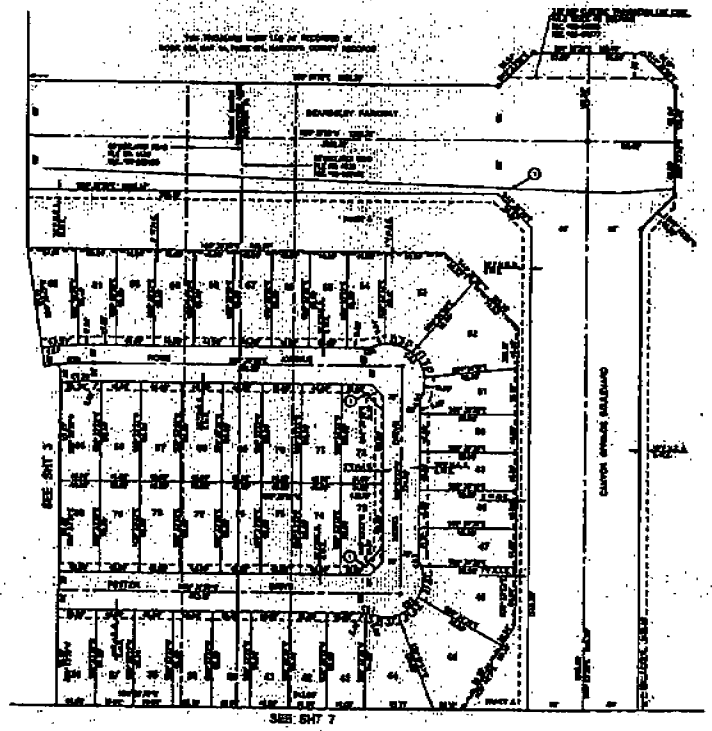

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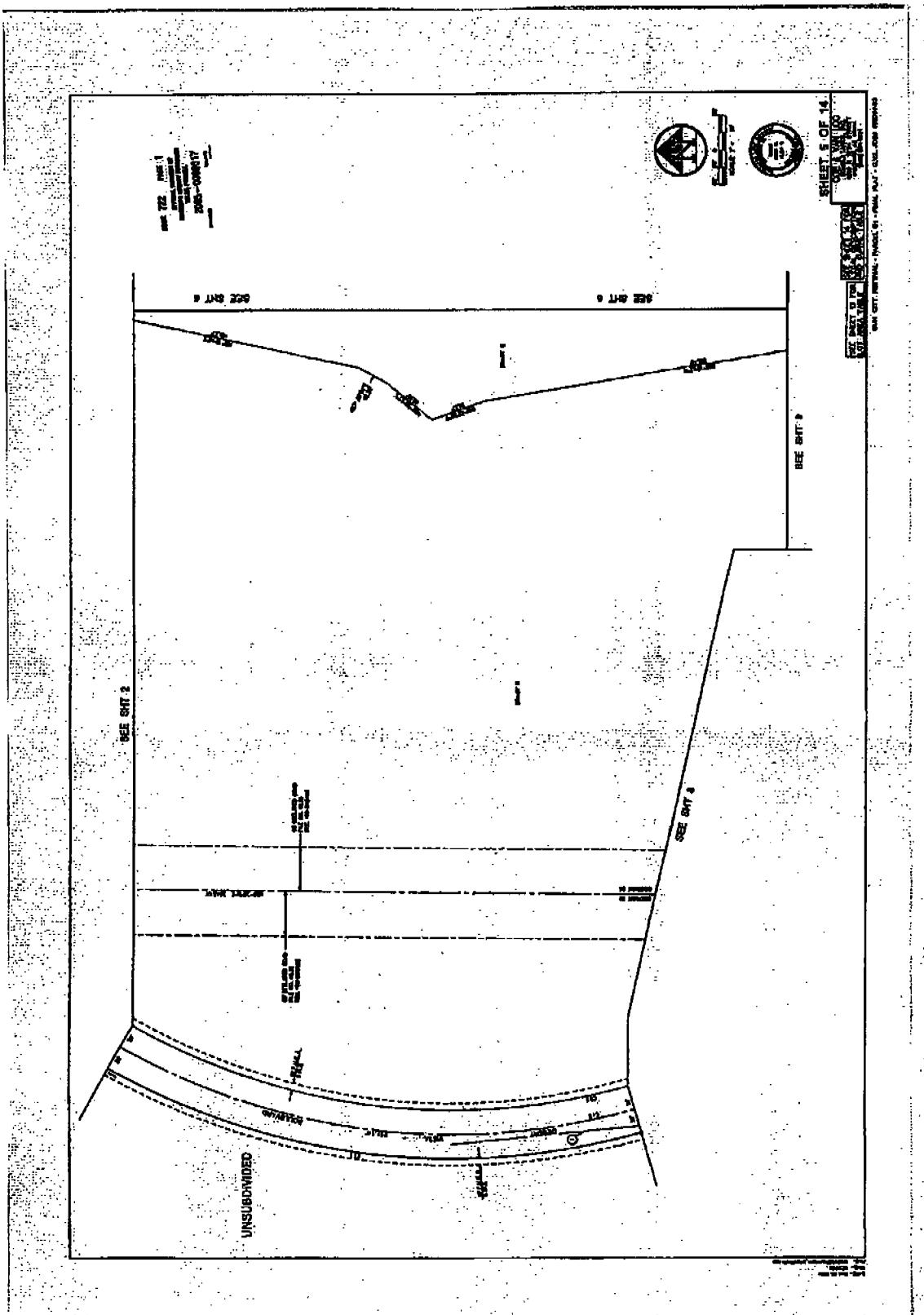

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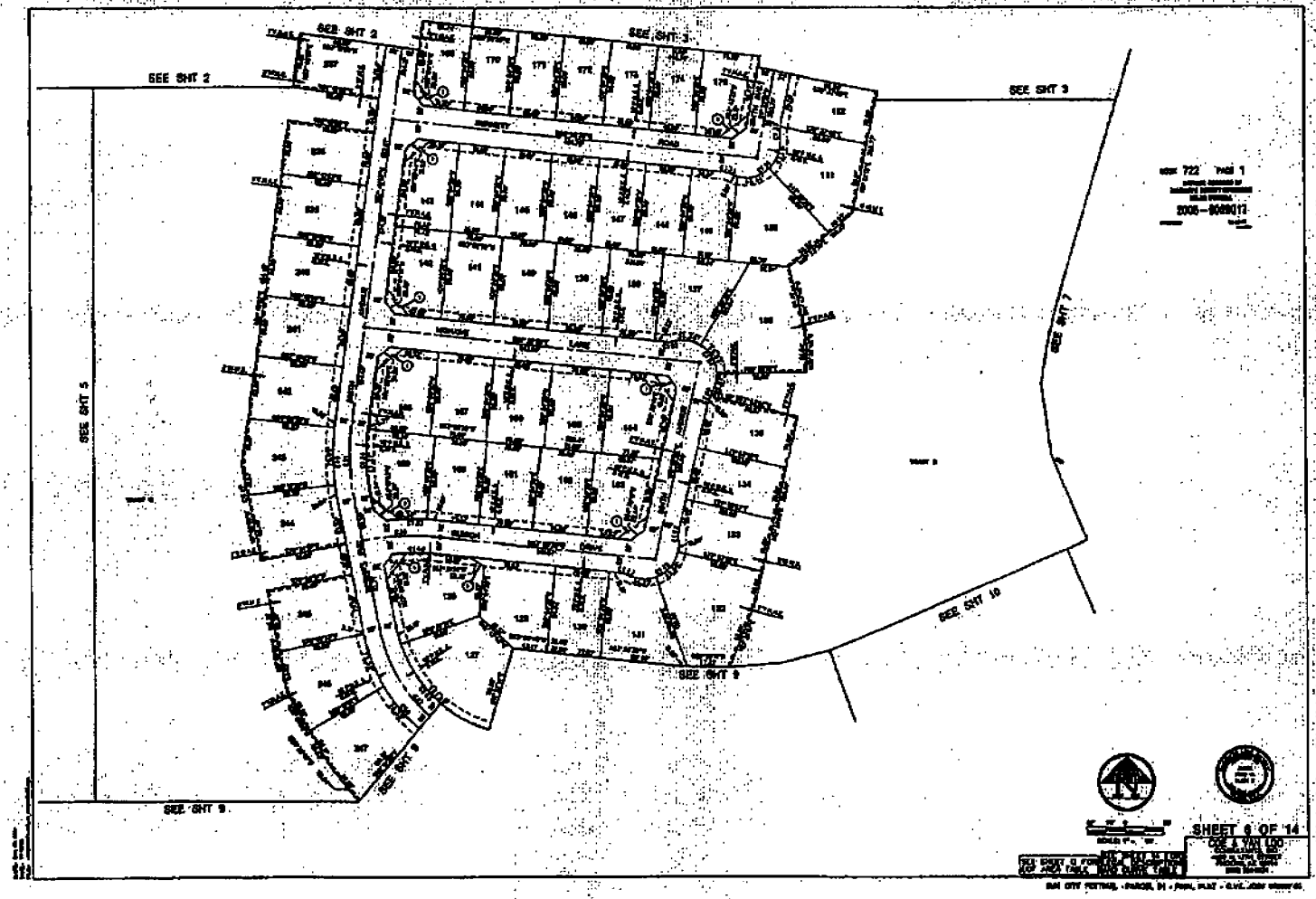

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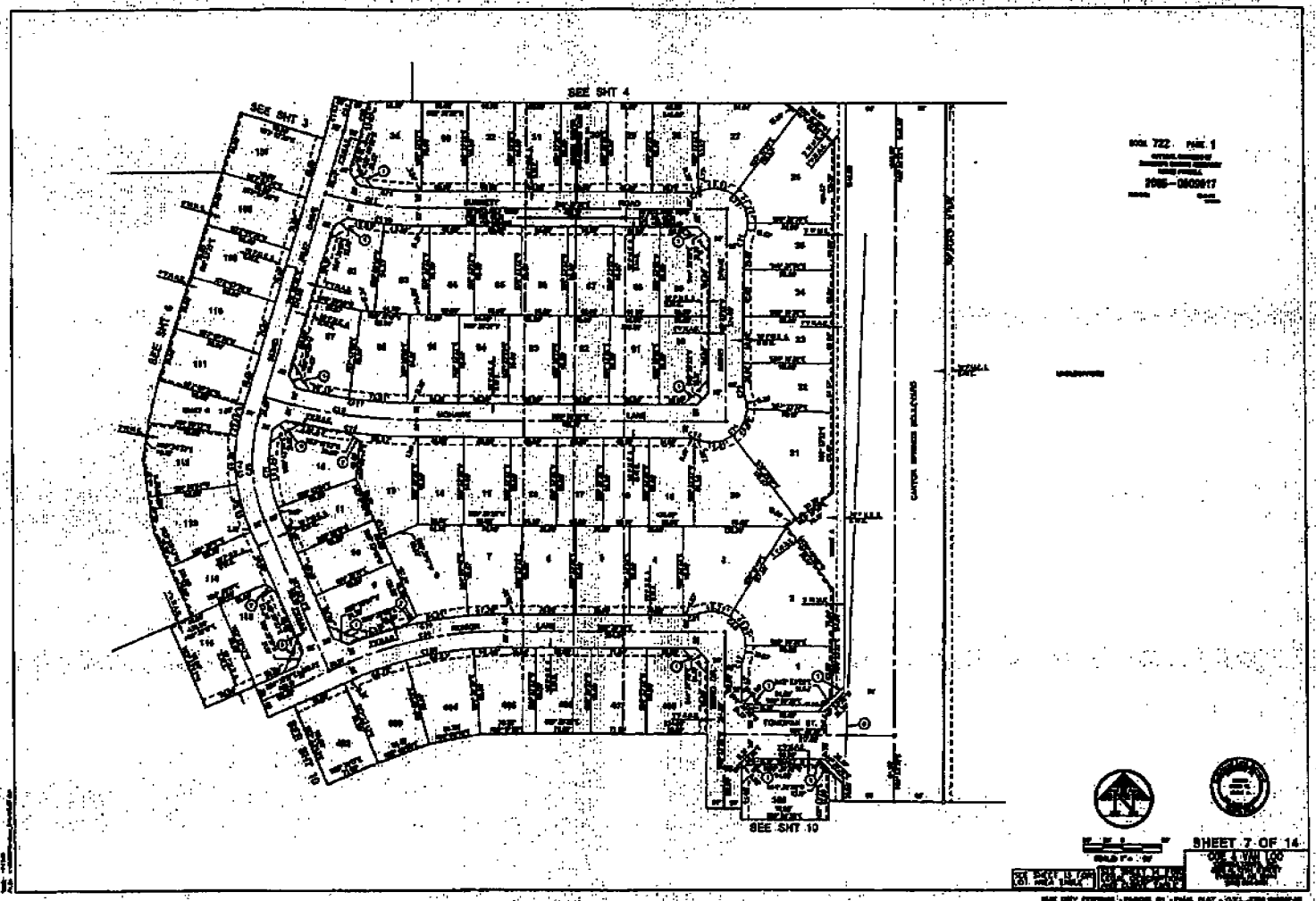

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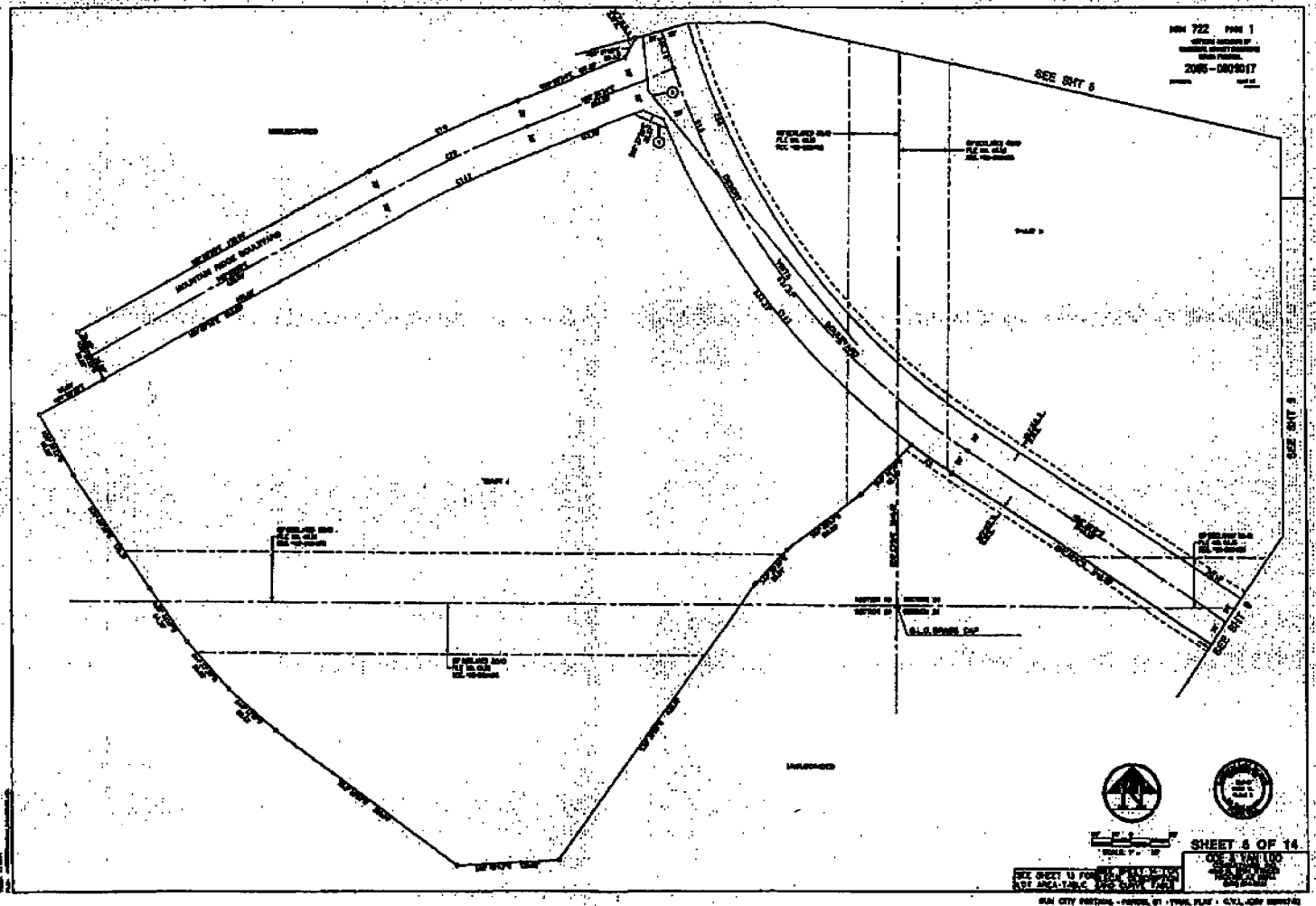

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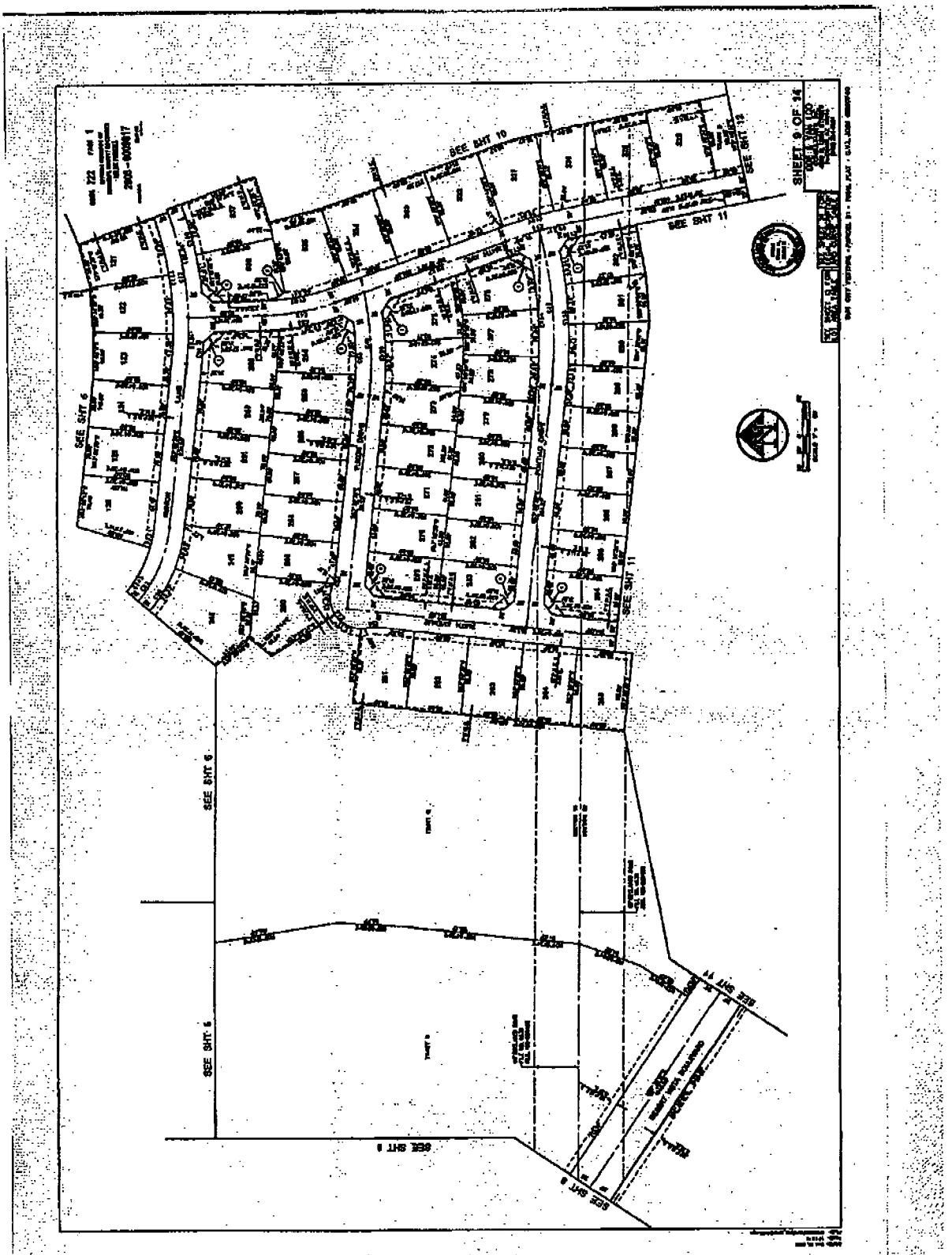

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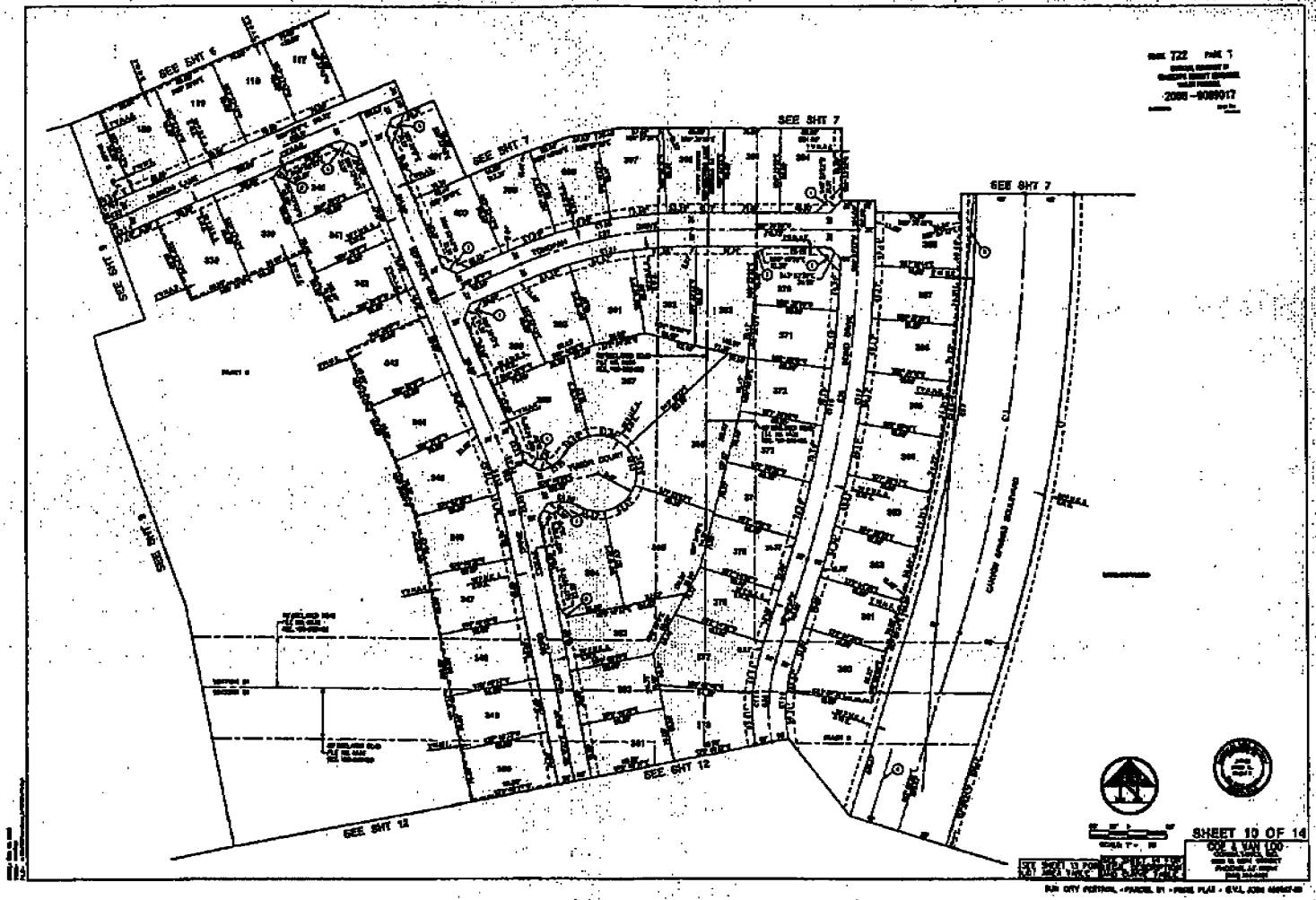

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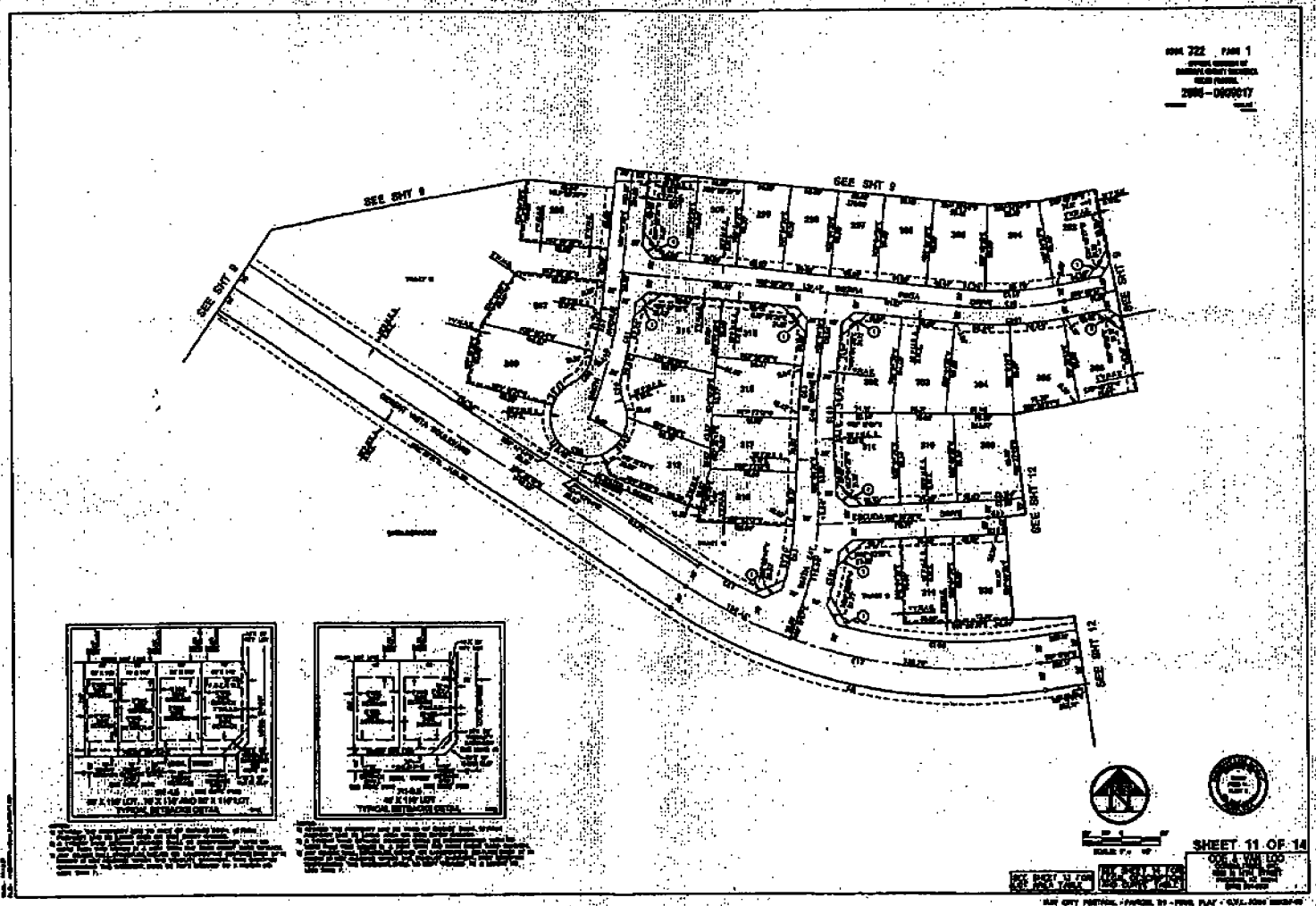
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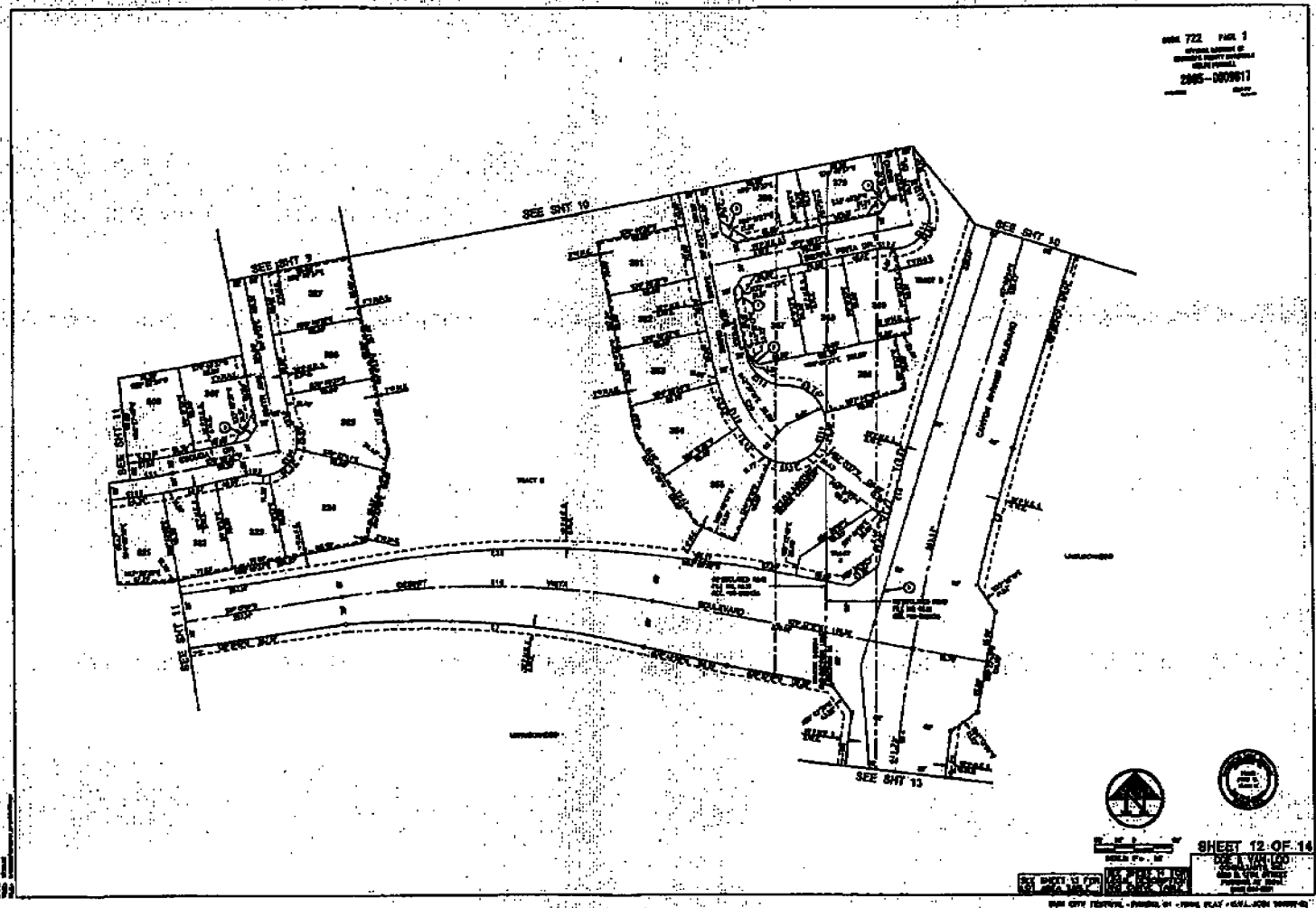
SEE SHT 9
SEE SHT 9
SEE SHT 12
SEE SHT 12
SHEET 11 OF 14



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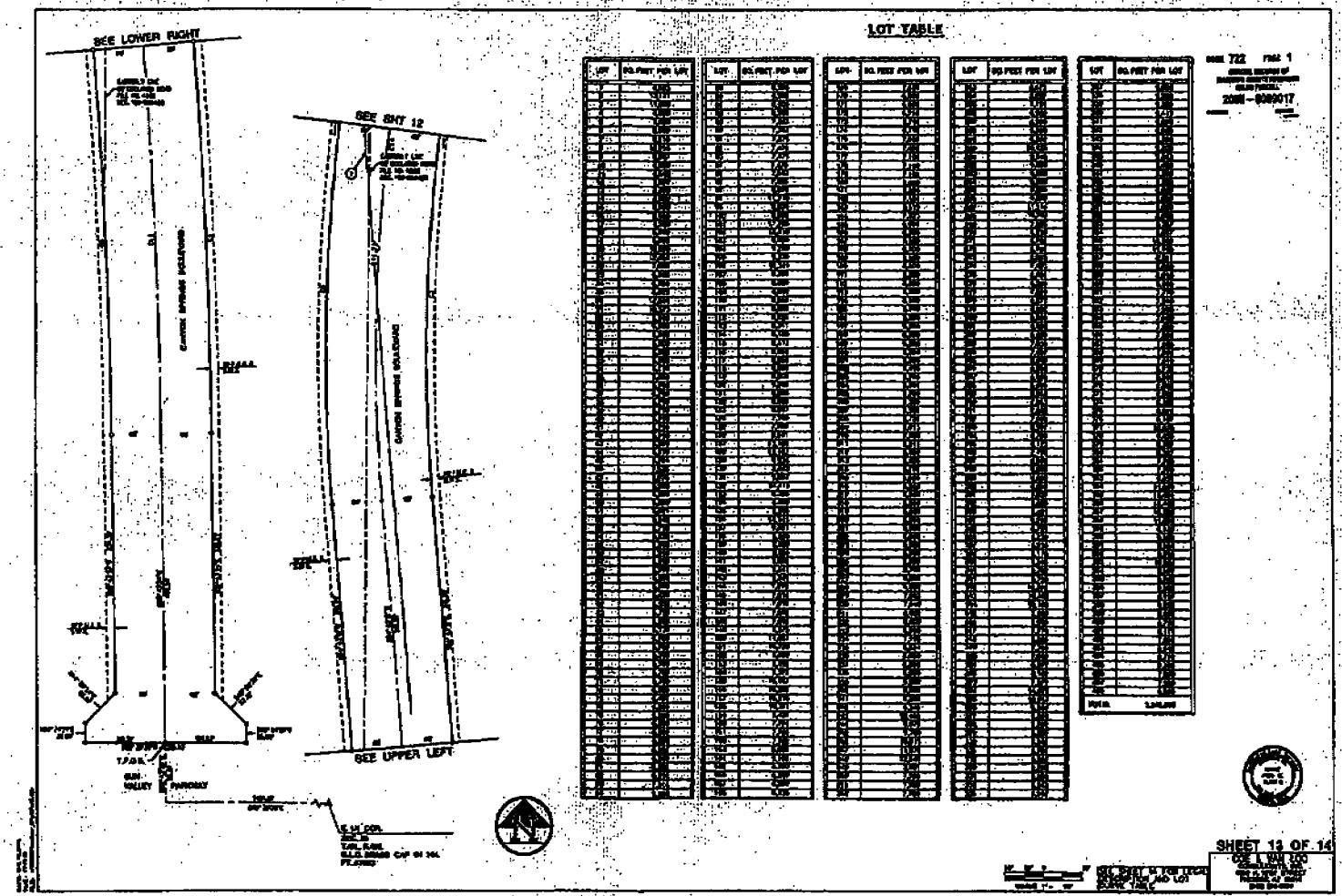

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SHEET 14 OF 14

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FINAL PLAT
OF

"SUN CITY FESTIVAL - PARCEL C1"

A SUBDIVISION BEING A REPLAT OF TRACT "H" OF "SUN CITY FESTIVAL - PARCEL B1" AS RECORDED IN BOOK 722 OF MAPS, PAGE 1, MARICOPA COUNTY RECORDS, AND BEING IN PORTIONS OF THE SOUTHEAST QUARTER OF SECTION 23, THE SOUTHWEST QUARTER OF SECTION 24, AND THE NORTHWEST QUARTER OF SECTION 26, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

TRACT INFORMATION TABLE

TRACT	PRIMARY USE	ACREAGE
A	LANDSCAPE DRAINAGE/RETENTION	[illegible] AC.
B	LANDSCAPE DRAINAGE/RETENTION	[illegible] AC.
C	LANDSCAPE DRAINAGE/RETENTION	[illegible] AC.
D	LANDSCAPE DRAINAGE/RETENTION	[illegible] AC.
	TOTAL	[illegible] AC.

VICINITY MAP

CERTIFICATIONS

ACKNOWLEDGMENT

KEY MAP

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

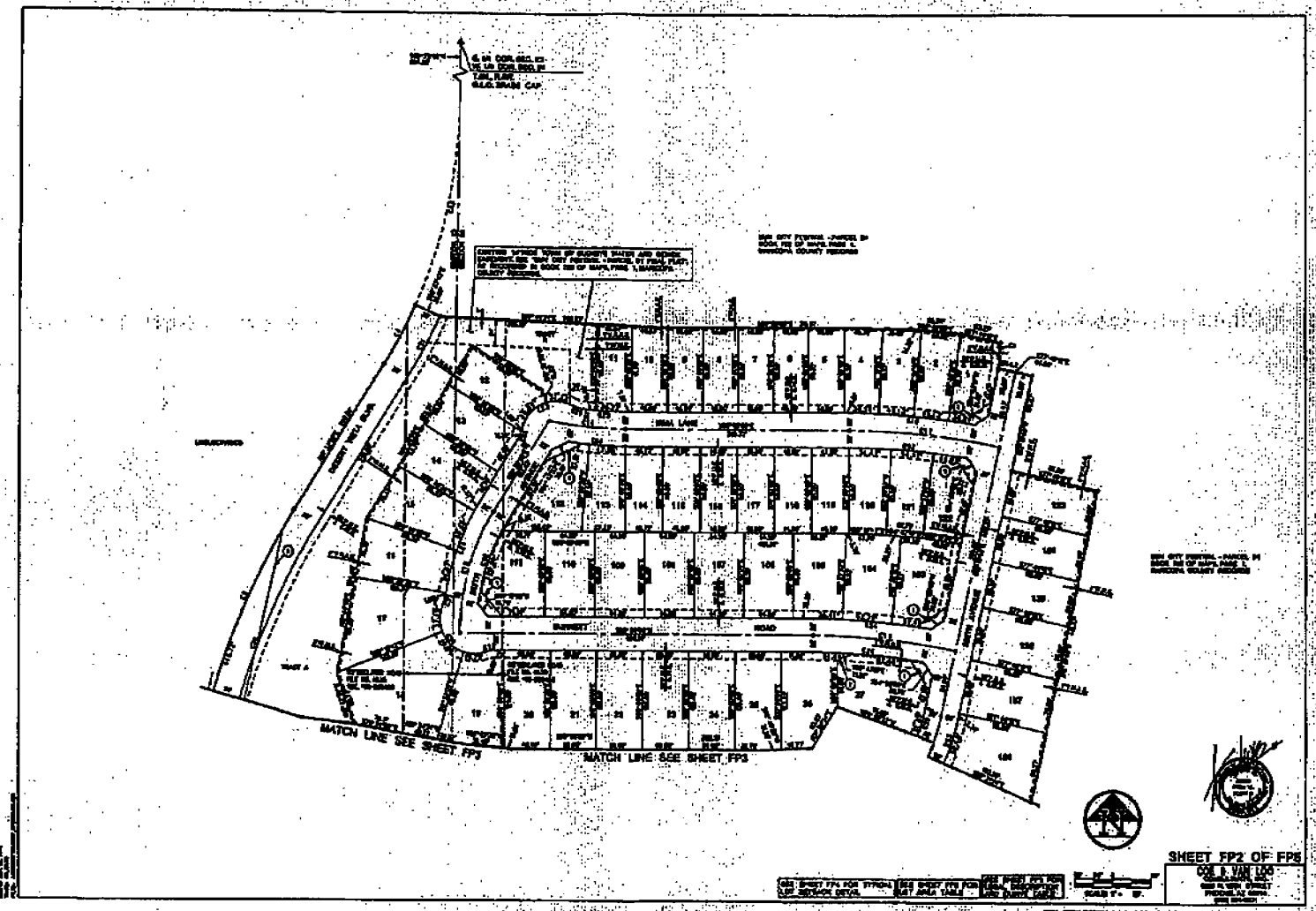
CERTIFICATION

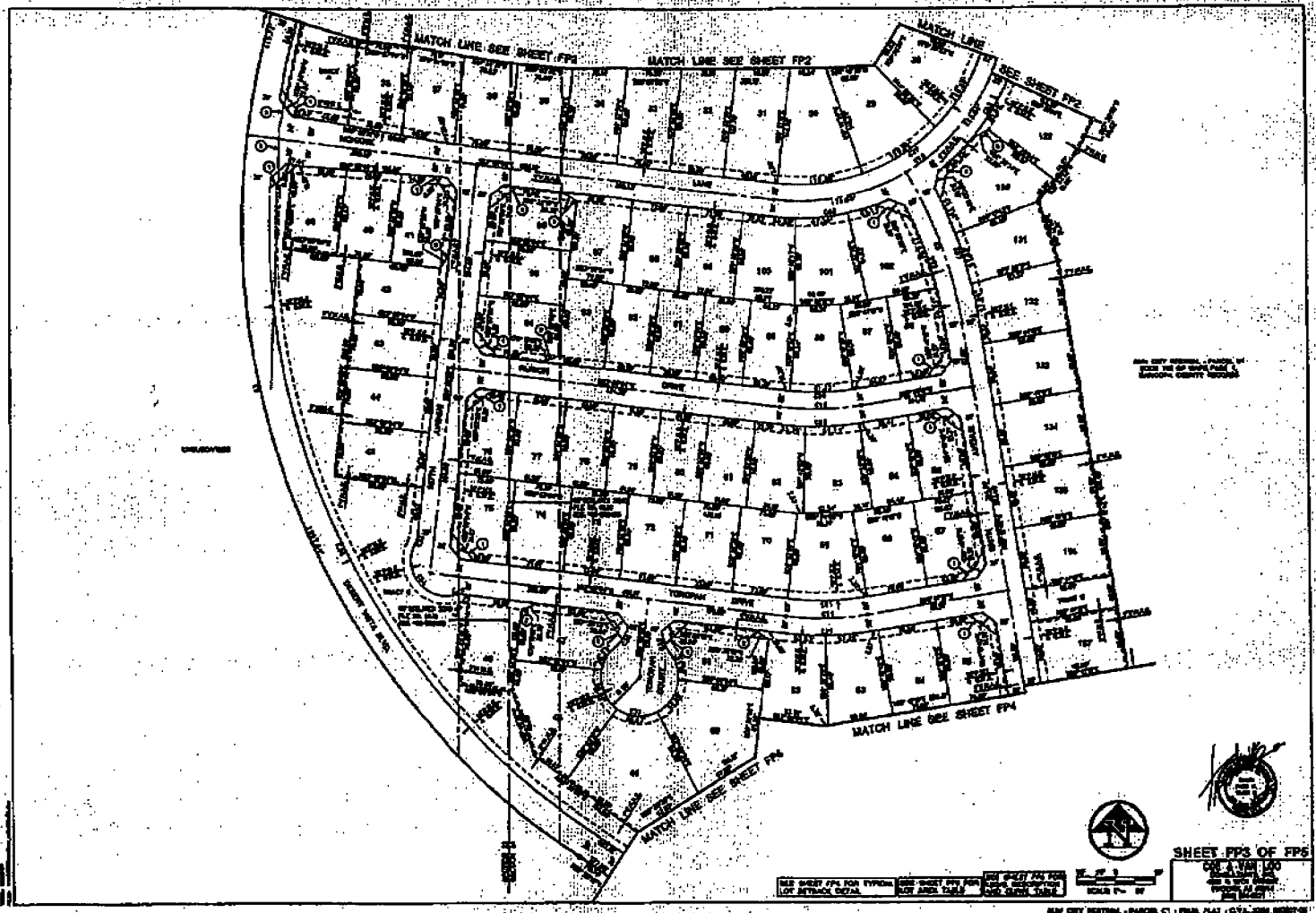
BASIS OF BEARING

GROSS AREA = [illegible] AC.
NET AREA = [illegible] AC.

SHEET FP1 OF FP5

SUN CITY FESTIVAL - PARCEL C1 - FINAL PLAT - C.V.L. JOB# [illegible]


MATCH LINE SEE SHEET FP3
MATCH LINE SEE SHEET FP3
SHEET FP2 OF FP6
COL. B. VAN LOO



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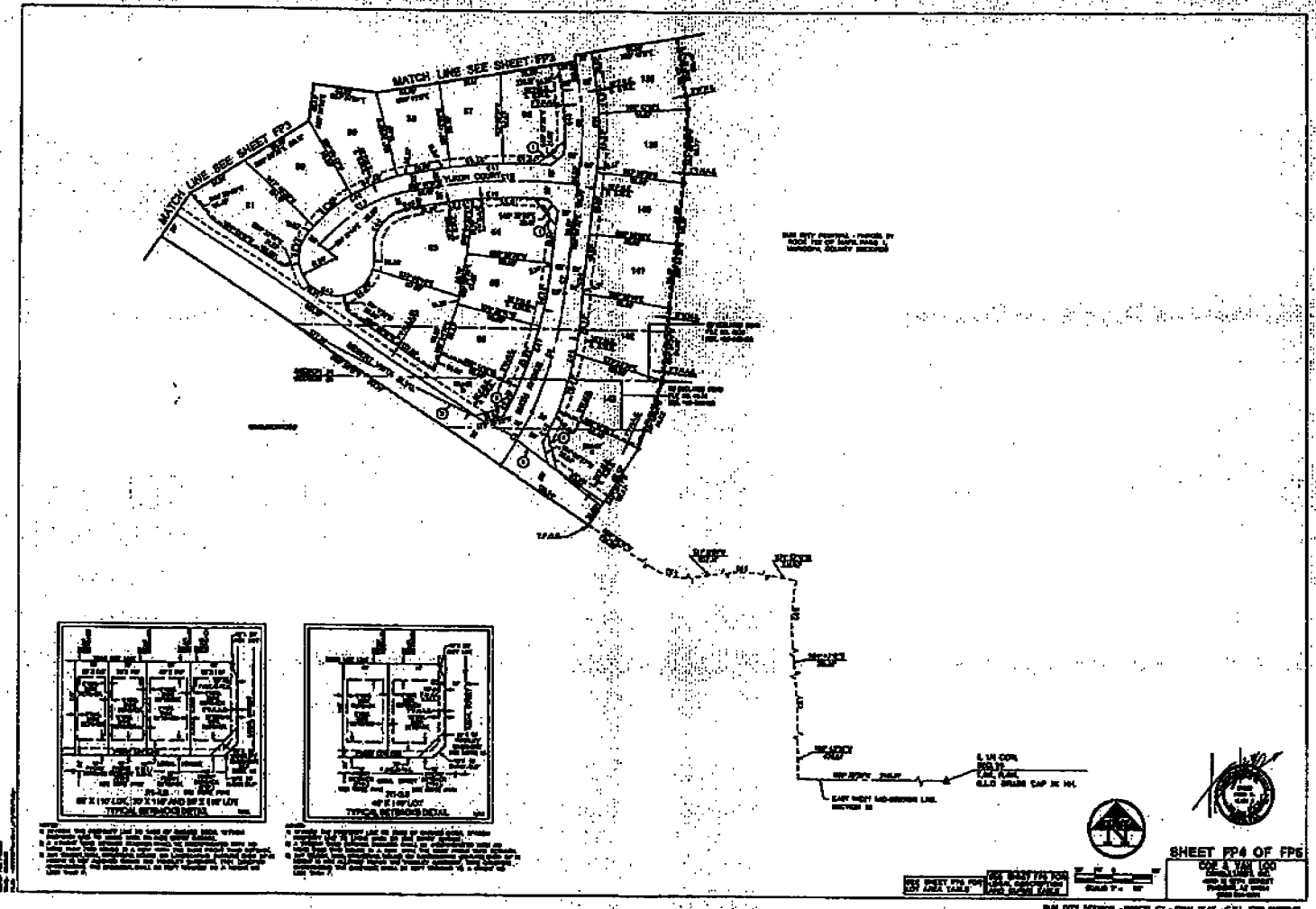

MATCH LINE SEE SHEET FP3
MATCH LINE SEE SHEET FP3
TYPICAL SETBACK DETAIL
TYPICAL SETBACK DETAIL
SHEET FP4 OF FP6

CURVE TABLE

NO.	DELTA	RADIUS	TANGENT	CHORD	CHORD BEARING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEGAL DESCRIPTION

[illegible]

LOT TABLE

LOT	SQ. FEET PER LOT	LOT	SQ. FEET PER LOT
[illegible]	[illegible]	[illegible]	[illegible]

SHEET FP5 OF FP5

SEE SHEET FP1 FOR TERRAIN, LOT SETBACK DETAIL

SCALE: 1" = 50'

SUN CITY FESTIVAL • PARCEL C1 • FINAL PLAT • C.V.L. JOB [illegible]

00691P5-001006.DI

FINAL PLAT
OF

"SUN CITY FESTIVAL - PARCEL D1"

A SUBDIVISION LOCATED IN THE SOUTHEAST QUARTER OF SECTION 23,
AND THE SOUTHWEST QUARTER OF SECTION 24,
TOWNSHIP 4 NORTH, RANGE 4 WEST,
GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

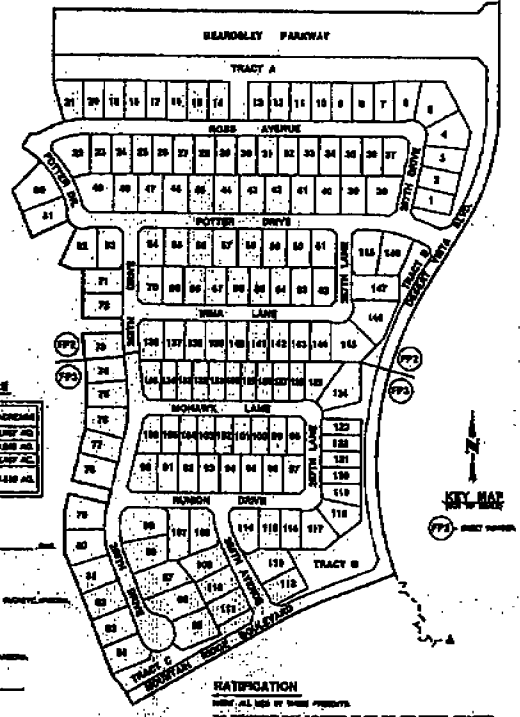
NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND

TRACT INFORMATION TABLE

TRACT	PRIMARY USE	ACREAGE
A	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
B	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
C	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
	TOTAL	[illegible] AC.



DEDICATION

ACKNOWLEDGMENT

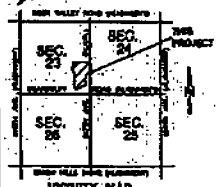
CERTIFICATION

BASIS OF BEARING

CERTIFICATIONS

ACKNOWLEDGMENT

RATIFICATION



VICINITY MAP

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

SHEET FP1 OF FP4

GROSS AREA = 63.869 AC.
NET AREA = 37.291 AC.

SUN CITY FESTIVAL - PARCEL D1 - FINAL PLAT - [illegible]

1176P05

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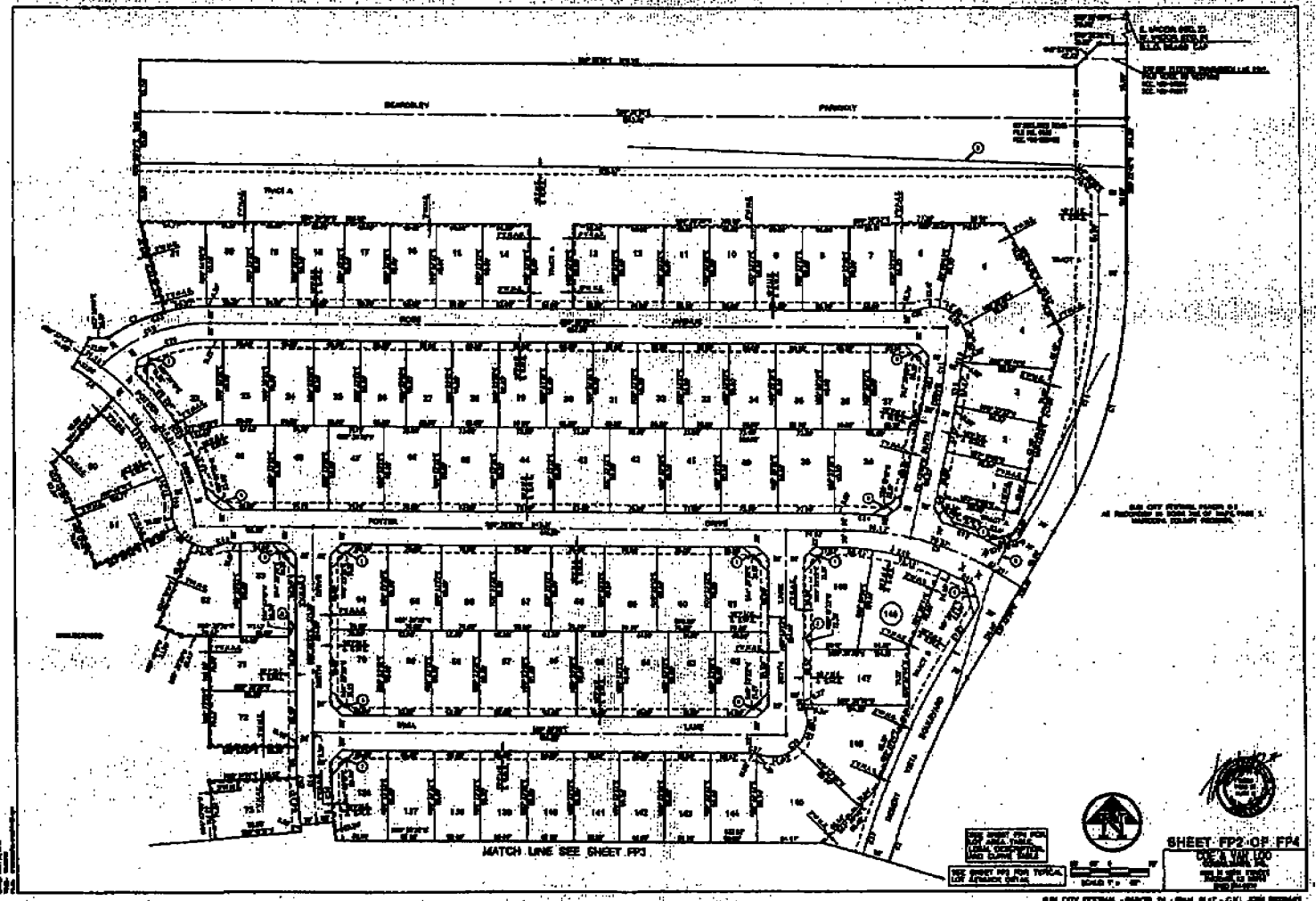

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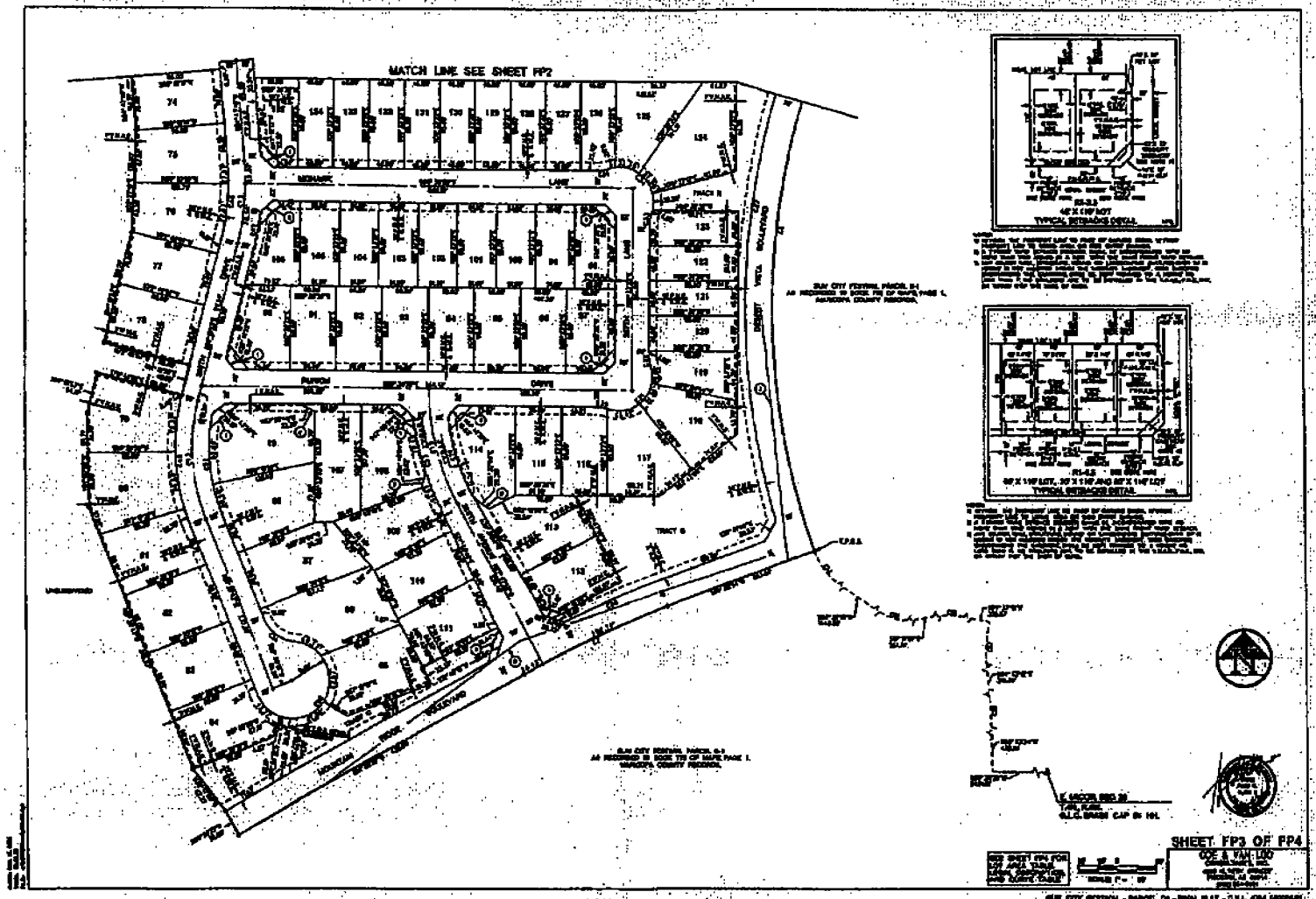

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CURVE TABLE

NO.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEGAL DESCRIPTION

[illegible]

LOT TABLE

LOT	SQ. FEET PER LOT	LOT	SQ. FEET PER LOT
[illegible]	[illegible]	[illegible]	[illegible]

SHEET FP4 OF FP4

CDS & VAN LOO

SEE SHEET FP3 FOR TYPICAL LOT SETBACK DETAIL

SUN CITY FESTIVAL - PARCEL 01 - FINAL PLAT - C.V.L. [illegible]

01176P05-001004.tif

FESTIVAL RANCH CFD AGREEMENT

OFFICIAL RECORDS OF
Unofficial Documents
ER
01:51

When recorded, return to:

Mr. Scott W. Ruby, Esq.
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, AZ 85004-2327

DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1

FOR

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (BUCKEYE, ARIZONA)

by and among

TOWN OF BUCKEYE, ARIZONA,

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (BUCKEYE, ARIZONA),

10,000 WEST, L.L.C.

and

PULTE HOME CORPORATION

Dated as of April 21, 2005

DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1
FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

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THIS DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1 FOR FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT, dated as of April 21, 2005 (the "*Agreement*"), by and among the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona (the "*Municipality*"), Festival Ranch Community Facilities District, a community facilities district formed by the Municipality, and duly organized and validly existing, pursuant to the laws of the State of Arizona (the "*District*"), 10,000 WEST, LLC, a limited liability company and PULTE HOME CORPORATION, a Michigan corporation (collectively, the "*Owners*") who owns in fee title all or substantially all of the real property in the District. Other persons having an interest in any real property within the District (the "*Lienholders*"), have acknowledged and agreed to the terms and provisions of this Agreement and have consented to the recording of this Agreement as a binding encumbrance against their respective property, by the execution of the Consent and Agreement attached hereto.

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Act*"), and Section [illegible] Unofficial Document [illegible]zona Revised Statutes, as amended, the Municipality, the District and the Owners may enter into this Agreement as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Act) and the financing of public infrastructure, including, but not limited to subsequent reimbursements or repayments over time; and

WHEREAS, with regard to the property described in *Exhibit "A"* hereto (the "*Property*") which makes up the real property included within the boundaries of the District, the Municipality, the District and the Owners have determined to specify some of such matters in this Agreement, particularly matters relating to the acquisition, construction financing, operation and maintenance of certain public infrastructure by the District, including matters relating to competitive bidding of the construction of the public infrastructure the acceptance thereof by the Municipality, the sale of bonds to finance the costs of the public infrastructure, and, if applicable and approved by the District, the reimbursement or repayment of the Owners with respect thereto, all pursuant to the Act; and

WHEREAS, this Agreement as a "development agreement" is consistent with the "general plan" of the Municipality as defined in Section 9-461, Arizona Revised Statutes, as amended, applicable to the Property on the date this Agreement is executed; and

WHEREAS, general obligation bonds (the "*G.O. Bonds*") and/or special assessment lien bonds (the "*Assessment Bonds*") of the District may be issued in the sole discretion of the District board of directors (the "*District Board*"), to provide moneys to finance certain "public infrastructure purposes" (as such term is defined in the Act) described in the General Plan of the District (the "*General Plan*") heretofore approved by the Municipality and the District (collectively, the G.O. Bonds and the Assessment Bonds of the District are referred to as the "*Bonds*"); and

WHEREAS, the District Board has ordered, called and conducted a general obligation bond election, whereat the persons qualified to vote at such election pursuant to the Act authorized the District Board to issue, in its sole discretion, G.O. Bonds in an amount not to exceed One Hundred Twenty Five Million Dollars ($175,000,000.00) to provide moneys for public infrastructure purposes consistent with the ballot, the General Plan and the Act; and

WHEREAS, the District Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable, or such other procedures as the District Board provides, may, in its sole discretion, levy assessments of the costs of any public infrastructure or public infrastructure purpose on any land in the District based on the benefit determined by the District Board to be received by the land, and issue and sell the Assessment Bonds payable from amounts collected from the special assessments; and

WHEREAS, pursuant to the Act, the District may enter into this Agreement with the Owners with respect to the advance of moneys for public infrastructure or public infrastructure purposes by the Owners and the repayment of such advances; and

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WHEREAS, pursuant to the Act and Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the "*Intergovernmental Agreement Act*"), the District and the Municipality may enter into the specified sections of this Agreement as an "intergovernmental agreement" with one another for joint or cooperative action for services and to jointly exercise any powers common to them and for the purposes of the planning, design, inspection, ownership, control, maintenance, operation or repair of public infrastructure; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes, as amended, and the CFD Guidelines (as defined herein) before constructing or acquiring any public infrastructure improvements, the District Board is required, in each instance, to cause a report of the feasibility and benefits of the project (the "*Report*") relating to such public infrastructure improvements to be prepared by engineers and other qualified persons, which must include a description of the public infrastructure to be constructed or acquired and all other information useful to understand the project, a map showing, in general, the location of the project, an estimate of the cost to construct, acquire, operate and maintain the project, an estimated schedule for completion of the project, a map or description of the area to be benefited by the project, and a plan for financing the project; and

WHEREAS, nothing contained in this Agreement is intended to limit the District Board in exercising its judgment with respect to the issuance of Bonds during the process of reviewing and approving or rejecting any Report;

NOW, THEREFORE, in the joint and mutual exercise of their powers, in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, and subject to the conditions set forth herein the parties hereto agree as follows:

ARTICLE I

COMMUNITY FACILITIES DISTRICT

Section 1.1 **CFD Guidelines.** Except as otherwise specifically provided in this Agreement, as may be amended from time to time, the District shall be subject to and governed by the terms and provisions of the Town of Buckeye, Arizona, Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts, as amended from time to time (the "*CFD Guidelines*").

Section 1.2 **District Consulting Costs.** The District may retain an independent financial advisor, legal advisor, underwriter, engineer and such other advisors and consultants as may be necessary to assist the District in its operations, including but not limited to evaluating budgets, reports, financing documents, District construction documents and similar matters ("*District Consulting Costs*"). District Consulting Costs shall be included as District Administrative Expenses, provided, however, certain District Consulting Costs constituting capital expenditures of a project financed by Bonds may, if approved by the District Board, be paid with the proceeds of Bonds.

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Section 1.3 **Compliance with Law and CFD Guidelines.** The District shall maintain its records and conduct its affairs in accordance with the Act, the laws of the State of Arizona and the CFD Guidelines.

Section 1.4 **Payment of Municipality's Costs and Expenses.** The Municipality shall be paid by the District for its costs and expenses relating to the District and the public infrastructure financed by the District as described in Section 7.3(d) of this Agreement. The Municipality will provide the District and the District will provide the Owners with an invoice for the Municipality's costs and expenses. The Owners agrees to pay to the District the amounts owed per Article VII of this Agreement within forty-five (45) days of receipt of the invoice.

Section 1.5 **Contracting for District Financial Infrastructure.**

(a) **Public Bid Requirement.** All infrastructure described in the General Plan that is or expected to be financed with District moneys or District Bond proceeds ("*District Financed Infrastructure*") shall be public infrastructure improvements as described in the Act. Any District Financed Infrastructure shall be publicly bid and awarded pursuant to the provisions of the Arizona Revised Statutes, as amended, and in accordance with the bidding policies of the Municipality (collectively, the "*Public Bid Requirements*").

(b) **Notice Inviting Bids.** Commencing on the date of this Agreement, the form of Notice Inviting Bids in *Exhibit "B"* hereto shall be used in substantially the form for such purpose, and the use of such form prior to the execution and delivery of this Agreement is hereby ratified in all respects.

(c) **Certificate of the Engineers**. Compliance with the Public Bid Requirements shall be evidenced by the certification of the engineers of the Owners and the District (collectively, the "*Engineers*") with respect thereto in the form of *Exhibit "C"* hereto (the "*Certificate of the Engineers*").

(d) **Limitation on Recourse**. Each construction or acquisition contract relating to the public infrastructure improvements or purposes shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly, to the Municipality. In the case of any initial financing provided by the Owners of any construction or acquisition contract relating to public infrastructure improvements or purposes for which reimbursement is expected, such contract shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly to the District, for the payment of any costs under such contract or any liability, claim or expense arising therefrom and that the Owners shall have sole liability for payment under such contract of all such amounts.

Section 1.6 **Submission of Reports; Approval or Rejection**. Owners or, if after the end of the Owners Exclusive Period (as hereinafter defined), the District or any third party owning real property within the DUnofficial Documentve the right to submit to the District Board one or more Reports pertaining to the issuance of Bonds to finance the construction, acquisition or installation of all or a part of the public infrastructure improvements described in the General Plan. The District Board, exercising its sole discretion may thereafter approve or reject the Report and approve or reject the issuance of District Bonds. With respect to general obligation bonds or revenue bonds, the Owners Exclusive Period shall end on the earlier to occur of (a) the reimbursement to the Owners or the Developer, or any successor thereto, of $109,000,000 or more for public infrastructure improvements (not including the water treatment facility improvements), or (b) March 1, 2025. With respect to special assessments, the Owners Exclusive Period shall end on the earlier to occur of (a) less than 15% of the assessment to be levied to secure the special assessment bonds will be levied on property owned by the Owners, or (b) March 1, 2025. Notwithstanding any provision of this Section 1.6, the District Board may cause the preparation of a Report and thereafter issue general obligation bonds or assessment bonds if the District Board determines that the issuance of such bonds and the use of the proceeds thereof will mitigate or cure a health or safety issue located within or affecting property or residents within the District.

Section 1.7 **Withdrawal of Reports**. Notwithstanding Section 1.6 above, Owners shall be permitted to withdraw any Report submitted by Owners from consideration by the District at any time before the conclusion of the hearing thereon. In the event of such a withdrawal, the District Board shall not approve the Report or adopt any resolution which would effect an implementation of any part of the transaction described in such Report. Owners shall be permitted to resubmit any such withdrawn Report or any Report which has been rejected by the District Board and then amended by Owners, at such time as Owners may, in their sole discretion, deem advisable. The Owners are responsible for the costs incurred prior to the withdrawal, including consultant fees.

ARTICLE II

CONSTRUCTION OF PROJECTS BY OWNERS

Section 2.1 **Construction by Owners.**

(a) **At Owners Expense.** Subject to the other terms and provisions of this Agreement, Owners at their sole cost and expense may, unless the procedure to have the District construct the public infrastructure improvements as described in Article IV hereof is followed, cause the public infrastructure improvements or purposes, including but not limited to those improvements described in the General Plan and generally consistent with the community master plan for the Festival Ranch project (collectively, the "*Acquisition Infrastructure*" and as detailed in the General Plan on a project-by-project basis as an "*Acquisition Project*" or the "*Acquisition Projects*") to be provided for pursuant to plans and specifications approved by the Municipality (the "*Plans and Specifications*").

(b) **Compliance with Applicable Codes, Etc.** The Acquisition Projects shall be constructed in a good and workmanlike manner in compliance with all applicable standards, codes, rules, guidelines or regulations of the Municipality, as in effect from time to time, for the same or comparable construction projects of the Municipality.

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Section 2.2 **Public Bidding.** The Acquisition Projects shall be bid in one or more parts pursuant to the Public Bid Requirements and the requirements set forth in Section 1.5 of this Agreement. Any contracts for such work shall be hereafter referred to as the "*Acquisition Project Construction Contracts*" and individually as an "*Acquisition Project Construction Contract*". Plans, specifications, bid documents and bidding procedures are subject to review and approval by the District. Bids will be submitted to, or as directed by, the District for opening and review. No award of an Acquisition Project Construction Contract shall be made without the concurrence of the District.

Section 2.3 **Project Costs; Change Orders.** The total bid amount of any Acquisition Project Construction Contract plus any other costs of the Acquisition Project that are not required to be bid pursuant to the Public Bid Requirements shall be submitted for review to and if acceptable, approved by the Manager for the District (the "*District Manager*") or his designee and the engineer for the District (the "*District Engineer*"). The total bid amount of any Acquisition Project Construction Contract shall not exceed the estimated cost of the Acquisition Project set forth in the approved Report. Any change order to any Acquisition Project Construction Contract shall be subject to approval by the District Engineer and District Manager (which approval shall not be unreasonably withheld or delayed) and shall be certified to in the Certificate of the Engineers; provided, however, that any change order increasing the amount of an Acquisition Project Construction Contract by more than 10% of the original contract amount or modifying significantly the scope of the work otherwise shall be approved by the District Board. Any increase in cost caused by any change order shall be the sole responsibility of Owners provided that such increase in cost caused by an approved change order may be included by Owners in any applicable Segment Price pursuant to Section 3.2 hereof.

Section 2.4 **At Owners Risk.** As between Owners, the Municipality and the District, Owners shall bear all risks, liabilities, obligations and responsibilities under each Acquisition Project Construction Contract and all risk of loss of or damage to any Acquisition Project (or any part thereof) occurring prior to the time of acquisition of such Acquisition Project (or part thereof).

Section 2.5 **Prior Conveyance Not a Bar.** The prior conveyance or dedication of easements, right-of-way or public infrastructure shall not affect or proscribe Owners right to construct public infrastructure improvements or purposes thereon or to be paid or reimbursed for such construction upon acquisition by the District.

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ARTICLE III

ACQUISITION OF PROJECTS FROM OWNERS

Section 3.1 **Acquisition by District.**

(a) **Purchase.** Subject to the other terms and provisions of this Agreement and after approval by the District Board, exercising its sole discretion, approves a Report pertaining to the applicable Acquisition Project, Owners shall sell to the District, and the District shall acquire from Owners, each Acquisition Project, together with all real property or interests therein necessary to operate and maintain the District Financed Improvements (collectively, the "*Necessary Public Property*"), as a whole (the entire Acquisition Project) or, if applicable, in completed, discrete portions as determined by the District Engineer and the District Manager and in accordance with the Plans and Specifications (referred to herein as a "*Segment*") at the price for the Acquisition Project or, if applicable, each Segment (the "*Project Price*" or the "*Segment Price*" as applicable) established as provided in Section 3.2 hereof. At the request of the District the Owners shall convey any acquired Acquisition Project or Segment(s) and the Necessary Public Property to be conveyed directly [illegible] pality, together with a direct assignment of any warranties, guarantees and bonds.

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(b) **Financing; Limited Liability.** Any such acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.1(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.1(b) hereof. Payment of the Project Price or Segment Price is subject to the availability of proceeds of District Bonds as described in Section 5.1.

(c) **Compensation Limited.** Owners have not been and shall not be compensated for any of the Acquisition Infrastructure except as provided by this Agreement. The District shall not be liable for any payment or repayment to Owners therefor except as provided by this Agreement.

(d) **No Prior Dedication.** As of the date of this Agreement, none of the Acquisition Infrastructure has been dedicated by Owners or accepted by the District or the Municipality or offered for dedication by Owners or acceptance by the District or the Municipality.

Section 3.2 **Determining Project Price.**

(a) **Actual Costs.** The Project Price for an Acquisition Project or the Segment Price for a Segment, as applicable, shall be equal to the sum of the amounts bid (together with or net of any approved change orders), and approved pursuant to Section 2.3 hereof, plus any other amounts that are not required to be bid pursuant to the Public Bid Requirements but are approved pursuant to Section 2.3 hereof, and actually paid by Owners for (l) third-party design and/or engineering of the Acquisition Project or Segment, (2) construction and or installation of the Acquisition Project or Segment pursuant to the Acquisition Project Construction Contract for such Acquisition Project or Segment, (3) inspection and supervision of

the construction of the Acquisition Project or Segment by the District for performance under such Acquisition Project Construction Contract and a reasonable third-party construction management fee, and (4) other miscellaneous and incidental costs relating to the construction and/or installation of such Acquisition Project or Segment allowed by the Act and approved in the Report, but not including any Necessary Public Property.

(b) **Certificate of Engineers.** The determination of the Project Price or the Segment Price shall be certified in the Certificate of the Engineers for that Segment.

Section 3.3 **Conditions for Payment.** The District shall pay the Project Price or the Segment Price, as applicable for and acquire from Owners, and Owners shall, subject to Section 5.1(a)(ii) below, accept the Project Price or the Segment Price for and sell to the District, the Acquisition Project or Segment as provided in Section 3.1 hereof after the approval of the Report and after receipt by the District Manager of the following with respect to the acquisition Project or Segment, in form and substance reasonably satisfactory to the District Manager:

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(i) the Certificate of [illegible],

(ii) the "Conveyance for Segment of Project" in the form of *Exhibit "D"* hereto (hereinafter referred to as a "*Conveyance*");

(iii) evidence that all Necessary Public Property has been conveyed to the Municipality and public access to the Segment or the Acquisition Project, as applicable, has been or will be provided to the Municipality;

(iv) the assignment of all contractors' and materialmen's warranties and guarantees as well as payment and performance bonds;

(v) an acceptance letter issued by the Municipality and by its terms subject specifically to recordation of the Conveyance of the Acquisition Project or Segment, as applicable, which is the subject of such letter; and

(vi) such other documents, instruments, approvals or opinions as may reasonably be requested by the District Manager including, with respect to any Necessary Public Property, title reports, insurance and opinions and evidence satisfactory to the District Manager that any Necessary Public Property to be acquired does not contain environmental contaminants which make such real property unsuitable for its intended use or, to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use and the sources of funds necessary to accomplish such purpose.

Section 3.4 **Conveyance of Necessary Public Property.** The Owners shall convey to the District, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the operation and maintenance of the Acquisition Project or Segment, as applicable. The Necessary

Public Property required shall be similar to the requirements for construction projects of the Municipality similar to the Segment.

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ARTICLE IV

CONSTRUCTION OF PROJECTS BY THE DISTRICT

Section 4.1 **Construction by District.**

(a) **Generally.** Subject to the other terms and provisions of this Agreement, the District, after the District Board, exercising its sole discretion, approves a Report, prior to the bidding therefor, may cause any of the public infrastructure described in the General Plan (hereinafter referred to if constructed pursuant to the provisions of this Article IV as collectively the "*Constructed Infrastructure*" and as detailed in the General Plan on a project-by-project basis a "Construction Project" or the "*Construction Projects*") to be constructed pursuant to the Plans and Specifications.

(b) **Similar Requirements.** The Construction Projects shall be constructed in accordance with the requirements for construction projects of the Municipality similar to the Construction Projects unless heretofore agreed otherwise by the Municipality.

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Section 4.2 **Contracts.** The Construction Projects shall be bid in one or more parts by and in the name of the District pursuant to the Public Bid Requirements, and contracts shall be entered into by the District (hereinafter referred to as collectively the "*Construction Project Construction Contracts*" and as individually a "*Construction Project Construction Contract*").

Section 4.3 **Convey Necessary Public Property.** Prior to bidding any contract for the construction of a Construction Project, the Owners shall convey to the District, without cost, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the construction, operation and maintenance of the public improvements comprising the Construction Projects. The type, size and terms of the Necessary Public Property required for the construction, operation or maintenance of the Construction Project shall be similar to the requirements for construction projects of the Municipality similar to the Construction Projects. In addition, such conveyance shall occur after receipt by the District Manager of the following with respect to such Necessary Public Property, in form and substance reasonably satisfactory to the District Manager:

(i) a special warranty deed or easement from the Owners for such Necessary Public Property executed by an authorized officer of the Owners,

(ii) such environmental assessments or other evidence satisfactory to the District Manager that such Necessary Public Property does not contain environmental contaminants which make such Necessary Public Property unsuitable for its intended use or to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use, a plan for remediation of such contaminants, if required by the District Manager and the sources of funds necessary to accomplish such purpose, and

(iii) such other documents, instruments, approvals or opinions as the District Board may reasonably request including title reports, insurance and opinions.

Section 4.4 **Limited Compensation.** Owners have not been and shall not be compensated for any costs of any Construction Project except as provided herein.

Section 4.5 **Approval of Report.** Construction of any Construction Project has not and shall not commence prior to the approval of the Report as required by, and for all purposes of, the Act and conveyance or dedication of a Necessary Public Property as provided in Section 4.3 hereof.

Section 4.6 **Financing; Limited Liability.** Any such construction or acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.2(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.2(b) hereof. Payment of the costs of any Construction Project is subject to the availability of proceeds of District Bonds as described in Section 5.2.

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ARTICLE V

FINANCING OF PROJECTS

Section 5.1 **Acquisition Projects.**

(a) **Before Bond Sale.**

(i) To provide for any acquisition of an Acquisition Project or a Segment occurring before the sale and delivery of any Bonds, the Project Price or, if applicable, the Segment Price(s) for Segment(s) comprising an Acquisition Project shall be paid by Owners subject to payment and acquisition by the District pursuant to the terms of this Agreement and the Conveyance of the Acquisition Project or Segment.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, the amount of the Project Price for the Acquisition Project or the Segment Price of a Segment paid by the Owners prior to the sale and delivery of the Bonds sha.., [illegible] the requirements of Section 3.3 hereof, be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District, or District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay any Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any amount of the Project Price or Segment Price paid by Owners in excess of the proceeds from the sale of the Bonds if the District thereafter finances such amount from future Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

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(iii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall not have any obligation to repay Owners for any payment made by Owners to pay any Project Price or Segment Price.

(b) **After Bond Sale.**

(i) Any acquisition of an Acquisition Project or any Segment occurring after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment shall, subject to the requirements of Section 3.3 hereof, be provided for by the payment of the Project Price or Segment Price from, and only from, the proceeds of the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment.

(ii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall have no obligation to pay such Project Price or Segment Price. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District or the District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District or that sufficient proceeds from the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, shall be available to pay such Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any deficiency between the proceeds from the sale of the Bonds and the amount of any Project Price or Segment Price paid by Owners if the District thereafter finances such amount from other or future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(c) **If Sufficient Bo[illegible]d.** If the Bonds are not issued or if the proceeds of the Bonds are insufficient to pay all of the Project Price or Segment Price, there shall be no recourse to the District or the Municipality and the District and the Municipality shall not have liability with respect to, the Project Price or Segment Price, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds, if any. Nothing contained in this Section 5.1 shall obligate the Municipality to pay for any Segment Price or Acquisition Infrastructure from any monies of the Municipality. The foregoing is not intended to limit the ability of the Owners to payment for any deficiency between the proceeds from the sale of the Bonds for such purpose and the amount of a Project Price or Segment Price, if the District thereafter finances such amount from future Bond proceeds.

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Section 5.2 Construction Project.

(a) **Before Bond Sale.**

(i) To provide for amounts due pursuant to any Construction Project Construction Contract (including incidental costs relating thereto) (the "*Construction Costs*") after the biddings thereof but before the sale and delivery of any Bonds, such amounts shall be paid by Owners pursuant to the terms of this Agreement. Incidental costs related to a Construction Project Construction Contract shall include, without limitation, permits, staking costs, general conditions, engineering costs, and third-party construction management costs. Each payment of such Construction Costs by the Owners shall be evidenced by a written acknowledgement of the District Manager included as part of the written approval of the District Engineer of each pay request of the contractor for such Construction Project Construction Contract.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract and sufficient Bond proceeds are reserved to pay the remaining Construction Costs of a

Construction Project Construction Contract, the total amounts of the Construction Costs paid by Owners prior to the sale and delivery of the Bonds shall be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that sufficient proceeds from the sale of any Bonds shall be available to pay such amounts of the Construction Costs paid by Owners. The foregoing is not intended to limit the right of Owners to payment for any amount of the Construction Costs paid by Owners in excess of the proceeds from the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract if the District thereafter finances such amount from future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

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(iii) Until the sa[illegible]y of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall not have any obligation to repay Owners for any payment of a Construction Cost paid by Owners and after the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract such obligation shall be limited to the amount of the proceeds of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract available for such purpose.

(b) **<u>After Bond Sale</u>.**

(i) Any Construction Cost amounts due pursuant to any Construction Project Construction Contract after the sale and delivery of any of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract shall be provided for by the payment of such Construction Cost amounts from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract.

(ii) Until the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall have no obligation to pay such Construction Cost amounts. Neither the District nor the Municipality shall be liable to Owners for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that the Bonds can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay such Construction Cost amounts.

(c) **<u>If Sufficient Bonds Not Issued</u>**. If the Bonds are not issued or if the proceeds of the sale of the Bonds are insufficient to pay any or all of the amounts described in

Subsections (a) or (b), there shall be no recourse to the District or the Municipality and the District and the Municipality shall have no liability with respect to any Construction Project Construction Contract, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds. Nothing contained in this Section 5.2 shall obligate the Municipality to pay for any Construction Cost from any monies of the Municipality.

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ARTICLE VI

MATTERS RELATING TO THE BONDS AND OTHER OBLIGATIONS OF THE DISTRICT

Section 6.1 **Bonds Generally.**

(a) **Submission of Report; Approval of Bonds.** Upon the submission of a Report, and upon a date established by the District Manager, the District Board shall, in its sole, unfettered discretion, take all such reasonable action necessary for the District to consider the approval or rejection of the Report. If the Report is approved, the District Board may take all reasonable action necessary to issue and sell the Bonds pursuant to the terms and conditions as may be established by the District Board in connection with its approval of the Report (the "*Approval*"), and the provisions of the CFD Guidelines and the Act.

(b) **Sales of Bonds; Amount.** The Bonds may be sold in one or several series, in an amount sufficient (i) to pay the Acquisition Price or the Segment Prices for the Acquisition Infrastructure and all Co[illegible]ts relating to any Construction Project Construction Contract for the Constructed Infrastructure, in each case as established pursuant hereto and in the Approval (hereinafter referred to collectively as the "*Work*") which shall be based on the estimated costs and expenses indicated in the Report or the Approval (hereinafter referred to as the "*Estimate*"), (ii) to pay all other amounts indicated in any Report submitted as required by this Agreement, (iii) to pay all relevant issuance costs related to the applicable series of the Bonds, (iv) to pay capitalized interest for a period not in excess of that permitted by the Act and described in the Report or Approval, and (v) to the extent permitted by law, to fund a debt service reserve fund in an amount not in excess of that permitted by the Act and described in the Report or Approval (collectively, the "*Financeable Amount*").

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(c) **Assessment Bonds.**

(i) Assessment Bonds shall be special assessment lien bonds payable from amounts collected from, among other sources, the hereinafter described special assessment (referred to as originally levied and as thereafter may be reallocated as described herein as the "*Assessments*").

(ii) The Assessments shall be based on the Financeable Amount indicated in the Report or the Approval. None of the Acquisition Project Construction Contracts or the Construction Project Construction Contracts applicable to the Work shall be required to be bid or awarded as a prerequisite to the levying of the Assessments.

(iii) The Assessments shall be levied pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable or such other procedures as the District provides.

(iv) In the event of nonpayment of the Assessment, the procedures for collection thereof and sale of the applicable portion of the Property may be established by the

District, or the District may adopt the procedures prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended, as nearly as practicable, except that, under all procedures, neither the District nor the Municipality is required to purchase any of the Property at the sale if there is no other purchaser.

(v) To prepay, from property Owners payments, in whole or in part the applicable portion of the Assessment, on any interest payment date, the following shall be paid in cash to the District: (A) the interest on such portion to the next date Bonds may be redeemed plus (B) the unpaid principal amount of such portion rounded up to the next highest multiple of the lowest authorized denomination of the Bonds plus (C) any premium due on such redemption date with respect to such portion plus (D) any administrative or other fees charged by the District with respect thereto.

(vi) The Owners hereby acknowledges that lenders and Lienholders involved in financing future improvements on the Property (including mortgages for single family residences) may require that liens associated with the Assessment (or applicable portions thereof) be paid and released prior to accepting a lien with respect to any such financing.

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(vii) This Agreement shall be construed to be an express consent by the Owners that (A) the District Board may designate the boundaries of an Assessment area; (B) the District may, with respect to the Property, incur costs and expenses necessary to complete the Work provided that the Work is a part of a Construction Project, and (C) the District may levy and collect the Assessments in amounts sufficient to pay all costs and expenses of the Financeable Amount, including the Work.

Section 6.2 Requirements for Assessment Bonds.

(a) **CFD Guidelines Apply.** The terms and provisions of the Assessment Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by this Agreement or the Approval.

(b) **Appraisal; Coverage Ratio.** At the time of sale of the Assessment Bonds, an appraisal dated not earlier than six (6) months prior to the date of sale of the Assessment Bonds, in form and substance satisfactory to the District, in its sole and absolute discretion, and prepared by an MAI appraiser (the "*Appraisal*") must show that the wholesale (bulk) value of each assessed parcel or lot in any assessment area securing the Assessment Bonds (as improved by the public infrastructure described in the relevant Report) less five percent (5%), is worth at least six times (in the case of a public sale of Assessment Bonds) and four times (in the case of a sale of the Assessment Bonds to qualified institutional buyers [as defined in Rule 144A as amended], accredited investors [as defined in Rule 501(a), Regulation A, as amended]) or sophisticated municipal market participants, as much as the principal amount of the Assessment Bonds allocated to each assessed parcel.

(c) **Financial Assurance.** At the time of sale of the Assessment Bonds, and to the extent not already provided by the contractors pursuant to the Public Bid Requirements, Owners shall provide or cause to be provided financial assurances in the form of escrowed cash,

bonds, letter of credit or other similar assurances, accessible by the District and in each case in form acceptable to the District Manager, for amounts necessary to pay all costs and expenses associated with providing all the public infrastructure purposes described in the Report as well as any unpaid costs and expenses of any public infrastructure purposes not paid or payable from the proceeds of the sale of the Assessment Bonds because such proceeds are insufficient in amount for such purposes. The foregoing is not intended to limit the right of Owners to reimbursement for any amount advanced in excess of the proceeds from the sale of the Assessment Bonds if the District is able to finance such amount from other or future Assessment Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future reimbursement.

(d) **Reserve Fund.** Unless reduced by the District Board in the Approval, the amount of the Assessment Bonds and the "sale proceeds" thereof shall be sized to include an amount sufficient to fund a reserve to secure payment of debt service on the Assessment Bonds. Payment from such reserve shall not effect a reduction in the amount of the Assessment, and any amount collected with respect to the Assessment thereafter shall be deposited to such reserve to the extent the Assessment is so paid therefrom.

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Section 6.3 Requirements for General Obligation Bonds.

(a) **CFD Guidelines Apply.** Proceeds of G.O. Bonds may be used for any purpose permitted by the Act. The terms and provisions of the G.O. Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by, or inconsistent with, this Agreement or the Approval.

(b) **Tax Levy for Bonds.** The District may annually levy and collect an ad valorem tax upon all taxable property in the District which shall be sufficient after giving prudent consideration to other funds available to the District to pay when due the principal of, interest on and premium, if any, on the G.O. Debt (as hereinafter defined) incurred by the District to finance the construction or acquisition of public infrastructure.

(c) **Limited on Tax Levy For Bonds.** No indebtedness (indebtedness shall not include maintenance, administrative or operation expenses) secured by a pledge of ad valorem taxes, including, but not limited to, G.O. Bonds (collectively hereinafter referred to as "*G.O. Debt*"), shall be incurred unless ninety-five percent (95%) of the amount of ad valorem taxes estimated to be collected at a tax rate of not greater than three dollars ($3.00) per one hundred dollars ($100.00) of the secondary assessed value of the taxable property within the District, is sufficient to pay the highest combined debt service requirements for the proposed G.O. Debt and any other G.O. Debt outstanding. The secondary assessed value of the taxable property shall, for purposes of this paragraph, be equal to the value at the time of the issuance of the proposed G.O. Debt as shown in the records of the County Assessor. Notwithstanding the foregoing or any other provision of this Agreement, G.O. Debt may be authorized by the District Board in its sole discretion, for situations where a tax rate greater than three dollars ($3.00) per one hundred dollars ($100.00) of secondary assessed value of taxable property would be necessary to pay the highest combined debt service of the proposed and outstanding G.O. Debt, if other sources of revenue or additional security acceptable to the District Board are pledged to

pay debt service on the G.O. Debt in an amount that, when combined with the taxes collected at three dollars ($3.00) tax rate or less, provides a sufficient amount to pay the highest combined debt service of the proposed and outstanding G.O. Debt.

Section 6.4 **General Requirements.** The following requirements are hereby established and required with respect to any financing by the District.

(a) **Limited Offering of Bonds; Transfer Restrictions.** The District may impose offering and transfer restrictions with respect to any issue of Bonds. Such restrictions may include but are not limited to the following: Except as permitted below, the Bonds (Assessment Bonds or G.O. Bonds) shall be sold only to accredited investors (as defined in Rule 501(a), Regulation D as amended), qualified institutional buyers (as defined in Rule 144A, as amended) or sophisticated municipal market participants. Secondary transfers of the Bonds will be permitted upon the execution by the bondholder of a certificate, in a form satisfactory to the District, which contains at a minimum, the following certifications:

(i) the purchaser of the Bond is either an accredited investor, a qualified institutional buyer or a sophisticated municipal market participant;

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(ii) the purchaser of the Bond represents that it is knowledgeable in such investments, and has independently evaluated the factors associated with its investment decision and has not relied on the District or the Municipality for any due diligence or disclosure;

(iii) the purchaser is purchasing the Bond for its own account and not with a view towards distribution; and

(iv) the purchaser of the Bond acknowledges that further transfers of such investment shall require a similar certification;

The transfer restrictions may terminate upon: with respect to G.O. Bonds, the rating of the G.O. Bonds at "A" or higher, and, with respect to Assessment Bonds, the rating of the Assessment Bonds at "A" or higher or the appraised value as required by Section 6.2(b) of the real property subject to assessment results in a value to lien ratio greater than 6 to 1 (including in the amount of the lien overlapping special assessment liens).

(b) **Disclosure of Limited Liability.** Any disclosure document prepared in connection with the offer or sale of Bonds must clearly indicate that neither the Municipality nor the State of Arizona or any political subdivision of either (other than the District) shall be liable for the payment or repayment of any obligation, liability, bond or indebtedness of the District, and neither the credit nor the taxing power of the Municipality, the State of Arizona, or any political subdivision of either (other than the District) shall be pledged therefor.

(c) **Disclosure to Purchasers.** A disclosure document must be provided by Owners or Owners' successor to each potential purchaser of a residential lot within the District disclosing the existence of an Assessment or tax (assuming such Assessment or tax remains at the time of sale to the potential purchaser). Each potential purchaser must acknowledge in

writing that the purchaser received and understood the disclosure document. The District shall maintain records of the written acknowledgments. To provide evidence satisfactory to the District Board that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, a disclosure pamphlet substantially in the form of *Exhibit "E"* hereto (the "*Pamphlet*") shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Board and Owners. Owners agree to require each homebuilder to perform the obligations set forth in Section 9.2 of this Agreement.

(d) **Continuing Disclosure Undertaking.** Each Obligated Person (as defined in Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "*Rule*")) shall execute and deliver, and thereafter comply with and carry out all the provisions of, a "*Continuing Disclosure Undertaking*" with respect to the Bonds which shall be in a form satisfactory to the District and the purchaser of the Bonds for such purchaser to comply with the requirements of the Rule.

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ARTICLE VII

ACCEPTANCE BY THE MUNICIPALITY; MAINTENANCE; APPLICABILITY OF THE INTERGOVERNMENTAL AGREEMENT ACT

Section 7.1 **Acceptance of Improvements.** Upon satisfaction of the terms for acceptance set forth in this Agreement, and simultaneously with the payment of the related Project Price, Segment Price or Construction Costs of a Construction Project, the Acquisition Project or Segment of Acquisition Infrastructure or the Construction Project, as the case may be, shall be accepted by the Municipality, subject to the conditions pursuant to which facilities such as the Acquisition Project, Segment or Construction Project, as the case may be, are typically accepted by the Municipality and shall be made available for use by the general public.

Section 7.2 **District Expenses.**

(a) **District Administrative Expenses.** "*District Administrative Expenses*" shall include all the operating and administrative costs and expenses of the District, including but not limited to, District Consulting Cos[illegible]y Services (as hereafter defined) and that portion of Municipality Overhead related to operating and administrative functions of the District. District Administrative Expenses will not include any costs or expenses paid by the District from revenues or taxes collected to pay the Debt Service (as such term is defined in the Act) on any Bonds of the District. District Administrative Expenses shall include Municipality Services and Municipality Overhead (as hereafter defined).

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(b) **District Maintenance Expenses.** "*District Maintenance Expenses*" shall include all maintenance and operational costs and expenses, including a Replacement Reserve Amount, of any Segment, Construction Project or other public improvement financed by the District. District Maintenance Expenses shall include Municipality Services and that portion of Municipality Overhead related to the maintenance functions of the District.

"*Replacement Reserve Amount*" shall mean an amount calculated using reasonable accounting practices based on the useful life of the various assets established by the Internal Revenue Code. The Replacement Reserve Amount shall include and be limited to a replacement or depreciation reserve for the following improvements financed by the District: (i) water system improvements, other than transmission lines, (ii) sewer treatment plants and facilities, including improvements, other than collection lines, relating to the disposal of solids, and (iii) any other depreciable capital public improvements, provided the Municipality has established and funded similar replacement or depreciation reserves for substantially all like kind capital public improvements not financed by the District.

With respect to District Maintenance Expenses relating to the water system and sewer system utility enterprises, such applicable District Maintenance Expenses shall be reduced by the amount of water or sewer system revenues received from the consumers located in the District. To the extent that the Municipality or the District establish rates for water or sewer services within the District that are less than rates charged elsewhere in the Municipality, the amount of revenues deemed received from consumers located in the District shall be computed

as though the rates charged to such consumers were the same as the rates charged elsewhere in the Municipality.

(c) **Enhanced Maintenance Expenses.** "*Enhanced Maintenance Expenses*" shall mean all District Maintenance Expenses attributable to any Acquisition Project, Segment, Construction Project or other public improvement financed by the District or part thereof, other than water improvements or sewer treatment facilities, that are in excess of the maintenance and operational expenses normally incurred by the Municipality in connection with maintaining or operating a similar public service or improvement (the "*Standard Municipality Expense*"). The Standard Municipality Expense will be established by the Municipality using actual historical costs and expenses and the Municipality's management/accounting practices. By example and not as a limitation, the Municipality will establish its Standard Municipality Expense related to right-of-way landscaping and if the Owners install enhanced landscaping, other than at the request of the Municipality, the costs and expenses in excess of the Standard Municipality Expense incurred to maintain the landscaping shall constitute Enhanced Maintenance Expenses.

In establishing the Standard Municipality Expenses, the Municipality shall annually review its actual costs, excludi Unofficial Document osts in the District or any other community facilities district providing enhanced services or public improvements. Enhanced Maintenance Expenses shall not include maintenance and operation expenses attributable to enhanced public service levels or public improvements if such enhanced public service levels or public improvements were imposed on the Owners by the Municipality and the Owners would have not otherwise provided such enhancements.

(d) **Charges of Municipality.** District Administrative Expenses and District Maintenance Expenses shall include a charge by the Municipality to the District for: (i) the reasonable cost of Municipality services provided directly to the District ("*Municipality Services*"), and (ii) Municipality overhead expenses allocated to the District ("*Municipality Overhead*"). Any charge of Municipality Services shall be the cost of those services provided to the District by the Municipality calculated using sound management/accounting principals. Any charge of Municipality Overhead to the District shall be made by the Municipality pursuant to sound management/accounting practices consistently applied by the Municipality in allocating costs, expenses and funded depreciation reserves to its service areas, departments or special projects. Owners shall have the right to review and comment to the Municipality upon the allocation practices and methodologies used in allocating Municipality Services or Municipality Overhead and have the right, at Owners expense and during normal business hours, to review the Municipality's records to verify the costs and expenses of the Municipality.

Section 7.3 O&M Tax.

(a) **Amount of O&M Tax.** The District Board shall levy and collect a maintenance and operation ad valorem tax not to exceed thirty cents ($.30) per one hundred dollars ($100.00) of assessed valuation on all taxable property within the District ("*O&M Tax*"). To the extent the proceeds from the O&M Tax exceed the expenses and costs described in this Article VII, such O&M Tax shall be reduced to provide a proper matching of proceeds to expenses.

(b) **Use of Proceeds of O&M Tax.** The proceeds of the O&M Tax may be used by the District for any lawful maintenance, operational or administrative purpose as provided in the Act. While the Owners are obligated to pay any amounts pursuant to Section 7.4 of this Agreement, the O&M Tax shall be applied only to the following expenses and in the following priority: (i) payment of District Administrative Expenses; (ii) payment of Enhanced Maintenance Expenses; (iii) payment of District Maintenance Expenses, other than District Maintenance Expenses described in Section 7.4(a)(i) below; and (iv) District Maintenance Expenses described in Section 7.4(a)(i) below.

Section 7.4 Owners or HOA Maintenance Obligation.

(a) **Landscaping.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners, or a homeowners association, if such homeowners association is, to the satisfaction of the District, legally obligated to pay and is comprised of more than one thousand (1000) homes ("*HOA*") shall maintain, at its expense, all landscaping located within any park (except as otherwise expressly agreed with respect to a public park), right-of-way or public easement.

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(b) **District Administrative and Maintenance Expenses.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners (or an HOA if, to the satisfaction of the District or Municipality, the HOA is legally obligated and is financially capable of bearing the costs) agree to pay the following expenses to the extent all or part of such expenses are not paid by the O&M Tax: (i) the District Administrative Expenses; (ii) the Enhanced Maintenance Expenses; and (iii) the District Maintenance Expenses, other than Enhanced Maintenance Expenses.

Further, notwithstanding the foregoing, the Owners shall not be obligated to pay the amounts owing pursuant to Section 7.4(b) for any public improvements financed by the District in response to a Report submitted by the District or a third party other than the Owners, provided however, Owners as a member of a group of either taxpayers or assessed parcel owners who, as a result of a uniformly applied tax or assessment methodology is liable for payments relating to improvements financed in response to a Report submitted by the District, shall have all rights and obligations established by the proceedings, including the right to protest and the obligation to pay amounts owed.

(c) **Maintenance Threshold.** The District or Municipality, with the participation of the Owners engineer, shall establish at the time of the submission of the Report boundaries of the served or benefited area (the "*Benefit Area*") for each Acquisition Project, Segment or Construction Project. Notwithstanding paragraph 7.4(b)(iii) above, the Owners or HOA, as applicable, shall not be obligated to pay the District Maintenance Expenses (other than Enhanced Maintenance Expenses) after the date ninety-five percent (95%) of the area benefited by the particular Acquisition Project, Segment, Construction Project or other public improvement financed by the District has been developed, based on the development

entitlements in effect from time to time within such benefited area (the "*Maintenance Threshold*"). While the Owners obligations under Section 7.4(b) are in effect, District Maintenance Expenses shall not include expenses related to street maintenance of streets within a Benefit Area that has satisfied the Maintenance Threshold.

Section 7.5 **Intergovernmental Agreement Act**. Notwithstanding any other provision of this Agreement to the contrary, the provisions of Article V, Article VII, Sections 8.1, 9.3 through 9.19, inclusive, are the only provisions that are effective for, from and against the Municipality for purposes of the Intergovernmental Agreement Act and as the Intergovernmental Agreement Act is intended to be applied for purposes of this Agreement.

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ARTICLE VIII

INDEMNIFICATION AND INSURANCE

Section 8.1 **Indemnification.**

(a) **Generally.** The Owners or such other financially acceptable entity determined by the District Manager (1) shall indemnify and hold harmless the Municipality and the District and each council member, director, trustee, partner, member, officer, official, independent contractor or employee thereof and each person, if any, who controls the Municipality and/or the District within the meaning of the Securities Act of 1933, as amended (hereinafter the Securities Act of 1933 and the Securities Exchange Act of 1934 are referred to as the "*Securities Acts*"), (any such person being herein sometimes called an "*Indemnified Party*") for, from and against any and all losses, claims, damages or liabilities, joint or several, relating to: (i) the formation, activities or administration of the District; (ii) the levy and collection of any tax or assessment; (iii) the offer or sale of any Bonds; (iv) the claims of any contractor, vendor, subcontractor or supplier under any Acquisition Project Construction Contract or Construction Project Construction Contract, or (v) or the carrying out of the provisions of this Agreement, including particularly but not by way of limitation (A) any Acquisition Project, Acquisition Project Construction Contract, and Construction Project, (B) any claim, loss, lawsuit, administrative action or other challenge to which any such Indemnified Party may become subject, under the Securities Acts or any other statute or regulation at law or in equity or otherwise, including but not limited to, losses, claims, damages or liabilities (or actions in respect thereof) arising out of or based upon any untrue statement or alleged untrue statement of a material fact set forth in any offering document relating to the Bonds, or any amendment or supplement thereto, or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or which is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect, or (C) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Owners (which consent shall not be unreasonably withheld); and (2) shall, subject to the Owners rights to defend in (c) below, reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action.

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(b) **Limitation.** This Section shall not be applicable to matters involving any gross negligence or willful misconduct of any Indemnified Party.

(c) **Procedure.** Promptly after the receipt of notice of a written threat of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the Owners, an Indemnified Party shall notify the Owners in writing of the commencement thereof and provide a copy of the written threat received by such Indemnified Party. Failure of the Indemnified Party to give such notice shall reduce the liability of the Owners by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Owners, but the omission to notify the Owners of any such action shall

not relieve the Owners from any liability that it may have to such Indemnified Party otherwise than under this section. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Owners of the commencement thereof, the Owners may, or if so requested by such Indemnified Party shall, participate therein or defend the Indemnified Party therein, with counsel satisfactory to such Indemnified Party and Owners (it being understood that, except as hereinafter provided, the Owners shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Owners to such Indemnified Party of an election so to assume the defense thereof, the Owners shall not be liable to such Indemnified Party under this section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof; provided, however, that unless and until the Owners defend any such action at the request of such Indemnified Party, the Owners shall have the right to participate at their own expense in the defense of any such action. If the Owners shall not have employed counsel to defend any such action or if an Indemnified Party shall have reasonably concluded that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Owners (in which case the Owners shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, the legal and other expenses, including the expense of separate counsel, incurred by such Indemnified Party shall be borne by the Owners.

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ARTICLE IX

MISCELLANEOUS

Section 9.1 **Tax Covenant.** None of the Municipality, the District nor the Owners shall knowingly take, or cause to be taken, any action which would cause interest on any Bond to be includable in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

Section 9.2 **Pamphlet.**

(a) **Preparation of Pamphlet.** To provide evidence satisfactory to the District Manager that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, the Pamphlet shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Manager and the Owners.

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(b) **Distribution of Pamphlet; Disclosure Statement.** The Owners shall require that each homebuilder to whom the Owners have sold land shall:

(i) provide the Pamphlet to any prospective purchaser of land;

(ii) cause any purchaser of land to sign a disclosure statement upon entering into a contract for purchasing such land, such disclosure statement to acknowledge receipt of a copy of the Pamphlet and to disclose the effect of the special assessments on the District of the Bonds in a form reasonably acceptable to the District Manager;

(iii) provide a copy of each fully executed disclosure statement to be filed with the District Manager; and

(iv) provide such information and documents, including audited financial statements to the District, but only to the extent necessary for the District's compliance with Rule 15c2-12 of the Securities Exchange Act of 1934.

Section 9.3 **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective legal representatives, successors and assigns; provided, however, that none of the parties hereto shall be entitled to assign its right hereunder or under any document contemplated hereby without the prior written consent of the Lienholders to this Agreement, which consent shall not be unreasonably withheld or delayed.

Section 9.4 **Further Assurances.** Each party hereto shall, promptly upon the request of any other, have acknowledged and delivered to the other any and all further

instruments and assurances reasonably requested or appropriate to evidence or give effect to the provisions of this Agreement.

Section 9.5 **Entire Understanding; Amendment.** This Agreement, by and among the Municipality, the District and the Owners set forth the entire understanding of the parties as to the matters set forth herein as of the date this Agreement is executed and cannot be altered or otherwise amended except pursuant to an instrument in writing signed by each of the parties hereto. This Agreement is intended to reflect the mutual intent of the parties with respect to the subject matter hereof, and no rule of strict construction shall be applied against any party.

Section 9.6 **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Arizona.

Section 9.7 **Waiver.** The waiver by any party hereto of any right granted to it under this Agreement shall not be deemed to be a waiver of any other right granted in this Agreement nor shall the same be deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived under or by this Agreement.

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Section 9.8 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, but all of which taken together shall constitute one of the same instrument.

Section 9.9 **Release and Discharge.** This Agreement supercedes all previous written or oral agreements or understandings regarding the subject matter of this Agreement. The Owners knowingly and voluntarily forever releases and discharges the Municipality and all of its past and present elected officials, officers, directors, agents, employees, successors, assigns, attorneys, and representatives from all legal and equitable claims, causes of action, debts, accounts, and damages, known or unknown, asserted or unasserted, and of every nature and extent whatsoever, that the Owners have against the Municipality, and arising from actions, omissions, delays or other events that occurred prior to the date of this Agreement.

Section 9.10 **Cancellation; Covenant.** Pursuant to and for purposes of Section 38-511, Arizona Revised Statutes, as amended, the Municipality and the District may, within three years after its execution, cancel this Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, is, at any time while this Agreement is in effect, an employee or agent of the Owners in any capacity or a consultant to any other party of this Agreement with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, from the Owners arising as the result of this Agreement. The Owners have not taken and shall not take any action which would cause any person described in the preceding sentence to be or become an employee or agent of the Owners in any capacity or a consultant to any party to this Agreement with respect to the subject matter of this Agreement.

Section 9.11 **Term of Agreement.** The term of this Agreement shall be as of the date of the execution and delivery hereof by each of the parties hereto and shall expire upon the earlier of: (i) the agreement of the District, the Municipality and the Owners to the termination hereof; (ii) the dissolution of the District (which the parties hereto shall, to the extent permitted by applicable law, cause to occur an soon as practicable after the later of the issuance of the Bonds and the payment in full or provision for payment in full of the Bonds) or: (iii) June 1, 2050.

Section 9.12 **Notices.** All notices, certificates or other communications hereunder (including in the Exhibits hereto) shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid addressed as follows:

If to the Municipality:

Town of Buckeye, Arizona
100 North Apache, Unofficial Document
Buckeye, Arizona 85326
Attention: Town Manager

If to the District:

Festival Ranch Community Facilities District
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: District Manager

With Copy to:

Gust Rosenfeld, P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327
Attention: Scott W. Ruby, District Attorney

If to the Owner:

10,000 West, L.L.C.
8777 N. Gainey Center Drive, Suite 205
Scottsdale, Arizona 85258
Attention: Dick Frye, Vice President

PULTE HOME CORPORATION
15111 North Pima Road
Scottsdale, AZ 85260
Attention: Steve Kunzweiler, Manager of Planning & Entitlements

Any of the foregoing, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 9.13 **Severability.** If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 9.14 **Headings and Titles.** The headings or titles of the several Articles and Sections hereof and in the Exhibits hereto, and any table of contents appended to copies hereof and thereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of th... Unofficial Document All references herein to "Exhibits," "Articles," "Sections," and other subdivisions are to the corresponding Exhibits, Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Exhibit, Article, Section or subdivision hereof.

Section 9.15 **Obligations Imposed by Law.** This Agreement does not relieve any party hereto of any obligation or responsibility imposed upon it by law.

Section 9.16 **Record with County Recorder.** No later than ten (10) days after this Agreement is executed and delivered by each of the parties hereto, the Owners shall on behalf of the Municipality and the District record a copy of this Agreement with the County Recorder of Maricopa County, Arizona.

Section 9.17 **Survival of Agreements.** Unless otherwise expressly provided, the representations, covenants, indemnities and other agreements contained herein shall be deemed to be material and continuing, shall not be merged and shall survive any conveyance or transfer provided herein.

Section 9.18 **Force Majeure.** If any party hereto shall be unable to observe or perform any covenant or condition herein by reason of "force majeure," then the failure to observe or perform such covenant or condition shall not constitute a default hereunder so long as such party shall use its best efforts to remedy with all reasonable dispatch the event or condition causing such inability and such event or condition can be cured within a reasonable amount of time. "Force majeure," as used here, means any condition or event not reasonably within the control of such party, including, without limitation, acts of God; strikes, lockouts, or other disturbances of employer/employee relations; acts of public enemies; orders or restraints of any kind of the government of the United States or any State thereof or any of their departments, agencies, or officials, or of any civil or military authority; insurrection; civil disturbances; riots;

epidemics; landslides; lightning; earthquakes; subsidence; fires; hurricanes; storms; droughts; floods; arrests; restraints of government and of people; explosions; and partial or entire failure of utilities. Failure to settle strikes, lockouts and other disturbances of employer/employee relations or to settle legal or administrative proceedings by acceding to the demands of the opposing party or parties, in either case when such course is in the judgment of the party hereto unfavorable to such party, shall not constitute failure to use its best effort to remedy such a condition or event.

Section 9.19 **Consent.** Whenever the consent or approval of any party hereto, or of any agency therefor, shall be required under the provisions hereof, such consent or approval shall not be unreasonably withheld, conditioned or delayed.

Section 9.20 **Lienholders.** The Lienholders join in the execution of this Agreement for the sole purpose of binding their respective interests in lands within the District and consenting to all matters agreed to herein by the Owners, and the Lienholders do not, by joining in the execution of this Agreement, obligate themselves to any of the affirmative obligations set forth herein on the part of the Owners.

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IN WITNESS WHEREOF, the officers of the Municipality and of the District have duly affixed their signatures and attestations, and the officers of the Owners their signatures, all as of the day and year first written above.

TOWN OF BUCKEYE, ARIZONA

By _____
Dustin Hull, Mayor

ATTEST:

_____
Town Clerk

Pursuant to A.R.S. Section 11-952(L), the Agreement has been reviewed by the undersigned attorney for the Municipality who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the Municipality.

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_____
Scott W. Ruby, Town Attorney

FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

By _____
Chairman, District Board

ATTEST:

_____
District Clerk

Pursuant to A.R.S. Section 11-952(D), this Agreement has been reviewed by the undersigned attorney for the District, who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the District.

District Counsel

State of Arizona)
) ss.
County of Maricopa)

Unofficial Document

The foregoing instrumen... ...ledged before me this 21st day of April, 2005, by Dustin Hull, as Mayor of the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona.

Notary Public

My commission expires:

March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

State of Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of April, 2005, by Dustin Hull, as Chairman of the District Board of Festival Ranch Community Facilities District, an Arizona community facilities district.

Notary Public

My commission expires:

March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

10,000 WEST, LLC, a limited liability company

By Philip A. Edlund

Its Secretary

PULTE HOME CORPORATION, a Michigan corporation

By

Its Attorney in Fact

STATE OF AZ
COUNTY OF Maricopa

Unofficial Document

The foregoing instrument was acknowledged before me this 23 day of March, 2005, by Philip A. Edlund, Secretary of 10,000 West, LLC, a limited liability company, on behalf of the company.

Charlene Sarich
Notary Public

My commission expires:

9-13-07

OFFICIAL SEAL
CHARLENE SARICH
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires Sept. 13, 2007

STATE OF AZ
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 4 day of APRIL, 2003 by MIKE BRILZ, ATTORNEY IN FACT of Pulte Home Corporation, a Michigan corporation, on behalf of the corporation.

Jackie Wilmoth
Notary Public

My commission expires:

JUNE 15, 2007

OFFICIAL SEAL
JACKIE WILMOTH
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 15, 2007

LIENHOLDER
CONSENT AND AGREEMENT

Reference is made to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District, dated as of April 21, 2005, by and among the Town of Buckeye, Arizona, the Festival Ranch Community Facilities District, 10,000 West, L.L.C. and Pulte Home Corporation to which this Consent and Agreement is attached (the "*Development Agreement*"). All capitalized terms used and not otherwise defined in this Consent and Agreement shall have the meanings set forth in this Development Agreement. The undersigned 10,000 West, L.L.C., an Arizona limited liability company ("*Beneficiary*"), is the beneficiary under a Performance Deed of Trust dated May 17, 2004 and recorded in the offices of the Maricopa County Recorder on May 18, 2004 as Instrument No. 2004-0549496 (the "*Deed of Trust*"), covering property proposed to be included in this proposed Festival Ranch Community Facilities District (the "*District*"). First American Title Insurance Company, a California corporation is the Trustee under said Deed of Trust (the "*Trustee*"). The undersigned, each as one of the "*Other Parties*" having an interest in the real propei District to the Development Agreement, acknowledges that the Development Agreement shall bind the real property in which the undersigned has an interest that is located within the District and authorizes the recordation of the Development Agreement with respect to such real property. In no event, however, shall anything in this Consent and Agreement constitute personal assumption by the undersigned of the obligations of the Owner under the Development Agreement.

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[SIGNATURE PAGES TO FOLLOW]

10,000 WEST LLC,
an Arizona limited liability company

By: **Lyle Anderson Holding, Inc.,**
a Delaware corporation,
as Manager

By: Patrick R. Whelan

Its: President

FIRST AMERICAN TITLE INSURANCE COMPANY,
A California Corporation, as Trustee

By

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Its REGIONAL COUNSEL

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this day, personally appeared before me Patrick R. Whelan, as President of Lyle Anderson Holding, Inc., a Delaware corporation, as Manager of 10,000 West, L.L.C., an Arizona limited liability company, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 21, 2005

Elise V. Peters
Notary Public

OFFICIAL SEAL
ELISE V. PETERS
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Commission Expires September 18, 2008

My commission expires:
Sept. 18, 2008

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 23, 2005

Heather Garber
Notary Public

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OFFICIAL SEAL
HEATHER GARBER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

My commission expires:

June 17, 2005

BANK OF SCOTLAND, a banking organization
established by Act of the Scottish Parliament,
as Beneficiary

By _____ RUSSELL OLIVER

Its DIRECTOR.

For and on behalf of the Governor and Company
of the Bank of Scotland

Unofficial Document

FIRST AMERICAN TITLE INSURANCE COMPANY,
A California Corporation, as Trustee

By _____

Its REGIONAL COUNSEL

ENGLAND.
~~SCOTLAND~~
United Kingdom

The foregoing instrument was acknowledged before me this 25 day of FEBRUARY, 2005, by RUSSELL OLIVER, DIRECTOR. of the Bank of Scotland, a banking organization established by Act of the Scottish Parliament, for and on behalf of the Governor and Company of the Bank of Scotland.

_____
Notary Public

Anthony Janion Gibbs,
Notary Public
Solicitor & Partner with
Cobbetts
Ship Canal House, King Street,
Manchester M2 4WB

My commission expires:
no fixed date.

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 23, 2005

Heather Garber

Notary Public

Unofficial Document

My commission expires:

June 17, 2005

OFFICIAL SEAL
HEATHER GARBER
Notary Public State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

ATTACHMENTS

EXHIBIT A -- Legal Description Of Property To Be Included In The District
EXHIBIT B -- Form of Notice Inviting Bids
EXHIBIT C -- Form Of Certificate Of Engineers For Conveyance Of Segment Of Project
EXHIBIT D -- Form Of Conveyance Of Segment Of Project
EXHIBIT E -- Form Of Disclosure Pamphlet

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FESTIVAL RANCH DEVELOPMENT AGREEMENT

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Documents

ER

2000-0787937 10/13/2000 01:33

1 OF 1

When Recorded, Return to:

Joseph A. Blanton, Manager
100 North Apache
Suite A
Buckeye, Arizona 85326

DEVELOPMENT AGREEMENT

DATED OCTOBER 4, 2000

BETWEEN THE TOWN OF BUCKEYE

AND

10,000 West, LLC

SWR:jmp 363197.05 10/04/00

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Exhibits:

Exhibit A Legal Description of Land

Exhibit B Depiction of Land

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DEVELOPMENT AGREEMENT

1. **Date.** The date of this Development Agreement ("Agreement") is October 4, 2000.

2. **Parties.** The parties to this Agreement are:

(a) TOWN OF BUCKEYE, ARIZONA
Attention: Joseph A. Blanton, Manager
100 North Apache
Buckeye, Arizona 85326
Facsimile Number: 623.386.7832 ("Town")

(b) 10,000 WEST, LLC, an
Arizona limited liability company
Attention: Richard T. Frye
8777 N. Ga[illegible] Ave, Suite 205
Scottsdale, Arizona 85258
Facsimile Number: 480.998.0329
("Owner")

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3. **Background.** The following is the background to this Agreement:

(a) Owner is the owner of approximately 10,105 acres of land located in the Town, which land is more particularly described in the attached Exhibit A (the "Land") and depicted in the attached Exhibit B. Pursuant to the General Plan and Land Use District Map of the Town, the Land is located in a Planned Community Land Use District.

(b) Owner desires to enable development of the Land as a phased master planned development and such phasing plan has been described in the Master Plan (as defined hereafter) and accepted by the Town.

(c) On June 17, 1997, by Resolution No. 8-97, Town adopted the Area Plan for certain property within the Town, including the Land ("Area Plan"), which Area Plan generally defined land uses, densities and other development features in conformance with the Town's adopted General Plan.

(d) On May 5, 2000, the Owner submitted for approval the following documents pertaining to the Land project narrative; land use, circulation and infrastructure plans; list of permitted uses, recreational amenities and design themes, development standards and review procedures along with supporting technical studies which documents are intended by the Owner to collectively constitute a Community Master Plan (the "Master Plan") pursuant to Section 7-3-3 of the Town of Buckeye Development Code (the "Development Code").

(e) Town and Owner desire to enter into this Agreement pursuant to A.R.S. § 9-500.05 and the Development Code to approve the Master Plan for the Land.

(f) On October 4, 2000, by Ordinance No. 84-00, (the "Ordinance") Town approved this Agreement and the Master Plan.

4. **Agreement**. For good and valuable consideration, including the benefits to Town and Owner as described above, Town and Owner agree as is more specifically set forth in this Agreement.

5. **Community Master Plan**.

(a) Owner has submitted and the Town has approved the Master Plan pertaining to the Land for development of the Land. The Master Plan is consistent with the Town's General Plan for the Land and the Area Plan for the Land. Master Plan contains the information required by the Laws and Regulations (as defined in this Agreement). The Master Plan shall constitute an amendment to the Area Plan to the extent the Area Plan is modified by the Master Plan. Subject to the amendm Unofficial Document es to the Laws and Regulations (as defined herein) pursuant to Section 6 of this Agreement, the Master Plan shall control if there is any inconsistency between this Agreement, the General Plan, the Area Plan, the existing Development Code, and the Master Plan.

(b) The types of uses, together with the densities, and intensities of such uses for each development parcel located on the Land as shown on the Master Plan are hereby established.

(c) Town shall permit and Owner or its Assignees shall have the right to develop the Land consistent with this Agreement and the Master Plan, subject to: (i) the submission and approval of a more detailed plan for, (1) each phase of development, if phases are contemplated and required by the Master Plan, (2) each plat, and (3) each site plan, and (ii) compliance with the Laws and Regulations. Subject to the foregoing, the right to develop the Land as provided in the Master Plan is hereby vested and shall not be changed, provided, however, the Town reserves the right to modify, terminate or otherwise change the Master Plan including the right to develop in accordance with the uses, densities, intensities and other standards established by the Master Plan and terminate this Agreement, if material progress has been made by the Owner or its Assignees in the construction of the elements of the public infrastructure required by the Master Plan (such as and primarily the elements relating to water, sewer and streets) within five (5) years or the Owner or its Assignees have not built or caused to be built the end product uses (such as houses, finished custom home lots, commercial buildings, improved park(s) and a golf course(s)): (i) on at least twenty five percent (25%) of the Land within fifteen (15) years, (ii) on at least fifty percent (50%) of the Land within twenty (20) years, and (iii) one hundred percent (100%) of the Land within thirty (30) years.

(d) The Land may be planned and developed in phases (individually "Phase" and collectively "Phases"). Owner, or its Assignees shall have the right to plan and develop more than one Phase at a time, with the location, rate, timing and sequencing to be determined by Owner, or its Assignees, provided, however the Town may require a different development

phasing plan if such location or sequencing determinations by the Owner, or its Assignees, materially adversely affect the Town's ability to provide municipal services to the Phase. Notwithstanding the modification or termination deadlines for the Master Plan set forth in paragraph (c) above, any one Phase may be developed pursuant to the Master Plan without change by the Town if the Town Manager determines that the public infrastructure and the end product uses for such Phase have been constructed or have been built, as applicable, in accordance with the time periods set forth in paragraph (c) above.

(e) The Town reserves the right to require dedications of part of the Land for schools (in the event school sites are not required to be dedicated by the Master Plan), open space and other public purposes as part of Town's final development approvals in addition to those areas shown on the Master Plan, subject to Owner's, or its Assignee's rights under applicable United States and Arizona statutory and case law.

6. **Laws and Regulations.** The Town of Buckeye Development Code shall govern the development of the Land pursuant to the Master Plan. The Town must be able to regulate the planning and development of the Land and the construction and installation of improvements on the Land in order to serve the best interests of the Town. Consequently, Town reserves the right to amend existing or to adopt new laws, rules, regulations and standards of development for the Town, including resolutions, official policies and procedures and the Development Code (collectively, as amended or adopted from time to time, the "Laws and Regulations"), and subject to the provisions in Section 12 of this Agreement, the Laws and Regulations shall apply to the Land. Notwithstanding the provisions of Section 12 of this Agreement, future Laws and Regulations shall apply to the Land, regardless of the impact on the development of the Land, if such future Laws and Regulations are required or mandated by federal, state or county law or regulation; required or imposed by judicial or regulatory action, or necessary to alleviate or otherwise contain threats to public health or safety.

Any change to the Laws and Regulations as allowed in this section shall not discriminate against Owner or its Assignees, and the Land, and any change shall be uniformly applied to all land and landowners at such time such land is within the boundaries of Town. Owner reserves its right to object to and redress the Town as to any amendments or additions to the Laws and Regulations based upon applicable United States and Arizona statutory and case law.

7. **Infrastructure.**

(a) The construction and installation of the water and wastewater facilities, public streets, curbs, gutters, sidewalks and traffic control, directional signs and other public infrastructure and public facilities on the Land as required by the Master Plan and the Laws and Regulations (collectively, the "Infrastructure") shall be subject to and in compliance with the Laws and Regulations. Owner or its Assignees shall cause all the Infrastructure required by the Master Plan to be constructed and installed at no cost to the Town, such Infrastructure may be constructed in segments that correspond to the Phases, if any set forth in the Master Plan. All Infrastructure shall be installed in a workmanlike manner in conformity with the plans and specifications that are submitted to and approved by the Town in connection with the Master Plan or each Phase.

(b) Promptly upon request of the Town, Owner or its Assignees, at no cost to the Town, shall dedicate any Infrastructure that is requested by Town to be dedicated to Town or any other appropriate governmental entity. Owner or its Assignees, at no cost to Town, shall dedicate rights-of-ways or convey public easements necessary for the construction, installation, operation and maintenance of the Infrastructure as required by Town, which rights-of-ways or easements may be located adjacent to or in other public and private rights-of-ways or easements.

(c) Owner or its Assignees shall give to Town a one year warranty for all Infrastructure, which warranty shall begin on the date that Town accepts the Infrastructure as provided in this section. Any material deficiencies in material or workmanship identified by Town's staff during the one-year warranty period shall be brought to the attention of Owner or its Assignees, who shall promptly remedy or cause to be remedied such deficiencies to the reasonable satisfaction of Town's staff. Continuing material deficiencies in a particular portion of the Infrastructure shall be sufficient grounds for Town to require (i) an extension of the warranty for a second one year period or, (ii) the proper repair of, or (iii) the removal and reinstallation of, that portion of the Infrastructure that is subject to such continuing deficiencies. Regardless of whether the one year warranty period has expired, the Owner or its Assignees agrees to repair any damage to the Infrastructure caused by Owner's or such Assignee's construction activities on the Land. Nothing contained herein shall prevent the Town or Owner or its Assignees from seeking recourse against any other third party for damage to the Infrastructure caused by such third party.

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Owner or its Assignees shall maintain and repair all Infrastructure comprised of streets, parkways and alleys and all appurtenances thereto at its expense, for a period of two (2) years from the date the Town accepts the Infrastructure. Such maintenance shall consist of all maintenance and repair actions reasonably required by customary engineering industry standards for each item of Infrastructure. Notwithstanding the foregoing, the Owner or its Assignees agrees to forever maintain all landscaping located within the public easements and rights-of-way located on the Land and such obligation shall survive the termination or expiration of this Agreement; provided, however, Owner or its Assignees may assign this obligation to one or more home owners associations ("HOA") provided such HOA is legally bound to such landscaping maintenance obligation and has adequate financial ability, acceptable to the Town, to bear such obligation. Once the Town has consented to the assignment of this obligation to an HOA, Owner or its Assignees shall be relieved of any further obligation to maintain the landscaping.

(d) So long as such Infrastructure is constructed in accordance with the approved plans and the requirements of Section 7(a), as verified by the inspection of the completed improvements by the Town Engineer; all punch list items have been completed; and the acceptance and service agreement required by Section 11(b) (the "Service Agreement') has been executed and delivered by the Owner or its Assignees with respect to water, sewer, parks, police and fire facilities and any other matters set forth in the Service Agreement, the Town shall promptly thereafter accept such dedication(s) of Infrastructure, and, in the case of streets, parkways and alleys, after the expiration of the two (2) year Owner maintenance period described in paragraph 7(c) above, shall, at its own cost, maintain, repair and operate such Infrastructure, excepting areas of landscaping, in accordance with reasonable and customary municipal management and operational standards.

8. **Flood Control.** Flood control measures for the Land shall comply with the requirements of the United States Army Corp of Engineers, and the Laws and Regulations, and, to the extent they are not superceded by the United States Army Corp of Engineers or the Laws and Regulations, the requirements of the Maricopa County Flood Control District.

9. **Community Facilities District.** The Town in accordance with its adopted Community Facilities Guidelines, will consider any requests by Owner or its Assignees of Town to form a community facilities district comprised of the Land in order to aid in financing the cost of the Infrastructure. Nothing contained herein shall be construed to compel the Town to form a community facilities district or for the community facilities district, if formed, to finance any Infrastructure.

10. **Fees and Credits.**

(a) Promptly after the Town submits invoices to Owner, Owner shall pay Town's costs and expenses in connection with the negotiation and preparation of this Agreement.

(b) As the Land is de Unofficial Document r or its Assignees shall pay to Town what are commonly referred to as development, or impact, and hookup fees (collectively, "Development Fees") that are imposed by Town as of or after the date of this Agreement, subject to offsets and credits, as allowed by law.

(c) It is the intent of the parties to allow for a credit to be given against any Development Fee imposed if the Infrastructure or land, if any, is constructed or dedicated by a party other than the Town. No credit will be given for dedication of rights-of-way, easements or other land normally required for public Infrastructure; rather a credit for land dedication is intended for dedications such as regional park sites and municipal buildings.

11. **Services.**

(a) The Town shall, to the extent permitted by current law, include the Land in Town's municipal service area, and, upon construction and installation of the necessary Infrastructure by Owner or its Assignees as provided in or as required by the Laws and Regulations or the Master Plan and with respect to water, provide the Town with an adequate source and supply of water capable of serving the Land for 100 years with potable water, the Town shall provide to the Land such utility and other services in a manner that is similar to that by which Town provides such utilities and services generally to the residents of Town, including sewer, water, garbage, fire and police. To the extent a court of final jurisdiction determines the Town shall not provide one or more municipal services to all or part of the Land, the Town shall not be liable for any damages, costs or expenses incurred or suffered by the Owner or its Assignees as a result of the Town's inability to serve.

(b) Notwithstanding the foregoing, if the Town determines, utilizing reasonable and customary municipal management, accounting and operational practices, that the Land or portion thereof that is being included in the Town's service area generates insufficient revenues to pay the costs and expenses of providing the water system, water treatment system, wastewater system, police and fire service or other Infrastructure, such as a regional park, to or for such area of the Land, the Owner or its Assignees shall pay to the Town promptly upon

receipt of an invoice from the Town, the amount set forth by the Town as the operational deficit to be incurred by the Town in connection with providing municipal services to such area of the Land. The parties agree that the Owner's or the relevant Assignee's obligation to pay any operating deficit shall be evidenced by an acceptance and service agreement. The acceptance and service agreement shall, in addition to Owner's or the relevant Assignee's obligations, require the Town to assess and collect user fees or rates for each municipal service provided by the Town consisted with the fees or rates established by the Town and uniformly applied for other areas of the Town receiving similar municipal services. Failure by the Owner or its Assignees to promptly pay the amount owed will constitute a breach of this Agreement and the Town may collect such amounts owing by any remedy of law or equity and further may withhold the issuance of building permits for improvements on the Land until such amount is paid.

(c) Since Town does not have a current source of capital to offset the capital expenditures related to police and fire service, the Owner or its Assignees shall do the following in connection with the development of the Land:

i) Dedicate real property parcels of the Land (exclusive of streets and other publicly dedicated parts of the Lan[illegible] ice substation and fire station required by the Master Plan or Town when reasonably requested by the Town to serve the Land.

ii) Construct, when required by the Town, a building for each police substation and fire station reasonably required by the Town to serve the Land, or pay funds to the Town sufficient to allow the Town to build such building. The building shall be of a standard design adopted by the Town to adequately serve the Land. At its election and expense, Owner shall have the right to provide temporary police and fire facilities for Town until Town has issued certificates of occupancy for 150 homes on that part of the Land that will be served by the facilities.

12. **Restrictions**. Provided the Owner or its Assignees have met the deadlines set forth in Section 5 (c) of this Agreement and only with respect to any development on that part of the Land for which the major components of the public Infrastructure required to be built by the Master Plan and necessary to serve such development (such major Infrastructure shall consist of water and sewer system improvements and street improvements) has been constructed or material progress has been made in the construction of such major Infrastructure, the Town shall not (i) impose a moratorium, (ii) enforce any Laws or Regulations that directly impose material limitations on the rate, timing or sequencing (other than the Town's ability to require different sequencing pursuant to Section 5(d) of this Agreement), or (iii) impose any Laws or Regulations which are for anti-growth purposes or as applied to the Land significantly and materially frustrate the density of uses contemplated by the Master Plan for such particular development. This prohibition shall not apply to the extent that a limitation may be (a) required or mandated by County, state or federal laws; (b) required or imposed by judicial or regulatory action; or (c) necessary to alleviate or otherwise contain threats to public health or safety. Notwithstanding anything contained in this Section 12, the Town reserves the right to impose a moratorium on any part of the Land for which the major Infrastructure (as described above) has not been constructed or material progress in the construction of such major Infrastructure has not been made, provided, however, the Owner or its Assignees shall have the right to construct such major infrastructure and cause the removal of the moratorium from the Land if the Owner or the

relevant Assignees constructs the Infrastructure required by Section 5(c) of this Agreement, before the end of the time period relating to construction of public infrastructure set forth in Section 5(c) of this Agreement. Unless Town imposes a moratorium as permitted in this section and subject to all Laws and Regulations, Owner or its Assignees shall be allowed to apply for and receive approvals from Town for development on the Land that is consistent with this Agreement and the Master Plan. Nothing in this Section 12 shall preclude the Owner or its Assignees from exercising their rights under applicable United States and Arizona statutory and case law to object to or redress the Town as to any such moratorium or change in Laws or Regulations.

13. **Growth Boundaries**. The Town, to the extent allowed by applicable law, shall use its reasonable efforts to take such action legally and reasonably available to it to include and keep the Land (for development consistent with this Agreement and the Master Plan) within any boundaries that are established by Town or that Town is required to establish by any current or future law that prohibits or limits the development of land outside of the boundaries. Owner shall reimburse Town for any legal fees and costs paid by Town in connection with any legal action to include or keep the Land within such boundaries. The Owner acknowledges and agrees that the Town has included this same language in numerous other development agreements pertaining to other land in the Town and as a result the Town may not be able to accommodate any or all of the Land within any boundaries established by the Town and, accordingly, the Town shall not be liable to the Owner for, from or against any claims, costs or damages of any kind or amount for the Town's failure to include the Land within any such boundaries.

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14. **Agriculture Use**. Subject to the consequences described in Section 5 (c) of this Agreement, Owner or its Assignees shall have the right to use or grant rights to use the undeveloped part of the Land for agriculture purposes, including livestock grazing, until such time as development begins on that part of the Land. However, Owner or its Assignees shall use fences, setbacks and other physical buffers to adequately separate the agricultural uses from other uses, and Owner or its Assignees shall utilize agricultural practices to control dust, water runoff and other resulting conditions from the agricultural uses to ensure that such agricultural uses comply with the Laws and Regulations that apply to such agricultural uses.

15. **Covenants, Conditions and Restrictions**. Owner or its Assignees shall have the right to record one or more declaration of covenants, conditions and restrictions ("CC&Rs") for the area of the Master Plan and each phase to govern the private development and use of the Land. The CC&Rs shall be consistent with this Agreement and the Master Plan and all applicable Laws and Regulations, and each of the CC&Rs shall be subject to the prior review and approval of Town to confirm its compliance with this Agreement and the Master Plan.

16. **Representations and Warranties**. As of the date of the execution of this Agreement, the parties represent and warrant to each other as follows ("Representations and Warranties"):

(a) By Owner:

i) Owner is the owner of the Land.

ii) 10,000 West, LLC, an Arizona limited liability company is duly formed and in good standing in the State of Arizona.

iii) Owner has the authority, including the persons signing for Owner, and the right to enter into this Agreement as authorized by the members of Owner at duly noticed meetings at which quorums were present.

iv) Owner is not prohibited from executing this Agreement by any law, rule, regulation, instrument, agreement, order or judgment.

v) Owner has not relied on any representations or warranties of Town other than those expressly set forth in this Agreement.

(b) By Town:

i) The Ordinance was approved and enacted at a duly noticed and held public meeting by the Town Council, at which a quorum was present and the execution of this Agreement was authorized.

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17. **Cooperation.**

(a) Town and Owner shall each designate a representative to act as a liaison between Town and its various departments and Owner ("Representatives"). The Representatives shall be available at all reasonable times to assist with the performance of the parties under this Agreement. The initial representative for Town ("Town Representative") shall be Joseph A. Blanton, and the initial representative for Owner ("Owner Representative") shall be Richard T. Frye. Town Representative and Owner Representative may be changed by the applicable party by giving notice to the other party of the name, title, address and telephone number of the replacement.

(b) Town does and will from time to time, at the election of Town use the assistance of private independent attorneys, accountants, architects, engineers, inspectors and other outside professionals and consultants to assist Town in the process of administering the development of land within the boundaries of Town, including the Land. If Owner desires to have the Town retain additional outside professionals and consultants in connection with the Land, and if Town is willing to do so, Owner shall reimburse Town for all reasonable fees and costs of the professionals and consultants. Although Town shall have the right to retain and control the professionals and consultants, Town shall consider Owner's recommendation in connection with the selection of the additional professionals and consultants.

18. **Conflicts of Interest.** The parties acknowledge that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended.

19. **Covenants Running with the Land.** The provisions of this Agreement shall be for the benefit of, and shall be a burden upon, the Land, and the provisions of this Agreement shall be covenants running with the Land, without the necessity of an assignment of this Agreement with the conveyance of any part of the Land. However, the provisions of this Agreement shall

terminate as to any Lot (as defined in this Agreement) as provided in the section of this Agreement titled "Duration."

20. **Defaults and Remedies.** Any party to this Agreement shall be in default under this Agreement ("Default") if it fails to pay a fixed amount of money as required under this Agreement within thirty (30) days following notice from the other party, or if it fails to satisfy any other term or provision of this Agreement within thirty (30) days following notice from the other party. If a non-monetary Default may not reasonably be cured within the thirty (30) day period, the other party shall not be in Default if it, in good faith, commences with such thirty (30) day period, and proceeds with due diligence, to fully cure the Default. In the event of a Default by Town or Owner or its Assignees, after the mediation process as allowed in this Agreement, the other party shall be entitled to exercise such remedies in law or equity, provided however Owner or its Assignees shall not be entitled to receive or collect any type or amount of consequential damages from the Town. Each part shall use good faith efforts to agree upon and participate in mediation as provided in this Agreement, if mediation is requested by either party. In addition to the remedy of specific performance against Owner or its Assignees, Town shall have the right to withhold the issuance of building permits for improvements on the land affected by such default until the Default is cured by Owner or its Assignees. Nothing contained in this section shall prevent Town from using any remedies or imposing any fines available to it under the Laws and Regulations for a violation or breach by Owner or its Assignees of any Laws and Regulations.

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21. **Mediation.**

(a) Any Default of a party or disagreement between the parties ("Disagreement") shall be subject to mediation at the election of either party. The proceeding must be held in the offices of Town. A meeting shall be held promptly between the Town Representative and the Owner Representative to attempt in good faith to negotiate a resolution of the Default or Disagreement. If within ten (10) days after such meeting the parties have not succeeded in resolving the Default or Disagreement, they shall, within ten (10) days thereafter submit the Default or Disagreement to a mutually acceptable third-party mediator who is acquainted with dispute resolution methods. The mediator shall issue a written decision within thirty (30) days after a Default or Disagreement is submitted to the mediator. The parties shall participate in good faith in the mediation and the mediation process. The mediation shall be non-binding.

(b) The obligation to mediate shall not prevent either party from exercising self-help remedies, such as setoff, or obtaining provisional remedies from a court of competent jurisdiction before, during or after the pendency of any mediation proceeding.

(c) A mediation proceeding shall not delay the implementation by any part of this Agreement that is not the subject of or affected by the mediation.

(d) The costs of mediation, including any mediator's fee, shall be borne equally by the parties. Each party's other costs and expenses shall be borne by the party incurring them. Reasonable attorney's fees may be awarded, at the discretion of the mediator, to the prevailing party (provided such a party can clearly be determined from the proceedings).

22. **Duration.**

(a) Unless terminated earlier pursuant to Section 5(c) of this Agreement, this Agreement shall automatically terminate as to the Land without the necessity of any notice, agreement or recording by and between the parties twenty (20) years after the date of this Agreement. However, unless terminated by the Town pursuant to Section 5(c) of this Agreement, if less than fifty percent (50%) of the Land is still subject to this Agreement twenty (20) years after the date of this Agreement, this Agreement shall automatically extend without the necessity of any notice, agreement or recording by or between the parties for an additional ten (10) years, for a total of thirty (30) years, at which time this Agreement shall automatically terminate as to the Land without the necessity of any notice, agreement or recording by or between the parties. Upon the termination of this Agreement, neither party shall have any further obligations under this Agreement. However, such termination shall not affect any approval, permit, subdivision map or site plan that has been given, issued or approved by Town for any part of the Land as of the date of such termination. Town is willing to have this Agreement be effective for the period of ..... in this Agreement because of the large number of acres owned by Owner.

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(b) This Agreement shall automatically terminate as to any Lot without the necessity of any notice, agreement or recording by or between the parties anytime the required certificates of occupancy are issued by Town for all buildings on a Lot. A "Lot" (collectively "Lots") shall be any part of the Land, including common areas, that is identified in a recorded residential subdivision plat or site plan that has been approved by Town. This Agreement shall automatically terminate as to any part of the Land that is dedicated by deed, map of dedication or otherwise for Infrastructure and other public or governmental facilities and uses. Nothing contained in this section shall affect any obligation, tax, charge, assessment, encumbrance or other lien imposed on any Lot by the Town or a community facilities district.

23. **Assignment.** Owner shall have the right to sell, transfer or assign ("Transfer") part or all of the Land to any person or entity ("Transferee") at any time during the duration of this Agreement. Owner shall be released from the obligations under this Agreement with respect to the part of the Land that is transferred ("Transferred Land"), subject to the following:

(a) Owner has given Town notice of the Transfer, which shall include a legal description of the Transferred Land and the name, address and facsimile number for notice purposes, of the Transferee; and

(b) The Transferee has agreed in writing to be subject to all of the provisions of this Agreement as to the Transferred Land.

Any amendment to this Agreement in connection with the Transferred Land shall affect only the Transferred Land and shall not be an amendment of this Agreement as to the part of the Land that is not transferred. Any Default of this Agreement in connection with the Transferred Land shall affect only the Transferred Land and shall not be a Default under this Agreement as to the part of the Land that is not the subject of a Transfer.

24. **Lien Financing**. Owner shall have the right at any time, and as often as it desires, to finance the Land and to secure the financing with a lien or liens against the Land. Nothing contained in this section or this Agreement shall constitute a subordination of this Agreement to any voluntary or involuntary obligation, tax, charge, assessment, encumbrance or other lien against the Land.

25. **Compliance Confirmation**. When requested by either Town or Owner, which request can be made from time to time, the other shall use its best efforts to confirm the following in writing to the requesting party within thirty (30) days from the date of the request:

(a) This Agreement is unmodified and in full force and effect (or reasons why it is not); and

(b) Based upon knowledge, there are not any uncured Defaults under this Agreement (or reasons why there are).

26. **No Agency or Partnership**. Neither Town nor Owner is acting as the agent of the other with respect to this Agreement, an Unofficial Document nt shall not be deemed to create a partnership, joint venture or other business relationship between Town and Owner.

27. **No Third Party Beneficiary**. This Agreement shall not create any third party beneficiary rights to any person or entity who is not a party to this Agreement, including any lender to the Owner, unless expressly provided to the contrary in this Agreement (and then only to the extent so provided).

28. **Construction**. The provisions and exhibits of this Agreement shall be construed as a whole consistent with their plain meaning and intent, and they shall not be construed against one party or the other based upon which party prepared or influenced the drafting of any provision or exhibit of this Agreement.

29. **Recording**. Town shall record this Agreement with the County Recorder no later than ten (10) days after the execution of this Agreement.

30. **Time of Essence**. Time is of the essence of this Agreement.

31. **Benefit and Binding Effect**. This Agreement shall be for the benefit of and binding upon the parties hereto and their successors and assigns.

32. **Counterparts**. This Agreement, which may be executed in counterpart, shall constitute the entire agreement between the parties regarding the subject of this Agreement.

33. **Amendment**. Any amendment to this Agreement shall be in writing.

34. **Section Titles**. The section titles in this Agreement are not part of this Agreement and are for convenience only.

35. **Notices**. All notices, requests, waivers, approvals, acceptances or other communications under this Agreement shall be in writing and shall be deemed given when

personally delivered or transmitted by facsimile or two days after mailing by certified mail, return receipt requested and postage prepaid, to the addresses or facsimile numbers set forth in the section of this Agreement titled "Parties," with copies to the following:

(a) For Town: Joseph A. Blanton, Manager
Town of Buckeye
100 North Apache, Suite A
Buckeye, Arizona 85326

With a copy to: Scott W. Ruby, Esq.
Gust Rosenfeld PLC
201 N. Central Avenue, Suite 3300
Phoenix, AZ 85073-3300
Facsimile Number: 602.340.1538

(b) Owner: 10,000 West, LLC, an
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...mited liability company
Attention: Richard T. Frye
8777 N. Gainey Center Drive, Suite 205
Scottsdale, Arizona 85253
Facsimile Number: 480.998.0329

With a copy to: Stephen C. Earl
3101 N. Central Avenue, Suite 1000
Phoenix, Arizona 85012-2641
Facsimile Number: 602.265.2195

36. **Force Majeure.** The performance of either party and the duration of this Agreement shall be extended by any causes that are beyond the control of the party required to perform, such as an act of God, civil or military disturbance and labor or material shortage.

37. **Governing Law.** This Agreement shall be governed by and construed under the laws of the state of Arizona, and any litigation shall take place only in Maricopa County, Arizona.

38. **Attorneys Fees.** The prevailing party in any litigation in connection with this Agreement shall be entitled to its attorneys' fees and costs.

39. **Signature**. The parties have executed this Agreement on the date first above written.

TOWN:

TOWN OF BUCKEYE, ARIZONA

By: _____
Alan Newberry, Vice Mayor

OWNER:

10000 WEST L.L.C.,
an Arizona Limited Liability Company

By: _____
Its ~~President~~ Vice President

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Attest:

By: _____
Joseph A. Blanton, Town Manager

Approved as to Form:

By: _____
Scott W. Ruby, Special Legal Counsel

STATE OF ARIZONA)
: ss.
County of Maricopa)

The foregoing Agreement was acknowledged before me this 11 day of October 2000, by John L. Anderson, in his capacity as ~~President~~ Vice President, on behalf of 10000 West L.L.C.

Karn Reinke
Notary Public

My Commission Expires:

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004

STATE OF ARIZONA)
: ss.
County of Maricopa)

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The foregoing Agreement was acknowledged before me this 4th day of October 2000, by Alan Rawberry in his capacity as Vice Mayor, on behalf of the Mayor of Buckeye, Arizona.

Linda A. Garrison
Notary Public

My Commission Expires:

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires 3-31-2001

ASSIGNMENT OF DEVELOPMENT AGREEMENT

OFFICIAL RECORDS OF
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DER
08:3
NG

When recorded, return to:

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attn.: Diane M. Haller, Esq.

1420113 10/10
FIRST AMERICAN TITLE

ASSIGNMENT AND ASSUMPTION OF DEVELOPMENT AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF DEVELOPMENT AGREEMENT dated this 17 day of May, 2004, by and between 10,000 WEST, L.L.C., an Arizona limited liability company ("**Assignor**") and PULTE HOME CORPORATION, a Michigan corporation ("**Assignee**").

WITNESSETH

WHEREAS Assignor entered into a Development Agreement by and between Assignor and the Town of Buckeye, Arizona dated October 4, 2000 and recorded October 13, 2000, at recorder's number 2000-0787937, records of Maricopa County, Arizona (the "**Development Agreement**").

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby assigns, sets over and conveys all right, title and interest of Assignor in and to the Development Agreement, only with respect to those portions of the Land (as that term is defined in the Development Agreement) described on Exhibit "A", attached hereto and by this reference incorporated herein (the "**Transferred Land**"), to Assignee and Assignee hereby agrees to be subject to all of the provisions of the Development Agreement and to accept and assume, only with respect to the Transferred Land, all such right, title and interest and perform all such obligations of Assignor set forth therein.

[Signatures on following pages.]

ASSIGNOR:

10,000 WEST, L.L.C., an Arizona limited liability company

By: LYLE ANDERSON HOLDINGS, INC., a Delaware corporation
Its Manager

By: _____
Name: Tabor L. Anderson
Title: President

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STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of May, 2004, by Tabor L. Anderson, the President of **LYLE ANDERSON HOLDINGS, INC., a Delaware corporation,** Manager of **10,000 WEST, L.L.C., an Arizona limited liability company,** on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Karn Reinke
Notary Public

My commission expires:

August 15, 2004

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004

ASSIGNEE:

PULTE HOME CORPORATION, a Michigan corporation

By: _____
Name: Chad H. Kolodziejczyk
Title: Assistant Secretary and Vice President

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STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of May, 2004, by Chad H. Kolodziejczyk, the Assistant Secretary & Vice President of **PULTE HOME CORPORATION, a Michigan corporation,** on behalf of that corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

6/29/07

OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

EXHIBIT "A"

(THE WHITE TANK PROJECT FESTIVAL RANCH PARCELS E AND F)

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26 and 28, Township 4 North, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Northeast corner of said Section 24;

thence South 00 degrees 26 minutes 24 seconds West, along the East line of the Northeast quarter of said Section 24, a distance of 2,640.87 feet to the East quarter corner thereof;

thence South 00 degrees 23 minutes 56 seconds West, along the East line of the Southeast quarter of said Section 24, a distance of 2,639.68 feet to the Northeast corner of said Section 25;

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thence South 00 degrees 23 minutes 04 seconds West, along the East line of the Northeast quarter of said Section 25, a distance of 2,642.69 feet to the East quarter corner thereof;

thence South 00 degrees 24 minutes 50 seconds West, along the East line of the Southeast quarter of said Section 25, a distance of 2,641.16 feet to the Southeast corner thereof;

thence North 89 degrees 35 minutes 08 seconds West, along the South line of the Southeast quarter of said Section 25, a distance of 2,641.48 feet to the South quarter corner thereof;

thence North 89 degrees 35 minutes 25 seconds West, along the South line of the Southwest quarter of said Section 25, a distance of 2,639.43 feet to the Southeast corner of said Section 26;

thence North 89 degrees 42 minutes 22 seconds West, along the South line of the Southeast quarter of said Section 26, a distance of 2,630.35 feet to the South quarter corner thereof;

thence North 00 degrees 19 minutes 01 seconds East, along the North-South mid-section line of said Section 26, a distance of 2,202.89 feet to a point on a 5,500.00 foot radius non-tangent curve, whose center bears North 10 degrees 40 minutes 03 seconds West, said point also being on the centerline of "Sun Valley Parkway", as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

thence Southwesterly, along said curve and centerline, through a central angle of 05 degrees 15 minutes 04 seconds, a distance of 504.08 feet;

thence South 84 degrees 32 minutes 16 seconds West, a distance of 2,153.47 feet to the East line of the Southeast quarter of said Section 27;

thence North 00 degrees 24 minutes 17 seconds East, departing said centerline, along the East line of the Southeast quarter of said Section 27, a distance of 733.87 feet to the East quarter corner thereof;

thence North 00 degrees 21 minutes 02 seconds East, along the East line of the Northeast quarter of said Section 27, a distance of 2,640.03 feet to the Northeast corner thereof;

thence North 89 degrees 44 minutes 50 seconds West, along the North line of the Northeast quarter of said Section 27, a distance of 2,633.23 feet to the North quarter corner thereof;

thence North 89 degrees 29 minutes 15 seconds West, along the North line of the Northwest quarter of said Section 27, a distance of 2,642.45 feet to the Northwest corner thereof;

thence South 00 degrees 57 minutes 22 seconds West, along the West line of the Northwest quarter of said Section 27, a distance of 969.63 feet;

thence South 25 degrees 02 minutes 40 seconds West, a distance of 734.21 feet;

thence South 47 degrees 53 minutes 49 seconds West, a distance of 1,529.32 feet;

thence South 82 degrees 46 minutes 17 seconds West, a distance of 720.95 feet;

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thence North 74 degrees 50 minutes 14 seconds West, a distance of 371.53 feet;

thence North 19 degrees 21 minutes 24 seconds West, a distance of 398.70 feet;

thence South 70 degrees 38 minutes 36 seconds West, a distance of 248.27 feet;

thence North 24 degrees 46 minutes 06 seconds West, a distance of 583.53 feet;

thence North 52 degrees 39 minutes 50 seconds West, a distance of 239.24 feet;

thence South 74 degrees 02 minutes 06 seconds West, a distance of 460.64 feet to a point on a 5,085.00 foot radius non-tangent curve, whose center bears South 64 degrees 25 minutes 19 seconds West;

thence Northwesterly, along said curve, through a central angle of 04 degrees 28 minutes 57 seconds, a distance of 397.82 feet;

thence North 30 degrees 03 minutes 38 seconds West, a distance of 2,586.05 feet to the beginning of a tangent curve of 3,915.00 foot radius, concave Northeasterly;

thence Northwesterly, along said curve, through a central angle of 20 degrees 45 minutes 41 seconds, a distance of 1,418.62 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence along the Southerly right-of-way line of the "Central Arizona Project Canal" the following courses:

thence North 44 degrees 33 minutes 22 seconds East, a distance of 315.71 feet;

thence North 56 degrees 59 minutes 46 seconds East, a distance of 496.13 feet;

thence North 80 degrees 26 minutes 29 seconds East, a distance of 3,220.32 feet;

thence North 85 degrees 39 minutes 45 seconds East, a distance of 497.23 feet;

thence South 89 degrees 08 minutes 59 seconds East, a distance of 293.06 feet;

thence South 00 degrees 51 minutes 01 seconds West, a distance of 74.97 feet;

thence South 89 degrees 07 minutes 56 seconds East, a distance of 300.00 feet;

thence North 01 degrees 19 minutes 16 seconds East, a distance of 75.03 feet;

thence South 89 degrees 08 minutes 59 seconds East, a distance of 6,130.87 feet to a point on the West line of the Northwest quarter of said Section 23;

thence South 00 degrees 22 minutes 19 seconds West, departing said Southerly right-of-way line, along the West line of the Northwest quarter of said Section 23, a distance of 468.31 feet to the West quarter corner of said Section 23;

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thence South 89 degrees 37 minutes 07 seconds East, along the East-West mid-section line of said Section 23, a distance of 5,278.03 feet to the West quarter corner of said Section 24;

thence North 00 degrees 22 minutes 48 seconds East, along the West line of the Northwest quarter of said Section 24, a distance of 2,253.90 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 28 minutes 05 seconds East, along said Southerly right-of-way line, a distance of 1,086.54 feet to a point on the South line of the Southwest quarter of said Section 13;

thence South 89 degrees 37 minutes 17 seconds East, along the South line of the Southwest quarter of said Section 13, a distance of 1,625.24 feet to the South quarter corner thereof;

thence North 00 degrees 24 minutes 03 seconds East, along the North-South mid-section line, a distance of 621.31 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 27 minutes 38 seconds East, along said Southerly right-of-way line, a distance of 1,296.88 feet;

thence South 00 degrees 00 minutes 00 seconds East, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 27 minutes 38 seconds East, along said parallel line, a distance of 464.53 feet;

thence North 00 degrees 00 minutes 00 seconds East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 27 minutes 38 seconds East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast quarter of said Section 13;

thence South 00 degrees 24 minutes 51 seconds West, along said East line, a distance of 1,633.09 feet to the POINT OF BEGINNING;

EXCEPT all minerals, oil, gas and geothermal resources as reserved by the United States of America in Patent to said land recorded as 85-411086 of Official Records.

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FESTIVAL RANCH CC&RS

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DER
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NG

When recorded, return to

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attn.: Heidi L. Kimzey, Esq.

FIRST AMERICAN TITLE
1420913 7/10

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

This Declaration of Covenants, Conditions and Restrictions ("**Declaration**") is made this 17th day of May, 2004 by PULTE HOME CORPORATION, a Michigan corporation ("**Pulte**") and 10,000 WEST, L.L.C., an Arizona limited liability company ("**10,000 West**").

RECITALS

A. In accordance with that certain Amended and Restated Purchase Agreement dated July 26, 2002, as amended (the "**Agreement**"), 10,000 West has sold to Pulte certain real property, a legal description of which is attached hereto as Exhibit A (the "**Purchase Property**").

B. The Purchase Property is part of a master-planned real property development commonly known as "**Festival Ranch**". A portion of the balance of Festival Ranch, consisting of real property located within three (3) miles of the Purchase Property, a legal description of which is attached hereto as Exhibit B (the "**Restricted Property**") is owned by 10,000 West. A map showing the respective locations of the Purchase Property and the Restricted Property is attached hereto as Exhibit C.

C. Pulte's anticipated development of the Purchase Property will enhance the value and marketability of the Restricted Property and the balance of Festival Ranch. In consideration of the mutual covenants contained herein, and in order to promote the development of Festival Ranch as a first class community, Pulte and 10,000 West desire to enter into this Declaration.

1. Restricted Property Owner's Covenants, Conditions and Restrictions. For purposes of this Declaration, "**Restricted Property Owner**" shall mean each and every owner of the Restricted Property, or any portion thereof or any interest therein, during the term of its ownership, and each lessee or other user or occupier in possession thereof, during the term of its possession. Restricted Property Owner hereby agrees that the Restricted Property is now, and shall hereafter be, held, transferred, sold, leased, conveyed, developed, improved, maintained and occupied subject to the covenants, conditions and restrictions set forth below and each and every portion thereof shall be binding upon each and every Restricted Property Owner. Said covenants, conditions and restrictions shall inure to the benefit of and be enforceable by Pulte, and its successors and assigns as designated in a written instrument executed by Pulte and identifying this Declaration.

Except as provided in the immediately succeeding sentences, Restricted Property Owner agrees that:

(a) no Age Restricted Community (hereinafter defined) will be constructed, developed or otherwise permitted on the Restricted Property; and

(b) no housing community which contains Age Restricted Amenities (hereinafter defined) will be constructed, developed or otherwise permitted on the Restricted Property.

As used in this paragraph 1(a) the term "**Age Restricted Community**" means any community that is intended to provide housing primarily for persons 55 years of age or older and/or operated as an age restricted community in compliance with all applicable State and Federal laws, provided that areas totaling no more than 40 acres in the aggregate within the Restricted Property may be utilized as housing limited to persons 55 years of age or older without the same constituting an Age Restricted Community under the terms of this Declaration. As used in this paragraph 1(b) the term "**Age Restricted Amenities**" means amenities that are provided primarily for persons 55 years of age or older and/or operated as age restricted amenities in compliance with all applicable State and Federal laws, provided that areas totaling no more than 40 acres in the aggregate within the Restricted Property may be utilized for such amenities for persons 55 years of age or older and/or operated as age restricted amenities in compliance with all applicable State and Federal laws without the same constituting Age Restricted Amenities under the terms of this Declaration.

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2. Other Covenants.

(a) Term. This Declaration (and the restrictions contained in paragraph 1) shall be effective upon the date of its recordation and, as amended from time to time, shall continue in full force and effect until the earlier to occur of: (i) expiration of ten (10) years from the date of recordation of this Declaration, (ii) conveyance of any portion of the Purchase Property by foreclosure following a default under the Deferred Consideration Deed of Trust recorded against the Purchase Property concurrently herewith, executed by Pulte as Trustor for the benefit of 10,000 West and securing Pulte's obligation to pay an agreed upon sum to 10,000 West at the close of escrow for each retail sale of a lot and house, or (iii) at any time when ninety percent (90%) of the residential units planned for the Purchase Property (as specified in the development plan of Pulte existing as of the date of this Declaration) are sold to retail users, or (iv) at any time that the Covenants, Conditions and Restrictions for the Purchase Property are amended to no longer require an Age Restricted Community. After such date, this Declaration and the restrictions contained in paragraph 1 shall automatically terminate and be of no further force or effect.

(b) Termination or Amendment. This Declaration may be amended as to any portion of the Restricted Property upon recordation of the written consent of Pulte and the owner of such portion of the Restricted Property. This Declaration may be terminated as to any portion of the Restricted Property at any time upon recordation of a notice of termination executed by Pulte.

(c) Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

(d) Rule Against Perpetuities. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until twenty-one (21) years after the death of the survivor of the now living descendants of the President of the United States on the date hereof.

[Signatures on following pages]

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IN WITNESS WHEREOF, the undersigned have executed this Declaration on the date hereinabove written.

10,000 WEST, L.L.C., an Arizona limited liability company

By: LYLE ANDERSON HOLDINGS, INC., a Delaware corporation
Its Manager

By: _____
Name: John L. Anderson
Title: President

Unofficial Document

PULTE HOME CORPORATION, a Michigan corporation

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the undersigned have executed this Declaration on the date hereinabove written.

10,000 WEST, L.L.C., an Arizona limited liability company

By: LYLE ANDERSON HOLDINGS, INC., a Delaware corporation
Its Manager

By:_____
Name:_____
Title:_____

Unofficial Document

PULTE HOME CORPORATION, a Michigan corporation

By:_____
Name: Ann H. Kolodisner
Title: Assistant Secretary and Vice President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of May, 2004, by John L. Anderson, the President of **LYLE ANDERSON HOLDINGS, INC., a Delaware corporation,** Manager of **10,000 WEST, L.L.C., an Arizona limited liability company,** on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Karn Reinke
Notary Public

My commission expires:

August 15, 2004

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004
Unofficial Document

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of May, 2004, by _____, the _____ of **PULTE HOME CORPORATION, a Michigan corporation,** on behalf of that corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

_____

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of May, 2004, by _____, the _____ of **LYLE ANDERSON HOLDINGS, INC., a Delaware corporation,** Manager of **10,000 WEST, L.L.C., an Arizona limited liability company,** on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

_____

Unofficial Document

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 11th day of May, 2004, by Chad H. Kolodisner, the Vice President Assistant Secretary of **PULTE HOME CORPORATION, a Michigan corporation,** on behalf of that corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Linda J. Moody
Notary Public

My commission expires:

6/29/07

OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

Joinder of Lender

Bank of Scotland, a banking organization established by Act of the Scottish Parliament (the "**Bank**"), the holder of the beneficial interest under the Amended and Restated Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated November 26, 2003 and recorded on December 3, 2003 with the County Recorder of Maricopa County, Arizona at Document No. 2003-1649448 and by and Assignment of Leases, Lease Payments and Profits dated November 26, 2003 and recorded on December 3, 2003 with the County Recorder of Maricopa County, Arizona at Document No. 2003-1649449, as the same has been or in the future may otherwise be amended or modified (the "**Deed of Trust**"), with the Deed of Trust being provided pursuant to certain financing provided by Bank, joins herein for the purposes of:

(a) consenting to 10,000 West's entering into and performing its obligations under the Declaration; and

(b) subordinating the Deed of Trust to the Declaration.

Dated as of this 12 day of May, 2004.

Unofficial Document

BANK OF SCOTLAND, a banking organization established by Act of the Scottish Parliament

By: _____

Name: RUSSELL OLIVER

Its: ASSOCIATE DIRECTOR OF CORPORATE BANKING

For and on Behalf of the Governor and Company of the Bank of Scotland

SCOTLAND)
) ss.
United Kingdom)

The foregoing instrument was acknowledged before me this 12 day of May, 2004, by RUSSELL OLIVER, the ASSOCIATE DIRECTOR OF CORPORATE BANKING of Bank of Scotland, a banking organization established by the Act of the Scottish Parliament, on behalf of the banking organization, for and on behalf of the banking organization.

_____
Notary Public

GAVIN RICHARD BUSHELL
NOTARY PUBLIC
Ship Canal House
King Street Manchester M2 4WB

My Commission ~~Expires:~~
last indefinitely

GROUNDWATER REPLENISHMENT DISTRICT CC&RS

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Documents

When recorded, please return to:
Central Arizona Water
Conservation District
P.O. Box 43020
Phoenix, Arizona 85080-3020
Attn: Manager, Groundwater
Replenishment District

MA
HELEN PURCELL
2003-1752903 12/31/03 14:48
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR SUN CITY FESTIVAL, PHASE 1 REGARDING MEMBERSHIP IN THE CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT

This Declaration of Covenants, Conditions and Restrictions for Sun City Festival, Phase 1 Regarding Membership in the Central Arizona Groundwater Replenishment District is made this 23rd day of December, 2003, by 10,000 West, L.L.C., an Arizona limited liability company.

RECITALS

A. Declarant is the owner of the Property, legally described in Exhibit A attached and incorporated into this Declaration.

B. Declarant has applied to the Department for a certificate of assured water supply for the property pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9.

C. As permitted by Arizona Revised Statutes § 45-576.01(B), Declarant desires to satisfy one requirement for obtaining a certificate of assured water supply by qualifying the Property as Member Land pursuant to the Groundwater Replenishment Statute. As Member Land, the Property will be a member of the Central Arizona Groundwater Replenishment District, an operating subdivision of the CAWCD.

D. To qualify the Property as Member Land, the Groundwater Replenishment Statute requires Declarant to subject the Property to this Declaration.

E. To permit the delivery of Excess Groundwater to the Property as Member Land, each Parcel must be subject to the Parcel Replenishment Obligation and the Replenishment Assessment to be determined by CAWCD.

F. Qualifying the Property as Member Land and subjecting the Property to the Parcel Replenishment Obligation and the Replenishment Assessment directly benefits the Property by increasing the potential of the Property to qualify for a certificate of assured

water supply issued by the Department pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9, thereby allowing the development, use and enjoyment of the Property.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold and conveyed subject to the covenants, conditions and restrictions contained in this Declaration.

ARTICLE 1
DEFINITIONS

1.1 "CAWCD" means the Central Arizona Water Conservation District, a political subdivision of the State of Arizona, and any successor political subdivision.

1.2 "Declarant" means 10,000 West, L.L.C., an Arizona limited liability company.

1.3 "Declaration" means this Declaration of Covenants, Conditions and Restrictions for Sun City Festival, Phase 1 Regarding Membership in the Central Arizona Groundwater Replenishment District, as amended from time to time.

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1.4 "Department" means the Arizona Department of Water Resources, an agency of the State of Arizona, and any successor agency.

1.5 "Excess Groundwater" means the amount of Groundwater equal to the amount of Groundwater delivered to the Property in a calendar year in excess of the amount of Groundwater that may be used at the Property in that calendar year consistent with the applicable Assured and Adequate Water Supply Rules adopted by the Department for the Phoenix Active Management Area pursuant to Arizona Revised Statutes § 45-576(H).

1.6 "Groundwater" is as defined in Arizona Revised Statutes § 45-101(5).

1.7 "Groundwater Replenishment Statute" means Arizona Revised Statutes Title 48, Chapter 22.

1.8 "Member Land" is as defined in Arizona Revised Statutes § 48-3701(9).

1.9 "Owner" means the Person or Persons who individually or collectively own fee title to a Parcel, provided that if fee title to a Parcel is vested in a trustee under a deed of trust under Arizona Revised Statutes Title 33, Chapter 6.1, the owner of the trustor's interest under the deed of trust is deemed to be the "Owner" of that Parcel.

1.10 "Parcel" means any portion of the Property now existing or hereafter established for which the tax assessor for the county in which the Property is located has issued a separate tax parcel number.

1.11 "Parcel Replenishment Obligation" means, with respect to any particular Parcel, an amount of Groundwater that is equal to the amount of Groundwater delivered to the Parcel in a calendar year multiplied by the percentage that the Excess Groundwater of the Property for that year bears to the total amount of Groundwater delivered to the Property during that year.

1.12 "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, limited liability company, limited liability partnership, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.13 "Property" means the real property described in Recital A.

1.14 "Replenishment Assessment" means the annual assessment levied by CAWCD against a Parcel in a calendar year based on the Parcel Replenishment Obligation applicable to that Parcel during that year.

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ARTICLE 2
COVENANT FOR REPLENISHMENT ASSESSMENT

2.1 Replenishment Assessment. Each Parcel is hereby made subject to the Replenishment Assessment based on the Parcel Replenishment Obligation in an amount to be determined by CAWCD as necessary to allow CAWCD to perform its groundwater replenishment obligation under the Groundwater Replenishment Statute.

2.2 Levy of Replenishment Assessment. CAWCD shall levy the Replenishment Assessment against each Parcel in accordance with Arizona Revised Statutes § 48-3778.

2.3 Interest, Costs and Penalties. If the Replenishment Assessment is not paid when due, CAWCD will be entitled to interest, costs and penalties as provided by Arizona Revised Statutes § 48-3782.

ARTICLE 3
COVENANT FOR CREATION OF LIEN

3.1 Creation of Lien and Personal Obligation. Declarant, for each Parcel, hereby covenants and agrees, and each Owner (other than Declarant), by becoming the Owner of a Parcel, is deemed to covenant and agree, to pay the Replenishment Assessment to CAWCD in accordance with this Declaration and the Groundwater Replenishment Statute. The Replenishment Assessment, together with interest, costs, and penalties as provided by Arizona Revised Statutes § 48-3782, constitutes a continuing lien on the Parcel against which such Replenishment Assessment is levied, as provided by Arizona Revised Statutes § 48-3778. A Replenishment Assessment, together with interest, costs and penalties, as provided by Arizona Revised Statutes § 48-3782, is also a personal obligation of each Person who was an Owner of a Parcel at the time such Replenishment Assessment came due.

3.2 Remedies for Nonpayment of Replenishment Assessment. In the event of delinquency of any Replenishment Assessment, CAWCD has the rights and remedies provided in Arizona Revised Statutes §§ 48-3778 and 48-3782.

ARTICLE 4
GENERAL PROVISIONS

4.1 Binding Effect. The Property shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any portion of or any interest in the Property, each Owner is bound by all the covenants, conditions and restrictions now or hereafter imposed by this Declaration. The covenants, conditions and restrictions contained in this Declaration run with the land and bind Declarant, all Owners, and all successors and assigns of Declarant or any Owner. Declarant agrees and covenants to CAWCD to execute and record any additional documentation which CAWCD may reasonably require to effectuate the intents and purposes of this Declaration and the Groundwater Replenishment Statute.

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4.2 Amendments. This Declaration may be modified, amended or revoked only (i) by the express written agreement of CAWCD, the Department and the Owners of 67% of the total area of the Property; or (ii) by amendment statutes, rules or regulations or successor statutes, rules or regulations, as contemplated by Paragraph 4.4.

4.3 Interpretation. This Declaration must be construed and interpreted in accordance with and in reference to the laws of the State of Arizona, including but not limited to the Groundwater Replenishment Statute.

4.4 Rules, Regulations and Successor Statutes. All references in this Declaration to Arizona Revised Statutes include all rules and regulations promulgated by the Department under such statutes and all amendments and successor statutes, rules and regulations to such statutes, rules and regulations.

4.5 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable does not affect the validity or enforceability of any other provision of this Declaration.

4.6 Captions. All captions, titles or headings in this Declaration are used for the purpose of reference and convenience only and do not limit, modify or otherwise affect any of the provisions of this Declaration.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

DECLARANT: 10,000 WEST, L.L.C., an Arizona limited liability company

By: LA WEST INVESTMENT, L.L.C., an Arizona limited liability company

Its: Executive Member

By: _____
Taber Anderson

Its: Vice President

The undersigned Optionee, identified as "Buyer" under that certain Memorandum of Purchase Agreement dated December 5, 2002, by and between 10,000 West, L.L.C., an Arizona limited liability company and Pulte Home Corporation, a Michigan corporation, hereby directs 10,000 West, L.L.C. to execute this document and consents to the execution and recording of this document.

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OPTIONEE: PULTE HOME CORPORATION, a Michigan corporation

By: _____
Samuel C. Colgan, Authorized Agent

By: _____
Chad H. Kolodisner, Authorized Agent

STATE OF Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 22nd day of December, 2003, by Taber Anderson, the Vice President of LA West Investment, L.L.C., on behalf of 10,000 West, L.L.C.

_____
Notary Public

My commission expires:
August 15, 2004

OFFICIAL SEAL
KARIN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004

STATE OF)
) ss.
County of)

The foregoing instrument was acknowledged before me this 22nd day of December, 2003, by Samuel C. Colgan the Authorized Agent of Pulte Home Corporation.

Linda Garrison
Notary Public

My commission expires:
March 31, 2005

OFFICIAL SEAL
Unofficial Document
GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires 3-31-2005

STATE OF)
) ss.
County of)

The foregoing instrument was acknowledged before me this 22nd day of December, 2003, by Chad H. Kolodisner the Authorized Agent of Pulte Home Corporation.

Linda J. Moody
Notary Public

My commission expires:
6/29/07

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OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

EXHIBIT A

That part of Section 13, 22, 23, 24, 25, and 26, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Southeast Corner of said Section 22;

Thence North 89°44'50" West, along the South line of the Southeast Quarter of said Section 22, a distance of 2,633.23 feet to G.L.O. Brass Cap marking the South Quarter Corner of said Section 22;

Thence North 89°29'15" West, along th Unofficial Document the Southwest Quarter of said Section 22, a distance of 212.30 feet;

Thence North 47°27'37" East, departing said South line, a distance of 3,887.22 feet to the West Quarter Corner of said Section 23;

Thence South 89°37'07" East, along the East-West mid-section line of said Section 23, a distance of 5,278.03 feet to the West Quarter Corner of said Section 24;

Thence North 00°22'48" East, along the West line of the Northwest Quarter of said Section 24, a distance of 2,253.90 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

Thence North 69°28'05" East, along said Southerly right-of-way line, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence South 89°37'17" East, along the South line of the Southwest Quarter of said Section 13, a distance of 1,625.24 feet to the South Quarter Corner thereof;

Thence North 00°24'03" East, along the North-South mid-section line, a distance of 621.31 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,296.88 feet;

Thence South 00°00'00" East, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the "Central Arizona Project Canal";

Thence North 69°27'38" East, along said parallel line, a distance of 302.37 feet;

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Thence South 00°00'00" East, departing said parallel line, a distance of 795.98 feet to the beginning of a tangent curve of 2,065.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 28°30'37", a distance of 1,027.54 feet;

Thence South 28°30'37" West, a distance of 1,168.85 feet to the beginning of a tangent curve of 1,935.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 28°07'15", a distance of 949.69 feet;

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Thence South 00°23'22" West, a distance of 195.00 feet;
Thence South 44°36'38" East, a distance of 56.57 feet;
Thence South 00°23'22" West, a distance of 130.00 feet;
Thence South 45°23'22" West, a distance of 56.57 feet;

Thence South 00°23'22" West, a distance of 1,479.50 feet to the beginning of a tangent curve of 2,065.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 16°42'02", a distance of 601.91 feet;

Thence South 17°05'24" West, a distance of 529.47 feet to the beginning of a tangent curve of 2,370.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 05°08'19", a distance of 212.56 feet;

Thence South 33°50'03" East, a distance of 41.84 feet;
Thence South 10°22'48" West, a distance of 70.00 feet;

Thence South 54°35'40" West, a distance of 41.84 feet to a point on a 2,370.00 foot radius non-tangent curve, whose center bears South 81°11'29" East;

Thence Southerly, along said curve, through a central angle of 13°31'43", a distance of 559.60 feet;

Thence South 04°43'12" East, a distance of 318.36 feet to the beginning of a tangent curve of 7,265.00 foot radius, concave Westerly;

Thence Southerly, along said curve, through a central angle of 03°59'38", a distance of 506.43 feet;

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Thence South 00°43'34" East, a distance of 336.87 feet;
Thence South 45°09'36" East, a distance of 57.12 feet;

Thence South 00°24'21" West, a distance of 100.00 feet to a point on the centerline of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said centerline of Sun Valley Parkway, the following courses:

Thence North 89°35'39" West, a distance of 2,892.14 feet to the East Quarter Corner of said Section 26;

Thence North 89°31'54" West, a distance of 133.95 feet to a point on a 5,500.00 foot radius non-tangent curve, whose center bears South 00°25'12" West;

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Thence Southwesterly, along said curve, through a central angle of 13°46'18", a distance of 1,321.99 feet;

Thence South 76°40'10" West, a distance of 969.54 feet to a point on a 5,500.00 foot radius non-tangent curve, whose center bears North 13°19'57" West;

Thence Southwesterly, along said curve, through a central angle of 03°46'45", a distance of 362.76 feet;

Thence North 09°33'12" West, departing said centerline of Sun Valley Parkway, a distance of 100.00 feet;

Thence North 34°53'22" East, a distance of 56.02 feet;

Thence North 10°40'03" West, a distance of 401.54 feet to the beginning of a tangent curve of 2,435.00 foot radius, concave Southwesterly;

Thence Northwesterly, along said curve, through a central angle of 34°01'56", a distance of 1,446.33 feet;

Thence North 44°41'59" West, a distance of 125.93 feet;
Thence North 89°41'59" West, a distance of 42.43 feet;

Thence South 45°18'01" West, a distance of 213.53 feet to the beginning of a tangent curve of 870.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 45°03'01", a distance of 684.06 feet;

Thence North 89°38'58" West, a distance of 904.91 feet to a point on the West line of the Northwest Quarter of said Section 26;

Thence North 00°21'02" East, along said West line, a distance of 1,622.48 feet to the Point of Beginning.

Containing 1,284.551 Acres, more or less.

Unofficial Document

APPRAISER'S QUALIFICATIONS

FRANK R. KLEINMAN, MAI, CRE

BURKE HANSEN, LLC

Real Estate Appraisal, Consultation & Advisory Services

EDUCATION

College: Bachelor of Science – Business Administration, Arizona State University, Tempe, 1957. Selected as the outstanding military student in the Class of 1957.

Continuing Education: Successfully completed the required courses of The Appraisal Institute. Attended numerous seminars and courses as part of the Appraisal Institute Professional Education/Certification program.

PROFESSIONAL AFFILIATIONS

MAI, Member, The Appraisal Institute since November 1970
State of Arizona, Certified General Real Estate Appraiser, Certificate No. 30207
CRE, Member, The American Society of Real Estate Counselors since January 1977

BUSINESS EXPERIENCE

2000 to Present, Appraiser, *Burke Hansen, LLC*
1983 to 2000, Partner, *Burke Hansen, Inc.*
1978 to 1983, Independent Fee Appraiser, *DICOR, Inc.*, retained as a consultant in charge of commercial real estate development
1967 to 1978, Manager of Appraisal Department, *Coldwell Banker & Company and Coldwell Banker Management Corporation*
1963 to 1978, Real Estate Appraiser, *Coldwell Banker & Company and Coldwell Banker Management Corporation*

APPRAISAL/RESEARCH EXPERIENCE

Assignments: Market and absorption studies and expert witness testimony.

Product Types: Master planned communities; apartments; neighborhood shopping centers; community shopping centers; historical Indian lands; office buildings; industrial buildings; and residential subdivisions.

A list of clients for whom assignments have been completed would include:

City of Peoria
Fortis Private Capital
Shimizu America Corporation
Suncor
Fry's
Nathan & Associates, Inc.
Maricopa Water District
Northern Trust Bank
Pinnacle West Capital Corp
The Mitsui Trust and Banking Co. Ltd.
Harris Trust Bank
Johnson Bank, N.A.
Snell & Wilmer

STEPHEN E. NIEBLING

BURKE HANSEN, LLC

Real Estate Appraisal, Consultation & Advisory Services

EDUCATION

College: Master of Business Administration. Arizona State University, Tempe, Arizona, 1998.
Bachelors of Science in Economics. Santa Clara University, Santa Clara, California, 1992.

CERTIFICATION/ LICENSURE

State of Arizona, Certified General Real Estate Appraiser, Certificate (#30879)
Arizona Licensed Real Estate Sales Agent

PROFESSIONAL AFFILIATIONS

Associate Member, The Appraisal Institute
Associate Member of the American Bar Association

BUSINESS EXPERIENCE

2001 to Present, Senior Appraiser, *Burke Hansen, LLC*
1999 to 2001, *Real Estate Consultant, PricewaterhouseCoopers LLP*
1993 to 1999, Appraiser, *Burke Hansen, Inc.*

APPRAISAL/RESEARCH EXPERIENCE

Assignments: Majority of the assignments have been appraisals for conventional financing and/or CFD financing. Other appraisal assignments have included estate tax and litigation matters (eminent domain, lost profits, partnership disputes, CERCLA, etc.). Consulting assignments have been prepared for affordable housing, financial feasibility and market analyses.

Product Types: Master-planned communities; apartments; neighborhood and community shopping centers; professional and medical office buildings; industrial buildings; residential subdivisions, hotels and golf courses.

APPENDIX D

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

DRAFT

CONTINUING DISCLOSURE UNDERTAKING
(OWNER)

$1,448,000*
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

(CUSIP BASE NUMBER .....)

This Undertaking is executed and delivered by Pulte Home Corporation, a Michigan corporation (hereinafter referred to as the "Owner"), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the "Securities") for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

"Annual Report" shall mean any annual report provided by the Owner pursuant to, and as described in, Section 2.

"Assessment Area" shall have meaning provided thereto in the Official Statement.

"Authorizing Documents" shall mean, collectively, the resolutions authorizing the issuance of the Securities and the Indenture of Trust and Security Agreement from the Issuer to Wells Fargo Bank Arizona, N.A. with respect to the Securities.

"Central Post Office" shall mean an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to the Repositories for purposes of the Rule. As of the date of this Disclosure Undertaking, the Central Post Office is:

* Subject to change.

DisclosureUSA
P.O. Box 684667
Austin, Texas 78678-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

"Dissemination Agent" shall mean any agent which has executed a dissemination agency agreement with the Owner and the successors and assigns of such agent.

"Issuer" shall mean Festival Ranch Community Facilities District, a community facilities district organized and existing pursuant to the laws of the State of Arizona.

"Official Statement" shall mean the Official Statement, dated _____, 2005, with respect to the Securities.

"Material Events" shall mean any of the events listed in Section 3(a).

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Owner shall contact the Securities and Exchange Commission to determine the National Repositories existing at such time.)*** Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: munis@bloomberg.com

Standard & Poor's Securities Evaluations Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: nrmsir@interactivedata.com

The names and addresses of the then-current National Repositories should be verified each time information is delivered pursuant to this Undertaking. (A current listing of the National Repositories can be found at http://www.sec.gov/info/municipal/nrmsir.htm.)

"Notice of Material Event" shall mean any notice provided by the Owner pursuant to, and as described in, Section 3.

"Objective Criteria" shall mean, as to any owner of land within the boundaries of the Assessment Area in question at the time in question, that the unpaid portions of the Special Assessments levied against such land owned by such owner equals or exceeds twenty percent (20%) of the total principal amount of the Securities then outstanding.

"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.

"Special Assessments" shall have the meaning provided thereto in the Official Statement.

"State Repository" shall mean any public or private repository or entity designated by the State of Arizona and recognized by the Securities and Exchange Commission as a state repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Owner shall contact the Securities and Exchange Commission to determine the State Repositories existing at such time.)*** Currently, no State Repositories exist for the State of Arizona. ***The name and address of the then-current State Repository should be verified each time information is delivered pursuant to this Undertaking.***

Section 2. Contents and Provision of Annual Reports.

(a) (i) ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN JULY 1 OF EACH YEAR, COMMENCING JULY 1, 2006, PROVIDE TO EACH REPOSITORY AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF EACH ANNUAL REPORT TO THE ISSUER.***

(ii) ***IF THE OWNER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO EACH REPOSITORY AND TO THE MUNICIPAL SECURITIES RULEMAKING BOARD ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information with respect to (I) single family lot closings and issuance of building permits within the boundaries of the portion of the Assessment Area owned by the Owner, (II) the full cash value for taxation purposes of the land within the Assessment Area owned by the Owner, (III) update of the land sales and land development (including particularly the status of completion of the items described under the heading "THE OTHER INFRASTRUCTURE"), (IV) any conveyance in a single transaction to any entity by the Owner of land within the boundaries of the Assessment Area which has unpaid portions of the Special Assessments levied there against in an amount equal to or exceeding five percent (5%) of the principal amount of the Securities then outstanding (including identity of the entity and location of property conveyed) and (V) changes in the description of residential product mix, development and sale of lots, project financing and encumbrances of the Owner set forth in the relevant sections of the Official Statement.

(B) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis generally accepted accounting principles. (The Owner does not currently obtain audited financial statements.) ***IF THE FISCAL YEAR OF THE OWNER CHANGES, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of***

the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided to each Repository.

Section 3. Reporting of Material Events.

(a) This Section shall govern the giving of notices of the occurrence of the following events (the "Material Events") with respect to the Securities:

(i) The conveyance in a single transaction to any entity by the Owner of land within the boundaries of the Assessment Area which has unpaid portions of the Special Assessments levied there against in an amount equal to or exceeding twenty percent (20%) of the principal amount of the Securities then outstanding (including identity of the entity and location of property conveyed).

(ii) Any failure by the Owner to pay, prior to delinquency, general property taxes, special taxes or assessments with respect to property of the Owner within the boundaries of the Issuer.

(b) ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF MATERIAL EVENT OF THE OCCURRENCE OF A MATERIAL EVENT WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH REPOSITORY. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE OF MATERIAL EVENT TO THE ISSUER.***

Section 4. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Owner file the Annual Reports, the notices of any Material Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Owner may instead comply with the provisions of this Undertaking by filing the Annual Reports and such notices with a Central Post Office.

Section 5. Termination of Reporting Obligation. The obligations of the Owner pursuant to this Undertaking shall terminate upon (i) the legal defeasance, prior redemption or payment in full of all of the Securities or (ii) the failure of the Owner to satisfy the Objective Criteria. ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO EACH REPOSITORY AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

Section 6. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Owner may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is

supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is 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 the Owner or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Owner or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authority Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report 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. Such 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 Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE OWNER CHANGE, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

Section 7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Owner from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Undertaking. If the Owner chooses to include any information in any Annual Report or Notice of Material Event in addition to that which is specifically required by this Undertaking, the Owner shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Material Event.

Section 8. Default. In the event of a failure of the Owner to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including

seeking mandamus or specific performance by court order, to cause the Owner to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authority Documents, and the sole remedy under this Undertaking in the event of any failure of the Owner to comply with this Undertaking shall be an action to compel performance.

Section 9. Dissemination Agent. The Owner may, from time to time, appoint or engage a Dissemination Agent to assist it in satisfying the obligations of the Owner hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Recordkeeping. The Owner shall maintain copies of each Annual Report and Notice Material Event as well as the names of the entities with whom the same was filed and the date of filing thereof.

Section 11. Subsequent Transfers of Owner's Land. Upon any sale by the Owner of land within the boundaries of the Assessment Area such that the acquiring owner of land within the boundaries of the Assessment Area then satisfies the Objective Criteria, the Owner shall require such acquiring owner of land within the boundaries of the Assessment Area to execute an undertaking substantially similar to this Undertaking and in compliance with the Rule prior to the conveyance of title to such acquiring owner of such land within the boundaries of the Assessment Area.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and the Owner shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or wilful misconduct of the Dissemination Agent. The obligations of the Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Section 13. Copies for Issuer. Any copy provided by this Undertaking to be given or furnished to the Issuer by the Owner shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Issuer addressed to it at c/o Town of Buckeye, Arizona, Suite A, 100 North Apache, Buckeye, Arizona 85326, Attention: District Clerk or at any other address furnished previously in writing to the Owner by the Issuer.

Dated: November 17, 2005

PULTE HOME CORPORATION, a Michigan corporation

By:.....
Its:.....

By.....
Printed Name:.....
Title:.....

CONTINUING DISCLOSURE UNDERTAKING
(ISSUER)

DRAFT

$1,448,000*
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

(CUSIP BASE NUMBER .....)

This Undertaking is executed and delivered by Festival Ranch Community Facilities District (hereinafter referred to as the "Issuer"), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the "Securities") for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

"Annual Report" shall mean any annual report provided by the Issuer pursuant to, and as described in, Section 2.

"Authorizing Documents" shall mean, collectively, the resolutions authorizing the issuance of the Securities and the Indenture of Trust and Security Agreement from the Issuer to Wells Fargo Bank, N.A. with respect to the Securities.

"Central Post Office" shall mean an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to the Repositories for purposes of the Rule. As of the date of this Disclosure Undertaking, the Central Post Office is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78678-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

"Dissemination Agent" shall mean any agent which has executed a dissemination agent agreement with the Issuer and such successors and assigns of such agent.

* Subject to change.

"Listed Events" shall mean any of the events listed in Section 3(a).

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Issuer shall contact the Securities and Exchange Commission to determine the National Repositories existing at such time.)*** Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: munis@bloomberg.com

Standard & Poor's Securities Evaluations Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: nrmsir@interactivedata.com

The names and addresses of the then-current National Repositories should be verified each time information is delivered pursuant to this Undertaking. (A current listing of the National Repositories can be found at http://www.sec.gov/info/municipal/nrmsir.htm.)

"Notice of Material Event" shall mean any notice provided by the Issuer pursuant to, and as described in, Section 3.

"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 Arizona and recognized by the Securities and Exchange Commission as a state repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Issuer shall contact the Securities and Exchange Commission to determine the State Repositories existing at such time.)*** Currently, no State Repositories exist for the State of Arizona. ***The name and address of the then-current State Repository should be verified each time information is delivered pursuant to this Undertaking.***

"Tax-exempt" shall mean that interest on the Securities 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 2. Contents and Provision of Annual Reports.

(a) (i) ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2006, PROVIDE TO EACH REPOSITORY AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.***

(ii) ***IF THE ISSUER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO EACH REPOSITORY AND TO THE MUNICIPAL SECURITIES RULEMAKING BOARD ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information of the type in TABLES 1 and 2 of the Official Statement, dated _____, 2005, with respect to the Securities.

(B) Information with respect to status of ownership, amounts of delinquencies and parcels delinquent (including amount of penalties and interest) and status of foreclosure sales by tax parcel identification number as such matters relate to the "Special Assessments" which are the subject of TABLE 5.

(C) Current balances in the funds held pursuant to the "Indenture of Trust" described in such Official Statement.

(D) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the

basis of generally accepted accounting principals as applied to governmental units. (The Issuer does not currently obtain audited financial statements.) ***IF THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided to each Repository.***

Section 3. Reporting of Material Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events") with respect to the Securities:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Securities (including particularly, but not by way of limitation,

(A) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the Securities is not Tax-exempt or

(B) Any event adversely affecting the Tax-exempt status of the Securities, including but not limited to:

(I) Any non-random audit, investigation or other challenge of the Tax-exempt status of the Securities by the Internal Revenue Service or in any administrative or judicial proceeding or

(II) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official tax authority or by any court adversely affecting the Tax-exempt status of the Securities or securities of the same type as the Securities or financing structures of the same type as financed by the Securities.)

(vii) Modifications to rights of holders (i.e. owners).

(viii) Bond calls (which are other than mandatory or scheduled redemptions, not otherwise contingent upon the occurrence of an event).

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the Securities (including property leased, mortgaged or pledged as such security).

(xi) Rating changes.

(b) ***IF KNOWLEDGE OF THE OCCURRENCE OF A LISTED EVENT WOULD BE MATERIAL AS INTERPRETED PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (PROVIDED, HOWEVER, THAT ANY EVENT UNDER SUBSECTION (A)(VIII), (IX) OR (XI) OF THIS SECTION SHALL ALWAYS BE DEEMED TO BE MATERIAL), THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF MATERIAL EVENT OF SUCH OCCURRENCE WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH REPOSITORY.***

Section 4. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Issuer file the Annual Reports, the notices of any Listed Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Issuer may instead comply with the provisions of this Undertaking by filing the Annual Reports and such notices with a Central Post Office.

Section 5. Termination of Reporting Obligation.

(a) The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH***

TERMINATION TO EACH REPOSITORY AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.

(b) To the extent applicable by provision of law, this Undertaking is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provision of which are incorporated herein.

Section 6. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is 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 the Issuer or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Issuer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authority Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report 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. Such 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 Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE ISSUER CHANGE, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT.***

Section 7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any

other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or Notice of Material Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Material Event.

Section 8. Default. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authority Documents, and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.

Section 9. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in satisfying the obligations of the Owner hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or wilful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Dated: November 17, 2005

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By.....
Chairman, District Board

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions of Certain Terms

The following is a summary of certain provisions of the Indenture to which reference is hereby made for a more complete description of its terms. The following are certain terms defined in the Indenture and used in this Official Statement.

"Bondholder" means a Holder of a Bond.

"Business Day" means any day other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the place of payment or in the City where the principal corporate trust office of the Trustee is located.

"Code" means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

"Costs of Acquisition and Construction" means all items of expense directly or indirectly relating to the cost of the public infrastructure purposes (as such term is defined in the Enabling Act) and in a study prepared for the District as required by the Enabling Act.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Bonds and the execution and delivery of the Indenture including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds, fees and charges for the Appraisal and charges and fees in connection with any of the foregoing and costs related to collection of Assessments.

"Debt Service" means, collectively, (i) the principal of and interest and premium, if any, on the Bonds, when due, (ii) fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds, and (iii) amounts due with regard to Rebate.

"Governmental Obligations" means (1) direct obligations of, or obligations fully guaranteed by, the United States of America or (2) obligations described in Section 103(a) of the Internal Revenue Code of 1954, provision for the payment of which shall have been made by the deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in clause (1) the maturing principal of and interest on which, when

due, will provide sufficient moneys to pay when due the principal of, premium, and interest on such obligations, and which securities described in clause (1) are not available to satisfy any other claim which, at the time of deposit, have been assigned ratings in the highest rating categories of S&P and Moody's, but in the case of both Clause (1) and Clause (2) of this paragraph, only if such obligations are noncallable prior to the Maturity of the Bonds or (3) REFCORP STRIPS as defined in "Permitted Investments". Governmental Obligations also includes a "no load," open-end management investment company or trust (mutual fund), registered with the Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which money market fund invests in short term United States Treasury obligations, agencies guaranteed by the United States of America, and repurchase agreements secured by the same and which money market fund has a rating by S&P of AAAm-G; AAAm; or AAm or better and a rating by Moody's of "VMIG-1" or better.

"Holder" when used with respect to any Bond means the Person in whose name such Bond is registered in the Bond Register.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

"Moody's" means Moody's Investors Service or any entity succeeding to the duties and obligations thereof.

"Opinion of Counsel" means a written opinion of counsel who may (except as otherwise expressly provided in the Indenture) be counsel for the District and shall be acceptable to the Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

"Outstanding" when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except, without duplication:

1. Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any paying agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or

waived, or provision therefor satisfactory to the Trustee has been made;

3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and

5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified under the heading "Defeasance" below.

"**Permitted Investments**" means:

A. Direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

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:

1. *U.S. Export-Import Bank*
   Direct obligations or fully guaranteed certificates of beneficial ownership.

2. *Farmers Home Administration*
   Certificates of beneficial ownership

3. *Federal Financing Bank*

4. *Federal Housing Administration Debentures*

5. *General Services Administration*
   Participation certificates

6. *Government National Mortgage Association ("GNMA")*
   Guaranteed mortgage-backed bonds
   Guaranteed pass-through obligations

7. *U.S. Maritime Administration*
   Guaranteed Title XI financing

8. *New Communities Debentures*
   U.S. government guaranteed debentures

9. *U.S. Public Housing Notes and Bonds*
   U.S. government guaranteed public housing notes and bonds

10. *U.S. Department of Housing and Urban Development*
Project Notes Local Authority Bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following United States government agencies (non-full faith and credit agencies):

1. *Federal Home Loan Bank System*
Senior debt obligations

2. *Federal Home Loan Mortgage Corporation*
Participation Certificates and senior debt obligations

3. *Federal National Mortgage Association ("FNMA")*
Mortgage-backed securities and senior debt obligations

4. *Student Loan Marketing Association*
Senior debt obligations

D. Money market funds, including mutual funds of the Trustee, registered with the Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a(7) under the Investment Company Act of 1940, and having a rating by S&P of AAAm-G; AAAm; or AAm or better and having a rating by Moody's of "VMIG-1" or better.

E. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Company.

F. Investment agreements provided by entities with ratings on their long term obligations or claims paying ability of "AA" or better by S&P and "Aa" or better by Moody's and required to be collateralized to the then current requirements of S&P and Moody's to always have a rating of at least "A".

G. Commercial paper rated, at the time of purchase, "A-1" or better by S&P and Moody's.

H. Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.

I. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P and "P-1" by Moody's.

J. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm to the Issuer and the transfer of cash from the Issuer to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Issuer in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria.

1. *Repurchase Agreements must be between the Issuer and a dealer bank or securities firm*

   a. *Primary dealers* on the Federal Reserve reporting dealer list, or

   b. *Banks* rated "A" or above by S&P and rated "A" or above by Moody's.

2. *The written Repurchase Agreement contract must include the following*:

   a. *Securities which are acceptable for transfer are*:

      (1) Direct United States government, or
      (2) Federal agencies backed by the full faith and credit of the United States government

   b. *The term of the Repurchase Agreement may be up to 30 days*

   c. The collateral must be delivered to the Issuer, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities)

   d. *Valuation of Collateral*

      (1) *The securities must be valued weekly, marked-to market at current market price plus accrued interest*

         (a) The value of collateral must equal 103% of the amount of cash transferred by the Issuer to the dealer bank or security firm plus accrued interest. If the value slips below 103% of the value of the cash transferred by the Issuer, then additional cash and/or acceptable securities must be transferred. If the securities used as collateral are FNMA, then the value must equal 105%.

3. *Legal opinion which must be delivered to the municipal entity*:

a. The Repurchase Agreement meets guidelines under state law for legal investment of public funds.

K. Governmental Obligations.

L. "*REFCORP STRIPS*" obligations, representing interest on obligations of the Resolution Funding Corporation, the payment of such interest, if other revenues are insufficient, is required to be paid from the United States Treasury, which interest obligations are stripped by the Federal Reserve Bank of New York.

M. Local Government Investment Pool, managed by the Treasurer of the State.

"**Rating Agency**" means S&P or Moody's.

"**Redemption Price**" when used with respect to any Bond to be redeemed means the amount to be paid on any Redemption Date for such redemption pursuant to the Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"**S&P**" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, or any successor thereto.

"**Stated Maturity**" when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable.

Trust Estate Under the Indenture

The District has granted a security interest to the Trustee in all money and investments held for the credit of the Bond Fund, Issuance and Expense Fund and the Reserve Fund. The Trustee is required to hold all such property in trust for the benefit of all the Bondholders.

Funds

Bond Fund. The money deposited to the Bond Fund shall be held by the Trustee and applied solely as provided in the Indenture. The Bond Fund will be comprised of the Principal Account, the Interest Account and the Prepayment Account

The District shall deposit with the Trustee and the Trustee shall deposit to the Bond Fund to the credit of the applicable accounts or subaccounts:

(1) to the Principal and Interest Accounts, as applicable, all amounts collected by the Issuer from collections of the Assessments, to be applied to pay principal and interest then due on the Bonds;

(2) to the Prepayment Account all prepayments of the Assessments;

(3) to the Prepayment Account all proceeds from any foreclosure sale of any assessed property not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement; and

(4) such other funds as the District shall, from time to time, deem advisable.

The Trustee shall deposit to the Bond Fund to the credit of the applicable accounts:

(1) to the Interest Account, all accrued interest and interest capitalized;

(2) to the Prepayment Account, amounts transferred from the Acquisition and Construction Fund to the extent provided in the Indenture;

(3) to the Principal and Interest Accounts, amounts transferred from the Reserve Fund pursuant to the Indenture;

(4) to the Interest Account, any amounts transferred from the Reserve Fund as investment profits to be held in the Interest Account to be used to pay Bond interest not paid from Assessments as a result of prepayment or foreclosure of any Assessments; and

(5) to the Prepayment Account, any amounts transferred from the Reserve Fund as a result of a reduction in the Reserve Fund Requirement due to prepayment of Assessments or in the event the amount in the Reserve fund and Bond Fund is sufficient to pay all Bonds.

The Principal, Interest and Prepayment Accounts shall be applied solely to pay principal of, interest on and Redemption Price with respect to the Bonds.

Acquisition and Construction Fund. Deposits to the Acquisition and Construction Fund shall be applied as follows:

Funds in the Acquisition and Construction Fund shall be used to pay the Costs of Acquisition and Construction and to pay all incidental expenses. Amounts on deposit in the Acquisition and Construction Fund shall be applied by the Trustee as set forth in an Issuer Request.

The Trustee shall make payments from the Acquisition and Construction Fund upon receipt of:

1. in every case, a Disbursement Request (as defined in the Indenture) certifying that the work to which the payment relates has been accomplished in a manner satisfactory to the District. The Disbursement Request may be based upon certificates satisfactory to the Assessment District Engineer and the District Engineer;

2. in the case of payments or reimbursements due related to construction contracts, a certificate signed and approved by the Assessment District Engineer and the District Engineer certifying (a) approval of the requisition; (b) that the obligation was properly incurred; (c) that the amount requisitioned is due and unpaid; (d) that, insofar as the payment is to be made for work, material, supplies or equipment, the work has been performed and the material, supplies or equipment have been installed as part of the Projects or any portion thereof or have been delivered either at the proper site or at a proper place for fabrication and are covered by the builders' risk insurance; and (e) that all work, material, supplies and equipment for which payment is to be made are, in the signer's opinion or opinion of an inspector employed by the Municipality, in accordance with the plans and specifications or duly approved change orders.

3. in the case of payments to discharge any obligation or indebtedness of the District, properly chargeable against the Acquisition and Construction Fund, any notes or other evidences of the obligation or indebtedness to be discharged, which shall be cancelled by the Trustee and returned to the issuer thereof.

The date of completion of any portion of the Projects (the "Completion Date") shall be evidenced to the Trustee by a certificate signed by the District Engineer and the District Manager or a Responsible Officer of the Issuer stating that:

1. The Projects or any portion thereof, as applicable, have been completed in accordance with the plans and specifications therefor and all labor, services, materials and supplies used in the Projects or any portion thereof, as applicable, have been paid for and acknowledgments of such payments have been obtained from all contractors and suppliers; and

2. All other facilities necessary in connection with the applicable portion of the Projects have been constructed, acquired and installed in accordance with the plans and specifications therefor and all Costs of Acquisition and Construction for and incurred in connection therewith have been paid.

Within 10 days following the Completion Date, the Trustee shall transfer any balance in the Acquisition and Construction Fund (except moneys retained for expenses not yet due and payable) into the Prepayment Account in the Bond Fund for application to the redemption of Bonds.

On November 1, 2008, any amounts remaining in the Acquisition and Construction Fund shall be transferred to the Prepayment Account of the Bond Fund.

Issuance and Expenses Fund. The money deposited to the Issuance and Expenses Fund and investments thereof shall be applied solely to pay all Costs of Issuance identified in an Issuer Request. On May 1, 2006, the Trustee shall transfer any balance to the Acquisition and Construction Fund.

Reserve Fund. The money deposited to the Reserve Fund and investments thereof shall be held in trust and applied solely as follows:

A. The District shall deposit to the credit of the Reserve Fund $120,000*.

B. On, or before June 29 and December 30 of each year, the Trustee shall, to the extent there are sufficient moneys in the Reserve Fund, transfer from the Reserve Fund to the Principal and Interest Accounts of the Bond Fund the difference between the amount in the Bond Fund and the amount necessary to pay the principal of and interest on the Bonds on the next succeeding July 1 or January 1, as the case may be.

C. The Trustee shall examine the Reserve Fund Requirement on May 1 of each year to determine if any prepaid assessments and corresponding redemption of Bonds has allowed the Reserve Fund Requirement to be reduced. On May 1 of each year, the Trustee shall determine the value of the Reserve Fund investments, excluding any moneys which constitute investment earnings and shall thereafter deposit in the Prepayment Account, in $1,000 multiples, any moneys in the Reserve Fund in excess of the Reserve Fund Requirement. On May 1, 2029, moneys in the Reserve Fund shall be transferred to the Bond Fund.

D. After a Reserve Fund withdrawal, if the Reserve Fund is less than the Reserve Fund Requirement, the District shall reimburse the Reserve Fund from either the proceeds from the sale of delinquent assessments, or from all future installment payments on the assessments, but only to the extent that such portion of such installment payments is not required for the payment of Debt Service.

E. Any investment profits realized from the investment of moneys in the Reserve Fund in excess of the Reserve Fund Requirement shall be transferred to the Interest Account.

F. If the amount held in the Reserve Fund together with the amount held in the Bond Fund is sufficient to pay the principal amount of all Bonds on the next Interest Payment Date, together with accrued interest on such Bonds as of such Interest Payment Date, the

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* Subject to change.

moneys shall be transferred to the Prepayment Account of the Bond Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

Investment of and Security for Funds.

A. Money held in the Bond Fund shall be continuously invested and reinvested by the Trustee in Governmental Obligations as directed in writing by the District.

B. Money held in the Acquisition and Construction Fund, Reserve Fund and Issuance and Expenses Fund shall be continuously invested and reinvested by the Trustee in Permitted Investments as directed in writing by the District.

C. The Trustee shall sell or present for redemption any obligations so purchased as an investment hereunder whenever it shall be necessary to do so to make any required payment. Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder without penalty, not later than the respective dates when such money is expected to be required for the purpose intended. Obligations purchased as an investment in any fund shall be deemed at all times to be a part of such fund. Other than investment profits in the Reserve Fund, the interest on obligations so purchased and any profit realized from such investment shall be credited to such Fund and any loss resulting from such investment shall be charged to such fund.

D. All money held by the Trustee hereunder shall be continuously secured in the manner and to the fullest extent then required by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. The Trustee may make any investment permitted by the Indenture through or with its own commercial banking or investment departments. The Trustee shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from its own negligence or willful misconduct.

E. All investments in the Funds established under the Indenture shall be valued at fair market value by the Trustee.

Remedies under the Trust Indenture

The Trustee in its discretion, pursuant to the Indenture, may proceed to protect and enforce its rights and the rights of the Bondholders under the Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture or for the enforcement of any other remedy, as the Trustee deems most effectual to protect and enforce any of the rights of the Trustee or the Bondholders. The Indenture provides that, in addition to all rights and remedies of any Bondholder provided therein, in the event the District defaults in the

payment of the principal of, or interest on, any of the Bonds when due, or defaults in the performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution or the Indenture, the Trustee will be entitled to a writ of mandamus compelling and requiring the District to make such payment or to observe and perform any covenant, obligation, or condition prescribed in the Bond Resolution or the Indenture. The Indenture contains no provision for acceleration of maturity of principal of the Bonds in the event of default. The remedy of mandamus described above would have to be exercised upon each separate default and may prove costly, time consuming, and difficult to enforce. The rights and remedies of Bondholders and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally. **SEE "RISK FACTORS."**

If default occurs in the payment of any principal of or interest on any Bond when due and payable or at maturity, then upon demand of the Trustee, the District will cause to be paid to the Trustee the amount so due and payable and an amount sufficient to cover the costs and expenses of administration and collection, including reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the District fails to cause to be paid such amounts upon demand, the Trustee will be entitled to sue for and recover judgment against the District for the amount then so due and unpaid.

The Trustee will be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of the Indenture, and in case of a sale of the Trust Estate and application of the proceeds as aforesaid, the Trustee will be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Bonds, for the Holders, and will be entitled to recover judgment for the same. No recovery of judgment upon the District will affect or impair the lien on the Indenture upon the trust estate or any rights, powers, or remedies of the Trustee or the Holders. Any amounts due shall be payable solely from amounts collected as installments on the Assessments, and amounts held by the Trustee pursuant to the Indenture.

Application of Money Collected

Any money collected by the Trustee pursuant to the **"Remedies under the Trust Indenture"** above, together with any other sums then held by the Trustee as part of the Trust Estate, will be applied as follows:

> First: To the payment of all unpaid amounts due the Trustee under the Indenture;
>
> Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds, for principal, premium and interest and (to the extent that such interest has been collected or a sum sufficient therefor has been so

collected and payment thereof is legally enforceable) on overdue principal and in case such proceeds will be sufficient to pay in full the whole amount due and unpaid, then to the payment of such principal and interest without any preference or priority;

Third: To the extraordinary redemption of Bonds; and

Fourth: To the payment of the remainder, if any, to whosoever may be lawfully entitled to receive the same, or as a court may direct.

Control by Bondholders

The Holders of a majority in principal amount of any Outstanding Bonds will have the right (subject to providing indemnity to the Trustee as described below)

1. to require the Trustee to enforce the Indenture, either by judicial proceedings, the sale of the Trust Estate or otherwise; and

2. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that

    a. such direction will not be in conflict with any rule of law or the Indenture,

    b. the Trustee may take any other action deemed proper by the Trustee not inconsistent with such direction,

    c. the Trustee has not determined that the action would be unjustly prejudicial to the Holders not taking part in such direction, and

    d. if the remedy requires the consent of a certain number of the Holders, such consent has been provided.

Before taking action pursuant to the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability resulting from its negligence or wilful misconduct. The Trustee may take action without that indemnity, and in that case, the District will reimburse the Trustee (but only from amounts pledged under the Indenture) for all of the expenses of the Trustee pursuant to the Indenture.

Each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. However, the provisions of the Indenture will not apply to any suit instituted by or against the Trustee, to any suit instituted by any Bondholder, or group of Bondholders of the series affected thereby, holding in the aggregate more than ten percent in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the redemption date of such Bond).

Supplemental Indentures

Without the consent of the Holders of any Bonds and, under certain circumstances described in the Indenture, the District and the Trustee may from time to time enter into indentures supplemental to the Indenture or adopt a resolution amending the Bond Resolution (i) to correct or amplify the description of any property subject to the lien of the Indenture, or better to convey unto the Trustee any property subject to the lien of the Indenture, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; (ii) to add to the conditions, limitations and restrictions on the authorized amount, terms, or purposes of issue, authentication and delivery of Bonds any additional conditions, limitations and restrictions thereafter to be observed; (iii) to evidence the succession of another entity to the District and the assumption by any such successor of the covenants of the District in the Indenture or the Bond Resolution; (iv) to add to the covenants of the District for the benefit of the Holders of all the Bonds; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture or the Bond Resolution which may be inconsistent with any other provisions thereof, or to make any other provisions for matters arising thereunder not inconsistent with the provisions thereof, if such actions will not adversely affect the interests of the Bondholders.

With the consent of the Holders of not less than a majority in principal amount of the Bonds affected by such supplemental Indenture and, under certain circumstances described in the Indenture, the District and the Trustee may also enter into indentures supplemental to the Indenture or resolutions amending the Bond Resolution for the purpose of adding provisions to or changing in any other manner or eliminating any provisions of the Indenture or of modifying in another manner the rights of the Bondholders under the Indenture or the Bond Resolution. However, no supplemental indenture or amending

resolution, without the consent of the Holder of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) change the Stated Maturity of the principal of, or interest on, any Bond, or reduce the principal amount of or the interest on, any Bond, or change any place of payment where, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); (ii) reduce the percentage in principal amount of Outstanding Bonds the consent of the Holders of which is required for any supplemental indenture, or any waiver provided for in the Indenture of compliance with certain provisions of or certain defaults under the Indenture and their consequences; (iii) modify or alter the provisions of the definition of the term "Outstanding" in the Indenture; or (iv) modify any of the provisions of the Indenture concerning approval of supplemental indentures or amending resolution except to increase any percentage of the Holders of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby. The Trustee may determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution and any such determination will be conclusive upon each Bondholder. The Trustee will not be liable for any such determination made in good faith.

Concerning the Trustee

The Trustee has undertaken to perform such duties as are specifically set forth in the Indenture, and no implied covenants or obligations should be read into the Indenture against the Trustee. In the absence of bad faith on its part, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, in the case of any such certificates or opinions which are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture.

No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, failure to act, or wilful misconduct, except that (1) this paragraph will not limit the effect of the preceding paragraph; (2) the Trustee will not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent; (3) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith upon direction of the Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any available remedy or exercising any trust or power conferred upon the Trustee under the Indenture; and (4) no provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers,

unless it is provided indemnity in connection therewith as provided in the Indenture.

Except as otherwise provided in the Indenture:

1. the Trustee may rely and will be protected in acting or refraining from acting upon:

   a. any resolution or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper persons; and

   b. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by the Indenture before the Trustee is to take or refrain from taking any action;

2. any request or direction of the District mentioned in the Indenture will be sufficiently evidenced by a District request and any District order or resolution may be sufficiently evidenced by a resolution of the District board;

3. whenever in the administration of the Indenture the Trustee deems it desirable that a matter be proved or established prior to taking or omitting any action described in the Indenture, the Trustee (unless other evidence is specifically prescribed) may rely upon a certificate of a District officer;

4. the Trustee may consult with legal counsel and the written advice of such counsel will be full and complete authorization and protection in respect of any action taken or omitted by the Trustee in good faith and in reliance on the Indenture;

5. the Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders pursuant to the Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

6. the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution or other paper or document, but the Trustee may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry, it

will be entitled to examine the books, records, and premises of the District, personally or by agent or attorney; and

7. the Trustee may execute any of the trusts or powers or perform any duties under the Indenture either directly or through agents or attorneys, and the Trustee will not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it.

There will at all times be a trustee under the Indenture which will be a bank or trust company organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or State authority, and having an office in the Town of Buckeye, Arizona. If such corporation publishes reports of condition at least annually, the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee ceases to be eligible in accordance with provisions of the Indenture, it will resign immediately in the manner and with the effect specified in the Indenture.

The Trustee may resign at any time by giving written notice thereof to the District. If an instrument of acceptance by a successor Trustee will not have been delivered to the Trustee within 30 days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time by act of the Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District.

If at any time:

1. the Trustee ceases to be eligible under the Indenture and fails to resign after written request therefor by the District or a Bondholder, or

2. the Trustee becomes incapable of acting or adjudged insolvent or a receiver is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in any such case, the District may remove the Trustee.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor. In case all or substantially all of the Trust Estate will be in the possession of a

receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee is appointed by the Bondholders. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor will become the successor Trustee and supersede the successor Trustee appointed by the District or by such receiver or trustee. If no successor Trustee is so appointed by the District or the Bondholders and has accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Defeasance

The Indenture, and the lien, rights, and interests created thereby, will terminate, at the request of the District, when all Bonds previously authenticated and delivered under the Indenture have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding certain Bonds as provided in the Indenture or the District has paid or caused to be paid all other sums payable by the District under the Indenture.

Any Bond will be deemed no longer outstanding when payment of the principal of such Bond, plus interest thereon to its Maturity (whether by reason of the Stated Maturity or by call for redemption, if notice of such call has been given or waived or irrevocable arrangements for such notice satisfactory to the Trustee have been made), calculated at the maximum permitted rate for any period in which the rate of interest on the Bonds is unknown and has been provided by depositing (i) money sufficient to make such payment or (ii) money and Governmental Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment, be sufficient to make such payment, provided that all necessary and proper fees, compensation and expenses of the Trustee and paying agents pertaining to the Bonds have been paid or the payment thereof has been provided for to the satisfaction of the Trustee. Any deposit described above must be made either with the Trustee or, if notice is given to the Trustee or with a state or nationally chartered bank with a minimum combined capital surplus or $50,000,000 as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or to the paying agents in the amounts and at the times required to pay principal of and interest on the Bonds with respect to which such deposit is made at the maturity thereof and of such interest or the Stated Maturity, as the case may be. In the event such deposit is made with respect to some but not all of the Bonds then outstanding, the Trustee is required to select the Outstanding

Bonds with respect to which such deposit is made in the same manner as provided in the Indenture for the selection of Bonds to be redeemed.

No such deposit will have the effect specified above, (i) if made during the existence of a default under the Indenture, unless made with respect to all of the Bonds then Outstanding, and (ii) unless there is delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose is required to be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, is required to be disbursed solely to pay the principal of and interest on such Bonds when due.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and the District takes no responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.

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 million issues of U.S. and non-U.S., equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC 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 securities 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, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC 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 other 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 Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds 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 Participant's and Indirect Participant's 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest 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 interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the 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 the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC 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 Participants 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.

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

Neither DTC nor Cede & Co. (nor any 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 Trustee 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).

Payment of principal of and interest on the Bonds, and the redemption price of any 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 and information funds and corresponding detail information from the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participants and Indirect Participants and not of DTC (or its nominee) or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds, and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of Direct Participants and Indirect Participants.

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

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

Under DTC's rules, DTC now advises that upon receipt of a withdrawal request from an issuer, such as the District, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants of the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer.

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APPENDIX G

CERTAIN STATUTORY PROVISIONS APPLICABLE TO THE FORECLOSURE PROCESS

The following constitutes a summary of the "Foreclosure Process," specifically portions of certain sections of the General Public Improvements and Improvement Bonds Law, Title 48, Chapter 4, Article 2, Arizona Revised Statutes, as amended, deemed applicable to the Bonds pursuant to the Bond Resolution. The summaries do not purport to be complete and reference is hereby made to the full text of each section and the Bond Resolution.

Section 48-601. List of delinquent installments; publication of notice; sale of delinquent property

The representative of the District shall, within 20 days from the date of the delinquency, begin the publication of the list of the assessments on which any installment is delinquent. The Superintendent shall append to and publish with the list, a notice that unless each delinquent installment, together with the penalty and cost thereon, is paid, the whole amount of the assessment will be declared due by him, and the property upon which the assessment is a lien will be sold at public auction at a time and place to be specified in the notice. The publication shall be published and circulated in the District for a period of 10 days in a daily newspaper, or for two weeks in a weekly newspaper so published and circulated.

Before the date fixed for the sale or before the date to which the sale has been postponed, the Superintendent shall obtain a record search that shows the names and addresses of record of all lien claimants on, and other persons with an interest in, all lots or parcels on which an installment of the assessment is delinquent.

At least 10 days before the sale date or the date to which the sale has been postponed, the Superintendent shall serve by first-class mail a notice of the date and place of the sale or postponed sale to the owner and to each of the lien claimants and other interested persons. A final sale may not be held unless the Superintendent has provided notice by mail to all lien claimants discovered in the search of records.

The time of sale shall not be less than five days after the last publication, and the place of the sale shall be in or in front of the office of the representative of the District, or in front of the usual place of meeting of the Board of the District. The sale may be postponed.

Section 48-602. Payment after delinquency and before sale

At any time prior to the sale of any lot assessed, any person may pay the delinquent installment on the lot together with the penalty and costs then due, including the cost of advertising, whereupon the Superintendent shall note on his records the date of payment, the name of the person by or for whom it is paid and the amount paid.

Section 48-603. Sale procedure

On the day fixed for the sale, the representative of the District shall, at 10 o'clock a.m., or at any time thereafter to which the sale may be adjourned, begin the sale of the property advertised, commencing at the head of the list and continuing in the numerical order of lots, until all are sold. He may postpone or continue the sale from day to day until all the property is sold. Each lot separately assessed shall be offered for sale separately. The sale shall be for the entire assessment including the delinquent installments, and the person who will take the least quantity of land and then and there pay the amount of the assessment, penalty and costs due, including 50 cents to the Superintendent for a certificate of sale, shall become the purchaser.

The representative of the District shall note on his records the date of the payment and mark the installment of principal or interest paid. In the event the owner does not pay the balance due on the installment or principal or interest, and the property is sold for the full amount of the assessment, the representative of the District shall refund to the owner all money received by him from the owner by way of partial payments.

Section 48-604. Certificate of sale; lien

After making the sale, the representative of the District shall execute, in duplicate, a certificate of sale stating the description of the property sold, the name of the owner thereof as given on the record of the assessment, that the property was sold for a delinquent assessment, specifying the improvement for which the assessment was made, the amount for which the property was sold, the date of sale, the name of the purchaser, and the time when the purchaser will be entitled to a deed. The representative of the District shall file one copy of the certificate in his office, and deliver the other to the purchaser.

On filing the copy of the certificate in the office of the representative of the District the lien of the assessment shall vest in the purchaser, and is only divested by a redemption of the property, as provided in the Act.

The representative of the District shall also enter on the record of the assessment, opposite the description of each lot offered for sale, a description of the part thereof sold, the amount for which it was sold, the date of sale, and the name of the purchaser.

Section 48-605. Redemption

Redemption may be made by any party having an interest in the lot at any time before the execution and delivery of a deed therefor by paying to the representative of the District the amount for which the property was sold and 5% thereon if paid within three months from the date of sale, 10% if paid within six months, 12% if paid within nine months, 15% if paid within 12 months, or 20% if paid after 12 months. When redemption is made, the representative of the District shall note that fact on the duplicate certificate of sale in his office and deposit the amount paid with the District Treasurer, who shall credit the purchaser named in the certificate of sale with the amount, and pay the amount to such purchaser or his assignee, upon the surrender of the certificate of sale.

Section 48-606. Deed to purchaser; notice to owner; redemption after notice; effect of deed

After the expiration of 12 months from the date of sale, the representative of the District shall execute to the purchaser, or his assignee, on his application, if he has fully complied with Section 48-606 of the Act, a deed to the property sold in which shall be recited substantially the matters contained in the certificate, any assignment thereof, and that no person has redeemed the property. The Superintendent shall receive from the applicant for a deed, $1.00 for making the deed.

The purchaser shall, at least 30 days before he applies for a deed, serve by first-class mail to the owner, all lien claimants of records, all persons of record with an interest in the property and, if occupied, the occupant of the property, a written notice that the property, giving the description, has been sold for a delinquent assessment, specifying the improvement for which the assessment was made, the amount for which it was sold, the amount necessary to redeem at the time of giving notice, the time when the purchaser or assignee will apply to the Superintendent for a deed and that, on issuance of the deed, all interest in the property, whether of record before or after the assessment lien, will be extinguished, except for the lien for general property taxes and prior special assessments. If the owner cannot be found after due diligence, the notice shall be posted in a conspicuous

place upon the property at least 30 days before the time stated therein of the application for a deed.

The applicant shall file with the Superintendent an affidavit showing that notice of the application has been given, and if the notice was not served on the owner personally, that due diligence was used to find the owner. If redemption of the property is made after the affidavit is filed, and more than 11 months from the date of sale, the person making redemption shall pay, in addition, for payment to the purchaser, $3.00 for the service of notice and the making of the affidavit.

The deed of the representative of the District shall be prime facie evidence of the truth of all matters recited therein, and of the regularity of all proceedings prior to the execution thereof, and of title in the grantee. The deed of the Superintendent shall convey to the purchaser fee title to the lands described therein, free and clear of all interests, liens, claims and encumbrances whether of record before or after the assessment lien, except for the lien for general property taxes and prior special assessments.

Section 48-607. Disposition of sale proceeds

The representative of the District shall promptly pay to the District Treasurer all moneys collected by him from sales. The District Treasurer, on receipt thereof, shall place the moneys in the special fund hereby created for the payments of the bonds issued for the improvement.

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY ONLY FORM **NOT RATED**

In the opinion of Gust Rosenfeld P.L.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District as mentioned under "TAX EXEMPTION" herein, interest income on the Bonds will be excluded from gross income for federal income tax purposes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of preference to be included in the alternative minimum tax of individuals or corporations; such interest income must, however, be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations which income is subject to federal alternative minimum tax. See "TAX EXEMPTION" herein.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and, in that regard, will certify that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by or on behalf of the District in calendar year 2005 will not exceed $10,000,000.

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2005

DATED: Date of Initial Delivery **DUE: July 1, as shown below**

The Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds") will be issued in the form of fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers under the book-entry system maintained by DTC in amounts of $1,000 of principal amount due on a specified maturity date or integral multiples in excess thereof. Interest on the Bonds (except defaulted interest, if any) will be paid semiannually on each January 1 and July 1 of each year, commencing July 1, 2006. Payments of principal and interest will be paid by wire transfer to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Bonds. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

See Inside Front Cover for Maturity Schedule

The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and will be issued pursuant to a resolution of the District Board of Festival Ranch Community Facilities District (the "District") and an Indenture of Trust and Security Agreement, to be dated as of November 1, 2005, from the District to Wells Fargo Bank, National Association, as trustee. The Bonds will be payable solely from and secured by a special, separate fund maintained by the District which fund will contain installments due with respect to certain special assessments levied and assessed by the District on certain parcels of land within the District in accordance with a method of apportionment established by the District Board of the District and agreed to by the landowners of such parcels for the costs of certain public infrastructure, each of which assessments constitute a first lien on the parcel against which it is assessed and levied, subject only to general property taxes and prior special assessments. ***(THERE ARE SUCH TAXES (BUT NOT PRIOR SPECIAL ASSESSMENTS) IN THE CASE OF THE BONDS. See "OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES.")*** Any such parcel will be offered for sale for nonpayment of the special assessment levied and assessed by the District on such parcel and, if sold, the proceeds thereof deposited in such special fund. The rights and obligations of the District relating to collection and payment of assessments and the enforcement of remedies against delinquent assessments may be subject to bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights and may be subject to judicial discretion in accordance with general principles of equity. **SEE "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" AND "RISK FACTORS" HEREIN.**

THE BONDS WILL BE SUBJECT TO OPTIONAL, SPECIAL AND MANDATORY REDEMPTION BY THE DISTRICT PRIOR TO MATURITY AS DESCRIBED HEREIN UNDER THE HEADING "THE BONDS - REDEMPTION PROVISIONS." PLEASE NOTE SPECIFICALLY THAT PURSUANT TO SUCH SPECIAL REDEMPTION UNDER CERTAIN CIRCUMSTANCES THE BONDS ARE SUBJECT TO REDEMPTION ON ANY INTEREST PAYMENT DATE.

Proceeds of the sale of the Bonds will be used to pay a portion of the costs of acquisition of certain public infrastructure and costs of issuance relating to the Bonds and to fund a reserve fund for the payment of debt service on the Bonds. See "THE PUBLIC INFRASTRUCTURE" herein.

INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS THAT EACH PROSPECTIVE INVESTOR SHOULD CONSIDER PRIOR TO INVESTING. SEE "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" AND "RISK FACTORS" HEREIN.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE DISTRICT, THE TOWN OF BUCKEYE, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE ABOVE DESCRIBED SPECIAL ASSESSMENTS.

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and subject to the approval of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for Pulte Home Corporation by its counsel, Gallagher & Kennedy, PC, Phoenix, Arizona. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about November 17, 2005.

RBC DAIN RAUSCHER

November 1, 2005

MATURITY SCHEDULE

Year (July 1)	Principal Amount	Rate	Price or Yield
2008	$33,000	4.000%	4.000%
2009	35,000	4.200	4.200
2010	40,000	4.375	4.375
2011	40,000	4.550	4.550
2012	40,000	4.700	4.700
2013	45,000	4.800	4.800
2014	45,000	4.900	4.900
2015	50,000	5.000	5.000
2016	50,000	5.100	5.100
2017	55,000	5.150	5.150
2018	55,000	5.200	5.200
2019	60,000	5.250	5.250
2020	60,000	5.300	5.300

$365,000 Term Bonds @ 5.400% Due July 1, 2025 - Price 100%
$475,000 Term Bonds @ 5.550% Due July 1, 2030 - Price 100%

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

District Board

Dustin "Dusty" Hull, Chairman
Levi Beard, Board Member
Chris Urwiller, Board Member
Jackie Meck, Board Member
Robert Garza, Board Member
W. Robert Doster, Board Member
Elaine May, Board Member

District Staff

Carroll Reynolds, District Manager

Trustee

Wells Fargo Bank, National Association
Phoenix, Arizona

Appraiser

Burke Hansen, LLC
Phoenix, Arizona

District Financial Consultant

Stone & Youngberg LLC
Phoenix, Arizona

This Official Statement, which includes the cover page and the Appendices hereto, should be considered in its entirety, and no one subject should be considered less important than another by reason of location in the text. Brief descriptions of the Bonds, the Bond Resolution, the Indenture, the security for the Bonds, the District, the development of land within the District and other information are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds, the Bond Resolution, the Indenture, the Appraisal and other documents are qualified in their entirety by reference to such documents, copies of which may be obtained from RBC Dain Rauscher Inc. (the "Underwriter") at Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS 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.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS THE PROMISE OR GUARANTEE OF THE UNDERWRITER. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF *AD VALOREM* TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IS INTENDED TO SHOW RECENT HISTORICAL INFORMATION, AND, EXCEPT AS EXPRESSLY STATED OTHERWISE, IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS. NO REPRESENTATION IS MADE THAT THE PAST EXPERIENCE SHOWN BY SUCH INFORMATION WILL NECESSARILY CONTINUE OR BE REPEATED IN THE FUTURE. THIS OFFICIAL STATEMENT CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION WHICH ARE NOT INTENDED AS STATEMENTS OF FACT, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS, OR THAT THEY WILL BE REALIZED. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE DISTRICT OR THE UNDERWRITER AND THE PURCHASERS OR HOLDERS OF ANY OF THE BONDS.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN, SINCE THE DATE OF THIS OFFICIAL STATEMENT.

THE DISTRICT AND THE OWNER HAVE COVENANTED TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THIS OFFICIAL STATEMENT UNDER "CONTINUING DISCLOSURE" AND IN APPENDIX D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS" PURSUANT TO RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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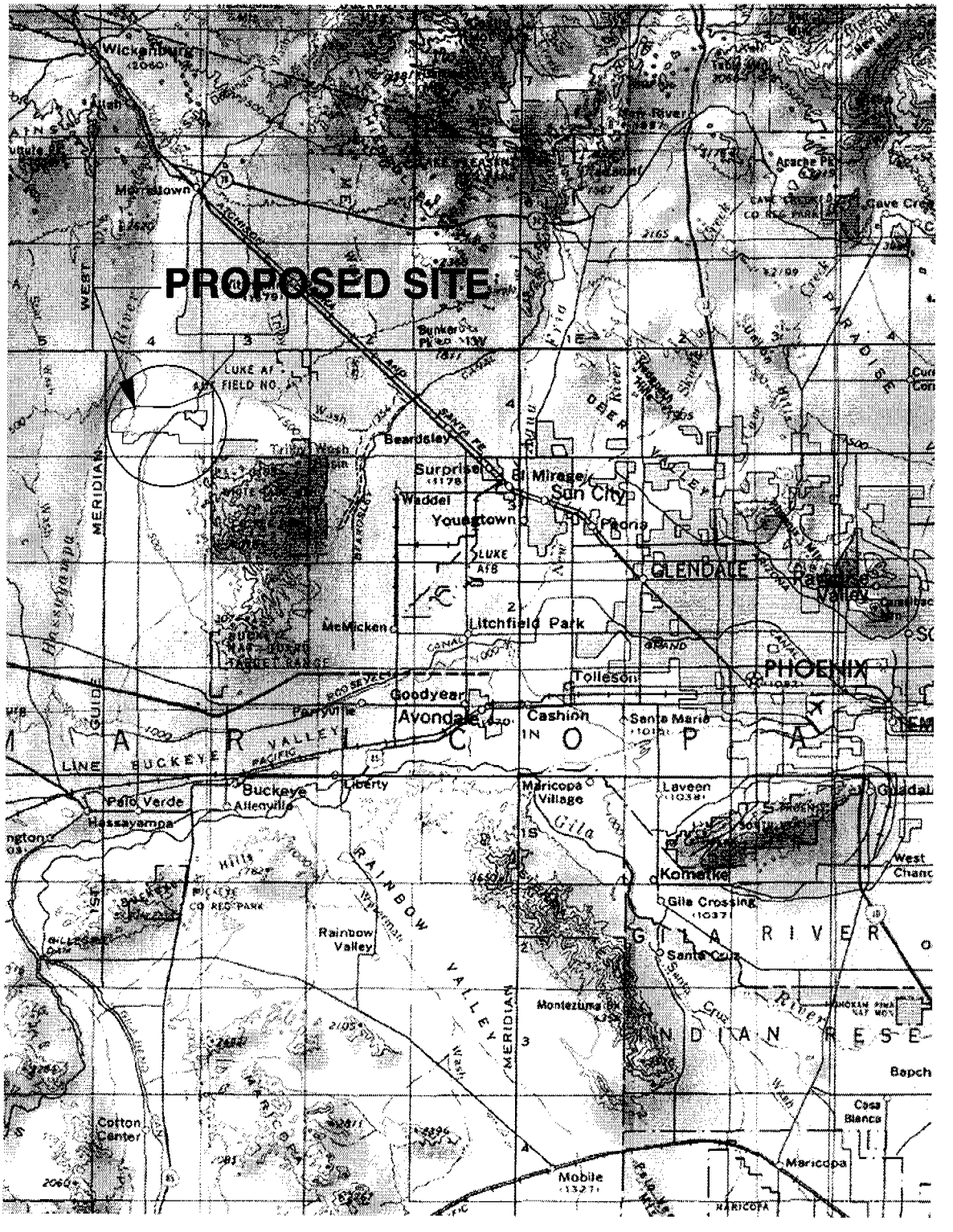
MAP SHOWING LOCATION OF THE DISTRICT WITHIN METROPOLITAN PHOENIX AREA

FESTIVAL RANCH

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



LOCATION MAP

SCALE : NONE

Pulte Homes

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

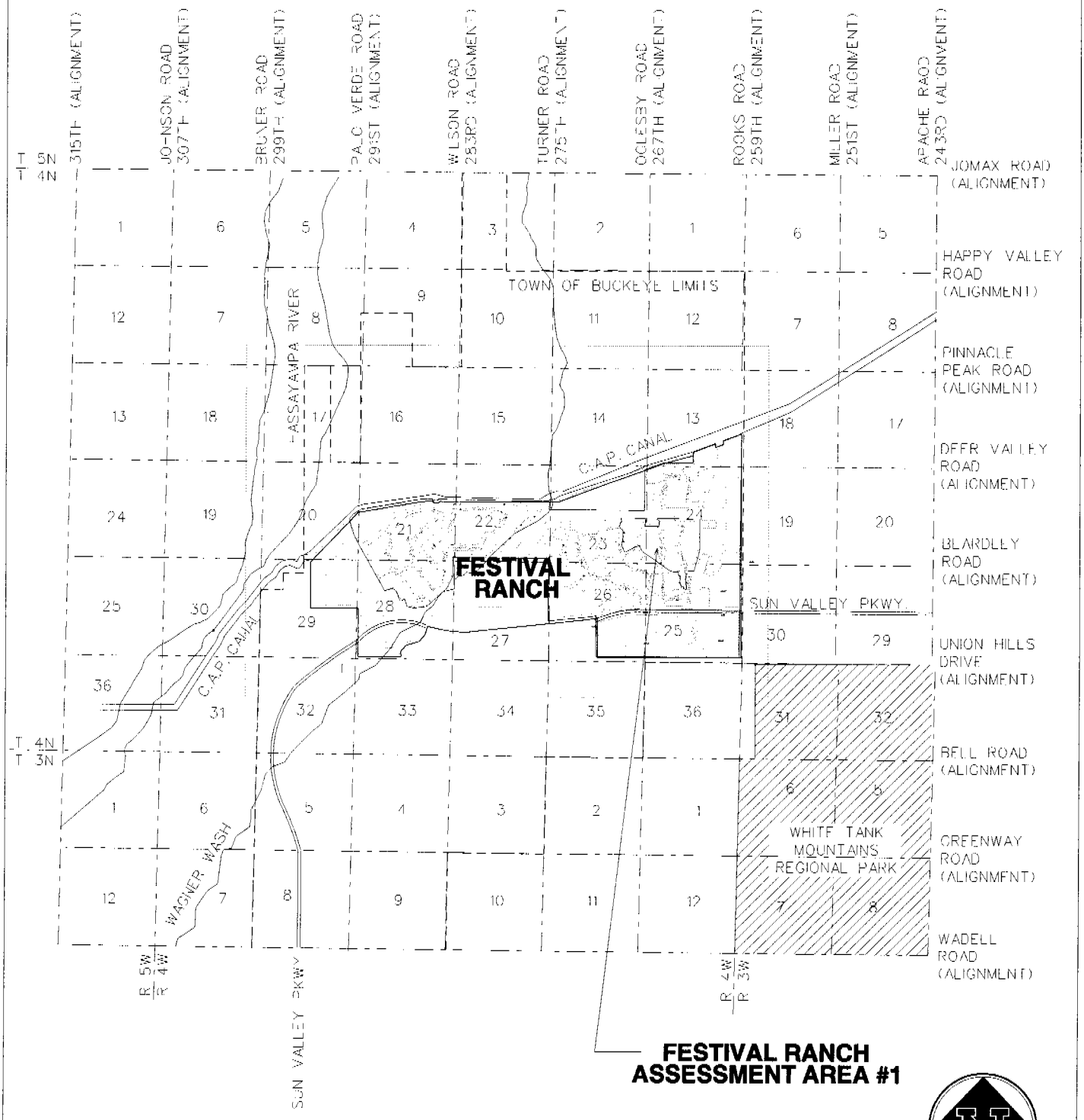
COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

JOB NO.	FIGURE
680030-01	1

MAP SHOWING LOCATION OF THE DISTRICT AND FESTIVAL RANCH IN THE CONTEXT OF THE SURROUNDING AREA

FESTIVAL RANCH

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



VICINITY MAP

SCALE : NONE

Pulte Homes

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
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JOB NO. 680030 01

FIGURE 2

MAP SHOWING LOCATION OF THE ASSESSMENT AREA IN THE CONTEXT OF THE DISTRICT

FESTIVAL RANCH

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA

FESTIVAL RANCH

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

JOB NO.	FIGURE
680030-01	3

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2005

This Official Statement, which includes the cover page and the appendices hereto (this "Official Statement"), provides certain information concerning the issuance of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds"), in the aggregate principal amount of $1,448,000. **Certain capitalized terms not defined in the text of this Official Statement are defined in Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms" herein.** Copies of any of the documents referenced herein are available upon request to the Underwriter at Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016.

THE DISTRICT AND THE ASSESSMENT AREA

Pursuant to the Community Facilities Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and in response to a petition by Pulte Home Corporation, a corporation organized and existing pursuant to the laws of the State of Michigan (the "Owner" or "Pulte"), the Mayor and Council (the "Town Council") of the Town of Buckeye, Arizona (the "Town"), adopted a resolution on April 19, 2005, which formed Festival Ranch Community Facilities District (the "District"). See Appendix A hereto for certain information about the Town and the information under the heading "THE OWNER" for specific information about Pulte.

The District encompasses approximately 4,015 acres within the Town and is located approximately thirty-four (34) miles west of downtown Phoenix, Arizona, north of Interstate 10. See the maps at pages (iii) and (iv) with respect to the location of the District.

The District is a special purpose, tax levying public improvement district for purposes of the Constitution of Arizona and a municipal corporation for certain purposes of the laws of the State of Arizona (the "State"). Except as otherwise provided in the Act, the District is considered to be a municipal corporation and political subdivision of the State, separate and apart from the Town. The Town Council serves as the District Board of the District (the "Board"), and the Town Manager of the Town currently serves as the District Manager.

Among other things, the District is intended, pursuant to a series of development agreements among the Town, the Owner and the District, to provide the vehicle for financing certain public infrastructure necessary for development of the land within the boundaries of the District. See "LAND DEVELOPMENT."

On September 6, 2005, the Board adopted a resolution approving a feasibility study relating to the financing of a portion of the costs of certain of such public infrastructure (collectively, the "Public Infrastructure") to be acquired by the District and thereafter transferred to the Town. See "THE PUBLIC INFRASTRUCTURE." On September 6, 2005, the Board also adopted a resolution declaring its intent to acquire the Public Infrastructure and to pay the costs thereof and levying special assessments (collectively, the "Special Assessments" and individually as the Special Assessments relate to a particular parcel in the hereinafter defined Assessment Area, a "Special Assessment") on certain non-governmentally owned parcels of land within the District (such parcels collectively referred to herein as the "Assessment Area" and individually, including as hereafter reapportioned, an "Assessment Parcel").

The Assessment Area is composed of approximately 153 assessable acres in the District which lie generally in the southeast portion of the District and currently is expected to represent 724 residential lots, all of which have been finally established by the approval of final plats by the Town. See "LAND DEVELOPMENT - The Assessment Area" and, particularly, Table 5 thereunder as well as the map at page (v) hereof with respect to the location of Festival Ranch and the Assessment Area.

THE BONDS

Authorization and Purpose

The Bonds are authorized pursuant to the Act and will be issued, sold and delivered pursuant to a resolution adopted by the Board on October 18, 2005 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of November 1, 2005 (the "Indenture"), from the District to the Trustee. See Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." The Bonds will be issued to provide funds (i) to pay a portion of the costs of the Public Infrastructure and costs of issuance relating to the Bonds and (ii) to fund a reserve fund for the payment of debt service on the Bonds. (See "SOURCES AND APPLICATION OF FUNDS.")

General Description

The Bonds will be dated the date of their initial delivery, and will mature and bear interest as set forth on the inside front cover page of this Official Statement.

Interest on the Bonds will be paid semiannually on January 1 and July 1 of each year, commencing July 1, 2006 (each such date being referred to herein as an "Interest Payment Date"). The Bonds will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the date of their initial delivery, calculated on the basis of a 360-day year of twelve 30-day months.

Beneficial ownership interests may be purchased through the facilities of The Depository Trust Company, New York, New York ("DTC"), in the book-entry-only form described herein in amounts of $1,000 of principal amount due on a specified maturity date and integral multiples in excess thereof. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Special Redemption. The Bonds will be redeemed from funds of the District at the option of the District in whole or, from time to time, in part on any Interest Payment Date, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which shall consist of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium (i) if and to the extent on or after the completion of the Public Infrastructure, but in no event later than July 1, 2008, amounts are transferred from the Acquisition and Construction Fund for such purpose and (ii) from the proceeds received from any foreclosure sale of any assessed parcel, to the extent such proceeds are not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement.

Special Optional Redemption. The Bonds will be redeemable from funds of the District at the option of the District in whole on any date or, from time to time, in part on any Interest Payment Date, upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium from, and only from, funds of the District, which are prepaid with respect to the Special Assessments and are deposited for such purpose plus amounts in excess of the Reserve Fund Requirement in the Reserve Fund as a result of prepayment and which are available for such purpose and from a transfer of Reserve Fund moneys if such moneys are sufficient to redeem all the Bonds.

Optional Redemption. The Bonds will also be redeemable, on or after July 1, 2015, at the option of the District prior to the applicable maturity in whole on any date or, from time to time, in part on any Interest Payment Date as randomly determined by the Trustee within the applicable maturity upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which will consist of the principal amount of the Bonds so redeemed plus interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date without premium.

Mandatory (Sinking Fund)Redemption. The Bonds maturing in the following years will be redeemed from funds of the District prior to the applicable maturity on the following redemption dates and in

the following (sinking fund) amounts upon not more than sixty (60) nor less than thirty (30) days prior notice, upon payment of the applicable redemption price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the applicable redemption date:

Redemption Date (July 1)		Principal Amount
	2025	
2021		$ 65,000
2022		70,000
2023		75,000
2024		75,000
	2030	
2026		85,000
2027		90,000
2028		95,000
2029		100,000

Whenever Bonds of such maturity are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the District to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a *pro-rata* basis against the remaining mandatory redemption requirements for the Bonds of such maturity.

Notice of Redemption. Notice of redemption in advance of maturity will be given by the Trustee, not less than thirty (30) days nor more than sixty (60) days before the date fixed for redemption, to DTC. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Effect of Redemption. If on the date of redemption of Bonds sufficient moneys for payment of the redemption price and accrued interest are held under the Indenture, interest on the portion of the Bonds to be redeemed will cease to accrue and such portion of the Bonds will cease to be entitled to any benefit or security under the Indenture except the right to receive payment from the moneys held for such portion of the Bonds under the Indenture.

DEBT SERVICE FOR THE BONDS

Set forth below is the debt service requirements for the Bonds.

Year Ending (July 1)	Principal	Interest	Total Annual Debt Service Requirements
2006	$ -	$ 47,133	$ 47,133
2007	-	75,750	75,750
2008	33,000	75,750	108,750
2009	35,000	74,430	109,430
2010	40,000	72,960	112,960
2011	40,000	71,210	111,210
2012	40,000	69,390	109,390
2013	45,000	67,510	112,510
2014	45,000	65,350	110,350
2015	50,000	63,145	113,145
2016	50,000	60,645	110,645
2017	55,000	58,095	113,095
2018	55,000	55,263	110,263
2019	60,000	52,403	112,403
2020	60,000	49,253	109,253
2021(a)	65,000	46,073	111,073
2022(a)	70,000	42,563	112,563
2023(a)	75,000	38,783	113,783
2024(a)	75,000	34,733	109,733
2025	80,000	30,683	110,683
2026(b)	85,000	26,363	111,363
2027(b)	90,000	21,645	111,645
2028(b)	95,000	16,650	111,650
2029(b)	100,000	11,378	111,378
2030	105,000	5,828	110,828
Total	$1,448,000	$1,232,981	$2,680,981

(a) Mandatory redemption requirement for the term bond maturing in 2025.

(b) Mandatory redemption requirement for the term bond maturing in 2030.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

Bond Fund and Special Assessments

The Bonds will be payable solely from and secured by a special, separate fund established pursuant to the Bond Resolution and maintained by the District (the "Bond Fund") which will contain the installment payments collected with respect to the Special Assessments

levied on the land in the Assessment Area. (The remaining land in the District does not represent security for the Bonds.) The Bonds will, under certain circumstances, also be payable from amounts available from time to time in the hereinafter described "Reserve Fund". The Board has levied the Special Assessments on the parcels of land comprising the Assessment Area based on the benefit determined by the Board to be received by such land from the Public Infrastructure. The District and the County Treasurer of Maricopa County, Arizona (the "Treasurer"), may enter into an agreement for the Treasurer to collect the Special Assessments in the manner and by the officers provided by law for the collection and enforcement of general taxes. Such an agreement between the District and the Treasurer may provide for procedures different from the hereinafter described Foreclosure Process.

The Special Assessments are a first lien on the property assessed subject only to, notwithstanding any such agreement with the Treasurer, general property taxes and prior special assessments. **(THERE ARE SUCH TAXES IN THE CASE OF THE BONDS; HOWEVER, THERE ARE NO PRIOR SPECIAL ASSESSMENTS. SEE "OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES.")** ***Failure to pay such taxes and subsequent foreclosure of the related lien does not extinguish a Special Assessment though. Neither the current owners nor any subsequent owners of any Assessed Parcel will be obligated to pay the Special Assessments or the Bonds, and the assets of the current owners or any subsequent owners, other than the Assessed Parcels, do not secure such payment. The Special Assessments and the Bonds will be secured only by the Assessed Parcels. The Special Assessments are not cross defaulted.)***

In the event of nonpayment of amounts due with respect to a Special Assessment, the procedures for collection of delinquent assessments and sale of delinquent property prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended (the "Foreclosure Process"), apply, as nearly as practicable, **except that neither the District nor the Town is required to purchase the Assessed Parcels subject to delinquency at the sale even if there is no other purchaser. SEE, "Foreclosure Process" and "RISK FACTORS - NON-PAYMENT OF ASSESSMENTS."** Any Assessed Parcel will be offered for sale pursuant to the Foreclosure Process for nonpayment of the Special Assessment on such Assessed Parcel and, if sold, the proceeds thereof deposited in the Bond Fund or to replenish the Reserve Fund. The rights and obligations of the District relating to collection and payment of the Special Assessments and the enforcement of remedies against delinquent Special Assessments (including the Foreclosure Process) may be subject to bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights and may be subject to judicial discretion in accordance with general principles of equity.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE DISTRICT, THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT BUT WILL BE

LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL ASSESSMENTS AND AMOUNTS HELD IN THE RESERVE FUND.

Reserve Fund

As indicated in "SOURCES AND APPLICATIONS OF FUNDS," $113,783 of the proceeds of the sale of the Bonds will be deposited in the Reserve Fund. The amount in the Reserve Fund shall be not more than the lesser of ten percent (10%) of the outstanding principal amount of the Bonds or an amount equal to the maximum debt service payments due on the Bonds in any Fiscal Year as determined in either case from time to time (the "Maximum Reserve Fund Requirement"). All income from investments of the Reserve Fund will be transferred to the "Interest Account" of the Bond Fund and used to pay semiannual interest on the Bonds.

If at any time it appears that the collection of installments of the Special Assessments will not raise money sufficient to pay the then forthcoming principal or interest payment on the Bonds, any or all investments in the Reserve Fund may be liquidated and such amounts transferred to the "Principal or Interest Accounts" of the Bond Fund as is necessary to make timely payments of principal or interest or both on the Bonds. The Reserve Fund will be reimbursed from either: (i) the proceeds from the sale of delinquent Special Assessments pursuant to the Foreclosure Process or (ii) from all future installments on the Special Assessments provided, however, that no payments shall be made to the Reserve Fund which will prejudice the punctual payment of principal and interest on the Bonds.

Whenever the amount in the Reserve Fund equals or exceeds the aggregate of all outstanding principal of, interest accrued or to accrue on the Bonds, the amount in the Reserve Fund may be transferred to the Bond Fund to pay principal and interest on the Bonds when due either at maturity or prior redemption.

Foreclosure Process

The Foreclosure Process is provided by the Bond Resolution which provides that certain sections of the "General Public Improvements and Improvement Bonds Law" of the Arizona Revised Statutes are applicable. Appendix G includes portions of certain sections of such law. Generally, a representative of the District is required, within 20 days from the date any installment is due on the Special Assessments, to begin publication of the list of the Special Assessments on which any installment is delinquent. Such representative also is required to append to and publish with the list a notice that unless each delinquent installment, together with the penalty and costs thereon, is paid, the whole amount of the Special Assessment will be declared due by him, and the corresponding Assessed Parcel upon which the Special Assessment is a lien will be sold at public auction at a time and place to be specified in the notice. The notice of the delinquent Special Assessments is required to be published and circulated in the District for a period of 10 days in a daily newspaper, or for two weeks in a weekly newspaper so published and

circulated. Before the date fixed for the sale or the date to which the sale has been postponed, the representative is required to obtain a record search that shows the names and addresses of all lien claimants on, and other persons with an interest in, all the Assessed Parcels on which an installment of the Special Assessment is delinquent. At least ten days before the sale date or the date to which the sale has been postponed, the representative is required to mail notice of the sale to the owner and to each of the lien claimants and other interested persons. A final sale may not be held unless the representative has mailed such notice. The time of sale shall not be less than five days after the last publication, and the place of sale shall be in or in front of the office of such representative, or in front of the usual place of meeting of the Board. The sale may be postponed.

To comply with certain notice requirements, it may be necessary to postpone or continue such sales from time to time until such requirements are satisfied.

On the day fixed for the sale, the representative of the District shall, at 10 o'clock a.m., or at a time thereafter to which the sale may be adjourned, begin the sale of the Assessed Parcel advertised, commencing at the head of the list and continuing in the numerical order of lots, until all are sold. He may postpone or continue the sale from day to day until all the property is sold. Each Assessed Parcel separately assessed shall be offered for sale separately. The sale shall be for the entire Special Assessment including the delinquent installments, and the person who will take the Assessed Parcel of land and then and there pay the amount of the Special Assessment, penalty and costs due, including 50 cents to the representative of the District for a certificate of sale, shall become the purchaser.

None of the District, the Town or the Owner are required to purchase delinquent land at any sale, even if there is no other purchaser.

Special Assessment Amounts and Land Values

Special Assessment Amounts. The maximum amounts of the Special Assessments have been established by a methodology established by the District Assessment Engineer and levied by the Board, based on the benefit to be received by the respective parcels. The Owner has agreed to the amounts of the Special Assessments pursuant to a waiver agreement applicable to the Assessment Area which runs with the Assessment Area. The Special Assessments have been levied on the Assessment Area and against the parcels indicated in Table 5, as further described herein under the section "LAND DEVELOPMENT."

Appraisal Values. An appraisal of the land in the Assessment Area, dated August 17, 2005 (the "Appraisal"), was performed by Burke Hansen, LLC, Phoenix, Arizona (the "Appraiser"), at the request of the District for the purpose of determining the value of the Assessment Area as security for the Special Assessments. The

discussion of the Appraisal contained herein is expanded and supplemented by the Appraisal which is attached to this Official Statement as Appendix C hereto. **THE APPRAISAL SHOULD BE READ IN ITS ENTIRETY TOGETHER WITH THIS OFFICIAL STATEMENT.**

Subject to the terms and conditions thereof, the Appraisal provides the "wholesale bulk values" which are the "as is values" using a "modified cost approach" of each of the four parcels that comprise the Assessment Area. (Please review carefully the explanation of these terms provided in the Appraisal.) The Assessment Area had an overall value to assessment ratio of not less than 16 to 1 as of such date. The value to assessment ratio of each individual parcel is different though; the ratio and the value are computed on a parcel by parcel basis in Table 5 herein.

Details of the Special Assessment liens for each of the parcels, the appraised value and value-to-assessment ratio are set forth in Table 5. **SEE, "RISK FACTORS PARTICULARLY" - FAILURE OR INABILITY TO COMPLETE PROPOSED DEVELOPMENT" AND - "COMPLETION OF THE PUBLIC INFRASTRUCTURE AND THE OTHER INFRASTRUCTURE."**

There can be no assurance that the values described in the Appraisal are accurate or that the assumptions relied upon in the Appraisal were accurate. There can be no assurance that the value determined in the Appraisal is related in any way to future value or the value as of the date of any default under the Bonds. SEE "RISK FACTORS PARTICULARLY - APPRAISED VALUES."

Full Cash Values. **The estimated "full cash value" for tax year 2005-2006 as determined by the County Assessor of Maricopa County, Arizona (the "Assessor"), for the property within the Assessment Area is $1,215,000, much less than the total of the values shown in the Appraisal of $25,020,000.** (Estimated "full cash value" is the total market value as determined by the Assessor.)

OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES

Introduction

The District has no control over the amount of additional indebtedness or other amounts payable from taxes or assessments on all or a portion of the property within the District or the Assessment Area which may be issued or levied in the future by other governmental entities or political subdivisions, including but not limited to the Town, Maricopa County, Arizona (the "County"), school districts, certain other special districts or other entities having jurisdiction over all or a portion of the land within the District or the Assessment Area. To the extent such indebtedness is payable from general property taxes or taxes are levied for other purposes, such taxes will have a lien on the property within the District paramount and superior to the lien of the Special Assessments. Under current law, any special assessment lien securing indebtedness issued after

the Bonds by any such entity would be subordinate and subject to the lien of the Special Assessments. See "Other Debt of the District." Currently, there are no prior special assessment liens in the Assessment Area. **SEE, ALSO, "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES" FOR A DISCUSSION ABOUT THE IMPACT OF SUCH LIENS, EVEN IF SUCH LIENS ARE SUBORDINATE LIENS.**

The State has two different valuation bases for levying *ad valorem* property taxes. They are "limited property" and "full cash value." Taxes levied against the assessed limited property value are referred to as primary taxes, which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. Limited property value cannot exceed the full cash value and is derived statutorily by using either the limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use established at the previous year's limited property value increased by the greater of either ten percent of the previous year's limited property value or 25 percent of the difference between the previous year's limited property value and the current year's full cash value or the limited property value for parcels that underwent modification through construction, destruction or change in use, and for new parcels, is established by applying a ratio of the full cash to limited property values of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city/town and community college district is constitutionally limited to a maximum increase of two percent over the previous year's levy limit plus any taxes on property not subject to tax in the previous year (e.g., new construction and property brought into the jurisdiction because of annexation). The two percent limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal property are the same. Primary taxes on owner-occupied residential property only are constitutionally limited to one percent of the full cash value of such property. (To offset the effects of the one percent limitation, a tax equalization program has been instituted for school equalization purposes. This program required the counties to levy a tax of $0.4358 per $100 of assessed value under the primary system for fiscal year 2005-2006.)

Taxes levied against the assessed value are referred to as secondary taxes, which are used for debt retirement, voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts (including maintenance and operation expenses of the District). There is no limitation on the annual increases in full cash value of any property, and annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

All taxes become a lien upon the property assessed (they are not a personal obligation of the property owner), attaching on the

first day of January of each tax year. Generally, a tax lien is not satisfied or removed until the taxes are paid or the property is finally vested in a purchaser under a tax lien sale as hereinafter described. An *ad valorem* property tax lien is prior and superior to all the liens and encumbrances on the property, except liens and encumbrances held by the State.

If the *ad valorem* property taxes are not paid when due, the Treasurer is required to secure a payment through the sale of the tax lien. Not later than December 31 of each year, the Treasurer must prepare a list of all real property upon which the *ad valorem* property taxes for prior years were unpaid and delinquent. The property so listed is advertised for sale, and the sale of the tax lien for delinquent *ad valorem* property taxes must be held by the Treasurer in February of the calendar year immediately following the publication of notice of the tax lien sale. The Treasurer will offer at the sale a tax lien on each delinquent property at a price equal to the amount of taxes, interest and penalties due on the property to the bidder willing to accept the lowest rate of interest on the amount paid by the bidder for the tax lien. If no bidder is willing to accept less than 16 percent per annum, the lien is assigned to the State and held for subsequent resale. If a tax lien is sold, the bidder is required to pay in cash at the time of sale a purchase price equal to the amount of taxes, interest and penalties due on the property. If the lien is assigned to the State, the *ad valorem* property taxes due will remain unpaid until subsequent resale or redemption of the property.

Accordingly, delinquent *ad valorem* property taxes should, if the assessed property has sufficient value to attract bidders at the tax lien sale, be recovered within 15 months after the end of the calendar year in which such taxes were levied and assessed.

The holder of a tax lien is entitled to foreclose the right to redeem the tax lien by judicial sale after the third anniversary of the tax lien sale and to foreclose the tax lien by administrative process, without judicial action, after the fifth anniversary of the tax lien sale.

Existing, Overlapping, Superior, General Obligation, Bonded Indebtedness and Taxes

Overlapping, general obligation, bonded indebtedness and tax levies for other purposes with respect to land in the Assessment Area, the lien for which is paramount and superior to that of the Bonds is shown below including a breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net assessed valuation and combined tax rate per $100 of assessed valuation. The applicable percentage of each jurisdiction's assessed valuation which lies within the Assessment Area was derived from information obtained from the Assessor. The District has authorized the issuance of up to $175,000,000 of general obligation bonds. However, the District and Pulte only intend to issue such debt, if any, in the event that property values within the District, and subsequent property tax revenues, are sufficient to support the debt service related to such

debt at a tax rate not expected to exceed $3.00 per $100 of assessed valuation, but which would, if necessary, be unlimited as to rate and amount. See "Overlapping, Superior, General Obligation Bonded Indebtedness of the District and Maintenance and Operation Tax."

TABLE 1

OVERLAPPING GENERAL OBLIGATION BONDED INDEBTEDNESS

Direct and Overlapping Jurisdiction	2005-2006 Secondary Assessed Valuation	Net Outstanding Bonded Debt(a)	Proportion Applicable to the District (b) Approx. Percent	Proportion Applicable to the District (b) Net Amount	2005-2006 Combined Tax Rate Per $100 Assessed (c)
State of Arizona	$44,480,893,202	None	–	None	$0.0000
Maricopa County (e)	33,197,218,389	None	0.001%	None	2.0238 (d)
Maricopa County Community College District (f)	33,197,218,389	$234,440,000	0.001	$2,268	1.0315
Maricopa County Special Health Care District	33,166,737,515	0	0.001	0	0.1206
Wickenburg Unified School District No. 9	104,103,107	21,790,000	0.309	67,231	5.7053
Town of Buckeye (g)	115,318,474	880,000	0.279	2,451	1.5509
The District	321,200 (h)	0	100.000	0	0.0000
Total Net Direct and Overlapping General Obligation Bonded Debt				$71,950	

(a) This table does not include the Salt River Project Agricultural Improvement and Power District general obligation bonded debt. Such debt has been refunded in advance of maturity and is secured for payment by government securities held in irrevocable trust. This table also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the U.S. Department of the Interior to deliver Colorado River water to central Arizona down to Tucson. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. CAWCD was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to Arizona's portion of the costs reimbursable to the federal government. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised

Statutes, Section 48-3715 *et. seq.*) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona legislation. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation.

This table also does not include the obligation of the Maricopa County Flood Control District to contribute $80 million to CAP. The Flood Control District's sole source of revenue to pay the contribution will be raised from ad valorem taxes.

(b) Except as indicated in footnote (h), proportion applicable to the District is computed on the ratio of secondary assessed valuation for 2005-2006. Because the Assessment Area only encompasses the area shown on the map on page (v) which is a smaller area than the area of the District, these amounts are greater than what actually overlaps the Assessment Area. If the secondary assessed value within the District increases at a faster rate the overlapping jurisdictions, the amount of overlapping debt allocated for payment within the District will increase.

(c) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which, in some cases, is based on the primary assessed valuation of the jurisdiction.

(d) The County's tax rate includes the $0.1200 tax rate of the Central Arizona Water Conservation District, the $0.2119 tax rate

of the Maricopa County Flood Control District, the $0.4358 tax rate of the Education Equalization District, the $0.0069 tax rate for the contribution to the Maricopa County Fire District and a $1.2492 tax rate of the County (which includes the County Free Library tax rate). It should be noted that the County Flood Control District does not levy taxes on personal property.

(e) Does not include Maricopa County, Arizona Certificates of Participation outstanding in the aggregate principal amount of $5,115,000 or lease revenue bonds issued by the Maricopa County Public Finance Corporation in the aggregate principal amount of $91,830,000.

(f) Does not include Maricopa County Community College District revenue bonds outstanding in the amount of $23,360,000.

(g) Does not include obligations of the Town outstanding in the following aggregate principal amounts:

Miller Road ID Bonds	$ 3,805,000
Excise Tax Revenue Obligations	11,860,000

(h) The 2005-06 secondary assessed valuation is not available as the District was formed too late for it to be eligible for mapping and determination of that value for such year. For comparison purposes, this value has been calculated based on the acreage of the District, treating all that acreage as if it was valued at $500 per acre and then assessed as vacant property (16%).

Source: Individual jurisdictions and miscellaneous other sources.

Overlapping, Superior, General Obligation, Bonded Indebtedness and Maintenance and Operations Tax of the District

Pursuant to an election held on May 25, 2005, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed $175,000,000 in order to finance, among other things, the costs of public infrastructure within the District, including incidental costs and the costs of issuing bonds. Additional indebtedness for the District could be authorized by elections in the future. The District has authority to issue, in accordance with the procedures set forth in the Act, such bonds payable from *ad valorem* property taxes to be levied on property within the District. However, there are no current plans to issue any of such bonds. It is anticipated though that the District will levy immediately an additional secondary *ad valorem* property tax rate of $.30 per $100 of secondary assessed valuation for administrative, operational and maintenance costs of the District. The lien for such taxes would be superior and paramount to that for the Special Assessments with respect to the Bonds. **SEE "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES."**

Other Additional, Overlapping, Superior, General Obligation, Bonded Indebtedness and Taxes

As noted hereinabove, the District has no control over the amount of additional debt payable from taxes or tax levies for other purposes on all or a portion of the property within the District that may be issued or levied in the future by other political subdivisions, including but not limited to the Town, the County, school districts, certain other special districts or other entities having jurisdiction over all or a portion of the land within the District. To the extent such obligations are payable from general property taxes, such taxes will have a lien on the taxable property within the District superior and paramount to that for the Special Assessments with respect to the Bonds. Additional indebtedness or tax levies for other purposes could be authorized for such overlapping jurisdictions in the future. **SEE "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES."**

The following overlapping entities of the District have the indicated authorized but unissued general obligation bonded debt available for future issuance:

TABLE 2
AUTHORIZED BUT UNISSUED
GENERAL OBLIGATION BONDS

Maricopa Community College District	$761,089,000

Source: Individual jurisdictions.

Other Debt of the District

The District has no other debt. SEE, HOWEVER "RISK FACTORS - DIRECT AND OVERLAPPING INDEBTEDNESS AND TAXES."

SOURCES AND APPLICATIONS OF FUNDS

The sources and application of funds with respect to the Bonds is as follows:

TABLE 3

SOURCES OF FUNDS	
Par Amount of Bonds	$1,448,000
TOTAL SOURCES	$1,448,000
USES OF FUNDS	
Costs of Issuance (including Underwriter's Discount)	$ 156,790
Deposit to Debt Service Reserve Fund	113,783
Deposit to Project Construction Fund	1,177,427
TOTAL USES	$1,448,000

THE PUBLIC INFRASTRUCTURE

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

The Public Infrastructure is composed of more than 34,000 linear feet of arterial roadways in the Assessment Area which are expected to cost more than $3,500,000 and to all be completed by May 2007. *These costs are estimated and, once contracted for, subject to change orders and unforeseen events. Completion dates are also estimated and, once contracted for, subject to change orders and unforeseen events and other potential delays.* The total estimated cost of the Public Infrastructure is greater than the amount to be available from proceeds of the sale of the Bonds; the balance of the cost of the Public Infrastructure will be paid by the Owner. See "LAND DEVELOPMENT - In General."

The Public Infrastructure has been or will be publicly bid in compliance with the process required by State law and the District. The Public Infrastructure will be constructed and completed by the Owner and then acquired by the District and transferred to the Town upon completion. Proceeds of the sale of the Bonds will be used by the District to acquire the Public Infrastructure.

THE OTHER INFRASTRUCTURE

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes

any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

Certain other infrastructure (collectively, the "Other Infrastructure") is being constructed in connection with the development of the Assessment Area and the construction of homes therein as described hereinbelow. None of the Other Infrastructure is being financed with proceeds of the sale of the Bonds, but instead will be financed by the Owner. See "THE OWNER."

Water Reclamation Facility

The District will be serviced by an ultimate 3.0 million gallon per day water reclamation facility which, ultimately, will be owned and operated by the Town. This facility will be constructed in three phases of 1.0 million gallons of capacity each. All necessary permits and approvals for the construction of the first phase (1.0 million gallons per day capacity) have been secured. These include a MAG 208 Amendment (4.0 million gallons per day capacity), County Environmental Services Approval to Construct, Town approved construction drawings, United States Army Corps of Engineers 404 permit, AZPDES discharge permit and dust control permit. The first phase of the water reclamation facility is anticipated to service approximately 4,000 homes within the District including the Assessment Area. Current development plans would require construction of the second phase (an additional 1.0 million gallons per day capacity) in 2009.

Pulte has entered into a construction contract for the first phase of the water reclamation facility in the amount of $8,643,000. Construction commenced in September 2005 and is to be substantially completed by June 2006.

Water Production Campus

The District will be serviced by two water production campuses which, ultimately, will be owned and operated by the Town. The first water production campus which will serve the Assessment Area will be located at the southeast corner of Desert Vista Boulevard and Beardsley Parkway. Within this water production campus will be 2.4 million gallons of storage (constructed in two phases of 1.2 million gallons), a well and booster pumps. It is anticipated that four groundwater wells will ultimately be constructed. To date, two groundwater wells have been constructed and equipped with a third well proposed to be drilled by the end of 2005. Construction of the fourth well will be dependent on the production rate of the third well as to timing. All permits and approvals have been secured including County Environmental Services Approval to Construct, United States Army Corps of Engineers 404 permit, Town construction drawing approval, AZPDES stormwater discharge permit and dust control permits.

Pulte has entered into a construction contract for the first portion of the water production campus in the amount of $5,275,000. Construction commenced in September 2005 and is to be substantially completed by May 2006.

The Town is not designated as having an assured water supply pursuant to applicable Arizona law. An assured water supply means that sufficient water of adequate quality will be continuously available to satisfy the water needs of the proposed use for at least 100 years, that any projected groundwater use is consistent with the water management plan approved by the Arizona Department of Water Resources ("ADWR") and achievement of the management goal for the area, and that financial capability to construct the delivery system and any necessary treatment works has been demonstrated to ADWR. An "analysis of assured water supply" approved by ADWR was obtained by the Owner. On November 23, 2004, the Owner received the certificate of assured water supply for the property in the District owned by it (including that within the Assessment Area). Until such time as ADWR designates the Town as having an assured water supply, the Owner must seek and obtain certificates of assured water supply in accordance with applicable Arizona law as a prerequisite for subdividing and developing areas within the District, which it has done with respect to the Assessment Area. The Town has agreed to take all reasonable steps to assist the Owner in connection with applications for certificates of assured water supply for portions of such area and entering into such contracts as may reasonably be required by the Central Arizona Groundwater Replenishment District pursuant to applicable Arizona law which are required in order for the area to qualify as "member land" under applicable Arizona law. The assured water supply designation, which can be terminated or modified by ADWR should circumstances warrant, is a necessary condition to the ability of the Owner to plat, construct and sell homes within the related area of the District.

Other

The Owner is spending more than $7,500,000 for arterial and collector roads (including related landscaping), $6,000,000 for sewer trunk and collector lines and $11,000,000 for water distribution lines and facilities within the District (including the Assessment Area). *These costs are estimated, and once contracted for, subject to change orders and unforeseen events. Completion dates are estimated and, once contracted for, subject to change orders and unforeseen events and other potential delays.* Included in such costs are the following: The Owner has received construction drawing approval for Canyon Springs Boulevard from Sun Valley Parkway to Beardsley Parkway, Desert Vista Boulevard from Canyon Springs Boulevard to Beardsley Parkway and Beardsley Parkway from Canyon Springs Boulevard to Desert Vista Boulevard from the Town. Construction of these roadways will be necessary to provide safe vehicular access to and from the Assessment Area. Construction will take place between January and June of 2006.

The Owner is also in the process of permitting a temporary police and fire facility to be constructed in the southeast corner of

Beardsley Parkway and Canyon Springs Boulevard. This facility shall be operational by January 2006. Ultimately, the Town police and fire departments will be housed in a permanent facility located at the southwest corner of Desert Oasis Boulevard and Mountain Ridge Boulevard. Construction of the permanent facility is currently scheduled for 2008.

LAND DEVELOPMENT

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

In General

The Assessment Area is part of the District. The District consists of approximately 4,015 acres which are being developed as part of a larger, approximately 10,281 acre mixed use, master-planned community known as "Festival Ranch." Festival Ranch is planned to include ultimately, among other uses, approximately 24,176 residential units and approximately 7,187,410 square feet of mixed commercial and multi-family use. The residential units within the Assessment Area will be developed as part of an "age restricted" community. (Only the Assessment Area, and not the remaining area in the District, represents security for the Bonds.) (See maps at pages (iii), (iv) and (v) for the location of the District and the Assessment Area.) The major components of the infrastructure necessary for development of the Assessment Area are described under the headings "THE PUBLIC INFRASTRUCTURE" and "THE OTHER INFRASTRUCTURE."

Located approximately forty (40) miles northwest of downtown Phoenix, Arizona, primarily north of Interstate 10, the land within the boundaries of the District is located in the northern portion of the Town, and fee title interest under certain purchase agreements was acquired by the Owner in 2004. All of the property in the Assessment Area is owned by the Owner. See "THE OWNER". The District is the subject of a Community Master Plan ("CMP") adopted by the Town in October of 2000. An Area Plan for Festival Ranch was adopted by the Town in June of 1997.

Festival Ranch is also the subject of a Development Agreement, dated October 4, 2000 (the "Land Development Agreement"), which addresses the rights of the Owner to develop the property as provided in and subject to the conditions of such agreement. (The Land Development Agreement has been modified by way of a single recorded amendment.) The Land Development Agreement addresses various issues often times made the subject of development agreements in

Arizona, such as, among other things Town services, reimbursements to the Owner for certain public infrastructure, the Town's processing of plans and permits, and public bidding. The Land Development Agreement, as amended, also addresses the legal right to obtain and legal obligation to provide potable water and the required capital and operations contributions to the Town for water, sewer, police and fire services within the District. Police, fire and sanitation services are provided to the District by the Town. The Owner is obligated to assist in the funding of certain capital and operational costs associated with the provision of water, sewer, police and fire protection within the District.

Although the number of acres devoted to each particular land use may ultimately vary from those presented, the development of the District and the Assessment Area is currently expected to include the following land uses:

TABLE 4

Total Project	Approximate District Acres	Approximate Assessment District Acres
Single Family Residential Units	3,190	153.2
3 Golf Courses	600	0
Recreation Centers	75	0
Commercial	150	0
Total	4,015	153.2

Development of the property within the District and construction of homes and other infrastructure is subject to obtaining various development and construction approvals and permits. As a condition to the sale of homes in the Assessment Area and as described more fully below, the homebuilders will be required to obtain building and any additional permits required for the construction and completion of all such homes and other infrastructure.

The Owner is responsible for the construction of all offsite infrastructure and subdivision improvements (including the Public Infrastructure), necessary to deliver fully finished lots. The lots will be developed in four phases consisting of 24, 408, 143, and 149 lots, respectively. See Table 6. The single family residences constructed by Owner on such lots range in size from 5,060 to 8,800 square feet, base priced from $180,000 to over $360,000.

The District

Infrastructure Development. The facilities described under the headings "Water Reclamation Facility," "Water Production Campus" and "Other" under the heading "THE OTHER INFRASTRUCTURE" will provide sewer and water service for the area in the District (including the Assessment Area). See "RISK FACTORS - Availability of Utilities."

The District, including the Assessment Area, receives primary vehicular access from Sun Valley Parkway. The Public Infrastructure along with provisions for arterial and collector vehicular access described under the subheading "Other" under the heading "THE OTHER INFRASTRUCTURE" will provide necessary additional access for the area in the District (including the Assessment Area).

Electrical service for the District is provided by Arizona Public Service Company. Telephone service is provided by Qwest. Cable service is provided by Cox Communication.

Schools. The District is located in the Wickenburg Unified School District. Because the residential units within the Assessment Area will be developed as part of an age-restricted community, no school facilities are planned within the Assessment Area.

Environmental. In connection with the acquisition and preparation for the development of Festival Ranch, certain third parties have performed various inspections and evaluations of the property contained in the District for potential archaeological impediments or biological impediments to the development of the property within the District. Specifically, in July of 1998 a site file search and subsequent archaeological survey was prepared. This search and subsequent survey identified 1 isolated occurrence of artifacts. Such archaeological survey indicated that the isolated occurrence of artifacts did not require any further work. The Owner has not encountered any such buried cultural resources during the development of land within the District to date and have no knowledge of the existence of any such buried cultural resources in the District; however, the Owners can provide no assurances that buried cultural resources will not be discovered within the District. Additionally, the Owner can provide no assurances that such archaeological survey and the conclusions therein are accurate and complete.

With respect to biological impediments, a biological evaluation of the District was performed in July of 1998. Such evaluation found that there were no endangered, threatened, proposed endangered or proposed threatened plants or animals known to occur regularly within the District, and the Owner has not encountered any such plants or animals known to them to be endangered, threatened, proposed endangered or proposed threatened; however, the Owner can provide no assurances that an endangered, threatened, proposed endangered or proposed threatened plant or animal will not be discovered within the District or that such biological evaluation and the conclusions therein are accurate and complete.

Additionally, a Phase I environmental site assessment for the District was performed. Such environmental report did not identify any concerns directly affecting the Assessment Area. The Owner can provide no assurances that other environmental concerns will not be discovered within the District or that such environmental reports and all conclusions therein are accurate and complete.

The Assessment Area

The Assessment Area is shown on the map at page (v) and includes approximately 153 acres. Final zoning for all lands within the Assessment Area has been obtained and is consistent with the Owner's current development plans for such lands; all such lands are also subject to final plats. While the lot sizes vary within each parcel in the Assessment Area, there are four sizes/types of lots: 46 feet x 110 feet, 60 feet x 110 feet, 70 feet x 110 feet and 80 feet x 110 feet. It is currently planned that, upon completion, the Assessment Area will include the following uses described in Table 5, affected by the corresponding Special Assessments:

TABLE 5

Parcel (a)	Assessable Acreage	Estimated Single Family Home Lots (b)	Assessment Per Lot (c)	Estimated Appraised Value Per Lot (c)	Assessment Per Assessed Parcel	Estimated Appraised Value Per Assessed Parcel	Per Assessed Parcel Value to Lien
A-1 Phase 1	4.6	24	$2,000	$46,542	$ 48,000	$ 1,117,000	23:1
B-1	74.4	408	2,000	35,150	816,000	14,341,000	18:1
C-1	36.9	143	2,000	34,203	286,000	4,891,000	17:1
D-1	37.3	149	2,000	31,349	298,000	4,671,000	16:1
TOTAL	153.2	724			$1,448,000	$25,020,000	

(a) The Assessment Area is depicted on the map at page (v).

(b) Lots relate to single family, residential lots.

(c) "Per Lot" figures are derived by dividing the "Estimated Single Family Home Lots" into the "Assessment Per Assessed Parcel" and the "Estimated Appraised Value Per Assessed Parcel" as reported in the latter case in the Appraisal. See Appendix C.

Table 6 reflects the projected 2006 and 2007 sale of lots by the Owner in the Assessment Area.

TABLE 6

Calendar Year	Estimated Single-Family Lot Closings
2006	150
2007	574

The Owner may sell parcels (or portions thereof) to other subsequent owners. There can be no guarantee that the Owner or any subsequent owners will have the financial capabilities to complete development discussed in this section of the Official Statement on any land so acquired. There can also be no assurance that build-out will occur at the rates indicated hereinabove or if in fact any such sales will be consummated. Moreover, as the ownership of the parcels is subject to change, the development plans may not be continued by the subsequent owner if the parcels are sold, however development by any subsequent owner will be subject to the policies and requirements of

the Town. The projections above are also subject to the timely completion of the Public Infrastructure and the Other Infrastructure. The amounts due with respect to the Special Assessments are not personal obligations of the Owners or of any subsequent landowners; the Bonds are secured solely by the Special Assessments.

THE OWNER

The information contained in this section relates to and has been obtained from the Owner, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading "RISK FACTORS" as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.

Pulte, a Michigan corporation, is a wholly-owned subsidiary of Pulte Homes, Inc., a Michigan corporation, which is a publicly traded company listed on the New York Stock Exchange ("Pulte Homes"). Pulte Homes is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and Northwestern Atrium Center, 400 West Madison Street, Suite 1400, Chicago, Illinois. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at http://www.sec.gov. None of the District, Bond Counsel, the Original Purchaser nor Counsel to the Original Purchaser has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

RISK FACTORS

Investment in the Bonds involves a significant degree of risk and is speculative in nature. The relatively high interest rates borne by the Bonds (as compared to prevailing interest rates on bonds that have an investment grade rating) is intended to compensate the investor for such risks. INVESTMENT IN THE BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS

SET FORTH IN THIS OFFICIAL STATEMENT, BEFORE MAKING AN INVESTMENT DECISION.

Failure or Inability to Complete Proposed Development

The land in the District including in the Assessment Area is under development. The development of each phase of Festival Ranch (including the phase in which the Assessment Area is included) will be staged so that a particular phase will not be developed all at once. The financing for development of Festival Ranch as a whole will be provided by third party lenders, funds provided by the Owner and other sources. The availability of funding for the completion of Festival Ranch will depend upon the demand for residential lots or units within Festival Ranch and local, regional and national market and economic conditions. No assurance is given that funding will be obtained for development of Festival Ranch, or, if obtained, will be in an amount sufficient to complete development of Festival Ranch. If satisfactory funding is unavailable, the Owner may be required to delay or suspend completion of the development of the balance of Festival Ranch.

Public and private on-site and off-site improvements may increase the public and private debt for which the land within the District including the Assessment Area is security. The burden of additional debt would be placed on the land within the District to complete the necessary improvements. See "Direct and Overlapping Indebtedness."

Proposed development within the District (including the foregoing) may be affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, changes in the income tax treatment of real property ownership, unexpected increases in development costs and other similar factors as well as availability of utilities and the development or existence of environmental concerns with such land. See "Availability of Utilities" and "Environmental Matters." Land development within the District could also be affected adversely by changes in governmental policies, including, but not limited to, governmental policies to restrict or control development. (Any approvals needed in the future for the development of Festival Ranch must come from the Town, over which the District has no control.) Moreover, there are similar, competing master planned communities in the vicinity of Festival Ranch which could affect adversely the market share expected for Festival Ranch, and there can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with Festival Ranch. A slowdown of the development process and the related absorption rate within Festival Ranch because of any or all of the foregoing could affect adversely land values. THE TIMELY PAYMENT OF THE BONDS DEPENDS UPON THE WILLINGNESS AND ABILITY OF THE OWNER AND ANY SUBSEQUENT OWNERS TO PAY THE SPECIAL ASSESSMENTS WHEN DUE. ANY OR ALL OF THE FOREGOING COULD REDUCE THE WILLINGNESS AND THE ABILITY OF SUCH OWNERS TO PAY THE SPECIAL ASSESSMENTS AND COULD GREATLY REDUCE THE VALUE OF PROPERTY WITHIN THE ASSESSMENT AREA IN THE EVENT SUCH PROPERTY HAS TO BE

FORECLOSED. In that event, there could be a default in the payment of the Bonds.

The land in the Assessment Area is partially developed and, if any or all of the foregoing occurs, the undeveloped portion could continue as such. Vacant land provides less security to the holders of the Bonds should it be necessary for the District to foreclose due to nonpayment of the Special Assessments. An inability to develop the remaining land within the Assessment Area will likely reduce the diversity of ownership on land within the Assessment Area.

Growing Smarter

During 1998, the Arizona Legislature promulgated the Growing Smarter Act of 1998 ("Growing Smarter") which created new planning requirements throughout the State and provided stronger tools for local governments in their efforts to manage rapid development. Growing Smarter also created the "Growing Smarter Commission" which conducted hearings throughout the State on ways to enhance the law and to address certain other issues. During 2000, the Arizona Legislature adopted additional legislation known as "Growing Smarter Plus" which significantly expands Growing Smarter particularly the planning requirements passed in 1998. Fast-growing communities must now plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is now required. To pay for growth, communities are permitted to establish service area limits, beyond which new growth pays the full cost for services. Growing Smarter allowed citizens to refer general plans passed by local government to the ballot for voter approval. Growing Smarter Plus goes a step farther by requiring fast growing and large cities and Pima and Maricopa Counties to submit their general plans to the voters for ratification. (The Town has not yet submitted a plan to the electorate but plans to do so within the next two years.) Every 10 years, voters will have the final say over general planning in their communities. It is unclear at this time how Growing Smarter and Growing Smarter Plus will affect development activity in the State and particularly the Town and the District in the future.

Amendment of Documents Referenced

The reports, inspections and other documents described in this Official Statement may be modified, updated or amended (as new reports and/or inspections may be obtained), and such modifications may materially and adversely affect the development of the property (e.g., updating of environmental reports.

The development of the property within the Assessment Area is in the early phases of development and construction. Circumstances could change as the development process continues and other issues are raised or new developers or owners become involved. Accordingly, the Owner anticipates that there may be significant changes to the agreements and contracts summarized in this Official Statement to address any such issues. Because the existing contracts and agree-

ments are subject to change, the summaries of any contracts or agreements contained hereinabove may not accurately reflect the future conditions relating to the development of the Assessment Area and the District; however, the Owner does not presently anticipate that any modifications of the current contracts or agreements would materially affect the repayment of the Bonds.

Availability of Utilities

Water and sewer service to the District will be provided by the Town as described under the subheading "LAND DEVELOPMENT - The District." Failure or inability to complete proposed development including development of necessary utilities could affect adversely development of the land in the District, including the Assessment Area. See "Failure or Inability to Complete Proposed Development." Certain utilities are to be developed by the Town pursuant to certain development agreements including as described above. There can be no assurances that such utilities will be financed and developed.

Direct and Overlapping Indebtedness and Taxes

The ability of an owner of land within the Assessment Area to pay the Special Assessments could be affected by the existence of other taxes and assessments imposed upon the property. The District and other public entities 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 ad valorem taxes or assessment liens on the property within the District in order to finance public improvements to be located inside or outside of the District. (The existing public debt relating to the District is set forth in "OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES.") The lien created on the property within the District through the levy of ad valorem taxes would be superior and paramount to that for the special assessments securing the Bonds. The imposition of additional superior and paramount liens, or subordinate liens in the case of future special assessments, or for that matter for private financing, may reduce the ability or willingness of the landowners to pay the Special Assessment. In that event, there could be a default in the payment of the Bonds.

Appraised Value

The Appraisal was prepared for the purpose of estimating the "wholesale bulk values" which are "as is" values using a "modified cost approach" of the fee simple interest of each of the parcels that comprise the Assessment Area as described herein under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Special Assessments and Land Values -- Appraisal Values." As described in complete detail in the Appraisal, the basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of the subject property. The hypothetical "as if complete" market value is the value of the property upon completion of the proposed residential lots - a subdivision of finished residential

lots. The "as if complete" value is estimated using "static analysis" and "yield analysis" (discounted cash flow). The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit. Other approaches were not utilized for the Appraisal to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant front-loaded infrastructure costs to accommodate this particular segment of the population.)

There can be no assurance that the values described in the Appraisal are accurate or that the assumptions relied upon in the Appraisal were accurate. There can be no assurance that the value determined in the Appraisal is related in any way to future value or the value as of the date of any default under the Bonds. No assurance can be given that should any parcel become delinquent due to unpaid Special Assessments, and be foreclosed upon and sold for the amount of such delinquency, that any bid would be received or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Assessment or would approximate the appraised value.

Non-Payment of Assessments

As discussed below, payments with respect to the Special Assessments could be insufficient to pay the Bonds due to nonpayment of the amounts levied.

In order to pay debt service on the Bonds, it is necessary that the Special Assessments levied against the Assessment Area within the District be paid in a timely manner. Should a Special Assessment not be paid on time, the District has established a Reserve Fund in the amount of the Maximum Reserve Fund Requirement to pay debt service on the Bonds to the extent other funds are not available therefor.

Foreclosure proceedings will be instituted against any property with a delinquent Special Assessment in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Assessment to protect its security interest. See "SECURITY FOR THE BONDS - Foreclosure Process" for provisions which apply if foreclosure is required and which the District is required to follow in the event of delinquency in the payment of a Special Assessment.

If amounts are withdrawn from the Reserve Fund to make payments on the Bonds on account of a default in a Special Assessment on a portion of the Assessment Area, the amount received by the District from the sale of such portion of the Assessment Area, after the deduction of the expenses of sale, will be paid over and credited to the Reserve Fund.

Bankruptcy and Foreclosure Delays

The payment of the Special Assessments and the ability of the District to foreclose the lien of delinquent, unpaid Special Assessments may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of Arizona relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Special Assessments to become extinguished, bankruptcy of a property owner could result in a delay in foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the Bonds when due.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) and relating to the Indenture will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Assessments to become extinguished, bankruptcy of a property owner could result in a delay in foreclosure proceedings and could result in the possibility of a delinquent Special Assessment not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

Depletion of Reserve Fund

Failure of the owners of assessed property to pay the Special Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resales of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of, and interest on, the Bonds if sufficient amounts are not available in the Reserve Fund.

Completion of the Public Infrastructure and the Other Infrastructure

The construction of the Public Infrastructure and the Other Infrastructure which is necessary for development of the Assessment Area is not yet complete. The cost and time for completion of all of such improvements is uncertain and may be affected by changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in Festival Ranch, which may render the sale of such homes difficult or unattractive; acts or war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may

result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Owners or its affiliates. If cost overruns result in delay of construction, or if other delays are experienced, the Owner may be unable to complete timely all of such necessary improvements.

General Risks of Real Estate Investment and Development

Investments in developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. Festival Ranch will be subject to the risks generally incident to real estate investments and development. Many factors that may affect Festival Ranch, as well as the operating revenues of the Owner derived from Festival Ranch, are not within the control of the Owner. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in Festival Ranch, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the Owner or its affiliates.

Festival Ranch, including the phase of the development plan which represents the real estate development in the Assessment Area, cannot be initiated or completed without the Owner obtaining a variety of governmental approvals and permits, some of which have already been obtained. Such permits are necessary to initiate construction of each phase of Festival Ranch and to allow the occupancy of the homes and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. Matters like those discussed hereinabove under the headings "Growing Smarter" could be a factor in this regard. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Owner. See "LAND DEVELOPMENT."

Environmental Matters

Festival Ranch, including the phase of the development plan which represents the real estate development in the Assessment Area, will be subject to risks arising out of environmental, archeological, biological considerations generally associated with the ownership of

real estate and the construction of improvements located thereon. Such risks include, in general, potential liability arising as a result of any contamination later discovered on the site and the possibility of a decline in property values in Festival Ranch resulting from any contamination on the site or from the proximity of the site to other contaminated areas; or discovery of archeological artifacts located on the site or in the vicinity of the site; discovery of endangered species of animals, plants or other habitat for endangered species. Liability may arise under a variety of federal, state or local environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Endangered Species Act and the National Historical Preservation Act. See "LAND DEVELOPMENT - Environmental."

In a recent decision, the 9th U.S. Circuit Court of Appeals said it was inappropriate for the U.S. Environmental Protection Agency in 2002 to cede its authority to issue water discharge permits (including those necessary for facilities like that described under the subheading "THE OTHER INFRASTRUCTURE - Water Reclamation Facility") to the Arizona Department of Environmental Quality ("ADEQ"). The decision, unless overturned, removes the authority of ADEQ to issue any more permits for water discharge. The Director of ADEQ has indicated that the decision may also invalidate permits already issued by ADEQ for projects already underway. It is unclear how the decision will ultimately be interpreted and what the effect that interpretation will be on the continuing development of Festival Ranch.

Cancellation of Contracts

The State, its political subdivisions, including the District, or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, including the District or any of the departments or agencies of either is, while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. Cancellation of contracts entered into by the District may adversely affect the Bonds.

No Credit Rating

No credit rating for the Bonds has been sought, nor is it anticipated that any such rating will be applied for. There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of

issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Projections

Included in this Official Statement are various projections for lot closings, completion dates, completion costs and other items. The projections for lot closings, completion dates, completion costs and other items are based on assumptions concerning future events and should be viewed with an abundance of caution. Circumstances that may not yet be ascertainable, which the Owner believes to be significant and which the Owner cannot control may also exist. There are usually differences between projections for lot closings, completion dates, completion costs and other items and actual lot closings, completion dates, completion costs and other items, because the lot closings, completion dates, completion costs and other items frequently do not occur as expected, and those differences may be material. There can be no assurances that the various projections set forth in this Offering Memorandum can be achieved.

LITIGATION

At the time of delivery and payment for the Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, overtly threatened against the District affecting the existence of the District, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution or the Indenture, or the collection or application of any revenues providing for the payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Indenture, any action of the District contemplated by any of the said documents, or the collection or application of the revenues provided for the payment of the Bonds, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

TAX EXEMPTION

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continued compliance with certain restrictions, conditions and requirements by the District as described below, interest income on the Bonds will be excluded from gross income for federal income tax purposes and will be exempt from State of Arizona income taxes. The opinion of Bond Counsel will be dated as of the

date of delivery of the Bonds. A form of such opinion is included as Appendix B attached hereto.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of its investment earnings with respect to the Bonds. The District has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The opinion of Bond Counsel assumes continuing compliance with such restrictions, conditions and requirements.

The Code also imposes an "alternative minimum tax" ("AMT") upon certain corporations and individuals. The AMT is equal to the excess (if any) of a taxpayer's "tentative minimum tax" for a taxable year over its regular income tax liability for the taxable year. The tentative minimum tax is based upon a taxpayer's "alternative minimum taxable income" ("AMTI"). A taxpayer's AMTI is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMT of individuals or corporations.

Notwithstanding the preceding sentence, included in the adjustments of AMTI for corporations is an adjustment increasing the corporation's AMTI by seventy-five percent (75%) of the excess (if any) of the corporation's "adjusted current earnings" over the corporation's AMTI for the taxable year (determined without regard to such adjustment for excess adjusted current earnings and the alternative tax net operating loss deduction). A corporation's "adjusted current earnings" includes all tax-exempt interest, including the interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect a bondholder's federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers purchasing the Bonds, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations should consult their tax consultants as to the applicability of such tax consequences to the respective Bondholder. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such tax consequences.

The Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.

Under existing federal tax law, if the Bonds are determined to be invalid for failure to comply with a substantive or procedural requirement of local law, the Bonds will be deemed not to be an obligation of the District and interest thereon will not be excludable from gross income for federal income tax purposes. The Bonds do not provide for an adjustment in interest rate or yield in the event of taxability, and an event of taxability does not cause an acceleration of the principal of the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code and, in that regard, will certify that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by or on behalf of the District in calendar year 2005 will not exceed $10,000,000.

NO CREDIT RATING

***The District has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds*. See "RISK FACTORS."**

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds, and with regard to the tax-exempt status of the interest thereon are subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. (See "TAX EXEMPTION" herein.) Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered upon the initial delivery of the Bonds in substantially the form of Appendix B hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for the Owner by its counsel, Gallagher & Kennedy, PC. **See "RELATIONSHIPS AMONG PARTIES."**

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issue explicitly addressed therein. By rendering a legal opinion, the opinion giver

does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The Bonds are being purchased by RBC Dain Rauscher Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $1,404,560 (reflecting the aggregate principal amount of the Bonds, less Underwriter's compensation of $43,440). The prices or yields set forth on the inside front cover page hereof may be changed after the initial offering by the Underwriter.

CONTINUING DISCLOSURE

The District and the Owner have each separately covenanted for the benefit of certain beneficial owners of the Bonds to provide certain financial information and operating data relating to the District and development therein, as applicable, by not later than seven months after the end of their respective fiscal years (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notices of Material Events"). The Annual Reports will be filed by the District and the Owner with a "Central Post Office" for distribution to each "Nationally Recognized Municipal Securities Information Repository" and with the appropriate "State Information Depository," if any. The Notices of Material Events will be filed by the District and the Owner with the same entities as well as the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Reports or in the Notices of Material Events, and the circumstances under which subsequent landowners of land now owned by the Owner will enter into an undertaking to provide continuing disclosure, are set forth herein under the caption Appendix D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS" and which includes forms of undertakings which will be executed by the District and the Owner with respect to the Bonds. The District has no obligation to enforce the obligations of the Owner (or subsequent landowners of land now owned by the Owner) under their respective Continuing Disclosure Undertaking.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). Should the District or the Owner not comply with such covenants, they have covenanted to provide notice of such fact to each Nationally Recognized Securities Information Repository, the State Information Depository, if any, and the Municipal Securities Rulemaking Board or to a Central Post Office. A failure to provide continuing disclosure may adversely affect the transferability and liquidity of the Bonds and their market price.

The District has not previously entered into any continuing disclosure undertakings; the Owner has been and is in material compliance with continuing disclosure undertakings previously entered into by it for purposes of the Rule.

RELATIONSHIPS AMONG PARTIES

Gust Rosenfeld P.L.C., Bond Counsel, has acted as counsel to the underwriter in other transactions underwritten by the Underwriter and by Stone & Youngberg LLC, financial consultant to the District (the "Financial Consultant") and as bond counsel in other transactions underwritten by the Underwriter and by the Financial Consultant. Greenberg Traurig, LLP, Counsel to the Underwriter, has acted as bond counsel in other transactions underwritten by the Underwriter and by the Financial Consultant. Greenberg Traurig, LLP and Gust Rosenfeld P.L.C. have also acted as bond counsel and/or underwriter's counsel with respect to bonds issued by the Town and other overlapping political subdivisions. Gust Rosenfeld P.L.C. also serves as general counsel to the Town.

The Underwriter and the Financial Consultant have underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions. The Underwriter and the Financial Consultant have underwritten or acted as financial advisor on other transactions together and expect to do so in the future.

This Official Statement has been approved, executed and delivered by the District.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By Dustin "Dusty" Hull
.....
Chairman, District Board

1506682.5-11/7/05

APPENDIX A

INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA

The following information is given as background information concerning the Town. THE BONDS ARE NOT AN OBLIGATION OF THE TOWN. The Bonds are secured and payable only as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" herein. The holders of the Bonds have no right to payment except as described therein.

General

The Town is located approximately 30 miles from downtown Phoenix, Arizona, the original townsite being approximately four miles south of Interstate 10 on State Highway 85. The Town, which was founded in 1889 and incorporated in 1929, encompasses approximately 112 square miles and sits at an elevation 888 feet above sea level. The Town has approximately 650 square miles in the planning area. The following table illustrates population statistics for the Town, the County and the State.

Population Statistics
Town of Buckeye, Maricopa County
and the State of Arizona

Years	Town of Buckeye	Maricopa County	State of Arizona
2004 Estimate*	14,505	3,524,175	5,832,150
2000 Census	6,537	3,072,149	5,130,632
1990 Census	5,038	2,122,101	3,655,228
1980 Census	3,434	1,509,252	2,718,425
1970 Census	2,599	971,228	1,775,399
1960 Census	2,286	663,510	1,302,161

*Estimate as of July 1, 2004.

Source: Arizona Department of Economic Security, Population Statistics Unit and U.S. Department of Commerce, Bureau of the Census.

Transportation

State Highway 85, connecting the Town with the City of Phoenix, Arizona, traverses the downtown portion of the Town. Interstate 10 also traverses the northern portion of the Town. The Town has a small airport adjacent to Interstate 10 with plans for a future runway extension. Sky Harbor Airport in Phoenix provides passenger air service. Bus lines are available in the Phoenix metropolitan area.

Government

The Town operates under a Council-Manager form of government. The Mayor is elected for two years and six council members are elected at large on a non-partisan ballot for staggered four-year terms. The Town Council appoints a Manager who has full responsibility for carrying out council policies and administering operations. Currently, the Town has an interim manager.

The Town provides a portion of its residents with water and sewer services, electricity is provided by Arizona Public Service Company, natural gas is provided by Southwest Gas Company and telephone service is provided by Qwest Communications Inc. In some areas of the Town water and/or sewer services are provided by private utility companies.

Economy

The principal economic activity for the Town and outlying areas of the Town is agriculture. Part of the Town's agricultural production includes Pima Cotton which is processed in local cotton gins and exported worldwide. The Roosevelt and Buckeye Irrigation canals supply necessary water for the Town's farming needs. Employment for the Town's residents is provided by agricultural activity services, education, government and the nearby Palo Verde Nuclear Plant. The Palo Verde Nuclear Plant is located outside the boundaries of the Town approximately twenty miles west. The close proximity of the Town to the greater Phoenix metropolitan area also provides employment. See below for certain historic employment information and a list of major employers located in and within close proximity of the Town.

Area Unemployment Averages

Year	United States	State of Arizona	Maricopa County	Town of Buckeye
2004	5.5%	5.0%	4.0%	9.2%
2003	6.0	5.6	4.9	11.3
2002	5.8	6.2	5.6	12.8
2001	4.8	4.7	3.9	9.0
2000	4.0	3.9	2.6	6.2

Source: Arizona Department of Economic Security, Research Administration.

Major Employers
Town of Buckeye, Arizona and Surrounding Area

Employer	Product/Service	Approximate Number of Employees
Palo Verde Nuclear Plant	Energy Plant	2,100
Lewis Prison Complex	Prison	1,200
Wal-Mart Distribution	Retail Warehouse	837
Schult Homes, Inc.	Mobile Home Manufacturer	250
Department of Corrections (Juvenile)	Government	263
Rip Griffin's Truck/Travel Center	Commercial Oasis	180
Buckeye Elementary School District	Education	250
Town of Buckeye	Government	330
Buckeye Union High School	Education	190

Source: Economic Development Department, Town of Buckeye, Arizona.

Non-Agricultural Wage and Salary Employment
Maricopa County

Industry	2000	2001	2002
Manufacturing	162,700	158,500	143,000
Mining	1,100	1,200	900
Construction	115,500	120,400	114,900
Transportation, Communications and Public Utilities	83,600	83,400	80,900
Trade	369,400	373,100	376,500
Finance, Insurance and Real Estate	124,000	122,700	124,000
Services and Miscellaneous	518,100	507,300	504,900
Government	178,800	189,900	194,000
Total	1,553,200	1,555,600	1,539,100

	2003	2004
Manufacturing	127,700	129,700
Construction and Mining	128,500	139,400
Trade, Transportation, and Public Utilities	321,500	332,200
Information	36,000	35,500
Financial Activities	129,400	136,600
Professional and Business Services	254,800	268,000
Education and Health Services	159,400	168,600
Leisure and Hospitality	152,700	151,200
Other Services	61,800	63,500
Government	197,200	204,700
Total	1,569,000	1,632,900

Source: Arizona Department of Economic Security, Research Administration

Town of Buckeye
Sales Tax Collections

Budget Year	Amount
2003-04	$4,648,570
2002-03	2,776,931
2001-02	1,676,502
2000-01	1,411,865
1999-00	1,445,838

Source: Town of Buckeye, Finance Department.

Agriculture

The Town is surrounded by farmland on which a variety of agricultural products are grown and vacant desert. The main income crops grown within the Town and the surrounding area include cotton, vegetables, alfalfa, citrus and grains. While no figures are available for acreages or dollar amounts of individual crops grown within the Town, the following statistics show total cash receipts for the area encompassing the County.

Maricopa County
Cash Receipts from Agricultural Marketings
(Total Crops and Livestock)

Year	Total Receipts
2003	$871,419,000
2002	792,307,000
2001	886,169,000
2000	818,160,000
1999	807,701,000
1998	835,808,000

Source: 2003 Arizona Agricultural Statistics Bulletin, July 2004.

Educational Facilities

Elementary and high school education is available through a number of Elementary School Districts and Union High School Districts. Higher education is provided by Estrella Mountain Community College ten miles east of the Town, Arizona State University located in the eastern part of the greater Phoenix area in the City of Tempe, Arizona, and Arizona State University's west campus located in the northwestern part of the greater Phoenix area in the City of Glendale, Arizona.

Banking

The financial needs of the Town are served by two banks. The following table illustrates the total dollars on deposit with participating banks of the Arizona Bankers Association for Maricopa County on December 31 of each year.

Maricopa County
Bank Deposits
($ in thousands)

Year	Amount
2004	$40,082,859(a)
2003	38,901,769
2002	31,628,767
2001	27,859,411(b)
2000	27,336,883(c)

(a) Bank of the West, Ironstone, Nordstrom fsb and US Bank did not participate.
(b) BNC National Trust, Bank of the Southwest, First Interstate Bank and Trust, Frontier State Bank, Johnson Bank, United Arizona Bank NA, and Washington Mutual did not participate.
(c) First International Bank and Trust did not participate.

Source: Arizona Bankers Association.

Construction

The following tables were compiled from Arizona Construction Report, a publication of the Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and information from the Town. The Center obtains its data from County and City divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued is not to be construed as the date of construction.

Town of Buckeye
Value of Building Permits

Year	Residential	Commercial & Industrial	Other	Total
2005(a)	$ 146,537,000	$ 392,000	$ 2,395,000	$ 149,324,000
2004	394,647,000	1,516,000	10,070,000	406,233,000
2003	68,411,000	N/A	N/A	68,411,000(c)
2002	20,849,777	N/A	N/A	20,849,777(c)
2001	19,287,101	N/A	N/A	19,287,101(c)
2000	8,282,083	53,062,000(b)	699,425	62,043,508

(a) Through the second quarter of 2005.

(b) Commercial & Industrial classification includes an approximately $52 million amount relating to Wal-Mart retail warehouse.

(c) Includes amounts for Residential classification only.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and Town of Buckeye.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2005(a)	1,073
2004	2,986
2003	570
2002	209
2001	71
2000	137

(a) Through the second quarter of 2005.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and Town of Buckeye.

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APPENDIX B

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

[LETTERHEAD OF GUST ROSENFELD, P.L.C.]

District Board
Festival Ranch Community Facilities District

Re: Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

Honorable Board:

At your request we have examined the official proceedings leading to the issuance of $1,448,000 aggregate principal amount of Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005, dated the date hereof (the "Bonds"), issued by the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "District") initiated under Resolution of Intention No. .....

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. 05-...., passed and adopted by the District Board on October 6, 2005 (the "Resolution"). As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The District is duly created and validly existing as a community facilities district and political subdivision of the State of Arizona with power to pass and adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution has been duly passed and adopted by the District Board and is valid and binding upon and enforceable against the District, and the Indenture (as such term is defined in the Resolution) is valid and binding upon and enforceable against the District.

3. The Bonds and the proceedings leading to and including the issuance thereof are legal and constitute a valid obligation payable by the District, from the Bond Fund provided for that purpose.

4. The Bonds are payable at the office of the Trustee, Wells Fargo Bank, National Association. The Bonds are payable solely from the funds pledged pursuant to the Indenture and from payments of the unpaid assessments upon the real property within the boundaries of the District assessed for the improvement, which assessments may be subject to reduction to the extent the improvement is not completed and the land assessed does not receive benefits commensurate with the amount assessed.

5. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; such interest income must, however, be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations which income is subject to the federal alternative minimum tax. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of the investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The District has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the District with such restrictions, conditions and requirements.

The rights of the owners of the Bonds and the enforceability of those rights and the rights and obligations of the District with respect to the Resolution and the Indenture and to collection of assessments may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and to the

enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

By.....
Scott W. Ruby
Bond Counsel

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APPENDIX C

APPRAISAL

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AN

APPRAISAL OF

FOUR RESIDENTIAL

PLANNING AREAS

WITHIN SUN CITY

FESTIVAL, A PROPOSED

ACTIVE ADULT MASTER

PLANNED COMMUNITY

IN

BUCKEYE, ARIZONA

AN APPRAISAL OF

Four Residential Planning Areas Within Sun City Festival,
A Proposed Active Adult Master Planned Community
In Buckeye, Arizona

The Four Residential Planning Are To Be Included In
The Festival Ranch Community Facilities District 1st Special Assessment

DATE OF VALUATION

August 12, 2005

DATE OF REPORT

August 17, 2005

PREPARED FOR

Town of Buckeye/Festival Ranch Community Facilities District
Attn: Mr. Scott Ruby
Gust Rosenfeld P.L.C.
201 East Washington Street, Suite 800
Phoenix, Arizona

PREPARED BY

Frank R. Kleinman, MAI, CRE
and
Stephen E. Niebling
BURKE HANSEN, LLC
2700 North Central Avenue, 9th Floor
Phoenix, Arizona 85004

Burke
Hansen,
LLC
REAL ESTATE APPRAISERS
& CONSULTANTS

August 17, 2005

Town of Buckeye/Festival Ranch Community Facilities District
Attn: Mr. Scott Ruby
Gust Rosenfeld P.L.C.
201 East Washington Street, Suite 800
Phoenix, Arizona

Subject: Market Value Appraisal of **FOUR PLANNING AREAS WITHIN SUN CITY FESTIVAL, A PROPOSED ACTIVE ADULT MASTER PLANNED COMMUNITY** In Buckeye, Arizona (Burke Hansen File No. 5570N)

Dear Mr. Ruby:

At your request, we have inspected the above-captioned properties in connection with preparing the attached complete appraisal, the purpose of which is to form an opinion of the wholesale (bulk) value of each of the four planning area referenced above which are specifically identified below.

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

Within this letter the term "subject" or "subject property" includes all four of the planning area listed above.

The wholesale value reflects the value of the subject property in the condition as of the date of valuation (August 12, 2005). At the time of inspection (August 12, 2005), all four parcels had been cleared and mass grading of each site was underway. The supporting infrastructure (sewer, water, utilities, roads, etc.) will be constructed over the next six to twelve months. The first home closings are projected to occur in September 2006.

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Each of the four planning areas have been engineered and platted for residential development. The Town of Buckeye has approved final plats for each of the four parcels. Development of the four properties began in July 2005.

The values addressed in this appraisal are the "as is" value of each of the planning areas, .i.e., the value of the property in its condition as of the date of valuation. The value estimates for each parcel reflect a wholesale (bulk) value of final platted residential lots within each planning area. The wholesale value assumes the following:

- A sale to a single purchaser; or
- The discounted net present value reflecting the sale of various lots over a projected absorption period, taking into account the cost involved in marketing the respective lots.

The Modified Cost Approach or residual analysis was utilized to value the subject. The basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of the subject property. The hypothetical "as if complete" market value is the value of the property upon completion of the proposed residential lots – a subdivision of finished residential lots. The "as if complete" value is estimated using the Income Approach, more specifically static analysis and yield analysis (discounted cash flow). Neither the Sales Comparison nor traditional Cost Approach were utilized to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant front-loaded infrastructure costs to accommodate this particular segment of the population).

The starting point for the Modified Cost Approach, which is utilized to form an opinion of the subject's "as is" value, is the "as if complete" value. The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit.

The appraisal has been prepared at the request of Festival Ranch Community Facilities District on behalf of the Town of Buckeye, Arizona, Attn: Mr. Scott W. Ruby, 201 East Washington Street, Suite 800, Phoenix, Arizona, with the intent of complying with:

- The Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by The Appraisal Standards Board of the Appraisal Foundation; and
- The Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of The Appraisal Institute.

The definition of Market Value, which is in conformance with the Uniform Standards of Professional Appraisal Practice, effective January 1, 2005, adopted for purposes of this report is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The property rights addressed in this report represent the Fee Simple Estate, which is defined as follows:

"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation."

The subject property was inspected on numerous occasions in 2005 with the most recent occurring August 12, 2005. The wholesale value of each parcel, as of August 12, 2005, subject to the hypothetical conditions stated in the attached report, has been concluded:

<u>WHOLESALE (BULK) MARKET VALUE</u>

PLANNING AREA A-1
ONE MILLION ONE HUNDRED SEVENTY-SIX THOUSAND DOLLARS
($1,176,000)

PLANNING AREA B-1
FIFTEEN MILLION NINETY-SIX THOUSAND DOLLARS
($15,096,000)

PLANNING AREA C-1
FIVE MILLION ONE HUNDRED FORTY-EIGHT THOUSAND DOLLARS
($5,148,000)

PLANNING AREA D-1
FOUR MILLION NINE HUNDRED SEVENTEEN THOUSAND DOLLARS
($4,917,000)

The subject properties are being appraised in connection with the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the market value of each of the subject's four planning area be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. *The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; rather it reflects a special instruction from the client.*

ESTIMATED WHOLESALE (BULK) MARKET VALUE LESS 5% CFD ADMINISTRATIVE FEE

PARCEL A-1		**PARCEL C-1**	
Wholesale (Bulk) Value	$1,176,000	Wholesale (Bulk) Value	$5,148,000
Less: Admin. Fee (5%)	($59,000)	Less: Admin. Fee (5%)	($257,000)
Wholesale (Bulk) Value Less Admin. Fee	$1,117,000	Wholesale (Bulk) Value Less Admin. Fee	$4,891,000
PARCEL B-1		**PARCEL D-1**	
Wholesale (Bulk) Value	$15,096,000	Wholesale (Bulk) Value	$4,917,000
Less: Admin. Fee (5%)	($755,000)	Less: Admin. Fee (5%)	($246,000)
Wholesale (Bulk) Value Less Admin. Fee	$14,341,000	Wholesale (Bulk) Value Less Admin. Fee	$4,671,000

Disclosure of the contents of this appraisal report is governed by the By-laws and Regulations of the Appraisal Institute. Neither all, nor any part, of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm of Burke Hansen, LLC, nor any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, or any other public means of communication, without prior written consent and approval of the undersigned.

We appreciate this opportunity to serve you and request you contact us if there are any questions.

Respectfully submitted,

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/06

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/07

CERTIFICATION

We certify to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of The Appraisal Foundation, and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- Frank Kleinman and Stephen Niebling have made personal inspections of the property that is the subject of this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Frank Kleinman has not completed the requirements of the continuing education program of the Appraisal Institute.
- No one provided significant professional assistance to the person(s) signing this report.

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/06

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/07

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of liens, easements, encroachments and other encumbrances unless otherwise stated, and all improvements (if any) are assumed to lie within property boundaries.

2. The property is appraised assuming responsible ownership and competent management.

3. Information furnished by others, upon which all or portions of this appraisal are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.

4. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that affect value. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such factors.

5. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local zoning, use, occupancy, environmental and similar regulations and laws, unless otherwise stated. The typical due diligence expected of an appraiser was performed in this assignment, but a comprehensive examination of laws and regulations affecting the subject property was not undertaken.

6. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns regarding these items since the appraisers have not made a comprehensive examination of laws and regulations affecting the subject property.

7. The appraisers have made no survey of the property and no responsibility is assumed in connection with such matters. Maps, plats and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purposes, nor should they be removed from, reproduced, or used apart from this report. Where site and improvement areas are shown, they represent the best information available.

8. Generally, no consideration has been given in this appraisal as to the value of any personal property located on the premises, or the cost of moving or relocating such personal property.

9. The allocation, if any, of the total valuation in this appraisal between land, buildings, and other classifications applies only under the stated program of utilization. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

10. Neither Burke Hansen, LLC nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements therefore have been made a reasonable time in advance.

11. One (or more) of the signatories of this appraisal report is either a designated member or associate member of the Appraisal Institute. The Bylaws and Regulations of the Appraisal Institute require each designated and associate member to control the use and distribution of each appraisal report signed by such designated or associate member. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising, media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

12. It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact our office.

13. Neither all, nor any part of the content of this report, or copy thereof (including conclusions as to value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the appraisers are connected), shall be used for any purposes by anyone other than the intended users identified in the report, and no other parties shall have any right to use or rely upon this appraisal for any purpose without the previous written consent of the signatories of this appraisal report.

14. All opinions of value are based on the appraisers' analyses and conclusions as of the effective date of value. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's market value that may take place subsequent to the effective date of value.

15. The appraiser has personally inspected the subject property and found no obvious evidence of structural deficiencies except as stated in this report. However, no

responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes can be assumed without provision of specific professional or governmental inspections. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report. If concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

16. We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we are aware of any problems of this nature, they are disclosed in this report. However, nondisclosure should not be taken as an indication that such a problem does not exist. No chemical or scientific tests were performed by the appraisers on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the property does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report. It is imperative for the client to retain the services of a qualified, independent engineer to determine the existence and extent of any hazardous materials, as well as the cost associated with any required or desirable treatment or removal thereof.

17. The reader should note that the subject property may be subject to the requirements of the Americans With Disabilities ACT (ADA), a federal law codified at 42 USC Section 12101 et seq. Among other requirements of the ADA that could apply to this property, Title III of the ADA requires owners and tenants of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992 (the regulations under Title III of the ADA are codified at 28 CFR Part 36). The reader should note that the appraisers have not made a specific compliance survey and analysis of this property to determine if it is in conformity with the requirements of the ADA. Non-compliance could have a negative effect upon the value of the property.

18. Any prospective value opinion (if applicable) is considered to be an extraordinary assumption and will be predicated upon market conditions forecast to exist as of corresponding prospective date of value. As such, the appraiser cannot be held responsible for unforeseeable events that alter market conditions subsequent to the effective date of the appraisal.

EXECUTIVE SUMMARY

Description of the Property: The four planning areas within Special Assessment Area No. 1 comprise the initial development phase of Sun City Festival, a proposed active adult master planned community.

Location: North side of Sun Valley Parkway between the alignments of 259th and 291st avenues, Buckeye, Arizona

Property Size: 153.20± net acres (net land area is the aggregate land area of the 724 lots)
724 final platted and engineered residential lots

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

Property Rights Appraised: Fee Simple Estate

Zoning: All four planning area are zoned for single family residential development

Highest and Best Use: Development with residential subdivisions within an age-restricted master planned community

Date of Valuation: August 12, 2005 (Final date of property inspection)

Date of Appraisal: August 17, 2005

Wholesale (Bulk) Value Conclusions:	Planning Area A-1	$1,176,000	$49,000 per lot
	Planning Area B-1	$15,096,000	$37,000 per lot
	Planning Area C-1	$5,148,000	$36,000 per lot
	Planning Area D-1	$4,917,000	$33,000 per lot

Wholesale (Bulk) Value Conclusions Less 5% CFD Administrative Fee:

Wholesale Value Planning Area A-1	$1,176,000
Less: (5% CFD Admin. Fee)	($59,000)
Wholesale Value Less Admin. Fee	**$1,117,000**
Wholesale Value Planning Area B-1	$15,096,000
Less: (5% CFD Admin. Fee)	($755,000)
Wholesale Value Less Admin. Fee	**$14,341,000**
Wholesale Value Planning Area C-1	$5,148,000
Less: (5% CFD Admin. Fee)	($257,000)
Wholesale Value Less Admin. Fee	**$4,891,000**
Wholesale Value Planning Area D-1	$4,917,000
Less: (5% CFD Admin. Fee)	($246,000)
Wholesale Value Less Admin. Fee	**$4,671,000**

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Sun City Festival Conceptual Plan

ADDENDA

LEGAL DESCRIPTION OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA #1
SUN CITY FESTIVAL PLAT MAPS (A-1 THROUGH D-1)
FESTIVAL RANCH CFD AGREEMENT
FESTIVAL RANCH DEVELOPMENT AGREEMENT
ASSIGNMENT OF DEVELOPMENT AGREEMENT
FESTIVAL RANCH CC&RS
GROUNDWATER REPLENISHMENT DISTRICT CC&RS
APPRAISERS' QUALIFICATIONS

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INTRODUCTION AND PURPOSE OF THIS APPRAISAL

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject of this Complete, Self Contained appraisal is four planning areas within the initial development phase of Sun City Festival, a proposed 3,100 acre active adult community within the boundaries of the Town of Buckeye, Arizona. The Sun City Festival community will comprise a total of 3,100 acres, most of which lie on the north side of the Sun Valley Parkway between the alignments of 259th and 291st avenues. Although Sun City Festival lies within the town limits of Buckeye, its location is closer to "downtown" Surprise than it is to "downtown" Buckeye. This relationship is illustrated on Exhibit 1, a map of northwestern Maricopa County. A January 2005 black and white aerial photograph of the community is included as Exhibit 2.

PURPOSE OF THIS APPRAISAL

The purpose of this appraisal is to form an opinion of the wholesale (bulk) value of each of the subject's four planning areas, which are more specifically identified in Table 1.

TABLE NO. 1

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

As indicated in Table 1, all four planning areas are designated for residential use. The location of the subject's four planning areas within Sun City Festival is illustrated on Exhibit 3.

EXHIBIT NO. 1
Location Map

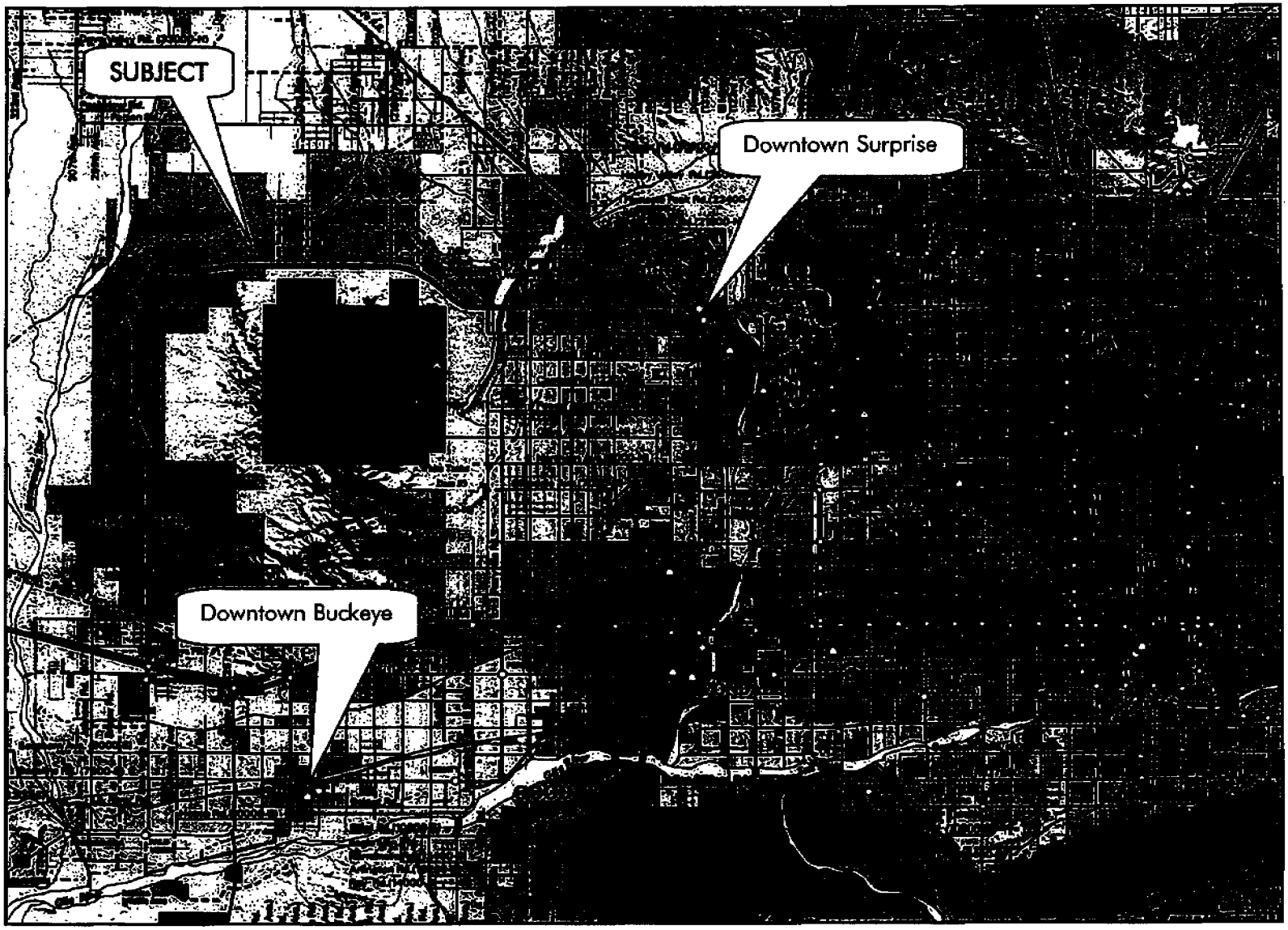


EXHIBIT NO. 2

Sun City Festival Black/White Aerial (January 2005)

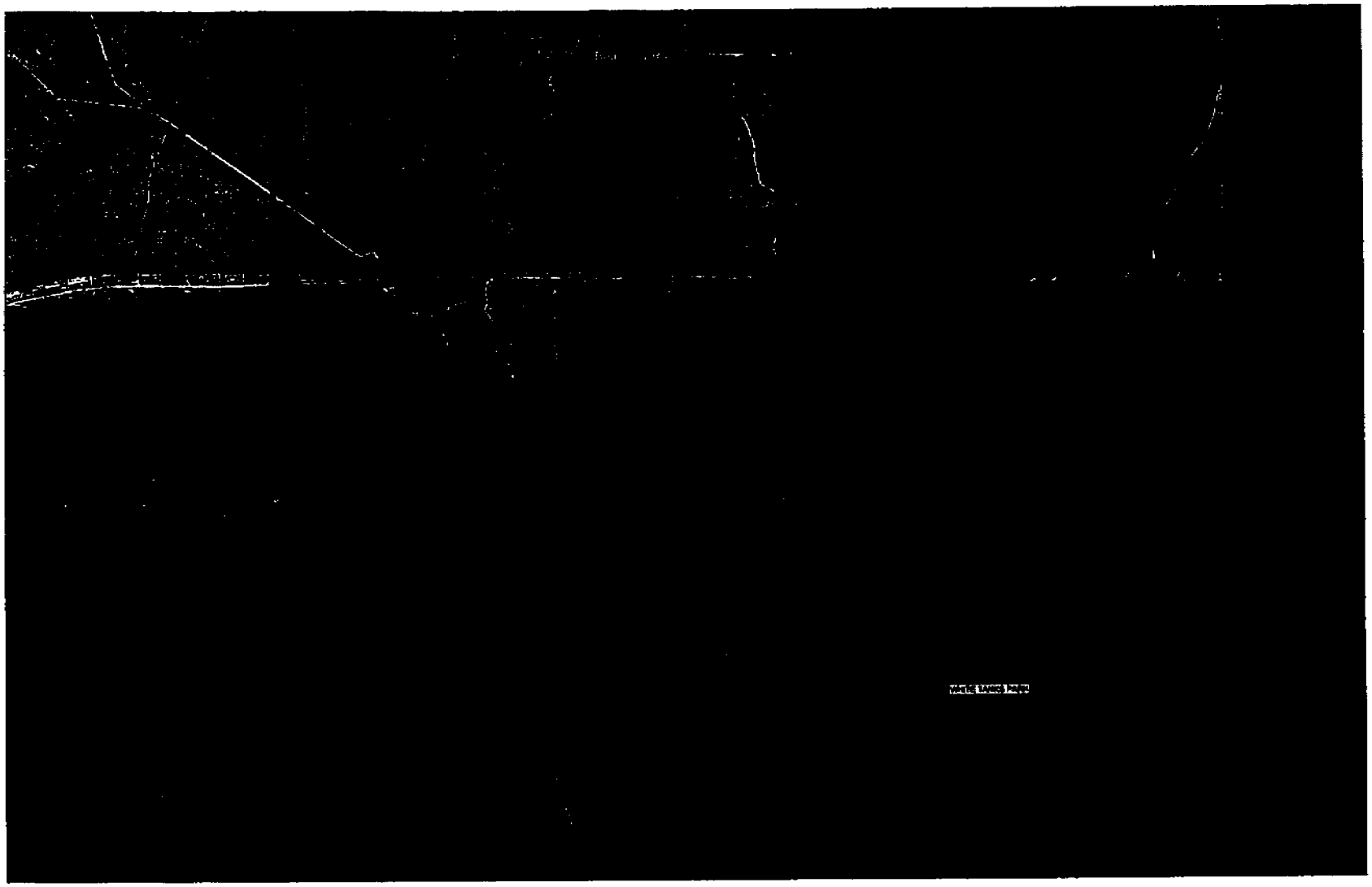
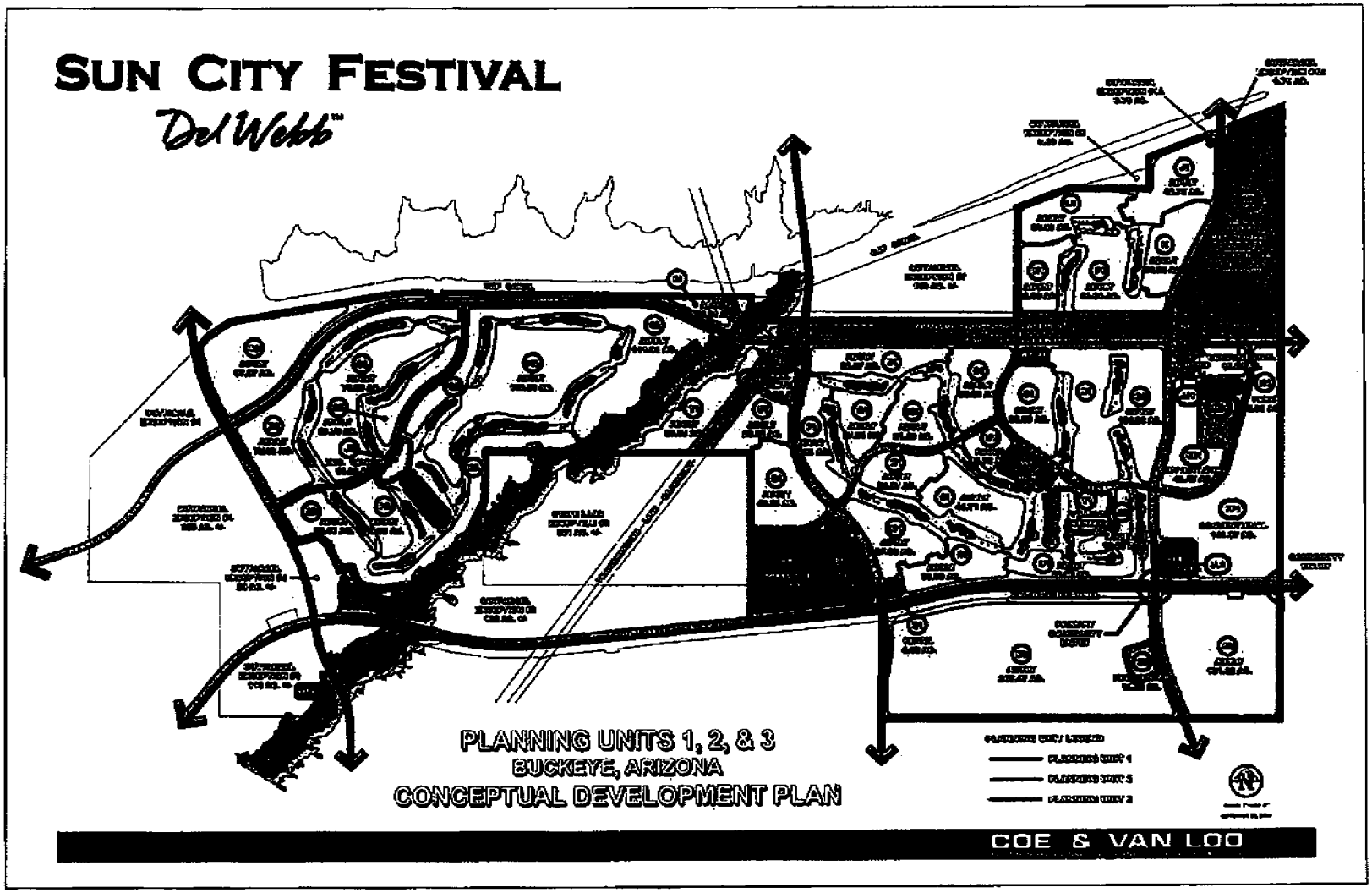


EXHIBIT NO. 3
Sun City Festival Master Plan Map



INTENDED USER AND USE OF THE APPRAISAL

The appraisal has been prepared at the request of Festival Ranch Communities Facilities District on behalf of the Town of Buckeye, Arizona, Attn: Mr. Scott W. Ruby, 201 East Washington Street, Suite 800, Phoenix, Arizona, with the intent of complying with:

- The Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by The Appraisal Standards Board of the Appraisal Foundation; and
- The Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of The Appraisal Institute.

It is understood the intended use of the report will also be disseminated as part of a financing package for Festival Ranch Communities Facilities District (Town of Buckeye, Arizona).

DATE OF THE REPORT

The report was prepared during July and August 2005 and was completed on August 17, 2005.

DATE OF VALUATION

The opinions of market value addressed in this report for the four subject parcels are as of August 12, 2005, i.e., the latest date of property inspection.

DEFINITION OF MARKET VALUE

The definition of market value used in this report is in conformance with the Uniform Standards of Professional Appraisal Practice, effective January 1, 2005 and is quoted as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four residential planning areas are being appraised in their "as is" conditions, i.e., condition at the time of final inspection – August 12, 2005. All four parcels have received final residential subdivision plat approval from the Town of Buckeye. Therefore, the value estimates for each parcel concluded in this report reflect their wholesale (bulk) value of platted and engineered residential lots within a developing active adult community. The wholesale value assumes the following:

- A sale to a single purchaser; or
- The discounted net present value reflecting the sale of various lots over a projected absorption period, taking into account the cost involved in marketing the respective lots.

The timeline for development of the subject property is detailed in Table 2.

TABLE NO. 2

SUN CITY FESTIVAL PHASE 1 CONSTRUCTION SCHEDULE

Date	Construction Event
July 2005	Construction begins (clearing, grading, wells, WP, WRF)
October 2005	Backbone infrastructure (aerterial & collector streets - water, sewer, paving, etc.)/Sales Center starts
February 2006	Model Home Construction
June 2006	Production homes start
July 2006	Sales Center/Model Complex Open
September 2006	Home Closings

As of the date of appraisal, work on clearing and grading of the site was well underway and also drilling of water wells and construction of the wastewater treatment facility.

PROPERTY RIGHTS APPRAISED

The property rights addressed in this report represent the fee simple estate, which is defined as follows:

> "Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government."

SCOPE OF THIS APPRAISAL

The scope of this appraisal is to accurately collect, confirm, report and analyze sufficient market data to allow the reader to readily follow the logic of the appraisers in reaching their conclusion regarding the estimated wholesale values reported for the four subject parcels.

Work completed in connection with this engagement includes the following:

- On-site inspections of the property and surrounding neighborhood were conducted on various occasions during the June, July and August 2005 with the most recent inspection taking place on August 12, 2005.
- Information regarding Sun City Festival (land planning, entitlements and construction) was provided by Pulte Homes, Inc., 15111 North Pima Road, Suite 100, Scottsdale, Arizona (developer). This data had been accepted as being correct and no effort has been made to confirm it with a second source.
- Additional data for the subject parcels were obtained the Town of Buckeye Planning and Zoning Department, Maricopa County Assessor's and Treasurer's offices and flood maps provided by the Federal Emergency Management Agency (FEMA).
- Research of historical and projected employment, population and household growth trends was conducted using demographic data provided by the Arizona Department of Economic Security, Maricopa County, Town of Buckeye, Arizona Real Estate Center within the W.P. Carey School of Business at Arizona State University as well as information supplied by local newspapers, etc.
- The "as is" value of the subject property is concluded using the Modified Cost Approach. The basis or starting point of the modified cost approach is the subject's hypothetical "as if complete," which is concluded by the Income Approach, more specifically through the use of static and yield analyses. The hypothetical "as if complete" value is the value of the proposed residential lots in a finished lot condition. From this figure, on and off-site development costs and entrepreneurial profit are subtracted to derive the underlying vacant land value. Any expended development costs and incurred profit are then added back which results in the "as is" value.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

These two factors are defined and/or explained as follows:

Extraordinary Assumptions: An assumption, directly related to a specific assignment, which if found to be false, could alter the appraiser's opinions or conclusions; i.e., extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

Hypothetical Condition: That which is contrary to what exists but is supposed for the purpose of analysis; i.e., hypothetical conditions assume conditions contrary to

known facts about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.

Extraordinary Assumptions

No environmental hazards were noted during the inspection of the property and it is assumed none exist. After acknowledging the lack of any indication of an environmental problem, it is specifically noted should the client have concern about the existence of such substances on the property, the appraiser considers it imperative for the client to retain the services of a qualified, independent engineer or contract to determine the existence and extent of any hazardous material, as well as the costs associated with any required or desirable treatment and/or removal thereof.

Hypothetical Conditions

Some infrastructure required to support the development of the four subject parcels listed in Table 1 has been completed as of the date of valuation; however the majority of the work will be completed after the date of valuation with some of the proceeds of the proposed bond offering for Special Assessment No. 1.

Special Assessment No. 1 specifically relates to in-tract street improvements i.e., installation of underground utilities sewer, water, curb, gutters and paving. Table 3 summarizes the street improvements to be funded (reimbursed) through the special assessment bonds.

TABLE NO. 3

SUN CITY FESTIVAL ASSESSMENT DISTRICT NO. 1 INFRASTRUCTURE COSTS

Planning Area	No. Of Lots	Street Improvements Costs	Street Names	Linear Feet	Estimated Date of Completion
A-1	24	$ 121,695	Wahalla Ln. 264th Ave.	1,159	12/31/2005
B-1	408	$ 2,046,765	Ross Ave., Potter Dr., Burnett Rd., Mohawk Ln., Runion Dr., Runion Ln., Yukon Dr., Yukon Ct., Tonopah Dr., Tonopah St., Pontiac Dr., Sierra Pinta Dr., Escuda Dr., 262nd Dr., 263rd Dr., 264th Ave., 264th Dr., 265th Ave., 265th Dr., Sierra Pinta Dr.	19,493	12/31/2005
C-1	143	$ 710,115	Irma Ln., Burnett Rd., Mohawk Ln., Runion Dr., Tonopah Dr., Tonopah Ct., Yukon Ct., 267th Ave., 266th Ave.	6,763	2/28/2006
D-1	149	$ 695,835	Ross Ave., Potter Dr., Irma Ln., Mohawk Ln., Runion Dr., 268th Dr., 268th Ave., 267th Dr., 267th Ln.	6,627	5/31/2006
Total	724	$ 3,574,410		34,042	

EXHIBIT NO. 4

Sun City Festival Assessment Area No. 1 Map

Special Appraisal Instructions

The subject property is being appraised as part of the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the value of each of the subject's four parcels be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. ***The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; it reflects a special instruction from the client.***

OWNERSHIP – OWNERSHIP HISTORY

The majority of the land which comprises approximately 31,000 acres of Sun City Festival was acquired by Pulte Homes Corporation from 10,000 West L.L.C. (The Lyle Anderson Company) in May 2004 for a recorded purchase price of $33,818,541.85. According to sources familiar with the transaction, the purchase contract also includes deferred compensation due to the seller in the amount of 2.25% of the sales price of each dwelling unit sold by Pulte Homes.

The subject's 329 acres are contained within this purchase. Therefore, the owner of record in the Treasurer's Office is Pulte Homes Corporation, 15333 North Pima Road, Scottsdale, Arizona. No other sales involving the subject property were discovered during a search of public records for the past three years.

LEGAL DESCRIPTION OF THE FOUR SUBJECT PARCELS

The four subject parcels are within Sections 23, 24 and 25, Township 4 North, Range 4 West, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. Since all four subject parcels have been final platted, more detailed legal descriptions indicate individual residential lots. The detailed legal descriptions are summarized in Table 4.

TABLE NO. 4

LEGAL DESCRIPTIONS	
Parcel A-1:	Lots 1 through 14, and Lots 41 through 50 of Sun City Festival – Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.
Parcel B-1:	Lots 1 through 408, inclusive, of Sun City Festival – Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.
Parcel C-1:	Lots 1 through 143, inclusive, of Sun City Festival – Parcel C1. (Approved but unrecorded)
Parcel D-1:	Lots 1 through 149, inclusive, of Sun City Festival – Parcel D1. (Approved but unrecorded)

The Maricopa County Assessor's Office also identifies the subject properties are portions of Tax Parcel No. 503-84-19A, 503-84-20, and 503-84-24A. Subject's tax parcels are illustrated on Exhibit 5, a copy of an assessor's plat map.

CITY AND REGIONAL DATA

Subject's location in the northwestern most part of Metropolitan Phoenix is illustrated on Exhibit 6 and its relationship to the other communities comprising metropolitan Phoenix is indicated on Exhibit 7. The overall economic condition of the City of Phoenix, along with all of Metropolitan Phoenix, is generally considered good measured in terms of employment, population growth, retail sales, etc. The following discussion addresses Metropolitan Phoenix, which includes the City of Phoenix. The economic well being of Phoenix is tied directly to the economic fortunes of Metropolitan Phoenix.

METROPOLITAN PHOENIX

Metropolitan Phoenix comprises 22 incorporated communities, which vary in population from 3,310 (Carefree) to 1,416,055 (Phoenix). Buckeye is one of the smallest communities in Metropolitan Phoenix with only a population of 14,505 people. Because of subject's proximity to Surprise, it is also relevant to note a population in Surprise of 63,960 people.

EXHIBIT NO. 5
Assessor's Map

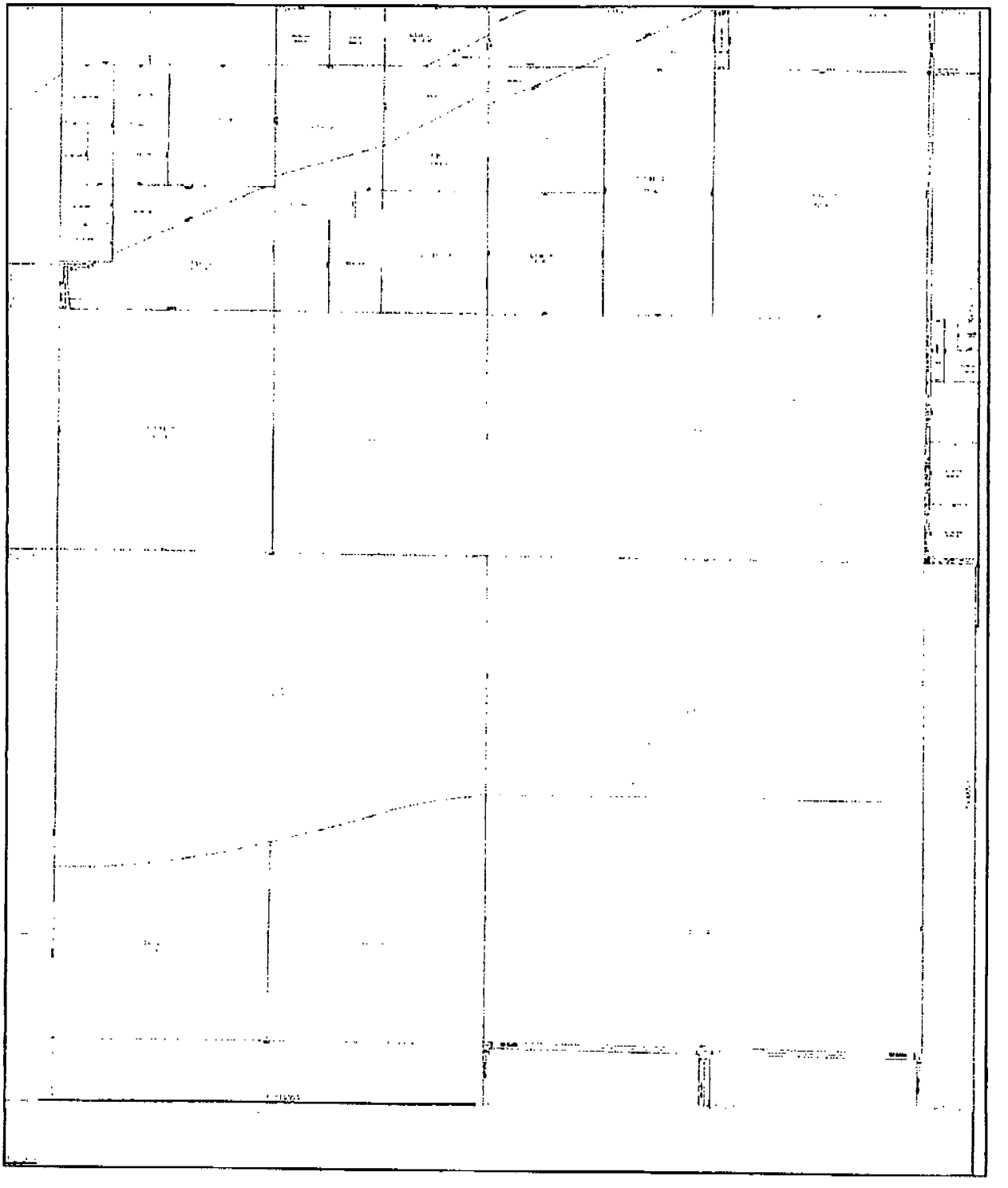


EXHIBIT NO. 6
Location Map

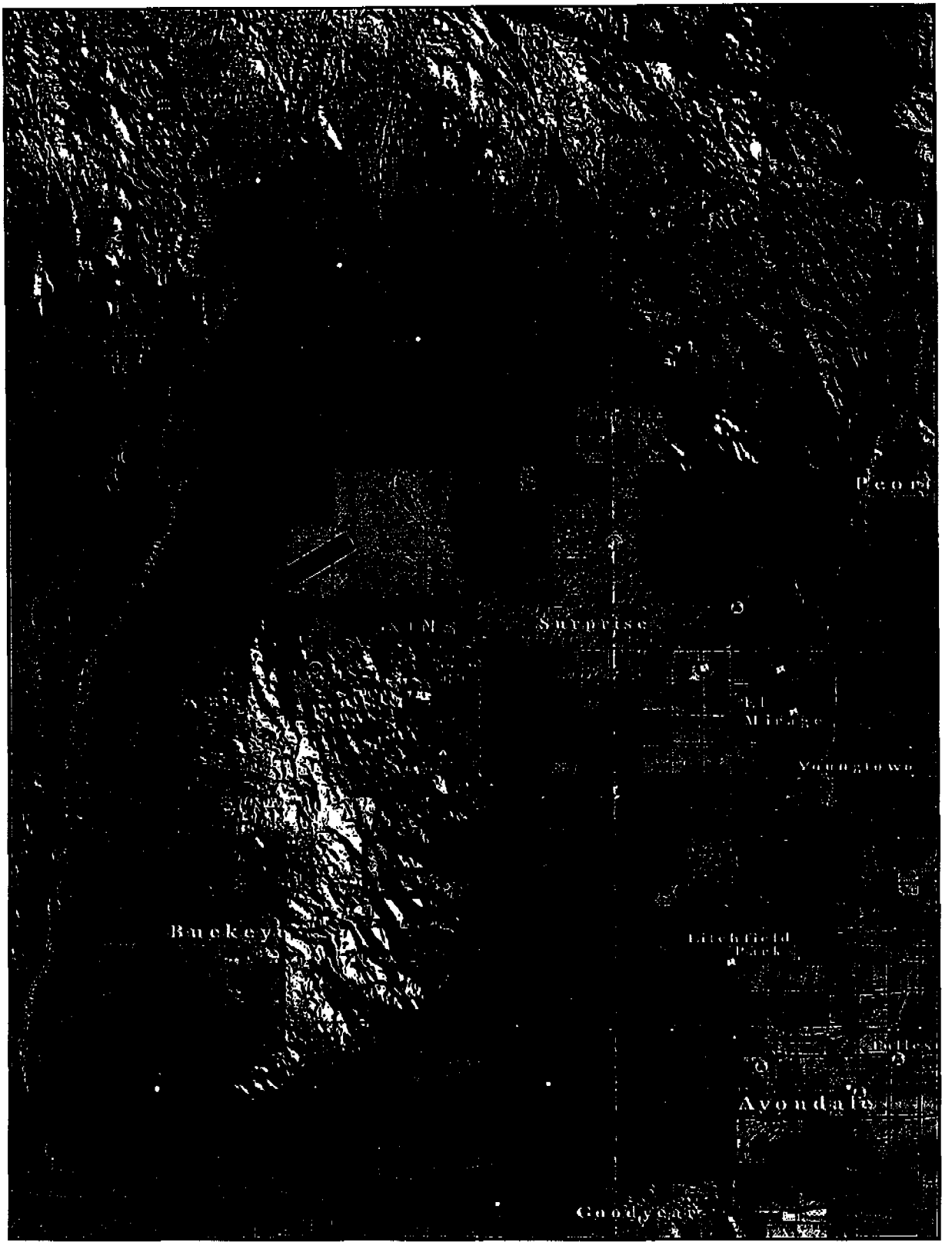


EXHIBIT NO. 7
Metropolitan Phoenix Map

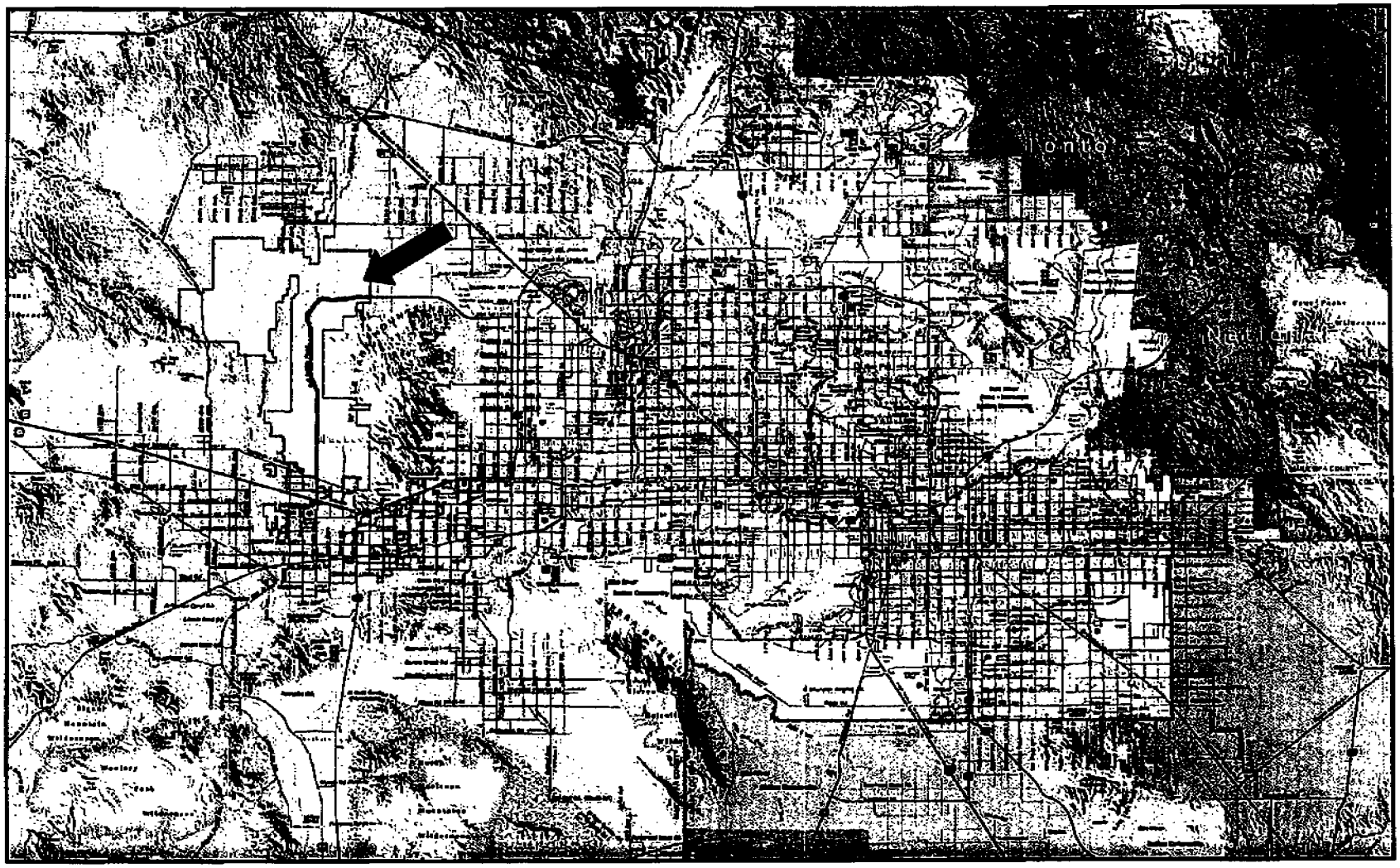


Table 5 is a list of the 16 communities having populations in excess of 10,000 people as of July 1, 2004.

TABLE NO. 5

City	2004 Population
Avondale	60,255
Buckeye	**14,505**
Chandler	220,705
El Mirage	28,310
Fountain Hills	22,475
Gilbert	164,685
Glendale	233,330
Goodyear	35,810
Mesa	447,130
Paradise Valley	14,410
Peoria	132,300
Phoenix	1,416,055
Scottsdale	221,130
Surprise	**63,960**
Tempe	160,820
Queen Creek	11,245

There have been significant increases in both population and employment within most of the communities comprising Metropolitan Phoenix during the past decade. As illustrated in Table 1, the population of the City of Phoenix is significant at more than 1.4 million people. In fact, the population of Phoenix is 3 times larger than the next largest city, Mesa, with approximately 450,000 people.

Table 6 summarizes the population growth of the largest communities in Metropolitan Phoenix since 1996.

TABLE NO. 6

City	1996	1997	1998	1999	2000	2001	2002	2003	2004
Chandler	141,735	151,370	160,165	169,000	176,970	186,875	194,390	208,450	220,705
*Growth	10.7%	6.8%	5.8%	5.5%	4.7%	5.6%	4.0%	7.2%	5.9%
Gilbert	67,440	79,310	91,290	100,850	108,745	122,360	133,640	151,290	164,685
*Growth	22.8%	17.6%	15.1%	10.4%	7.8%	12.5%	9.2%	13.2%	8.9%
Glendale	186,695	191,105	196,820	208,095	211,555	224,970	227,495	230,610	233,330
*Growth	8.4%	2.4%	3.0%	5.7%	1.7%	6.3%	1.1%	1.4%	1.2%
Mesa	343,710	350,555	361,895	374,560	388,185	414,075	427,550	434,215	447,130
*Growth	4.6%	2.0%	3.2%	3.5%	3.6%	6.7%	3.3%	1.6%	3.0%
Peoria	78,310	83,505	89,930	101,235	108,295	117,200	122,655	126,410	132,300
*Growth	12.0%	6.6%	7.7%	12.6%	7.0%	8.2%	4.7%	3.1%	4.7%
Phoenix	1,180,740	1,205,285	1,220,710	1,240,775	1,249,450	1,344,775	1,365,675	1,387,670	1,416,055
*Growth	9.1%	2.1%	1.3%	1.6%	0.7%	7.6%	1.6%	1.6%	2.0%
Scottsdale	178,525	186,610	195,495	204,660	207,145	209,960	214,090	217,555	221,130
*Growth	9.1%	4.5%	4.8%	4.7%	1.2%	1.4%	2.0%	1.6%	1.6%
Tempe	156,000	158,135	159,220	161,995	162,000	159,435	159,425	159,615	160,820
*Growth	0.3%	1.4%	1.0%	1.7%	0.0%	-1.6%	0.0%	0.1%	0.1%
Other	301,480	314,700	330,575	350,306	378,905	412,475	451,330	481,060	528,020
*Growth	1.0%	4.4%	5.0%	6.0%	8.2%	8.9%	9.4%	6.6%	9.8%
Maricopa Co.	2,634,625	2,720,575	2,806,100	2,913,475	2,991,250	3,192,125	3,296,250	3,396,875	3,524,175
	7.3%	3.3%	3.1%	3.8%	2.7%	6.7%	3.3%	3.1%	3.7%

Source: Arizona Department of Economic Security/Percentages represent the growth rate from the previous year.

Though employment growth has been slow the past few years, approximately 1.6 million people are employed in Metropolitan Phoenix. Table 7 provides an employment summary for the past 10 years.

TABLE NO. 7

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Manufacturing	153,200	153,700	154,000	169,300	167,100	169,000	161,300	145,700	130,200	128,300
Mining	5,100	6,700	7,100	5,900	900	3,000	2,500	2,300	2,300	2,000
Construction	79,000	91,500	89,900	103,500	115,800	117,900	121,200	117,100	128,700	144,000
TCPU*	61,900	66,900	67,600	76,300	81,000	86,600	84,500	81,800	87,700	94,600
Trade	287,300	319,300	331,900	356,300	376,300	377,100	380,800	384,100	328,000	273,400
FIRE**	91,300	95,900	99,600	117,700	125,900	122,500	123,200	124,800	130,300	136,100
Services	353,800	405,500	414,200	465,400	473,200	525,500	515,900	513,200	576,000	657,600
Government	165,700	162,900	172,400	187,800	181,400	187,500	203,300	209,900	214,200	222,800
Total	1,199,295	1,302,400	1,338,697	1,482,200	1,521,600	1,598,100	1,592,700	1,578,900	1,597,400	1,660,804
Job Growth	107,900	105,100	137,405	145,500	39,400	67,500	-5,400	-13,800	18,500	63,404
% Job Growth	10%	8.8%	10.28%	10.89%	2.66%	4.44%	-0.34%	-0.86%	1.17%	3.97%

* TCPU = Transportation, Communication, and Public Utilities
* FIRE = Finance, Insurance, and Real Estate

Although the overall economy slowed during 2001 and 2002, the Phoenix real estate market began a slow recovery in 2003, which continued through 2004, though the pace of recovery remained very modest. Further economic growth is anticipated throughout 2005.

METROPOLITAN PHOENIX RESIDENTIAL MARKET

The latest period of growth in the residential housing market began in 1993. In each of the last seven years, the residential market has reported more than 30,000 new housing permits. A summary of the residential permit activity in Metropolitan Phoenix since 1990 with particular attention given to the past seven years is summarized in Table 8.

The housing sector has been, by far, the strongest real estate sector for the past decade. Though the three major housing permit tabulators differ on the final number of permits or 2004, by any of the three accounts 2004 was another record year. Two of the three permit trackers report Metropolitan Phoenix as the top homebuilding location in the nation, surpassing Metropolitan Atlanta, which has held the title for the past 13 years. Since 2000, more than 225,000 residential permits have been issued in Metropolitan Phoenix. Economists indicate that one of every three dollars in the local economy is generated by the Metropolitan Phoenix housing industry.

TABLE NO. 8

RESIDENTIAL BUILDING PERMITS
Metropolitan Phoenix
1990 – 2Q 2005

	Single-Family		Townhouse		Multi-Family		Residential	
Year	Total	Percent	Total	Percent	Total	Percent	Total	% Change
1990	10,633	81.9%	449	3.5%	1,891	14.6%	12,973	-4.1%*
1991	13,510	91.9%	485	3.3%	710	4.8%	14,705	13.4%*
1992	18,329	91.1%	566	2.8%	1,234	6.1%	20,153	36.9%*
1993	21,896	90.1%	607	2.5%	1,799	7.4%	24,302	20.7%*
1994	26,614	78.7%	1,212	3.6%	6,015	17.8%	33,853	39.3%*
1995	26,824	73.7%	1,599	4.4%	7,991	21.9%	36,414	7.6%*
1996	28,157	73.8%	1,456	3.8%	8,533	22.4%	38,146	4.8%*
1997	29,124	74.5%	2,174	5.6%	7,799	19.9%	39,097	2.5%*
1998	33,811	78.2%	1,525	3.5%	7,877	18.2%	43,213	10.5%*
1999	33,252	78.3%	1,454	3.4%	7,759	18.3%	42,465	-1.7%*
2000-Q1	8,164	71.8%	673	5.9%	2,535	22.3%	11,372	1.4%*
2000-Q2	9,605	78.4%	398	3.2%	2,254	18.4%	12,257	4.8%*
2000-Q3	8,331	77.5%	705	6.6%	1,711	15.9%	10,747	6.6%*
2000-Q4	6,394	76.5%	458	5.5%	1,509	18.0%	8,361	-11.7%*
2000	32,494	76.1%	2,234	5.2%	8,009	18.7%	42,737	1.0%*
2001-Q1	8,783	69.1%	696	5.5%	3,227	25.4%	12,706	11.7%*
2001-Q2	9,393	83.7%	302	2.7%	1,531	13.6%	11,226	-8.4%*
2001-Q3	8,385	76.9%	548	5.0%	1,966	18.1%	10,899	1.4%*
2001-Q4	6,306	89.6%	255	3.6%	477	6.8%	7,038	-15.8%*
2001	32,867	78.5%	1,801	4.3%	7,201	17.2%	41,869	1.3%*
2002-Q1	7,682	86.1%	299	3.3%	950	10.6%	8,931	-29.7%*
2002-Q2	9,667	82.8%	566	4.8%	1,439	12.4%	11,672	4.0%*
2002-Q3	8,690	76.6%	324	2.9%	2,337	20.5%	11,351	4.1%*
2002 Q4	8,273	87.8%	278	3.6%	881	9.3%	9,432	34.0%*
2002	34,309	82.9%	1,467	3.5%	5,607	13.6%	41,386	-1.2%*
2003 Q1	8,030	90.3%	343	3.8%	521	5.9%	8,894	-0.4%*
2003 Q2	10,612	83.8%	441	3.5%	1,612	12.7%	12,665	8.5%*
2003 Q3	11,192	90.1%	561	4.5%	670	5.4%	12,423	9.4%*
2003 Q4	9,818	79.2%	549	4.4%	2,033	16.4%	12,400	31.5%*
2003	39,652	85.5%	1,894	4.1%	4,836	10.4%	46,382	12.1%*
2004 Q1	10,046	85.1%	667	5.7%	1,089	9.2%	11,802	32.7%*
2004 Q2	13,638	91.1%	678	4.6%	647	4.3%	14,963	18.1%*
2004-Q3	14,113	86.8%	759	4.7%	1,390	8.5%	16,262	30.9%*
2004-Q4	10,339	81.4%	493	3.9%	1,871	14.7%	12,703	2.4%*
2004	48,136	86.4%	2,597	4.7%	4,997	8.9%	55,730	20.2%*
2005-Q1	10,356	86.4%	1,421	11.4%	319	2.6%	12,096	2.5%
2005-Q2	12,013	88.0%	833	6.1%	811	5.9%	13,657	8.7%

* Percentage change is from the same quarter previous year

Source: Arizona Real Estate Center, ASU; Phoenix Metropolitan Housing Study Committee; Data provided through the cooperation of 26 permit issuing agencies.

During the second quarter 2005, residential permits continued the record pace of permits set in 2004. Though interest rates, particularly short-term, have started to rise with the improving economy, rates are still less than 7.00% which bodes well for sustained growth in the residential sector.

METROPOLITAN PHOENIX OFFICE MARKET

The following discussion regarding the Metropolitan Phoenix office market is based upon information supplied by CB Richard Ellis for the second quarter 2005. The survey covers multi-tenant office buildings over 10,000 square feet in each of Metropolitan Phoenix's 24 geographical submarkets.

In the second quarter 2005, a total of 105,645 square feet of multi-tenant space was added to the market bringing the total inventory to more than 61.78 million square feet. Currently, 1.97 million square feet of office space are under construction with the majority of the projects to be delivered in 2005 or early 2006.

While new construction is spread across the metropolitan market, the West Phoenix and North Phoenix submarkets has roughly 35% of the new construction with 702,329 square feet. The East Phoenix and Paradise Valley submarkets also have notable space under construction with 114,000 square feet and 136,291 square feet, respectively.

Overall office vacancy declined slightly in the second quarter of 2005. At the end of second quarter 2005, vacancy stood at 14.5%, compared with 15.3% at the end of the first quarter 2005. The vacancy rate of 14.5% at the end of the second quarter 2005 is a significant improvement over the 16.8% at the end of the second quarter 2005. This is the ninth consecutive quarterly decrease in the vacancy rate.

The result of continued improvement in occupancy is continued upward pressure on rental rates. North Scottsdale and Scottsdale Airpark will see the most pressure, while other submarkets including Downtown Phoenix, Downtown Tempe, Camelback Corridor and Deer Valley will begin to see some upward movement in rents.

Net absorption in the second quarter was 540,133 square feet compared to 818,367 square feet for the first quarter of 2005. Class "B" properties accounted for the majority of the absorption with 289,669 square feet of absorption, Class "A" properties had 285,410 square feet, and Class "C" properties had negative absorption of 34,946 square feet in the quarter.

METROPOLITAN PHOENIX RETAIL MARKET

The Metropolitan Phoenix retail market continued its expansion trend during the first quarter of 2005. Population growth and new housing continued to drive the market. Total retail inventory is 119.8 million square feet in 909 centers (including regional malls.) The overall vacancy rate is 5.59%, down from the 5.99% rate at the end of the first quarter in 2005. Net absorption in the second quarter was 1.7 million square feet compared to 2.7 million square feet for the first quarter in 2005. Additionally, 1,495,084 square feet of new retail space was completed, while another 3.4 million square feet of new retail space were under construction. Planned projects total approximately 24.9 million square feet scattered throughout metropolitan Phoenix.

The average rental rate in Metropolitan Phoenix remained above $15.00 per square foot triple net with rents for new space in the range of $28.00 to $36.00, while second generation space leased at rates between $12.00 and $20.00 per square foot.

Metropolitan Phoenix continues to attract national tenants looking for expansion in the Southwest. These tenants range from electronics to home improvement to department stores. Grocery and drug stores continually rise up in newly developing residential areas.

METROPOLITAN PHOENIX INDUSTRIAL MARKET

During the past few years, the industrial market has experienced tremendous expansion. The fundamentals of the real estate market were healthy throughout most of 2001; however increasing pressure from the local and national economies began to stress the industrial sector in 2002. Overall vacancy in 2002 went above 10% and remained at just over 10% for most of 2003. During the fourth quarter 2003, vacancy decreased to 9.71%, a direct result of two consecutive quarters of strong net absorption. At the end of the fourth quarter 2004, the vacancy rate stood at 8.53%, or slightly below the rate of 8.60% at the end of the previous quarter. Going into 2005, at the end of the first quarter, the vacancy rate was 7.70%, which was the first

time in four years vacancy fell below 8%. During the second quarter 2005, the vacancy continued to fall to a rate of 7.21%.

Net absorption during the second quarter of 2005 totaled 2,311,112. This is down from the net absorption of the first quarter of 2005 which was 2,715,646 square feet.

During the second quarter, there were 1,605,531 square feet of building completions. Approximately 4.68 million square feet were under construction at the end of the second quarter. Additionally, there is approximately 8.8 million square feet of planned projects throughout the Valley.

METROPOLITAN PHOENIX MULTI-FAMILY MARKET

Multi-family residential building permits for the past eight and one-half years are summarized in Table 9.

TABLE NO. 9

MULTI-FAMILY PERMITS

Year	Multi-Family Permits
1997	7,799
1998	7,877
1999	7,759
2000	8,009
2001	7,201
2002	5,607
2003	4,836
200 an4	4,997
1Q2005	319
2Q2005	811

Development of new apartment projects has been limited in the past few years due to significant overbuilding in a number of submarkets. Additionally, the apartment market has been struggling with an exodus of residents being lured by home ownership. The slower pace of new construction will bolster both occupancy and rental rates for existing projects. The second quarter permit level more than doubled to 811 permits from the 319 permits issued during the first quarter. The first quarter permit active was the weakest quarterly performance in more than a decade.

CITY AND REGIONAL DATA CONCLUSION

Metropolitan Phoenix population growth was one of the highest in the country over the 10-year period 1994-2003, with an increase of more than 1 million people. The market added over 600,000 new jobs during the same period. As a result, Metropolitan Phoenix has become one of the fastest growing metropolitan areas in the country. Phoenix is now the fifth largest city in the nation, having recently surpassed Philadelphia.

Although the Metropolitan Phoenix market has been affected by an earlier national slowdown, it appears its economy, as well as the national economy began to return to a growth pattern in late 2003. The residential sector will continue to lead the economy in the foreseeable future. The retail sector will remain strong due as a result of the strong residential growth and vacancy rates in the office market will continue to see improvement.

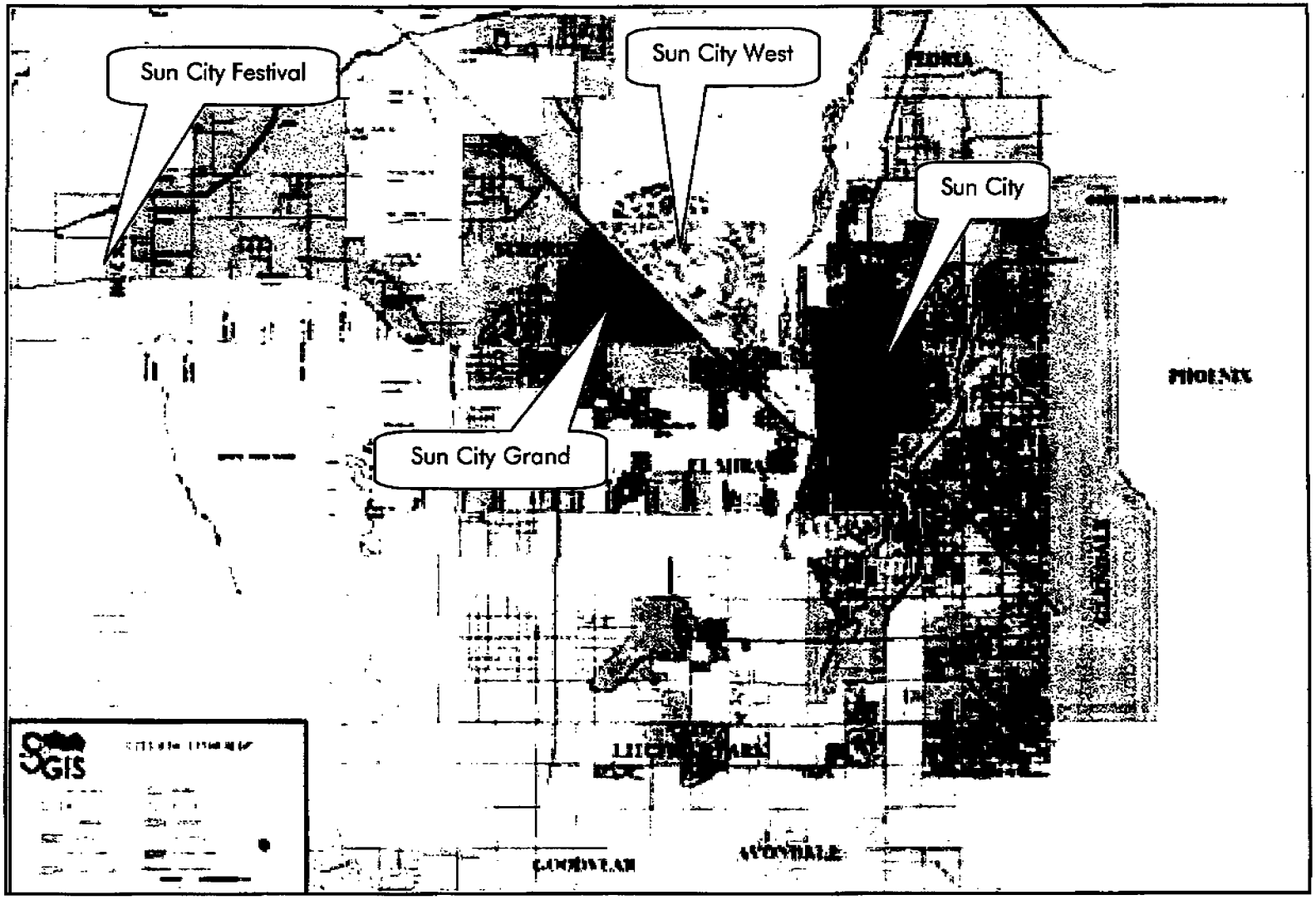
NEIGHBORHOOD DESCRIPTION

While the subject property lies within the town limits of Buckeye, proximity of the City of Surprise is much closer. The downtown area of Buckeye is some 19 miles south of subject's Sun Valley Parkway frontage, while the downtown area of Surprise is 15 miles to the east. In Surprise, Pulte Homes is completing the last of its inventory within the Sun City Grand project, a 9,800 lot community oriented around four golf courses. Sun City Grand is the third extension of the Sun City product line in northwestern Maricopa County. The first Sun City project, which is four miles east of Sun City Grand, was developed in the 1960s. Its success fueled the development of Sun City West, which lies between Sun City and Sun City Grand. The location of these three communities is illustrated on Exhibit 8.

In May 2004, Pulte Homes acquired 3,100 acres from the Lyle Anderson Company for the development a new active adult community to be called Sun City Festival. The subject's 330 acres are the first phase of development of this new community which will include a total of 7,100 homes, two golf course and numerous other amenities.

EXHIBIT NO. 8

Sun City/Sun City West/Sun City Grand Location Map



Subject's immediate location along the north side of Sun Valley Parkway at the alignment of 259th Avenue is in an area of sparse development. Development to date has been limited almost exclusively to small ranchette properties. Speculation and land planning is taking place around the Sun City Festival project and future development of the area is anticipated. The greatest challenges to new development in the area is the lack of infrastructure, i.e., any new community must development the entire new infrastructure to support residential development – sewer, water, power, roads, etc. The first future developments will most likely approach the subject property from the Surprise on the east, as this area is closer to the path of development. Significant new residential development is currently taking place 10 miles east of the subject at Surprise Farms. The only notable project in Buckeye north of Interstate 10 is Tartesso (11 miles south of the subject property at the southwest corner of Sun Valley Parkway and Indian School Road. Exhibit 9 is a map of the residential development within the City of Surprise. Subject's eastern boundary is at the far left hand side of this exhibit. It is also important to note that while not illustrated on the exhibit, a large community called Surprise Foothills is being planned just to the east of the subject.

The first phase of development within Tartesso began in early 2005 with expectations of delivering finished residential lots to homebuilders by year-end 2005. The first phase of development will be on 1,290 acres and consist of 3,400 dwelling units. Development of Tartesso has been hindered by the need to construct all infrastructure to support the community.

The development of the Sun City Festival at the north end of the Sun Valley Parkway and Tartesso on the south end of the Sun Valley Parkway will provide the catalyst for additional development along the parkway. In the late 1990s, as a result of tremendous residential growth throughout Metropolitan Phoenix, interest in the Sun Valley area began to rise again. A number of the large land holding were acquired by real estate developers and additional assemblages started to place. As a result, the Sun Valley area has a number of large planned areas being readied for master plan community development. Table 10 summarizes a number of the new Sun Valley communities.

EXHIBIT NO. 9
Surprise Residential Development Map

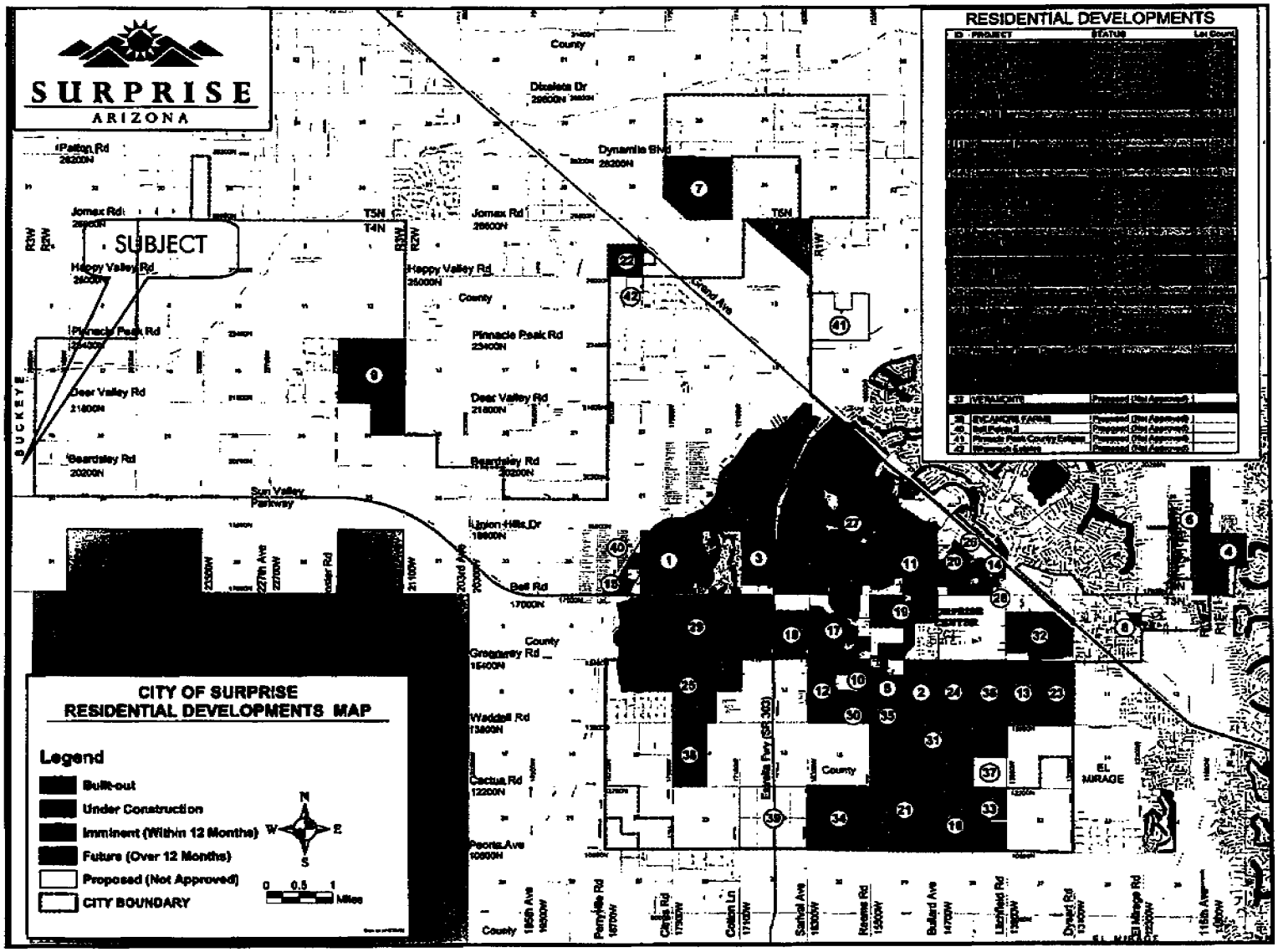


TABLE NO. 10

PLANNED SUN VALLEY COMMUNITIES		
Community	Size (Acres)	Dwelling Units
Tartesso	9,000	9,600
Festival Ranch	10,105	29,000
Douglas Ranch	33,810	90,000
Sun Valley South	11,200	29,000
Sun Valley	13,200	34,000
Belmont	19,800	90,000

The six large communities summarized account for more than 280,000 new dwelling units. The location of these communities is illustrated on Exhibit 10.

RESIDENTIAL DEVELOPMENT

To date there have been no significant developments in the proximity of the subject property, however it is noteworthy to mention the proximity of subject to the three existing Sun City communities as the subject will be the initial phase of the next extension of the Sun City product series.

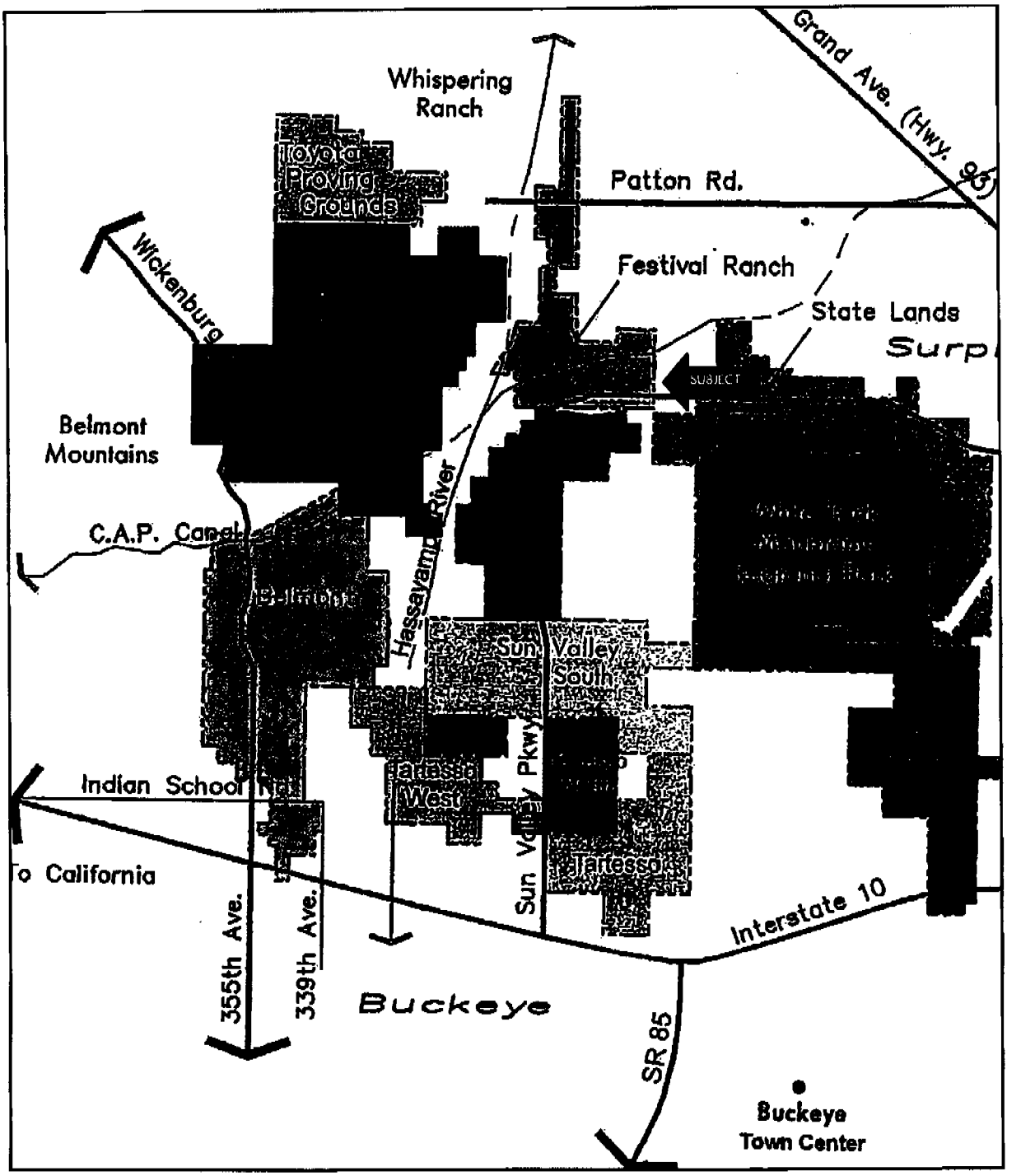
COMMERCIAL DEVELOPMENT

There are currently no commercial developments with reasonable proximity of the subject property. The closest retail development is at the intersection of Bell Road and Cotton Estrella Parkway in Surprise. An Albertsons store is open at the northwest corner of this intersection and a new Safeway store is under development just west of the southwest corner of this intersection. Additional retail opportunities are available further east in Surprise. The most significant retail development is found at the intersection of Bell Road and Grand Avenue.

EMPLOYMENT

There are no significant employers in the subject's immediate area.

EXHIBIT NO. 10
Sun Valley Communities Map



COMMUNITY SERVICES

There are no community services in the immediate area. As demand warrants, public schools will be constructed to serve the expanding population base. Fire and police protection will be provided by the Town of Buckeye due to the fact the subject lies within the town limits of Buckeye. Temporary fire and police facilities will be developed in the first phase of Sun City Festival to serve the community.

While a number of physicians' offices and urgent care facilities are located in Surprise, the most significant medical development is Del E. Webb Memorial Hospital is at the northeast corner of Grand Avenue and Meeker Boulevard in Sun City West. This is a full service facility providing specialty services for the older population base of the Sun City communities as well as traditional hospital services for the increasing population of the surrounding Surprise area. Boswell Memorial Hospital is a second facility serving the area. It is within the original Sun City community near Grand Avenue and 99th Avenue. The focus of this facility is geriatric medicine.

INFRASTRUCTURE

Because much of the area is undeveloped desert acreage, the infrastructure is limited. Pulte Homes is responsible for the construction of the majority of the infrastructure. Arizona Public Service provides electrical service and Southwest Gas provides gas. Qwest is the local telephone service provider.

WATER AND SEWER

The Town of Buckeye is the provider of water services for some areas of the community; however, much of the area is served by private wells. As new communities are developed, the infrastructure of the town will increase. Sewer service for most of Buckeye is provided by a single facility located just south of the downtown area and just north of the Salt River bed, however Sun City Festival will be served by a wastewater treatment plant which is to be constructed within the community. Additional facilities are being constructed in Buckeye to accommodate residential growth.

ACCESS

The most significant and only traffic artery is Sun Valley Parkway. Sun Valley Parkway is a four-lane divided road way which connects Interstate 10 in Buckeye with Surprise. The parkway follows the western and north slopes of the White Tank Mountain, which have historically represented the western boundary of Metropolitan Phoenix.

The Sun Valley Parkway provides the subject property and surrounding area with convenient access to Surprise and its many services. As development pushes further toward the west from Surprise, additional arterials will be developed. Plans for Sun City Festival indicate the development of numerous arterials.

CONCLUSION OF NEIGHBORHOOD DESCRIPTION

Only sparse development has taken place in the subject's immediate area; however that will change significantly with the development of the subject property and balance of the 3,100 acre Sun City community. The development of Sun City Festival will provide the catalyst for additional developments which are currently in the planning stages. Given the topography of the area along the Sun Valley Parkway, the fact a number of properties have entitlements, the desire for large scale developments and access via the Sun Valley Parkway, development along the corridor should show a dramatic increase in the next five years. As noted, Sun City Festival will encourage additional development.

Overall the outlook for the subject's immediate area is for the development of numerous large-scale master planned communities with the first being the subject property.

DESCRIPTION OF THE SUBJECT PROPERTIES

As noted on Page 1, the subject of this report includes four planning area within the initial development phase of Sun City Festival, a proposed 3,100 acre active adult community in far northern Buckeye, Arizona. The four planning areas comprise a net land area of 152.3 acres, which is the aggregate land area of the 724 residential lots. The four subject properties have been platted and engineered with approved final plats from the Town of Buckeye. On the date of final inspection, August 12, 2005, clearing and mass grading of the first phase was underway.

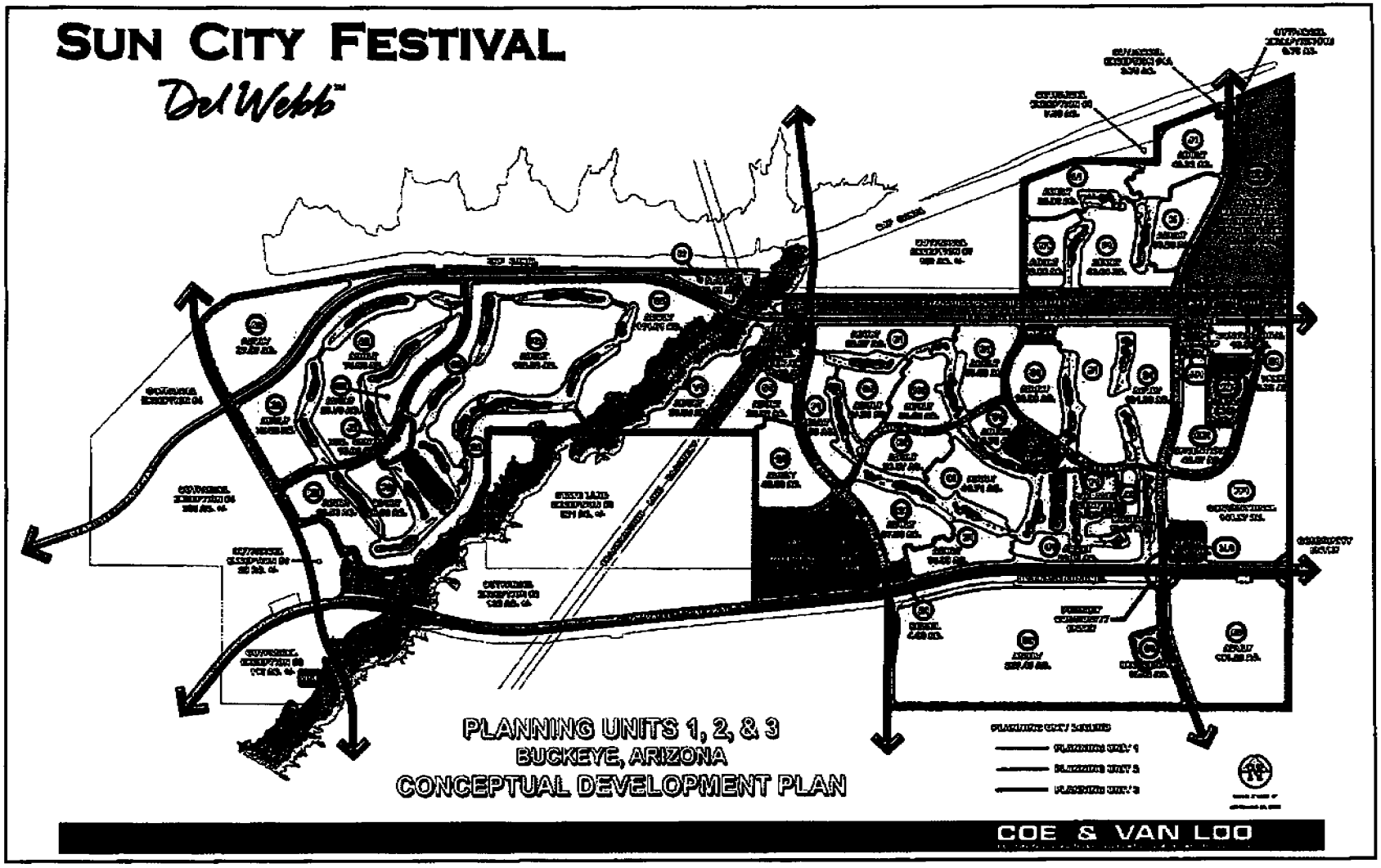
Table 11 provides a brief summary of the four planning area within the first phase of Sun City Festival. The location of the subject's four planning areas is illustrated on Exhibit 10, a conceptual plan for the entire Sun City Festival community.

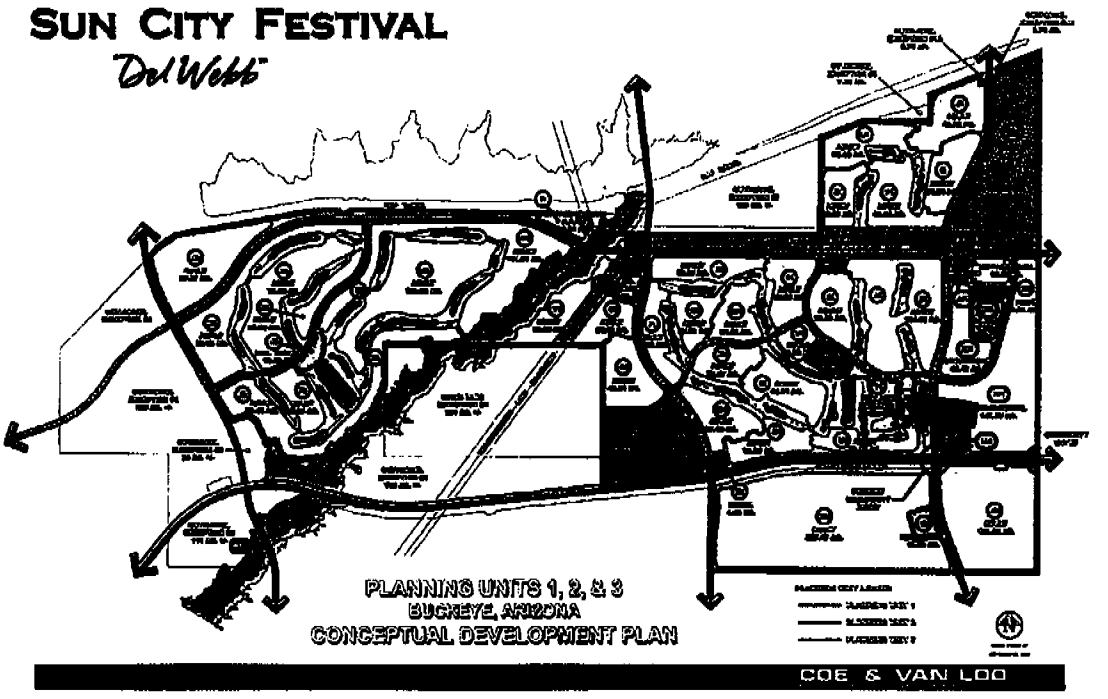
TABLE NO. 11

DESCRIPTION OF PLANNING AREAS

Parcel No.	Description	Size and Number of Lots
A-1	This parcel is on the west side of Canyon Springs Boulevard on the south side of Desert Vista Boulevard. Hole 10 of the golf course is on the west end of this parcel, Hole 11 on the south side and Hole 12 covers the parcel's east length. These three holes provide Parcel A-1 with 19 lots of golf course frontage. It is final platted for 24 lots with 5 lots of 46' width, 5 lots of 60' width, 11 lots of 70' width and 3 lots of 80' width.	4.6 net acres 24 lots
B-1	This parcel is on the southwest corner of Beardsley Parkway and Canyon Springs Boulevard. Golf course Holes 13 and 14 are positioned in the middle of this parcel, with Hole 15 on the west end. These three holes provide Parcel B-1 with 87 lots of golf course frontage. It is final platted for 408 lots with 123 lots of 46' width, 116 lots of 60' width, 88 lots of 70' width and 81 lots of 80' width.	74.4 net acres 408 lots
C-1	This parcel is along the curving Desert Vista Boulevard just south of Beardsley Parkway with access to Mountain Ridge Boulevard. Hole 15 of the golf course is on the east end of this parcel providing Parcel C-1 with 21 lots of golf course frontage. It is final platted for 143 lots with 33 lots of 46' width, 56 lots of 60' width, 28 lots of 70' width and 26 lots of 80' width.	36.9 net acres 143 lots
D-1	This parcel is at the southwest corner of Beardsley Parkway and Desert Vista Boulevard with Mountain Ridge Boulevard as the south boundary. Hole 8 of the golf course is located to the southwest of this parcel providing Parcel D-1 with 17 lots of golf course frontage. It is final platted for 193 lots with 32 lots of 46' width, 76 lots of 60' width, 25 lots of 70' width and 16 lots of 80' width.	37.3 net acres 149 lots

EXHIBIT NO. 10
Sun City Festival Conceptual Plan





Subject Parcel:	A-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	4.6 net acres
Total Number of Lots:	24
Lot Size:	

Lot Width	No. of Lots	% of Total
46′	5	21
60′	5	21
70′	11	46
80′	3	13
Total	24	100%

Premium Lots:	19 golf frontage lots
Comments:	This parcel has been final platted.

FINAL PLAT
OF
"SUN CITY FESTIVAL - PARCEL A1"

A SUBDIVISION LOCATED IN THE NORTH HALF OF SECTION 28, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND

KEY MAP

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

VICINITY MAP

TRACT INFORMATION TABLE

CERTIFICATIONS

ACKNOWLEDGMENT

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

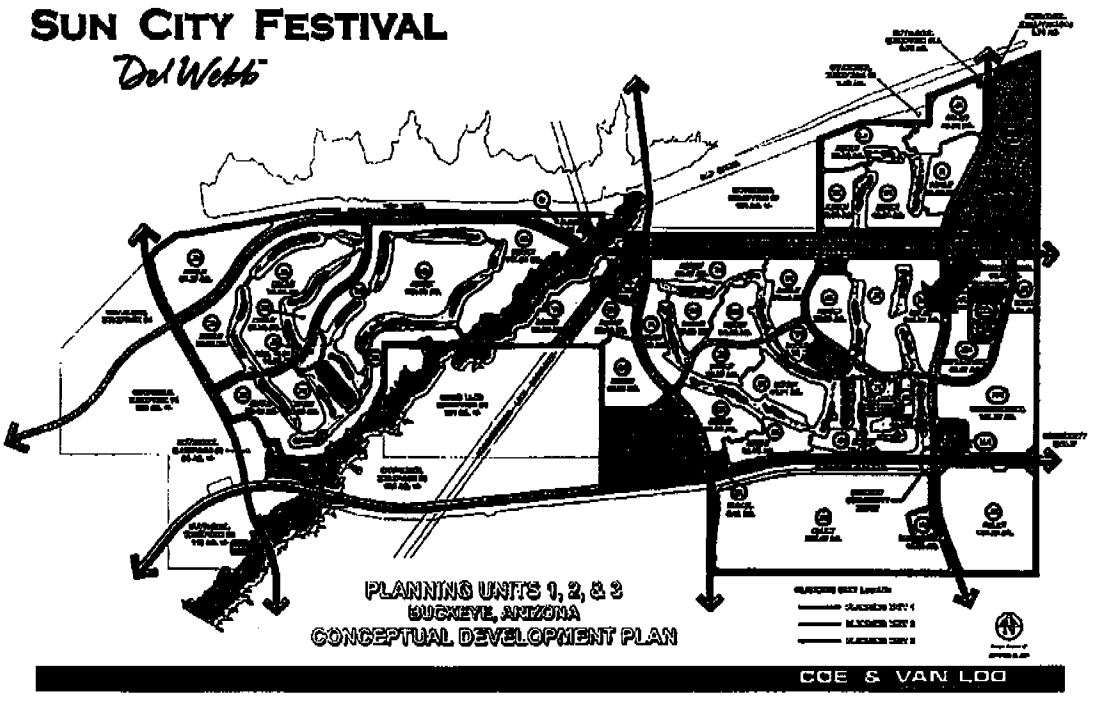
CERTIFICATION

BASIS OF BEARINGS

NET AREA =
GROSS AREA =

SHEET 1 OF 6

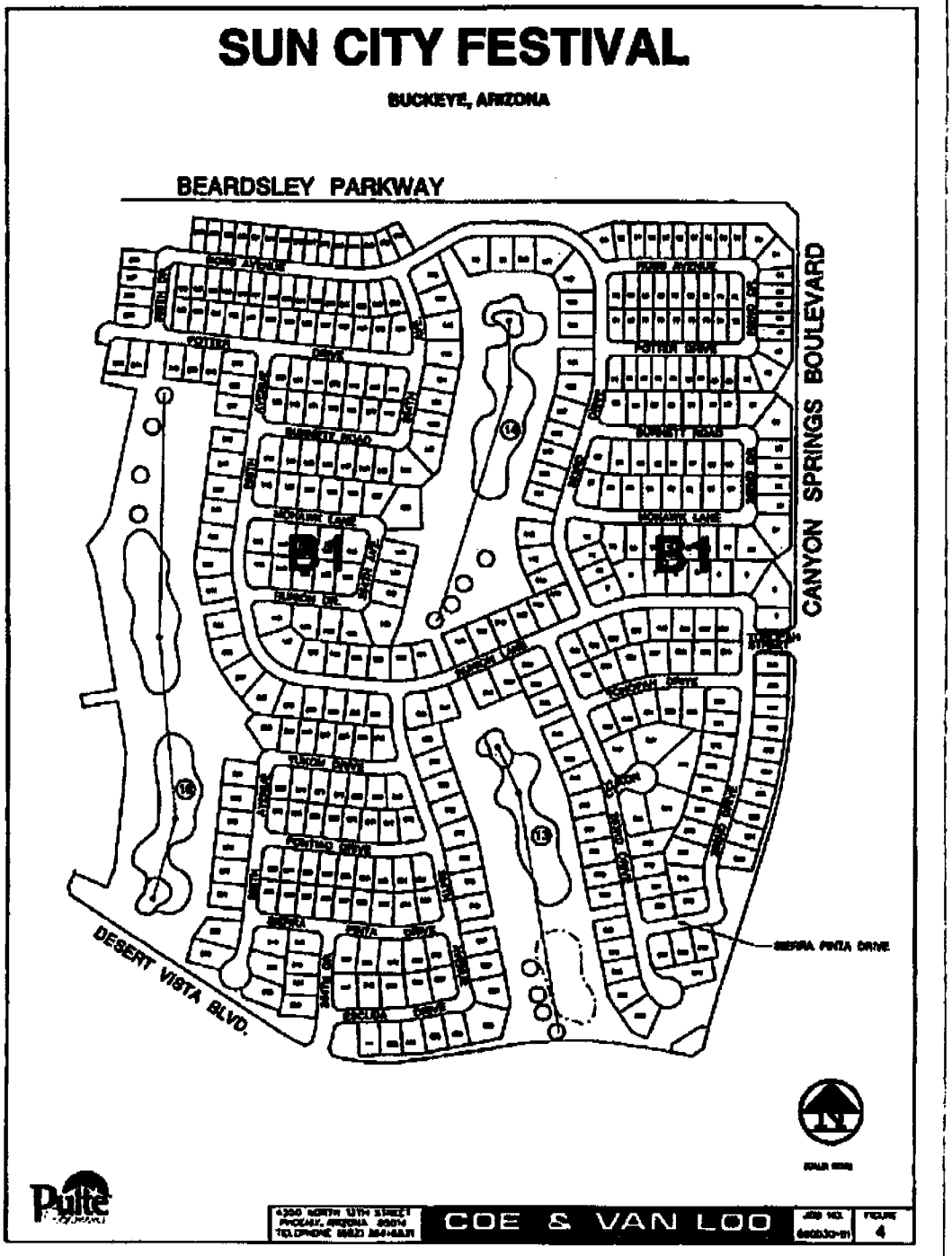
LOOKING NORTHWESTERLY ACROSS PARCEL A-1



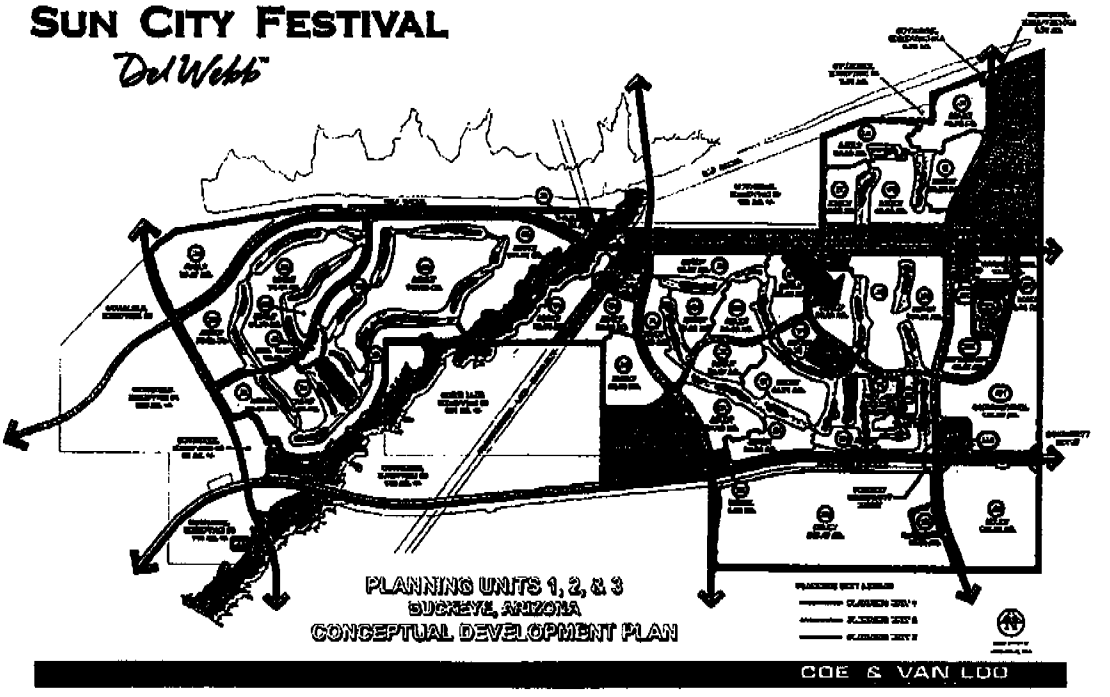
Subject Parcel:	B-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	208.49 gross acres 184.15 net acres
Total Number of Lots:	408
Lot Size:	

Lot Width	No. of Lots	% of Total
46′	123	30%
60′	116	28%
70′	88	22%
80′	81	20%
Total	408	100%

Premium Lots:	87 golf frontage lots
Comments:	This parcel has been final platted.


SUN CITY FESTIVAL
BUCKEYE, ARIZONA
BEARDSLEY PARKWAY
CANYON SPRINGS BOULEVARD
DESERT VISTA BLVD.
SIERRA PINTA DRIVE
B1
B1
COE & VAN LOO
FIGURE
4

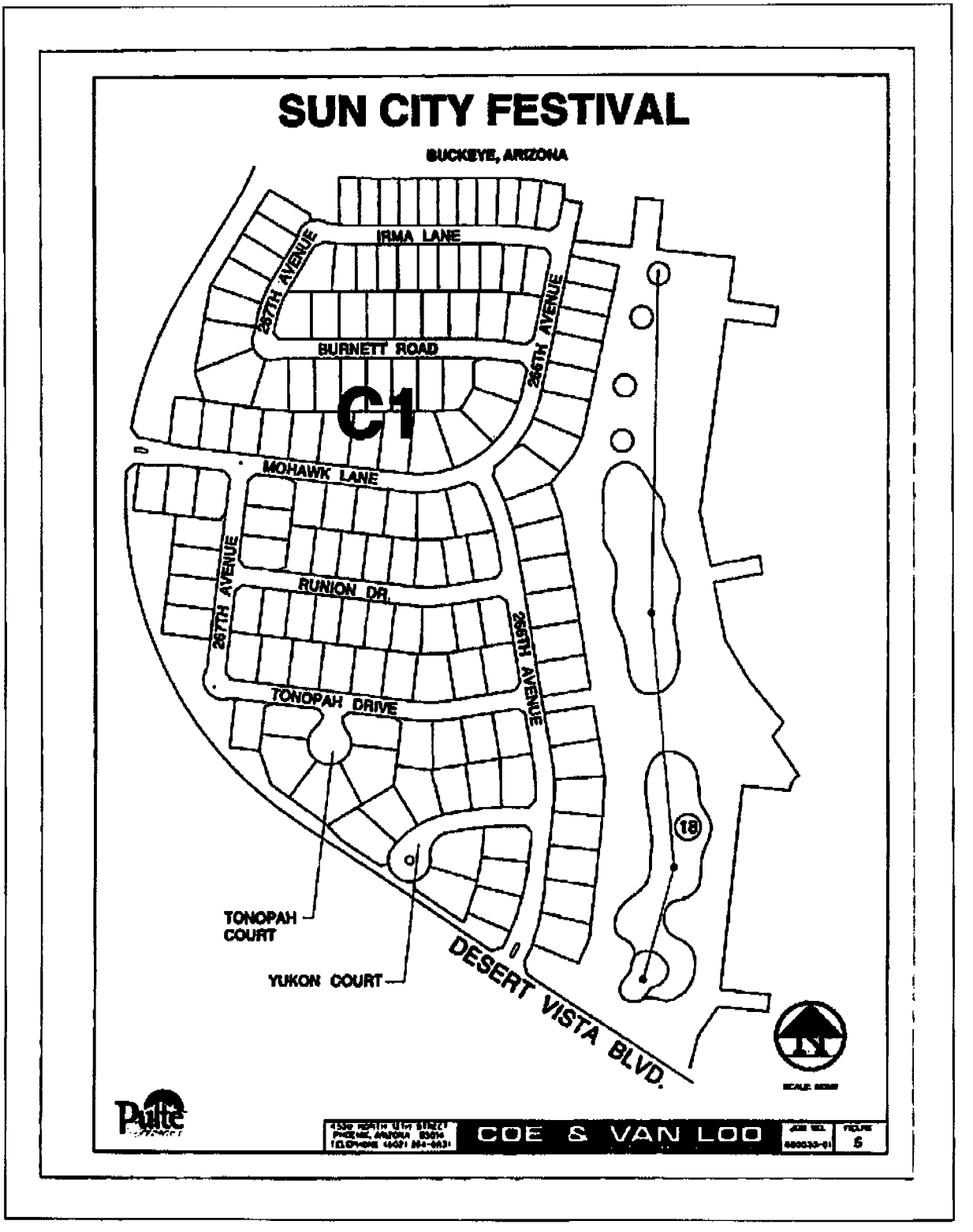
LOOKING SOUTHWESTERLY ACROSS PARCEL B-1

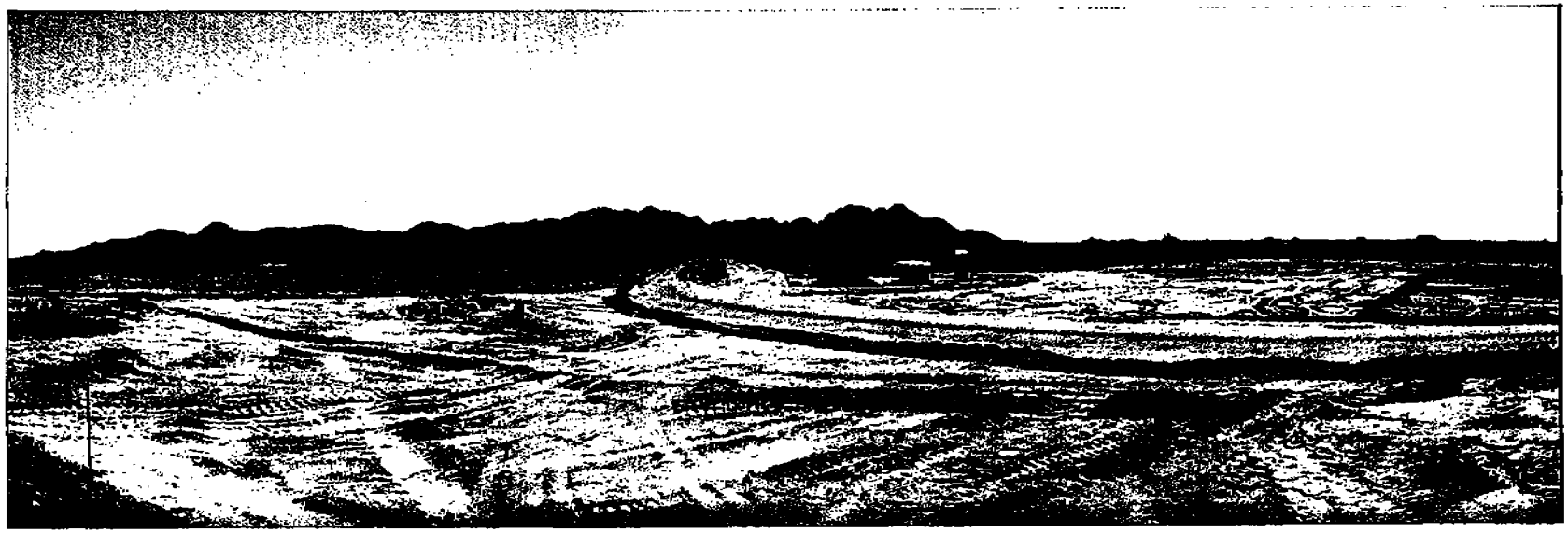


Subject Parcel:	C-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	38.86 gross acres 36.87 net acres
Total Number of Lots:	143
Lot Size:	

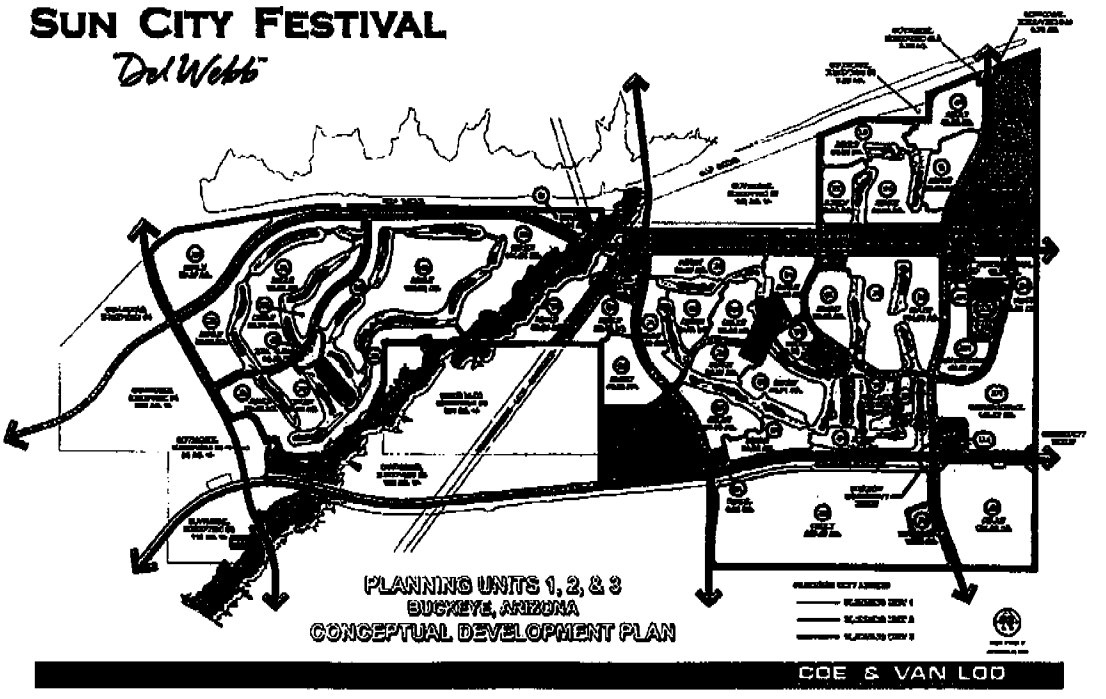
Lot Width	No. of Lots	% of Total
46'	33	23
60'	56	39
70'	28	20
80'	26	18
Total	143	100%

Premium Lots:	21 golf frontage lots
Comments:	This parcel has been final platted.


SUN CITY FESTIVAL
BUCKEYE, ARIZONA
IRMA LANE
267TH AVENUE
BURNETT ROAD
266TH AVENUE
C1
MOHAWK LANE
RUNION DR.
TONOPAH DRIVE
TONOPAH COURT
YUKON COURT
DESERT VISTA BLVD.
18
COE & VAN LOO
5



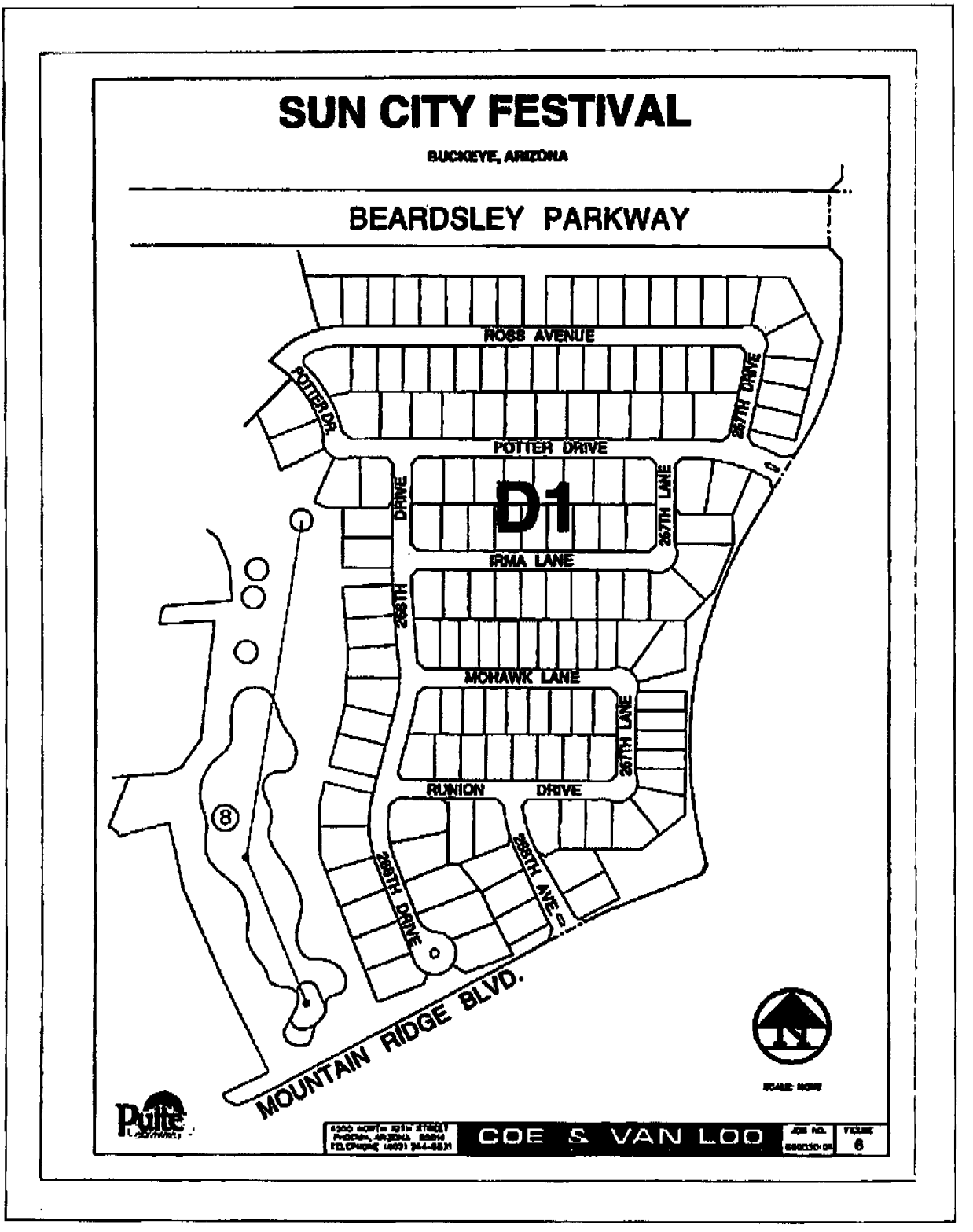
LOOKING SOUTHWESTERLY ACROSS PARCEL C-1

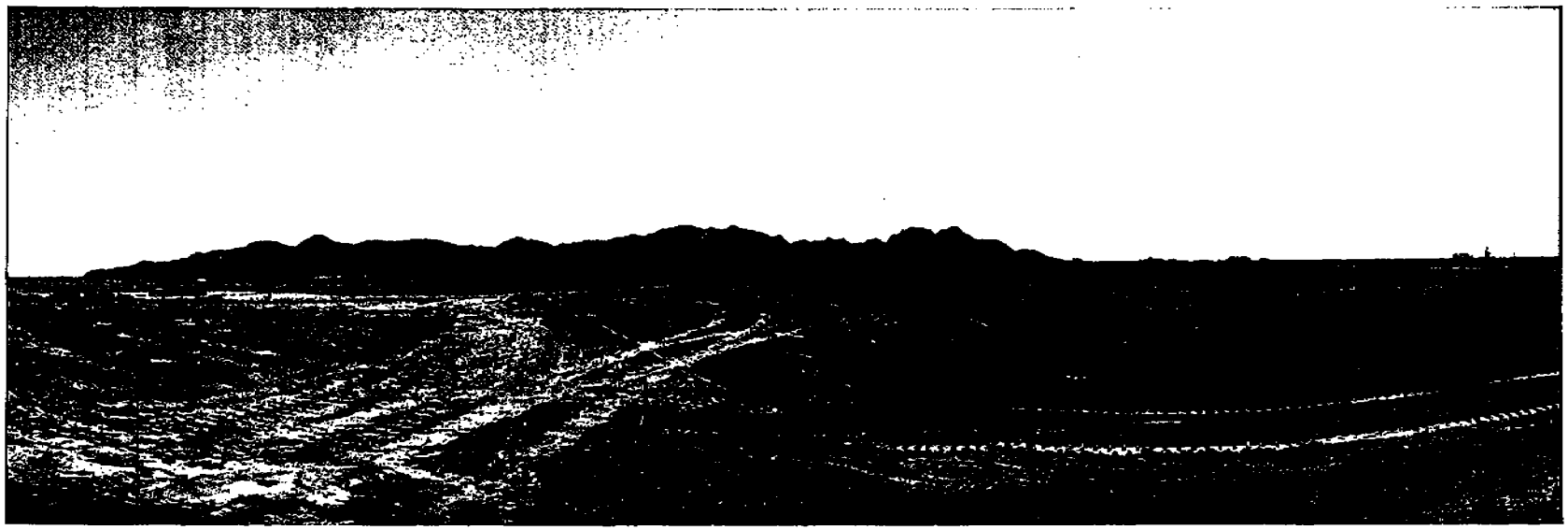


Subject Parcel:	D-1
Designated Use:	Single-Family Residential
Zoning:	PR – Planned Residential
Size:	43.02 gross acres 40.99 net acres
Total Number of Lots:	193
Lot Size:	

Lot Width	No. of Lots	% of Total
46′	32	21
60′	76	51
70′	25	17
80′	16	11
Total	149	100%

Premium Lots:	17 golf frontage lots
Comments:	This parcel has been final platted.


SUN CITY FESTIVAL
BUCKEYE, ARIZONA
BEARDSLEY PARKWAY
ROSS AVENUE
POTTER DR.
POTTER DRIVE
257TH DRIVE
D1
DRIVE
257TH LANE
IRMA LANE
258TH
MOHAWK LANE
257TH LANE
RUNION DRIVE
258TH DRIVE
258TH AVE.
MOUNTAIN RIDGE BLVD.
COE & VAN LOO
6



LOOKING SOUTH ACROSS PARCEL D-1

GENERAL DESCRIPTIVE DATA

The following subsections provide additional details regarding the four subject properties collectively.

Topography

The subject is generally level with some moderate sloping toward the southwest. While there are cost advantages in developing level land when compared to the costs connected with developing a similarly sized parcel with varying topography, the level land project does not provide the opportunity to develop lot premiums typically associated with a project with varying topography.

Soil

A soil report was not provided in connection with this assignment; however, soil testing has been completed as part of the engineering and design work. Based on this work it is assumed there are no soil conditions, which would limit, in a meaningful way, either physically or economically, the development of the four subject parcels discussed in this report.

Utilities

All utilities will be placed underground within dedicated public utility easements. The utilities will be provided by:

Electricity -	Arizona Public Service
Natural Gas -	Southwest Gas
Sewer -	Town of Buckeye
Water -	Town of Buckeye
Telephone -	Qwest

Floodplain and Drainage

The subject parcels are part of a larger area that does not require flood insurance. The four subject parcels have been engineered to provide both for drainage and required retention. A 404 permit from the Army Corps of Engineers has been issued for the development of the subject site. A 404 Permit address various environmental impacts, the most notable being drainage issues.

Required retention within each of the subject's four planning area will be handled through retention areas or open space (golf course) within each parcel The location of these retention area is shown on the individual subdivision plats.

Easements and Restrictions

A title report was not furnished in connection with this assignment and it is assumed there are no easements or restrictions, which would limit, in a meaningful way, the development of each parcel to the uses discussed in this report. Having stated that, there will be covenants, conditions and restrictions (CC&R's) which will be recorded as development of the community proceeds which will have some impact on the subject parcels. The overall impact of CC&R's will have on the community as well as the four subject parcels is positive; i.e., they will ensure the long-term maintenance of common areas and as a consequence enhance the long-term street appeal of the community.

Environmental Hazards and Concerns

A Phase I Study has been completed, however it was not reviewed in connection with the preparation of this appraisal. It is reported there are no environmental concerns, i.e., hazards anywhere on or immediately adjacent to the four subject parcels.

Assessed Valuation and Real Estate Taxes

Because the subject property consists of four parcels which have yet to be fully improved, the current assessments are based upon their unimproved condition. However, as the Maricopa County Assessor's Office becomes aware of the change in land use status, each individual lot within the four residential parcels will be assessed as an improved residential lot. Real estate taxes for finished lots are estimated at $300.

Special Assessments

The purpose of this appraisal is to address the market value of the four subject parcels for the purpose of placing a special assessment on these properties to reimburse the developer for the cost of qualified public improvements. An assessment in the amount of approximately $2,000 per lot will be placed upon the subject's 724 lots. The assessment will cover a potion of the costs of in-tract street improvements. An annual assessment payment of $150 is estimated.

RESIDENTIAL MARKET ANALYSIS

In order to better analyze the financial feasibility and marketability of residential uses within the subject development and an approximate absorption time table, a detailed discussion and analysis of the residential market conditions for Metropolitan Phoenix (largest residential market most proximate to the subject property) as well as the subject's more immediate market area is provided.

METROPOLITAN PHOENIX OVERVIEW

Permit Activity

The Metropolitan Phoenix housing market has just finished its 14th year of a strong recovery that started in 1991 after 6 years of steady declines in permit activity. Table 12 summarizes the residential permit activity for Metropolitan Phoenix between 1985 and 2004.

TABLE NO. 12

RESIDENTIAL BUILDING PERMITS
Phoenix Metropolitan Area

	Single Family		Townhouse		Multifamily		Total
Year	No. of Permits.	% of total	No. of Permits.	% of total	No. of Permits.	% of total	No. of Permits.
1985	19,432	38.7	6,617	13.2	24,113	48.1	50,162
1986	20,052	47.9	5,516	13.2	16,327	39.0	41,895
1987	15,944	58.0	3,123	11.4	8,427	30.7	27,494
1988	13,843	67.1	1,317	6.4	5,457	26.7	20,617
1989	11,194	82.8	625	4.6	1,701	12.6	13,520
1990	10,633	81.9	449	3.5	1,891	14.6	12,973
1991	13,510	91.9	485	3.3	710	4.8	14,705
1992	18,328	91.1	566	2.8	1,234	6.1	20,128
1993	21,896	90.5	607	2.5	1,799	7.4	24,302
1994	26,626	78.7	1,212	3.6	6,015	5.6	33,853
1995	26,824	73.7	1,599	4.4	7,991	21.9	36,414
1996	28,157	73.8	1,456	3.8	8,533	22.4	38,146
1997	29,124	74.5	2,174	5.6	7,799	19.9	39,097
1998	33,811	78.2	1,525	3.5	7,877	18.2	43,213
1999	33,252	78.3	1,454	3.4	7,759	18.3	42,465
2000	32,494	76.0	2,218	5.2	8,009	18.8	42,737
2001	32,867	78.5	1,801	4.3	7,201	17.2	41,869
2002	34,312	82.9	1,467	3.5	5,607	13.6	41,386
2003	39,652	85.5	1,894	4.1	4,836	10.4	46,382
2004	48,136	86.4	2,597	4.7	4,997	8.9	55,730

Source: Phoenix Metro Housing Study Committee; Arizona Real Estate Center, College of Business, Arizona State University

As shown in Table 13, total permit activity has been particularly strong the past 5 years with 2004 the strongest in the past two decades. As a result of record permit levels, the Phoenix metropolitan area ranks in the top 5 of all major metropolitan areas in the nation in terms of residential growth.

Mortgage Rates

A primary reason for the recovery in the Metropolitan Phoenix housing market has been the relatively low 30-year mortgage interest rates that have been below 9% since 1991 and primarily ranging between 7% and 8% over the past 5 years with recent rates falling to as low as 6%. These rates are in significant contrast to the early 1980's, which experienced interest rates in excess of 15%. The spread between a 30-year fixed mortgage rate (5.38%) and the federal discount rate (2.00%) now stands at 3.38%, which is slightly less than the 4.2% average of the last 10 years. Nevertheless, even if a small hike in rates occurs, it will not seriously dampen market activity. However, if rates climb above 9%, new home affordability will decline and a significant number of first-time buyers may no longer qualify. Although interest rates began climbing during the summer of 2004, they have fallen back to the lower levels experienced in early 2003. At the end of 2004, the rate on a 30-year mortgage was under 6.0%.

New and Resale Housing Market

According to the Arizona Real Estate Center at the W.P. Carey School of Business at Arizona State University, a record total of 48,136 homes were authorized for construction during 2004 in Maricopa County. The median sales price of new single-family, detached homes in 2004 averaged $195,000, which is 12.5% high than the 2003 average of $173,240 and $162,545, 21.9% higher than the median of $159,990 for 2002. There were a total of 38,285 new single-family, detached home sales during 2004, compared to 32,700 sales in 2003.

The Arizona Real Estate Center also reports 102,115 sales of existing homes in Metropolitan Phoenix during 2004, compared to 73,785 resales in 2003, compared to 62,625 resales during 2002. This is an all-time record. As a result, the rapid sales rate has put upward pressure on home prices. The median sales price of resale homes in 2004 was $174,815, an increase of 12.8% over the median price of $155,000 in 2003.

The housing market in 2004 was at its highest level in terms of both new construction and resales of existing homes. While most market watchers believe 2005 will continue to be strong, the residential market will lag behind the record pace set in 2004.

Housing Affordability

Historically, there appears to be fairly significant degree of correlation between the affordability of single-family housing and interest rates. Table 13 provides a comparison of these two items

for new and resale homes. The affordability index is defined in terms of the median-income household; an index of 100 indicates that a median-income household is able to qualify for a median-priced home.

TABLE NO. 13

SINGLE-FAMILY AFFORDABILITY ANALYSIS

Metropolitan Phoenix

		Resale Homes		New Homes	
Year	Effective Interest Rate	Median Sales Price	Affordability Index	Median Sales Price	Affordability Index
1987	10.6%	$81,316	93	$99,650	73
1988	10.8%	$77,197	95	$103,950	72
1989	11.0%	$77,932	98	$105,850	72
1990	10.5%	$79,237	105	$109,300	76
1991	9.4%	$80,383	117	$107,500	87
1992	8.6%	$83,060	125	$108,800	95
1993	7.4%	$83,715	144	$112,500	108
1994	8.5%	$87,230	129	$124,475	90
1995	8.1%	$91,070	133	$127,600	94
1996	7.9%	$96,890	132	$130,800	98
1997	7.5%	$105,245	130	$136,220	101
1998	6.9%	$113,427	132	$139,073	107
1999	7.3%	$120,440	120	$146,645	99
2000	7.9%	$128,512	109	$150,790	92
2001	6.9%	$136,005	115	$156,450	100
2002	6.4%	$144,900	124	$159,990	113
2003	5.7%	$155,000	126	$173,235	113
2004	5.7%	$174,815	114	$195,000	102

Source: Arizona Real Estate Center, College of Business, Arizona State University

Also, single-family market share has tended to increase as the affordability of new single-family homes is improved. In particular, according to Arizona State University, during the high inflationary (and high interest rate) period from 1983 through 1986, the affordability index averaged roughly 64 and single-family building permit market share averaged (weighted) 58%. During the next 5 years (1987-1991), as interest rates declined, the affordability index increased to an average of about 76 and the single-family market share of permitting increased to a weighted average of roughly 76%. More recently (2001-2004), the affordability index increased above 100 to a high of 113, and as expected, single-family market share increased further. Historically low interest rates have fueled a considerable amount of the single family growth during the last three years.

COMPETITIVE MARKET AREA

The subject property is part of a proposed age-restricted, active adult community known as Sun City Festival. It is the next extension of the Sun City communities which have been developed in northwestern Maricopa County since the 1960. The original sun City community was developed by Del Webb in the 1960. Its success was follows by Sun City West which is directly west of Sun City. More recently Sun City Grand was developed in the City of Surprise. With Sun City Grand is nearing sell-out, subject's Sun City Festival community is being prepared for the latest expansion of the Sun City brand.

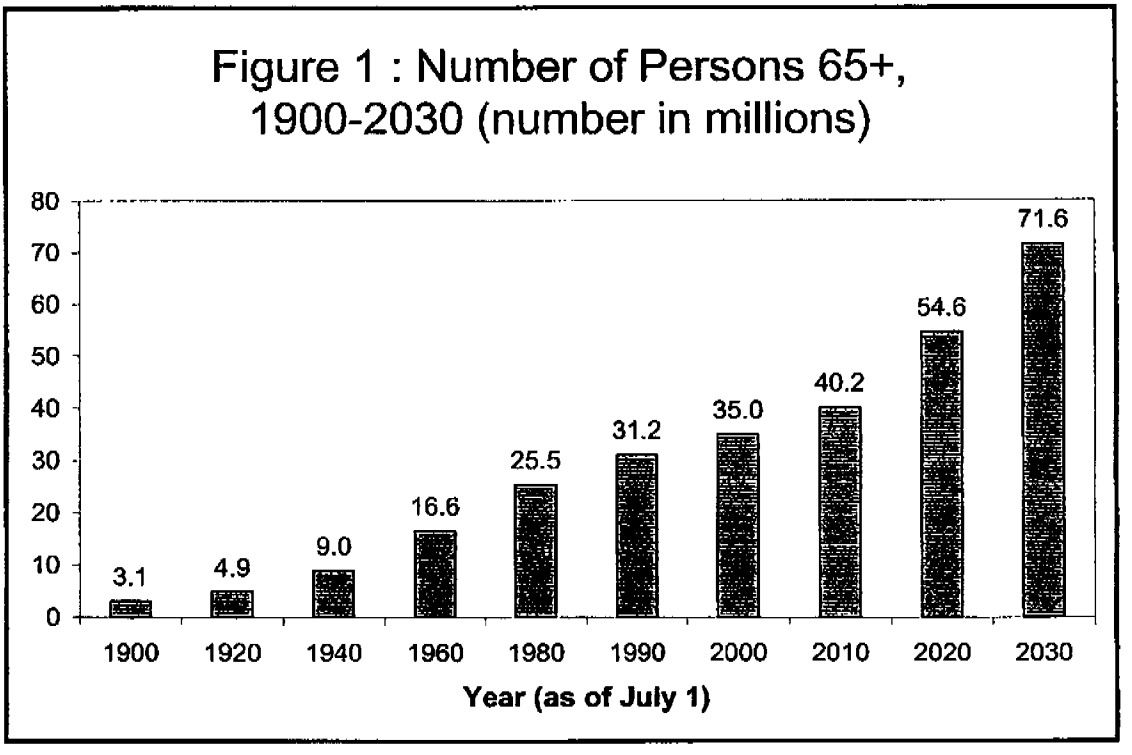
Active adult communities are large master-planned communities, usually including 500 or more dwellings, which cater to the senior population. At least one person in each household must be over a minimum age (typically 55 to 62 years). Active adult communities differ from other master-planned residential communities primarily because of their attention to centralized amenities that cater to a more leisure-oriented buyer. Typical recreational amenities include golf courses, tennis courts, swimming pools, and hiking paths. Large recreation centers offer racquetball courts, exercise equipment, billiard and card rooms, theaters, libraries, and multi-purpose rooms for crafts and hobbies. Another distinctive characteristic of an active adult community is the high percentage of primary home buyers. In contrast, a typical resort-oriented development (not age-restricted) has a much higher percentage of second home purchasers.

The typical home buyers within an active adult community are long time home owners who have amassed substantial equity in their urban homes. Selling their homes and converting this equity to cash and then purchasing a new home for much less can be very appealing. As a result, upwards of 75% of the homes sold in active adult communities are all cash transactions.

The success of active adult communities is directly dependent upon the aging of the general population. A steadily increasing portion of the United States population is living past age 65. Numbering 36.2 million (2005 estimate), this segment represents approximately 12.4% of the total population or about one in every eight Americans. Advances made in medical science in the areas of heart disease, strokes, and cancer, better medical care, improved diet, and increasing interest in physical fitness are allowing a larger percentage of the population to live into their 80's, 90's and beyond. Thus, the functional age of retirees is declining in comparison to chronological age. Since 1900, the average life expectancy at birth has lengthened more than

60%, from 48 years to almost 77 years today. Those over age 85 now constitute the fastest growing age segment in the United States, with women outliving men by steadily widening margins.

The senior population will continue to grow significantly in the future. This growth slowed somewhat during the 1990's because of the relatively small number of babies born during the Great Depression of the 1930's. But the senior population will burgeon between the years 2011 and 2030 when the "baby boom" generation reaches age 65. In fact, by 2030 there will be over 70 million seniors, more than twice their number in 2000, increasing the elderly segment of the population from its current 12.4% to 20%. Beginning in 2011, the population 65 and over will grow faster than the total population in every single state. The chart below summarizes this projected growth.



Within the state of Arizona, the July 1, 2004 population estimate for seniors age 65+ was 765,061 persons, which represented about 13.0% of the state's total population. Projections through the year 2025 are presented in Table 14.

TABLE NO. 14

POPULATION PROJECTIONS – AGE 65+
Arizona vs. United States*

	July 1, 2000	July 1, 2005	July 1, 2010	July 1, 2015	July 1, 2020	July 1, 2025
Arizona	668	765	922	1,181	1,521	1,940
United States	34,992	36,696	40,244	46,791	54,632	63,524
Arizona % of U.S.	1.9%	2.08%	2.29%	2.52%	2.78%	3.05%

* Numbers in thousands.

Source: U.S. Census Bureau

Unlike many areas of the country, the majority of Arizona's population growth is attributed to net migration into the state, rather than net natural increase. A combination of elements including a warm climate, growing economy, and abundant recreation and retirement opportunities will continue to draw newcomers to the state. A primary element in population projections is the expectation of a continuing inflow of retirees to Arizona from various parts of the country. Currently, Arizona is among the top 10 states in terms of senior population growth and the influx of retirees is expected to continue well into the future.

Metropolitan Phoenix Retirement Housing

The subject's Sun City Festival community is located in far northwestern Metropolitan Phoenix approximately12 miles west of Sun City Grand. While retirement developments are spread throughout Metropolitan Phoenix and new communities are being developed south of the Metropolitan Phoenix area in Pinal County, northwestern Metropolitan Phoenix was the birthplace of age-restricted development with the original Sun City development in the 1960s. Since the original development, two additional Sun City communities have been developed just to west of Sun City. Some small age-restricted communities including Arizona Tradition by D.R. Horton and Corta Bella by Pulte Homes have been developed in this area. Table 15 included on the following page summarizes the larger active adult projects in Maricopa County (Metropolitan Phoenix). As shown, well over half of planned residential inventories in active adult communities in Maricopa County have been sold.

TABLE NO. 15

LARGE ACTIVE METROPOLITAN PHOENIX AGE-RESTRICTED COMMUNITIES

Project	Developer	Location	Date Open	Planned Units	Sold Units	Unsold Units	Average Price	Average Sq.Ft.	Avg. Price Sq.Ft.	Min. Lot Size
Arizona Traditions	D.R. Horton	Northwest	02/96	1,772	1,649	123	$ 215,370	1,459	$ 147.61	4,750
Sun City Grand	Pulte Homes	Northwest	10/96	9,773	8,672	1,101	$ 262,001	2,002	$ 130.87	6,500
Sun Lakes	Robson	Southeast	10/90	3,901	3,805	96	$ 294,442	1,842	$ 159.85	4,703
Sunland Sprngs Village	Farnsworth	Southeast	12/97	2,301	1,399	902	$ 249,904	1,872	$ 133.50	4,313
Corte Bella	Pulte Homes	Northwest	03/03	1,848	880	968	$ 294,310	2,232	$ 131.86	6,900
Pebblecreek	Robson	Southwest	01/00	6,232	3,613	2,619	$ 439,153	2,588	$ 169.69	6,665
Solera	Pulte Homes	Southeast	01/01	1,149	1,149	-	$ 247,433	1,801	$ 137.39	6,633
Sundance	Meritage	Southwest	01/02	1,102	361	741	$ 165,364	1,578	$ 104.79	5,500
Trilogy @ Power Ranch	Shea Homes	Southeast	01/03	1,377	698	679	$ 282,850	1,762	$ 160.53	5,775
Trilogy @ Vistancia	Shea Homes	Northwest	02/04	2,400	642	1,758	$ 287,565	1,947	$ 147.70	6,900
Totals				31,855	22,868	8,987				

The active adult marketplace in Metropolitan Phoenix is very active although its inventory is rapidly diminishing. As a result, new communities such as the subject's Sun City Festival are being planned further from the center of Metropolitan Phoenix in previously undeveloped areas. For instance, the majority of new competition will come from projects being developed in Pinal County (south of Phoenix and north of Tucson). Table 16 summarized a number of the new communities being planned throughout the Metropolitan Phoenix and Pinal County areas.

TABLE NO. 16

FUTURE METROPOLITAN PHOENIX AGE-RESTRICTED COMMUNITIES

Project	Developer	Location	Acres	Planned Units
Estrella	Engle Homes	Southwest	500	1,500
Robson Ranch (Pinal Co.)	Robson	Southeast	1,566	3,700
Trilogy @ Hunt Highway (Pinal Co.)	Shea Homes	Southeast	740	2,500
Trilogy @ Maricopa (Pinal Co.)	Shea Homes	Southeast	1,965	6,000
Totals			4,771	13,700

As indicated in the table above, much of the new development is taking place south of Maricopa County in Pinal County, which is approximately 17 miles south of the southern boundary of Metropolitan Phoenix. Besides the Sun City Festival, the only project with firm development plans in Metropolitan Phoenix is the project at Estrella by Engle Homes. With large amounts of available land along the Sun Valley Parkway, it would not be surprising to see announcements of one or more communities along the corridor within the next five to ten years. For example, Douglas Ranch is a 33,000 acre planned community adjacent west of Sun City Festival. At 33,000 acre, a portion of the property could support a large active adult development.

Sun City Festival Proposed Housing Product

Pulte Homes plans to offer four product series within Sun City Festival: Cottages, Classics, Permieres and Estates. Table 17 summarized the proposed series mix for the entire 7,100 units planned for Sun City Festival.

TABLE NO. 17

SUN CITY FESTIVAL SERIES MIX		
Lot Width	No. Of Lots	% Of Total
Cottages	1,022	14%
Classics	2,364	33%
Permieres	2,861	40%
Estates	852	12%
Total	7,100	100%

Each of the four product series will be developed on lots within each of the four subject properties. The proposed housing product is intended to be a new generation of various existing product currently being sold at Sun City Grand. Ideally, the development of the Sun City Festival project is being timed to represent replacement inventory for the Sun City Grand community (sell-out of inventory is projected to be less than one year), capitalizing on the existing consumer base and sales/marketing efforts.

Projecting an absorption of product for the subject community is dependent upon several key issues: supply/demand elements; quality of the community; base home pricing (perceived value); and location. Regarding the supply/demand element, it is a general consensus that the existing inventory in Metropolitan Phoenix is considered a demand/supply balance, bordering on a somewhat undersupplied condition by market standards. When referencing retirement communities, their absorption rates tend to be relatively high and typically unaffected by economic conditions (which can significantly affect general housing market conditions). Without periodic new additions to supply, demand would soon outpace supply as the retirement segment of the population will continue to grow at a significant rate. It is presumed demand will escalate significantly during the next decade as the population ages.

The quality of the Sun City Festival community is considered above average for the targeted market. The amenity package of sports clubs and facilities, hiking, biking, golf and clubhouse/community centers are consistent with trends in the age-restricted community segment of the market. The size of the proposed project, overall planning/layout, location at the base of the White Tank Mountains (which provide recreational opportunities as well as mountain views)

and architectural design of the homes is considered good and appropriate. A fairly wide range of consumers should find the subject community desirable.

One of the most influential factors affecting absorption in an active adult community is base home pricing. Price sensitivity can occur in certain segments of the retiree market for a variety of reasons ranging from living on a fixed income to deciding to travel more and spend less money on a house. The broad range of product pricing should provide potential buyers with a wide enough spectrum to meet the varying price points of potential purchasers. According to market statistics provided by The Meyer's Group, absorption in Sun City Grand has averaged 24 sales per month (288 sales per year) over the project's life.

Considering all of the above discussion pertaining to supply/demand, quality of community, base home pricing, and location attributes affecting the subject property, it is our opinion the subject project should compete effectively in the active adult marketplace in Metropolitan Phoenix. Absorption levels of communities in the Maricopa County market range from about 300 to 600 sales per year (based upon average absorption rates per series and assuming 2 to 4 product series per community), with the most successful typically absorbing at 400 to 600 sales per year (or above). In our opinion an absorption level for the subject property should stabilize within a range of 300 to 350 sales per year and could reach higher rates as the population base of "baby boomers" expands into the retirement segment of the market.

Future Potential Supply

Regarding future potential supply of retirement communities believed directly competitive to the subject community, to the best of our knowledge, there are no new master-planned retirement communities planned in northwestern Maricopa County (Metropolitan Phoenix). Based upon Meyer's Group data, there are just fewer than 4,000 units in active projects in the northwest quadrant of Metropolitan Phoenix. According to the survey, Sun City Grand accounts for 1,100 of the units, however we believe this figure is overstated. The other significant inventory is the Trilogy at Vistancia community in northern Peoria. This is the newest age-restricted community in the area. It is planned for 2,400 units, of which more than 1,700 units are unsold. This community will most likely present the greatest direct competition to the subject.

With a diminishing supply of available units and an increasing supply of potential consumers, the subject property should gain a significant share of the consumers looking for the active adult lifestyle in the Sun City area.

CONCLUDING REMARKS - RESIDENTIAL MARKET ANALYSIS

All aspects of the Metropolitan Phoenix marketplaces seem to be strong, especially affordability and demand generators. The continuing population and employment growth in the area, coupled with relatively attractive mortgage interest rates and low housing prices has resulted in record new home sales in 1999 through 2004.

Real estate markets typically appear to react slowly because many decisions (i.e., buy, sell, lease, expand, etc.) can be postponed for various periods of time. Specifically addressing the residential housing market, analysts suggest the primary reason the residential marketplace has not faltered significantly this year is low mortgage interest rates. Historically, over the past 30 years, the average Mortgage Qualification Ratio has been a multiple of three times income. Today, borrowers can qualify for a mortgage equal to almost four times their income.

In general, it is our opinion that the marketplace will continue to require new housing developments, especially well-planned communities, to keep pace with the continued demand for at least the near term (6 to 12 months). This will remain true as long as mortgage interest rates remain low, the economy stabilizes, and no further unforeseen events occur (further eroding consumer confidence).

With regard to retirement communities, Arizona continues to draw potential residents from not only local, but regional and national marketplaces. There are several large and well known communities in the metropolitan Phoenix and Tucson areas which have been very successful in marketing and selling homes. Without exception, these communities offer a primary amenity such as golf and other community assets such as main gathering/social facilities (i.e. auditoriums, libraries, health spas, etc.). These communities demonstrate increasing levels of demand in response to the increasing size of the population segment served by them.

The typical homebuyer within an active adult community are long time homeowners who have amassed substantial equity in their urban homes. Selling their homes and converting this equity

to cash and then purchasing a new home for much less can be very appealing. As a result, upwards of 75% of the homes sold in active adult communities are all cash transactions. What this suggests is that mortgage interest rates do not significantly impact the absorption in active adult communities.

The existing inventory within active adult communities in the area suggests a balanced or slightly undersupplied condition overall, however with a diminishing supply of available units and an increasing supply of potential consumers, the subject property should gain a significant share of the consumers looking for the active adult lifestyle in northwestern quadrant of Metropolitan Phoenix (the Sun City area).

HIGHEST AND BEST USE

The four subject parcels comprise the initial development phase of a larger 3,100 acre master planned community to be known as Sun City Festival. At built-out, this community will have approximately 7,100 dwelling units which will be constructed around three golf courses and numerous other community amenities. Sun City Festival is being planned as the latest extension of the Sun City product line which began in the 1960s with the original Sun City community developed by Del Webb. Since the original development, two more communities have successfully followed along the Sun City product line. Sun City West was the next to be developed and most recent development has been the Sun City Grand community which is nearing sell-out.

The four subject property have all been platted and engineered for residential development with mix of lots sizes ranging from 46 foot to 80 foot wide lots. These lots will accommodate four home product series being proposed by Pulte Homes. Final plats for each parcel have been approved by the Town of Buckeye and development of the site commenced in July 2005.

In addressing the highest and best use of the subject parcels, consideration has been given to the following four factors:

- Is the proposed use legally permissible;
- Is the proposed use physically possible;
- Is the proposed use economically and financially feasible; and

- Does the proposed use represent the most profitable among the alternative uses that legally permissible, physically possible and economically feasible.

Because all four parcels are designated for single family residential development, the following analysis addresses their residential development potential.

LEGALLY PERMISSIBLE

The single-family use described above for the four subject parcels reflects the zoning currently in place, which is consistent with the Buckeye General Development Plan. The residential development of the subject parcels represents a legally conforming use under current zoning.

PHYSICALLY POSSIBLE

The boundaries of the four subject parcels have been established within a larger property containing 3,100± acres. The size of each, while probably reflecting some physical constraints tied to roadways and easements, are more accurately the results of a general layout design to maximize the physical layout and net efficiency of each parcel. The number of lots, their width and depth, has been a consideration and if the parcel did not work, from a physical standpoint, the design would have been altered to make them work. Final plats have been prepared for all the subject parcels. It is concluded the residential use designated for the subject parcels is physically possible.

FINANCIALLY FEASIBLE

The owner of the property is looking specifically to development an age-restricted community of 7,100 units on the entire 3,100 acres. The proposed community of Sun City Festival is the latest expansion or extension of the Sun City community which was developed in 1960s. Since the original Sun City development, two expansions have also been developed. Sun City West was developed adjacent west of Sun City and more recently Sun City Grand was developed just west of Su City West. This new Sun City community looks to piggy-back on the success of these three communities. New inventory is needed as the Sun City Grand project is nearing sell-out.

Bring a few miles west of the Sun City community, the new Sun City Festival should effectively compete with this segment of the residential market. As discussed previously in the Residential Market Analysis section, the inventory of age-restrict lots is rapidly diminishing at a time when

demand for new units is forecast to grow as the population of persons or 55 significantly increases.

MAXIMALLY PRODUCTIVE

The subject properties are located within a larger proposed residential community in which significant planning and development has already taken place. In order to development a project of the magnitude of a Sun City community, considerable planning and expense is incurred prior to on-site construction. For instance, the property must be secured, entitled, permits and development agreements must be attained to secure the necessary infratstructure. In the case of the subject property this has occurred. In fact, final plats have been recorded for each of the four subject parcels. Due to this fact, there is very little flexibility in terms of the development options now that the legal, physical and financial criteria have been met. It is our opinion that development of the property with the proposed use is the maximally productive use of the property.

HIGHEST AND BEST USE CONCLUSION

Reflecting the facts and reasoning outlined above, it is concluded the highest and best use of the four subject parcels is for the single-family development proposed which represents the initial development phase of Sun City Festival, an age-restricted community.

THE VALUATION DISCUSSION

As noted on page 1, the purpose of this appraisal is to form an opinion of the wholesale (bulk) value of the four subject parcels as of the date of valuation, i.e., "as is" value. In the case of the four subject properties, all four are vacant parcels with approved final plats for residential development. Clearing of the properties was underway at the time of inspection (date of valuation - August 12, 2005).

Given the nature of the subject properties, i.e., four platted and engineered subdivisions with an age-restricted community, the traditional valuation approaches (Cost, Income and Sales Comparison) are not well suited for analysis of the subjects' wholesale value. Therefore, the Modified Cost Approach or residual analysis was utilized to value the subject. The basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of

the subject property. The hypothetical "as if complete" market value is predicated upon the assumption the proposed residential lots are completed, i.e., the lots comprise a subdivision of finished residential lots. The "as if complete" value is estimated using the Income Approach, more specifically static analysis and yield analysis (discounted cash flow). Neither the Sales Comparison not traditional Cost Approach were utilized to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant infrastructure costs front-load to accommodate this particular segment of the population).

The starting point for the Modified Cost Approach, which is utilized to form an opinion of the subject's "as is" value, is the "as if complete" value. The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit.

MODIFIED COST APPROACH – RESIDUAL ANALYSIS

The "as is" value of the subject's four parcels is estimated using the Modified Cost Approach. A Modified (or residual) Cost Approach appears to be the most reasonable valuation approach given the scarcity of comparable sales of bulk final platted and engineered lots within an age-restricted development. The methodology of the Modified Cost Approach presumes that a prudent investor would pay no more for a property than the cost of obtaining a site and building comparable improvements with similar design and utility. This approach also tests the financial feasibility of the proposed subject development. There are three major steps involved in this approach: (1) form an opinion of the hypothetical market value of the property, i.e., as finished residential lots; (2) estimate and deduct all lot development costs as well as applicable entrepreneurial profit; and 3) add back any lot development costs incurred to date as well as any earned entrepreneurial profit.

FINISHED LOT VALUE OPINION

The first step in the residual valuation process is to estimate the finished lot value on an "as if compete" basis for each of the four subject properties. The Income Approach is the methodology by which the hypothetical finished lot values are estimated. Because subdivision development

differs from other types of income producing property, the Income Approach for analyzing subdivision development include two alternative valuation techniques: a static residual model and yield analysis.

The static residual analysis solves for finished lot value by subtracting all costs (including profit) from the anticipated revenues generated from home sale and lot premiums. Profit margins, which are usually expressed as a percentage of gross sales, are readily available from the market for this type of analysis. Surveys of merchant builders indicate that the time value of money and risks are considered in the profit margin. However, static profit margins can vary significantly dependent upon the product being built (i.e. entry-level vs. luxury), the expected level of market competition, the influence of pent-up demand, fluctuating interest rates and borrowing costs, the amount of lot inventory carried by the builder and its physical status (raw land vs. improved lots), the form of lot inventory acquisition (rolling option vs. bulk purchase of improved lots vs. development of raw land), and most importantly the length of the holding period. If all other things are equal, a project with a sellout period of four years will warrant a greater profit than a project with a two year sellout period.

Given the variability of static profit margins, it is also very important in subdivision valuation to analyze the timing of the expected cash flows that the project will generate. This form of dynamic analysis, which is otherwise known as yield analysis, helps to serve as a secondary independent valuation technique, but more importantly, it tests the reasonableness of the profit margin chosen in the static residual analysis. If acquisition, development, and/or construction financing is considered, the yield analysis is very useful in that the rate of return can be divided between the debt and equity components.

Static Residual Analysis

The static residual analysis begins by estimating all sources of revenues from which all costs of production, including profit, are subtracted. The residual number is therefore considered the finished lot value. In regards to the subject property, finished lot value is synonymous with the hypothetical "as if complete" market value.

Base Home Revenue Projections

Although the first sales in the community will not take place for six to nine months, the developer has established base home pricing for its four product series. Average price data for the four product series are summarized in Table 18.

TABLE NO. 18

SUN CITY FESTIVAL REVENUE PROJECTION

Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Base Sales Price	Avg. Price/ Sq.Ft.	Base Revenue Per Product
Cottages	46'	193	27%	1,400	$ 188,550	$ 134.68	$ 36,390,150
Classics	60'	253	35%	1,725	$ 240,307	$ 139.31	$ 60,797,671
Permieres	70'	152	21%	2,100	$ 291,420	$ 138.77	$ 44,295,840
Estates	80'	126	17%	2,700	$ 379,530	$ 140.57	$ 47,820,780
Totals		724	100%		$ 261,470		$ 189,304,441

As indicated above, the four product series average between 1,400 and 2,700 square feet with average base pricing between $188,550 and $379,530. The developer's pricing is consistent with the pricing of its product completed at the end of its Sun City Grand project. The most recent base pricing for Sun City Grand, as reported by the Meyer's Group, is summarized in Table 19.

TABLE NO. 19

SUN CITY GRAND BASE HOME PRICING

Product Series	Size Range Sq.Ft.		Price Range	
Cottages	1,161	1,392	$ 196,990	$ 209,990
Classics	1,115	1,814	$ 107,100	$ 244,990
Premieres	1,416	2,546	$ 128,100	$ 290,990
Estates	2,290	3,388	$ 209,990	$ 257,500

Source: Meyers Group 8/22/05

Given the success of the Sun City projects and the fact the developer's projected pricing is consistent with the base pricing of its final phase of Sun City Grand, the developer's base pricing is used to estimate base home pricing revenue. The projected revenue from base home pricing is summarized in Table 20, which provides a breakdown of revenues by planning area.

TABLE NO. 20

SUN CITY FESTIVAL REVENUE PROJECTION BY PLANNING AREA								
Planning Area	Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Base Sales Price	Avg. Price/ Sq.Ft.	Base Revenue Per Product
A-1								
	Cottages	46'	5	21%	1,400	$ 188,550	$ 134.68	$ 942,750
	Classics	60'	5	21%	1,725	$ 240,307	$ 139.31	$ 1,201,535
	Permieres	70'	11	46%	2,100	$ 291,420	$ 138.77	$ 3,205,620
	Estates	80'	3	13%	2,700	$ 379,530	$ 140.57	$ 1,138,590
			24	100%		$ 270,354		$ 6,488,495
B-1								
	Cottages	46'	123	30%	1,400	$ 188,550	$ 134.68	$ 23,191,650
	Classics	60'	116	28%	1,725	$ 240,307	$ 139.31	$ 27,875,612
	Permieres	70'	88	22%	2,100	$ 291,420	$ 138.77	$ 25,644,960
	Estates	80'	81	20%	2,700	$ 379,530	$ 140.57	$ 30,741,930
		Total	408	100%		$ 263,368		$ 107,454,152
C-1								
	Cottages	46'	33	23%	1,400	$ 188,550	$ 134.68	$ 6,222,150
	Classics	60'	56	39%	1,725	$ 240,307	$ 139.31	$ 13,457,192
	Permieres	70'	28	20%	2,100	$ 291,420	$ 138.77	$ 8,159,760
	Estates	80'	26	18%	2,700	$ 379,530	$ 140.57	$ 9,867,780
		Total	143	100%		$ 263,684		$ 37,706,882
D-1								
	Cottages	46'	32	21%	1,400	$ 188,550	$ 134.68	$ 6,033,600
	Classics	60'	76	51%	1,725	$ 240,307	$ 139.31	$ 18,263,332
	Permieres	70'	25	17%	2,100	$ 291,420	$ 138.77	$ 7,285,500
	Estates	80'	16	11%	2,700	$ 379,530	$ 140.57	$ 6,072,480
		Total	149	100%		$ 252,718		$ 37,654,912

Lot Premium Revenue Projection

Although there can be a variety of lot premiums including, golf course frontage, open space, cul-de-sac, corner lots, and city/mountain views. Of particular importance to the valuation of the subject property are those lots which will front along the future golf course. Of the subject's 724 lots, 144, or 20% of the lots have frontage along a portion of the proposed golf course or open space. Although a golf course is planned as port of the amenity package of the Sun City Festival community, lots premiums in this analysis are based upon an assumption that the lots front along open space, as development of the golf course has yet to commence. This is predicated upon the fact the value addressed in this appraisal reflects the "as is" condition of the property. Table 21 summarizes the lot premiums by planning area.

TABLE NO. 21

PREMIUM GOLF COURSE LOTS			
Planning Area	No. Of Lots	No. Of Golf Lots	% Of Total Lots
A-1	24	19	79%
B-1	408	87	21%
C-1	143	21	15%
D-1	149	17	11%
Total	724	144	20%

As indicated in the table above, premium lots are most significant to Planning Area A-1 (model home complex), as approximately 80% of the lots have frontage along the open space. The other three planning areas have far less premium lots.

Given the fact the subject's premium lots are being analyzed on an assumption that they each have frontage along a greenbelt or open space (more likely a future golf course), an average lot premium of $55,000 has been estimated. Based upon a $55,000 lot premium, total lot premium revenue is estimated at $7,920,000, or an average of just under $11,000 per lot. Table 22 summarizes the lot premium projections.

TABLE NO. 22

LOT PREMIUM REVENUE					
Planning Area	Total Lots	Prem. Lots	Lot Premium	Lot Premium Revenue	Avg. Lot Premium
A-1	24	19	$ 55,000	$ 1,045,000	$ 43,542
B-1	408	87	$ 55,000	$ 4,785,000	$ 11,728
C-1	143	21	$ 55,000	$ 1,155,000	$ 8,077
D-1	149	17	$ 55,000	$ 935,000	$ 6,275
Total	724	144	$ 55,000	$ 7,920,000	$ 10,939

Direct Home Construction Costs

Direct home construction costs are the physical materials required to construct the proposed residence and the associated labor costs. This is sometimes referred to as the "sticks and brick" of construction. Direct construction costs provided by the developer are summarized in Table 23.

TABLE NO. 23

SUN CITY FESTIVAL DIRECT HOME CONSTRUCTION COSTS BY SERIES						
Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Home Const. Cost	Avg. Cost/ Sq.Ft.
Cottages	46'	193	27%	1,400	$ 89,600	$ 64.00
Classics	60'	253	35%	1,725	$ 108,675	$ 63.00
Permieres	70'	152	21%	2,100	$ 134,400	$ 64.00
Estates	80'	126	17%	2,700	$ 164,700	$ 61.00
		724	100%	1,887	118,741	$ 62.93

Based upon the direct construction cost estimates furnished by the developer, direct construction costs for each of the four planning areas have been estimated. These costs are summarized in Table 24.

TABLE NO. 24

SUN CITY FESTIVAL DIRECT HOME CONSTRUCTION COSTS BY PLANNING AREA							
Planning Area	Product Series	Lot Width	No. Of Lots	% Of Total	Avg. Home Size (Sq.Ft.)	Avg. Home Const. Cost	Avg. Cost/ Sq.Ft.
A-1							
	Cottages	46'	5	21%	1,400	$ 89,600	$ 64.00
	Classics	60'	5	21%	1,725	$ 108,675	$ 63.00
	Permieres	70'	11	46%	2,100	$ 134,400	$ 64.00
	Estates	80'	3	13%	2,700	$ 164,700	$ 61.00
			24	100%	1,951	123,495	$ 63.30
B-1							
	Cottages	46'	123	30%	1,400	$ 89,600	$ 64.00
	Classics	60'	116	28%	1,725	$ 108,675	$ 63.00
	Permieres	70'	88	22%	2,100	$ 134,400	$ 64.00
	Estates	80'	81	20%	2,700	$ 164,700	$ 61.00
		Total	408	100%	1,901	119,596	$ 62.90
C-1							
	Cottages	46'	33	23%	1,400	$ 89,600	$ 64.00
	Classics	60'	56	39%	1,725	$ 108,675	$ 63.00
	Permieres	70'	28	20%	2,100	$ 134,400	$ 64.00
	Estates	80'	26	18%	2,700	$ 164,700	$ 61.00
		Total	143	100%	1,901	119,497	$ 62.87
D-1							
	Cottages	46'	32	21%	1,400	$ 89,600	$ 64.00
	Classics	60'	76	51%	1,725	$ 108,675	$ 63.00
	Permieres	70'	25	17%	2,100	$ 134,400	$ 64.00
	Estates	80'	16	11%	2,700	$ 164,700	$ 61.00
		Total	149	100%	1,823	114,911	$ 63.04

Indirect Home Construction Costs

These costs are those that are directly related to the construction of a specific home, however these cost are not typically for construction materials or the associated construction labor. Indirect costs generally include such items are sales commissions, sales tax, closing costs, concessions (discounts/incentives), customer service (warranty) and other miscellaneous expenses.

Sales Commissions and Sales Tax

In production housing, if no other sales commissions are payable, sale commissions are typically paid at 1.5% to 2.5% of the base home sale price to the in-house sales personnel. For co-brokerage situations, 1.5% to 2.5% is paid to the in-house sales personnel and 3.0% to 3.5% to outside salespersons. Average in-house sales commission and co-brokerage sales commission expenses are estimated to average 1.5% and 0.6% of total revenues, respectively. This assumes in-house commissions of 1.5% and co-broke commissions of 3.0% with 80% of all sales occurring as in-house sales. This is typical of an age-restricted community with substantial marketing efforts and significant sales center/model home complexes.

Sales tax generally ranges between 2.5% and 3.5% of base home sale price, depending upon the municipality and structure of the development/homebuilding entity. For this analysis, an average of 2.5% is utilized.

Warranty and Closing Costs

Warranty and closing costs are typically quoted on a per unit basis and not as a percentage of sales revenues. These costs are variable in the sense that they are dependent upon home price and quality. However, within a price and quality bracket, they are fairly consistent. Generally, closing costs range between 0.25% and 1.0% per home and warranty costs are about the same except in the higher-end home quality transactions. In these circumstances, warranty costs can be double the closing cost figures. Closing and warranty costs are each estimated to be about 0.75% of base home price per home, based upon input from the builder.

Miscellaneous (Contingency) Costs

Miscellaneous costs (contingency) can vary greatly depending upon the location of the property and quality of the construction materials. On average, this expense is usually 0.25% to 1% of base home revenues. For this analysis, we will use 0.75%.

Sales Concessions (Discounts/Incentives)

Sales concessions are the most volatile expense item since they are a reflection of changing market conditions. Instead of lowering home prices if the market slows down, most homebuilders offer discounts/incentives to lure home buyers. In some instances, sale concessions can be material, while no concessions can be the norm in other circumstances. Typical sale concessions range from none to some discounting of options/upgrades and lot premiums. In our opinion, it appears the marketplace is likely to offer some sort of incentive to buyers. A discount or incentive of 1% of the base home price is projected.

Project Costs

These costs are those that are not directly related to the construction or sale of a specific home (unit), but are general costs associated with the operational aspects of the project. Most builders generally include an allowance for construction overhead (on-site supervision), marketing and advertising (not related to sales commissions or incentives), and administrative and overhead items within this category of expenses.

Construction Overhead

Construction overhead relates to direct supervision of the actual homebuilding operations on-site, as well as the cost to construct or lease temporary construction trailers, lease and maintain construction equipment, and purchase certain construction materials not previously identified in the direct home construction discussion. This cost is generally 1% to 3% of total revenues. For this analysis, we have estimated a ratio of 1.5% of base home revenues.

Sales and Marketing

Advertising and promotion is generally 1% to 3% of base home revenues, depending upon the size and quality of the project and whether or not it is located in a master-planned community which may involve a joint marketing campaign with other builders. Most of the advertising expense for a typical subdivision is associated with signage, brochures, and newspaper ads. The four subject properties comprises a much larger development which is different than the typical

residential subdivision. Significant up-front sales and marketing expenses are associated with the promotion of a new age-restricted community. For instance, age-restricted communities typically include more elaborate model home and sales center complexes. Additional, expenditures for television, national magazine and newspaper advertisements can typically be associated with the start-up of a new community. Because the subject property represents the initial offerings within the community, additional expenditures, over and above the stabilized marketing budget, is considered appropriate. For this analysis, a sales and marketing expense of 3% of base home revenues.

Administrative and Overhead

Within the administrative and overhead category, there are numerous smaller expense items which collectively become quite sizable. These include: model operational costs (including model lease, maintenance, utilities, security, hostess, office supplies, telephone, computer and furniture leases, etc.), sales office construction, liability insurance, and appraisal, legal and accounting fees. Combined, these expenses can amount to as much as 4% of gross revenues, but are generally nearer mid-range. Because of the unique nature of the subject community (age-restricted), it is our opinion the administrative/overhead expense category should be at the higher end of the range, say 3% of base home revenues, to account for the specialized expertise required in successfully maintaining the operation of such a community.

In some instances, homebuilders will include an additional expense category labeled management fee, corporate overhead, or builder's fee. These are not generally project related costs, but instead are typically home-office expenses and executive salaries allocated to individual projects instead for accounting purposes. In most cases, these cost items are deducted from total profits at the corporate level, and as such we will not make any special category withholding for this purpose.

Holding Costs

These items are not directly related to the construction or sale of any residences within the subdivision, but instead are the necessary expenses to maintain lot inventory. Mainly, this category of expenses involve real estate taxes, special assessments (improvement district, bonds, special taxes, etc.) and homeowner's association subsidies.

Real Estate Taxes

As previously discussed in the Site Description section of the report, real estate taxes for the subject lots are believed to average $300 per lot per year.

Special Taxes (Assessments)

The subject property is being appraised in connection with the establishment of assessment to pay a portion of the cost of providing residential streets. Projections are for an assessment in the amount of $2,000 per lot. Based upon an assessment of $2,000, an annual assessment payment would likely equate to approximately $150.

Homeowner's Association Fees (Subsidies)

The homeowner's association subsidy for the subject lots that remain in the builder's inventory are estimated to be $85 per month per lot or $1,020 per annum.

The reader should understand that as time goes on and lots are sold, these holding costs are reduced accordingly, but also appreciate on an absolute basis.

Financing

Financing for acquisition of the raw land, development of improved lots, and construction of the homes is an integral part of any subdivision valuation, and certainly is an important aspect of homebuilding. However, because most lending institutions do not like to base underwriting decisions on the leveraged aspect of subdivision development, financing expenses are usually ignored in the static residual analysis, with an "all cash" development scheme adopted as standard. Instead, the cost of financing is recognized in the builder's profit margin: if the builder is providing all working capital, then the builder's yield (profit) should increase accordingly.

In reality though, very few homebuilders have the financial capacity to completely develop a subdivision without external funds. Through yield analysis performed on numerous other subdivision appraisals where financing costs are considered as a cost of production, they have consistently averaged between 2% and 4% of gross revenues. Nevertheless, if the profit margin selected in the static residual analysis properly reflects this "opportunity cost" savings, then performing the analysis on an "all cash basis" is not inappropriate or misleading.

Homebuilder Profit Margin

Profit in subdivision analysis can merely be stated as the residual cash flow to the developer/builder after all costs of production have been paid, including debt and equity contribution (preferred returns). The amount of profit expected from any particular subdivision is based on the perceived risk associated with the development, and must be sufficient to attract investment. Profit is site specific with a number of factors to consider. These include but are not limited to the following:

- Difficulty of the entitlement process
- Physical status of the property (raw/finished/partially finished)
- Price range of the proposed units
- Construction/absorption period
- Location
- Amenities such as golf course orientation or views
- Future competition
- Sources of financing and cost

We have surveyed successful homebuilders in the Phoenix area market over the past several years, including Centex Homes, Engle Homes, Pulte Homes, KB Homes, Capital Pacific Homes, Maracay Homes, Trend Homes, etc. These builders have indicated that a profit margin ranging between 8% and 15% of gross revenues is deemed acceptable. However, this profit is typically based on the total sale price of a home, inclusive of options which have a high mark-up built into these upgrades. The generally accepted profit range without considering upgrades is currently between 5% and 12%. The low-end of this range is typically associated with entry-level and first move-up housing product, while the high-end of the range is typically associated with second move-up and higher quality housing product. This profit range is also reflective of a leveraged development scheme, not an "all cash basis." Thus, the aforementioned 2% to 4% financing cost for a typical subdivision needs to be added to the 5% to 12% range for an "all cash basis" acceptable profit rate.

An appropriate builder profit margin is dependent upon two primary factors; sellout/construction period and base home price range. It is generally believed that builders with shorter sell-out and construction periods accept (receive) lower static profit margins for a couple of reasons: first, there are fewer lots over which to spread fixed building costs, limiting the profit margin somewhat; and secondly, because of the shorter timeframe, holding, construction, and market risks are perceived as slightly lower.

The second significant factor affecting builder profit is the base home price range studied, because in general, builder profit margins tend to increase as home prices increase. This is due to the increased costs/risks associated with constructing and selling more expensive homes, burdens a builder must account for in higher profit margins. The average base home price concluded for the subject's proposed product series fall between $188,550 and $370,530, however, when weighted by the proposed unit mix in each planning area a narrower range between $252,000 and $270,000 is indicated. With a such a narrow range, the same builder profit range is used amongst the four planning areas.

Based upon the two main factors influencing builder profit, a range between 12.0% and 16.0% is concluded.

Conclusion – Static Residual Analysis

Based upon the previously stated assumptions, the Static Residual Analysis Summaries for the subject four planning areas are included after Table 25, which is a valuation matrix for the four planning areas.

TABLE NO. 25

SUMMARY OF STATIC RESIDUAL ANALYSES

Planning Area	Static Residual Analysis Value Range Per Unit	
A-1 (Model home complex)	$ 104,575	$ 115,389
B-1	$ 71,770	$ 82,305
C-1	$ 68,440	$ 78,987
D-1	$ 63,547	$ 73,655

TABLE NO. 26

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA A-1

	Per Home	% Of Home Price	Total
Revenues			
Base Home Sales Proceeds	$ 270,354	86.13%	$ 6,488,495
Lot Premiums	$ 43,542	13.87%	$ 1,045,000
Total Revenue	$ 313,896	100.00%	$ 7,533,495
Unit Costs			
Direct Home Construction Costs	$ 123,495	45.68%	$ 2,963,875
Discounts (Incentives)	$ 2,704	1.00%	$ 64,885
Sales Commissions (In-house)	$ 4,055	1.50%	$ 97,327
Sales Commissions (Co-broke)	$ 2,028	0.75%	$ 48,664
Sales Tax	$ 6,759	2.50%	$ 162,212
Warranty	$ 2,000	0.74%	$ 48,000
Closing Costs	$ 1,250	0.46%	$ 30,000
Contingency	$ 2,028	0.75%	$ 48,664
Total Unit Costs	$ 144,318	53.38%	$ 3,463,627
Project Costs			
Construction Overhead	$ 4,055	1.50%	$ 97,327
Marketing & Advertising	$ 8,111	3.00%	$ 194,655
Administrative & Overhead	$ 8,111	3.00%	$ 194,655
Total Project Costs	$ 20,277	7.50%	$ 486,637
Holding Costs			
Real Estate Taxes	$ 300	0.11%	$ 7,200
Special Taxes (Assessments)	$ 150	0.06%	$ 3,600
HOA Fees (Subsidies)	$ 1,020	0.38%	$ 24,480
Total Holding Cost	$ 1,470	0.54%	$ 35,280
Builder Profit Margin @ 12.0%	$ 32,442	12.00%	$ 778,619
Residual Finished Lot Value @ 12.0%	**$ 115,389**	**26.58%**	**$ 2,769,331**
Builder Profit Margin @ 16.0%	$ 43,257	16.00%	$ 1,038,159
Residual Finished Lot Value @ 16.0%	**$ 104,575**	**22.58%**	**$ 2,509,792**

TABLE NO. 27

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA B-1

	Per Home	% Of Home Price	Total
Revenues			
Base Home Sales Proceeds	$ 263,368	95.74%	$ 107,454,152
Lot Premiums	$ 11,728	4.26%	$ 4,785,000
Total Revenue	$ 275,096	100.00%	$ 112,239,152
Unit Costs			
Direct Home Construction Costs	$ 119,596	45.41%	$ 48,795,000
Discounts (Incentives)	$ 2,634	1.00%	$ 1,074,542
Sales Commissions (In-house)	$ 3,951	1.50%	$ 1,611,812
Sales Commissions (Co-broke)	$ 1,975	0.75%	$ 805,906
Sales Tax	$ 6,584	2.50%	$ 2,686,354
Warranty	$ 2,000	0.76%	$ 816,000
Closing Costs	$ 1,250	0.47%	$ 510,000
Contingency	$ 1,975	0.75%	$ 805,906
Total Unit Costs	$ 139,965	53.14%	$ 57,105,520
Project Costs			
Construction Overhead	$ 3,951	1.50%	$ 1,611,812
Marketing & Advertising	$ 7,901	3.00%	$ 3,223,625
Administrative & Overhead	$ 7,901	3.00%	$ 3,223,625
Total Project Costs	$ 19,753	7.50%	$ 8,059,061
Holding Costs			
Real Estate Taxes	$ 300	0.11%	$ 122,400
Special Taxes (Assessments)	$ 150	0.06%	$ 61,200
HOA Fees (Subsidies)	$ 1,020	0.39%	$ 416,160
Total Holding Cost	$ 1,470	0.56%	$ 599,760
Builder Profit Margin @ 12.0%	$ 31,604	12.00%	$ 12,894,498
Residual Finished Lot Value @ 12.0%	**$ 82,305**	**26.80%**	**$ 33,580,312**
Builder Profit Margin @ 16.0%	$ 42,139	16.00%	$ 17,192,664
Residual Finished Lot Value @ 16.0%	**$ 71,770**	**22.80%**	**$ 29,282,146**

TABLE NO. 28

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA C -1

	Per Home	% Of Home Price	Total
Revenues			
Base Home Sales Proceeds	$ 263,684	97.03%	$ 37,706,882
Lot Premiums	$ 8,077	2.97%	$ 1,155,000
Total Revenue	$ 271,761	100.00%	$ 38,861,882
Unit Costs			
Direct Home Construction Costs	$ 119,497	45.32%	$ 17,088,000
Discounts (Incentives)	$ 2,637	1.00%	$ 377,069
Sales Commissions (In-house)	$ 3,955	1.50%	$ 565,603
Sales Commissions (Co-broke)	$ 1,978	0.75%	$ 282,802
Sales Tax	$ 6,592	2.50%	$ 942,672
Warranty	$ 2,000	0.76%	$ 286,000
Closing Costs	$ 1,250	0.47%	$ 178,750
Contingency	$ 1,978	0.75%	$ 282,802
Total Unit Costs	$ 139,886	53.05%	$ 20,003,697
Project Costs			
Construction Overhead	$ 3,955	1.50%	$ 565,603
Marketing & Advertising	$ 7,911	3.00%	$ 1,131,206
Administrative & Overhead	$ 7,911	3.00%	$ 1,131,206
Total Project Costs	$ 19,776	7.50%	$ 2,828,016
Holding Costs			
Real Estate Taxes	$ 300	0.11%	$ 42,900
Special Taxes (Assessments)	$ 150	0.06%	$ 21,450
HOA Fees (Subsidies)	$ 1,020	0.39%	$ 145,860
Total Holding Cost	$ 1,470	0.56%	$ 210,210
Builder Profit Margin @ 12.0%	$ 31,642	12.00%	$ 4,524,826
Residual Finished Lot Value @ 12.0%	**$ 78,987**	**26.89%**	**$ 11,295,133**
Builder Profit Margin @ 16.0%	$ 42,190	16.00%	$ 6,033,101
Residual Finished Lot Value @ 16.0%	**$ 68,440**	**22.89%**	**$ 9,786,857**

TABLE NO. 29

STATIC RESIDUAL ANALYSIS - SUN CITY FESTIVAL PLANNING AREA D-1					
		Per Home	% Of Home Price		Total
Revenues					
Base Home Sales Proceeds	$	252,718	97.58%	$	37,654,912
Lot Premiums	$	6,275	2.42%	$	935,000
Total Revenue	$	258,993	100.00%	$	38,589,912
Unit Costs					
Direct Home Construction Costs	$	114,911	45.47%	$	17,121,700
Discounts (Incentives)	$	2,527	1.00%	$	376,549
Sales Commissions (In-house)	$	3,791	1.50%	$	564,824
Sales Commissions (Co-broke)	$	1,895	0.75%	$	282,412
Sales Tax	$	6,318	2.50%	$	941,373
Warranty	$	2,000	0.79%	$	298,000
Closing Costs	$	1,250	0.49%	$	186,250
Contingency	$	1,895	0.75%	$	282,412
Total Unit Costs	$	134,587	53.26%	$	20,053,519
Project Costs					
Construction Overhead	$	3,791	1.50%	$	564,824
Marketing & Advertising	$	7,582	3.00%	$	1,129,647
Administrative & Overhead	$	7,582	3.00%	$	1,129,647
Total Project Costs	$	18,954	7.50%	$	2,824,118
Holding Costs					
Real Estate Taxes	$	300	0.12%	$	44,700
Special Taxes (Assessments)	$	150	0.06%	$	22,350
HOA Fees (Subsidies)	$	1,020	0.40%	$	151,980
Total Holding Cost	$	1,470	0.58%	$	219,030
Builder Profit Margin @ 12.0%	$	30,326	12.00%	$	4,518,589
Residual Finished Lot Value @ 12.0%	$	73,655	26.66%	$	10,974,655
Builder Profit Margin @ 16.0%	$	40,435	16.00%	$	6,024,786
Residual Finished Lot Value @ 16.0%	$	63,547	22.66%	$	9,468,458

YIELD ANALYSIS

Timing of Sales Revenues and Home Construction

The projected sell-out periods for the subject units are predicated upon historical sales data From other age-restricted communities, particularly Sun City Grand – the predecessor to Sun City Festival, and discussions in the Residential Market Analysis section of this report. The following assumptions are made regarding absorption:

- In the first year of analysis, 300 sales are projected and held stable for the sellout of the subject units;
- No differentiation is made between product series – sales are based upon a average of all product series; and

At an absorption rate of 300 per year, 75 units per quarter will collectively be absorbed by the four planning areas. With overall absorption established at 75 units, each planning area will receive its proportionate share of units based on its share of the 724 lots within the initial development phase. For example, the 408 lots within Planning Area B-1 is approximately 55% of the total inventory of lots (724). Therefore, its absorption level per quarter is estimated at 40 units. Therefore, absorption of all 408 lots in Parcel B-1 will take place within 11 quarters, or approximately 3 years.

Phasing Schedule

The subject lots have yet to be developed, however construction has commenced on all four planning areas, therefore there will be no phasing of the units in the yield analysis.

Home Construction Sequence

Because the four planning areas are not yet ready for home construction, a lag of two quarters is anticipated prior to the first closings. Home construction should take place within a five to six month period. As there is no way to project which lots and when particular lots will sell, the average home price (including average lot premium) are utilized over the entire absorption period.

Future Retail Values

Based on historic changes in the base plan pricing in other age-restricted communities, an average annual appreciation rate of 3% to 6% is generally reasonable to expect. For this analysis, we estimate a 5% annual increase, scheduled to begin after the first quarter.

Holding Cost Escalation Factor

Based upon a study of historic direct home construction costs in other age-restricted communities, we estimate that all expenses will increase about 4.0% annually during the sell-out periods, beginning in the second quarter of the cash flow analysis.

Homebuilder Profit Margin

It is important to distinguish between profit margins in a static residual analysis and line item profit in yield analysis. Market participants confirm that profit utilized in static residual analysis takes into consideration the time value of money; i.e. they require more profit for a project with a longer construction/absorption period compared to a project that they can construct and sellout within two years. Since the time value of money is accounted for in the discount rate, the utilization of the same profit in the yield analysis as in the static residual analysis actually penalizes the value. Since few merchant builders perform yield analysis when making land purchase decisions, market supported line item profit figures and discount rates for yield analysis are virtually non-existent. Also, from a technical standpoint, one can question the appropriateness of treating profit as a line item expense in a yield analysis. In reality, profit is the residual cash flow received after all parties are paid, including debt and equity investors.

Project Discount Rate

The project discount rate, yield rate, or internal rate of return (IRR), is the rate of return on the total unleveraged investment in a development, including both equity and debt. It is based on risk, liquidity and management burden and is the rate that would attract a prudent investor. Although the actual rate of return on an investment cannot be calculated until the investment is sold, an investor may consider a target yield rate for the investment prior to or during ownership. This rate considers the influence or the degree of apparent risk, prospective rates of return for alternative investment opportunities, historical rates of return earned by comparable properties, market attitudes with respect to future inflation or deflation, supply of and demand for mortgage funds, availability of tax shelters, etc.

Analysts have attempted to apply rates of return typically utilized for income producing properties in subdivision analysis. However, subdivisions are constructed to sell not to produce a recurring income. A subdivision cash flow is a series of reversions, whereby the asset is continuously

disposed of until there is nothing left at the end of the holding period. Further, subdivision discount rates include both entrepreneurial profit and return on equity as opposed to income property rates which do not include entrepreneurial profit. Because the cash flow characteristics differ from those of income property, the application of "income property" rates is inappropriate to subdivision analysis.

Interviews and discussions with real estate professionals and investors who are experienced with multi parcel subdivision development (both commercial and residential) indicate that such properties are mostly evaluated on a total return basis. Currently, total returns ranging from approximately 15% to 40% (inclusive of entrepreneurial profit) are required depending on the size of the property, its improvement status, the expected holding (sell-out) period, holding costs, risk, etc. According to investment companies active in this particular region (including Hearthstone Advisors, Saybrook Community Capital, Prudential Homebuilding Investors, Stardust Development, Communities Southwest, Acacia Capital Corporation, and GMAC-RFC), homebuilding operations as well as land development or "land banking" operations generally require return rates between 15% and 25%.

Further support for a range of discount rates was obtained from the Korpacz *Real Estate Investor Survey, Second Quarter 2005 published by PricewaterhouseCoopers*. On a semi-annual basis, the Korpacz report includes survey information related to the land development market. While most of the data are directed toward the commercial land development market, some information regarding the residential land development market can be extracted from the data. Korpacz's surveyed participants include industrial, retail, office and single-family developers. Discount rates for all land development property types ranged from 11% to 25% with the highest concentration of responses between 20% and 25%.

Based on the foregoing and after considering the retirement nature of the subject community, the sell-out and construction periods of the subject units, and entry to mid level home pricing, it is our opinion IRRs (project yields) between 20% and 25% would be most appropriate for each product series. Thus, we have utilized a 20% to 25% discount rate range for these analyses.

Conclusion – Yield Analysis

Using the estimates and assumptions discussed above, we have performed cash flow analyses for each of the subject's four planning areas. The results of the cash flow analyses are summarized in Table 30. The individual cash flows for each planning area are on the following pages.

TABLE NO. 30

SUMMARY OF YIELD ANALYSES CONCLUSIONS

Planning Area	Yield Analysis Value Range Per Unit	
A-1 (Model home complex)	$ 104,450	$ 112,801
B-1	$ 70,940	$ 79,703
C-1	$ 69,428	$ 77,875
D-1	$ 65,055	$ 73,235

TABLE NO. 31

Summary of Input Items
Retail Acre Analysis

No. of Lots =	24
Quarterly Lot Sales Rate =	6.00
Average Home Sales Price =	$270,354
Average Lot Premium =	$43,542
Price Escalation Factor =	5%
Direct Home Construction Costs =	$ 123,495
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty =	$ 2,000
Closing Costs =	$ 1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes =	$ 300
Special Taxes (Assessments) =	$ 150
HOA Fees (Subsidies) =	$ 1,020

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	Totals
Lot Sales (Closings)	0	0	6	6	6	6	24
Beginning Lot Inventory	24	24	24	18	12	6	
Ending Lot Inventory	24	24	18	12	6	0	
Avg. Lot Inventory During Period	24	24	21	15	9	3	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	Totals
Revenue							
Income From Lot Sales	$ -	$ -	$ 1,622,124	$ 1,622,124	$ 1,703,230	$ 1,703,230	$ 6,650,70
Income from Lot Premiums	$ -	$ -	$ 274,313	$ 274,313	$ 274,313	$ 274,313	$ 1,097,25
Total Revenue	$ -	$ -	$ 1,896,436	$ 1,896,436	$ 1,977,542	$ 1,977,542	$ 7,747,95
Unit Costs							
Direct Home Construction Costs	$ 740,969	$ 748,378	$ 755,862	$ 763,421	$ -	$ -	$ 3,008,63
Discounts (Incentives)	$ -	$ -	$ 16,221	$ 16,221	$ 17,032	$ 17,032	$ 66,50
Sales Commissions (In-house)	$ -	$ -	$ 24,332	$ 24,332	$ 25,548	$ 25,548	$ 99,76
Sales Commissions (Co-broke)	$ -	$ -	$ 12,166	$ 12,166	$ 12,774	$ 12,774	$ 49,88
Sales Tax	$ -	$ -	$ 40,553	$ 40,553	$ 42,581	$ 42,581	$ 166,26
Warranty	$ -	$ -	$ 12,241	$ 12,364	$ 12,487	$ 12,612	$ 49,70
Closing Costs	$ -	$ -	$ 7,651	$ 7,727	$ 7,805	$ 7,883	$ 31,06
Contingency	$ -	$ -	$ 14,223	$ 14,223	$ 14,832	$ 14,832	$ 58,11
Total Unit Costs	$ 740,969	$ 748,378	$ 883,250	$ 891,007	$ 133,659	$ 133,262	$ 3,529,92
Project Costs							
Construction Overhead	$ -	$ -	$ 24,332	$ 24,332	$ 25,548	$ 25,548	$ 99,76
Marketing & Advertising	$ -	$ -	$ 48,664	$ 48,664	$ 51,097	$ 51,097	$ 199,52
Administrative & Overhead	$ -	$ -	$ 48,664	$ 48,664	$ 51,097	$ 51,097	$ 199,52
Total Project Costs	$ -	$ -	$ 121,659	$ 121,659	$ 127,742	$ 127,742	$ 498,80
Holding Costs							
Real Estate Taxes	$ 1,800	$ 1,818	$ 1,507	$ 1,159	$ 702	$ 235	$ 7,32
Special Taxes (Assessments)	$ 900	$ 909	$ 803	$ 580	$ 351	$ 118	$ 3,66
HOA Fees (Subsidies)	$ 6,120	$ 6,181	$ 5,463	$ 3,941	$ 2,388	$ 804	$ 24,89
Total Holding Costs	$ 8,820	$ 8,908	$ 7,873	$ 5,680	$ 3,442	$ 1,159	$ 35,88
Total Costs	$ 749,789	$ 757,287	$ 1,012,781	$ 1,018,346	$ 264,243	$ 262,163	$ 4,064,60
Cash Flow Before Profit	$ (749,789)	$ (757,287)	$ 883,655	$ 878,090	$ 1,713,299	$ 1,715,379	$ 3,683,34

NPV of Cash Flows Discounted at:	Total	Per Lot
20.00%	$2,707,233	$112,801
22.50%	$2,605,118	$108,547
25.00%	$2,506,806	$104,450

TABLE NO. 32

Summary of Input Items:
Retail Acre Analysis

No. of Lots =	408
Quarterly Lot Sales Rate =	40.00
Average Home Sales Price =	$263,368
Average Lot Premium =	$11,728
Annual Price Escalation Factor =	5%
Direct Home Construction Costs = $	139,596
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty = $	2,800
Closing Costs = $	1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes = $	300
Special Taxes (Assessments) = $	150
HOA Fees (Subsidies) = $	1,020

NPV of Cash Flows

Discounted at:	Total	Per Lot
20.00%	$32,518,720	$79,703
22.50%	$30,675,636	$75,185
25.00%	$28,943,652	$70,940

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Lot Sales (Closings)	0	0	40	40	40	40	40	40	40	40	40	40	8	408
Beginning Lot Inventory	408	408	408	368	328	288	248	208	168	128	88	48	8	
Ending Lot Inventory	408	408	368	328	288	248	208	168	128	88	48	8	0	
Avg. Lot Inventory During Period	408	408	388	348	308	268	228	188	148	108	68	28	4	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Revenue														
Income From Lot Sales	$ -	$ -	$ 10,799,735	$ 10,934,732	$ 11,071,416	$ 11,209,808	$ 11,349,931	$ 11,491,805	$ 11,635,453	$ 11,780,896	$ 11,928,157	$ 12,077,259	$ 2,833,606	$ 117,112,79
Income from Lot Premiums	$ -	$ -	$ 517,202	$ 543,062	$ 570,215	$ 499,180	$ 505,419	$ 511,737	$ 518,134	$ 524,611	$ 531,168	$ 537,808	$ 108,906	$ 5,267,44
Total Revenue	$ -	$ -	$ 11,316,937	$ 11,477,794	$ 11,641,631	$ 11,708,988	$ 11,855,350	$ 12,003,542	$ 12,153,587	$ 12,305,506	$ 12,459,325	$ 12,615,067	$ 2,942,512	$ 122,480,24
Unit Costs														
Direct Home Construction Costs	$ 4,783,824	$ 4,831,662	$ 4,879,978	$ 4,928,778	$ 4,978,066	$ 5,027,847	$ 5,078,125	$ 5,128,906	$ 5,180,195	$ 5,231,997	$ 1,056,863	$ -	$ -	$ 51,106,24
Discounts (Incentives)	$ -	$ -	$ 107,997	$ 109,247	$ 110,714	$ 112,099	$ 113,499	$ 114,918	$ 116,355	$ 117,809	$ 119,282	$ 120,773	$ 28,336	$ 1,171,12
Sales Commissions (In-house)	$ -	$ -	$ 161,996	$ 164,021	$ 166,071	$ 168,147	$ 170,249	$ 172,377	$ 174,532	$ 176,713	$ 178,922	$ 181,159	$ 42,504	$ 1,756,69
Sales Commissions (Co-broke)	$ -	$ -	$ 80,998	$ 82,010	$ 83,036	$ 84,074	$ 85,124	$ 86,189	$ 87,266	$ 88,357	$ 89,461	$ 90,579	$ 21,252	$ 878,24
Sales Tax	$ -	$ -	$ 269,993	$ 273,368	$ 276,785	$ 280,245	$ 283,748	$ 287,295	$ 290,886	$ 294,522	$ 298,204	$ 301,931	$ 70,840	$ 2,927,82
Warranty	$ -	$ -	$ 81,608	$ 82,424	$ 83,248	$ 84,081	$ 84,922	$ 85,771	$ 86,629	$ 87,495	$ 88,370	$ 89,253	$ 18,029	$ 871,82
Closing Costs	$ -	$ -	$ 51,005	$ 51,515	$ 52,030	$ 52,551	$ 53,076	$ 53,607	$ 54,143	$ 54,684	$ 55,231	$ 55,783	$ 11,268	$ 544,89
Contingency	$ -	$ -	$ 84,877	$ 86,083	$ 87,312	$ 87,817	$ 88,915	$ 90,027	$ 91,152	$ 92,291	$ 93,445	$ 94,613	$ 22,069	$ 918,60
Total Unit Costs	$ 4,783,824	$ 4,831,662	$ 5,718,453	$ 5,777,548	$ 5,837,263	$ 5,896,859	$ 5,957,659	$ 6,019,089	$ 6,081,157	$ 6,143,869	$ 1,979,778	$ 934,892	$ 214,299	$ 60,175,55
Project Costs														
Construction Overhead	$ -	$ -	$ 161,996	$ 164,021	$ 166,071	$ 168,147	$ 170,249	$ 172,377	$ 174,532	$ 176,713	$ 178,922	$ 181,159	$ 42,504	$ 1,756,69
Marketing & Advertising	$ -	$ -	$ 323,992	$ 328,042	$ 332,142	$ 336,294	$ 340,498	$ 344,754	$ 349,064	$ 353,427	$ 357,845	$ 362,318	$ 85,008	$ 3,513,38
Administrative & Overhead	$ -	$ -	$ 323,992	$ 328,042	$ 332,142	$ 336,294	$ 340,498	$ 344,754	$ 349,064	$ 353,427	$ 357,845	$ 362,318	$ 85,008	$ 3,513,38
Total Project Costs	$ -	$ -	$ 809,980	$ 820,105	$ 830,356	$ 840,736	$ 851,245	$ 861,885	$ 872,659	$ 883,567	$ 894,612	$ 905,794	$ 212,520	$ 8,783,46
Holding Costs														
Real Estate Taxes	$ 30,600	$ 30,906	$ 29,685	$ 26,891	$ 24,038	$ 21,125	$ 18,152	$ 15,117	$ 12,020	$ 8,859	$ 5,634	$ 2,243	$ 338	$ 225,70
Special Taxes (Assessments)	$ 15,300	$ 15,453	$ 14,842	$ 13,445	$ 12,019	$ 10,563	$ 9,076	$ 7,559	$ 6,010	$ 4,429	$ 2,817	$ 1,171	$ 169	$ 112,85
HOA Fees (Subsidies)	$ 104,040	$ 105,080	$ 100,929	$ 91,429	$ 81,729	$ 71,826	$ 61,717	$ 51,398	$ 40,867	$ 30,120	$ 19,154	$ 7,966	$ 1,149	$ 767,40
Total Holding Costs	$ 149,940	$ 151,439	$ 145,456	$ 131,765	$ 117,786	$ 103,514	$ 88,945	$ 74,074	$ 58,897	$ 43,408	$ 27,605	$ 11,480	$ 1,656	$ 1,105,96
Total Costs	$ 4,933,764	$ 4,983,101	$ 6,673,889	$ 6,729,418	$ 6,785,405	$ 6,841,109	$ 6,897,848	$ 6,955,048	$ 7,012,713	$ 7,070,845	$ 2,901,995	$ 1,851,367	$ 428,475	$ 70,064,97
Cash Flow Before Profit	$ (4,933,764)	$ (4,983,101)	$ 4,643,048	$ 4,748,376	$ 4,856,226	$ 4,867,879	$ 4,957,502	$ 5,048,494	$ 5,140,874	$ 5,234,662	$ 9,557,331	$ 10,763,700	$ 2,514,036	$ 52,415,26

TABLE NO. 33

Summary of Input Items
Retail Acre Analysis

No. of Lots =	143
Quarterly Lot Sales Rate =	15.00
Average Home Sales Price =	$263,684
Average Lot Premium =	$8,077
Price Escalation Factor =	5%
Direct Home Construction Costs = $	119,497
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty = $	2,000
Closing Costs = $	1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes = $	300
Special Taxes (Assessments) = $	150
HOA Fees (Subsidies) = $	1,020

NPV of Cash Flows

Discounted at:	Total	Per Lot
20.00%	$11,136,054	$77,875
22.50%	$10,513,781	$73,523
25.00%	$9,928,177	$69,428

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Lot Sales (Closings)	0	0	15	15	15	15	15	15	15	15	5	15	3	143
Beginning Lot Inventory	143	143	143	128	113	98	83	68	53	38	23	18	3	
Ending Lot Inventory	143	143	128	113	98	83	68	53	38	23	18	3	0	
Avg. Lot Inventory During Period	143	143	135.5	120.5	105.5	90.5	75.5	60.5	45.5	30.5	20.5	10.5	1.5	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Revenue														
Income From Lot Sales	$ -	$ -	$ 4,054,767	$ 4,105,451	$ 4,156,770	$ 4,208,729	$ 4,261,339	$ 4,314,605	$ 4,368,538	$ 4,423,145	$ 1,492,811	$ 4,534,414	$ 1,063,879	$ 40,984,44
Income from Lot Premiums	$ -	$ -	$ 133,572	$ 140,251	$ 147,263	$ 128,818	$ 130,529	$ 132,161	$ 133,813	$ 135,485	$ 45,726	$ 138,894	$ 28,126	$ 1,294,73
Total Revenue	$ -	$ -	$ 4,188,339	$ 4,245,702	$ 4,304,033	$ 4,337,547	$ 4,391,868	$ 4,446,766	$ 4,502,351	$ 4,558,630	$ 1,538,538	$ 4,673,308	$ 1,092,005	$ 42,279,18
Unit Costs														
Direct Home Construction Costs	$ 1,792,448	$ 1,810,372	$ 1,828,476	$ 1,846,761	$ 1,865,228	$ 1,883,860	$ 1,902,719	$ 1,921,746	$ 646,988	$ 1,960,073	$ 395,995	$ -	$ -	$ 17,854,98
Discounts (Incentives)	$ -	$ -	$ 40,548	$ 41,055	$ 41,565	$ 42,087	$ 42,613	$ 43,146	$ 43,685	$ 44,231	$ 14,928	$ 45,344	$ 10,639	$ 409,84
Sales Commissions (In-house)	$ -	$ -	$ 60,822	$ 61,582	$ 62,352	$ 63,131	$ 63,920	$ 64,719	$ 65,528	$ 66,347	$ 22,392	$ 68,016	$ 15,958	$ 614,76
Sales Commissions (Co-broke)	$ -	$ -	$ 30,411	$ 30,791	$ 31,176	$ 31,565	$ 31,960	$ 32,360	$ 32,764	$ 33,174	$ 11,196	$ 34,008	$ 7,979	$ 307,38
Sales Tax	$ -	$ -	$ 101,369	$ 102,636	$ 103,919	$ 105,218	$ 106,533	$ 107,865	$ 109,213	$ 110,579	$ 37,320	$ 113,360	$ 26,597	$ 1,024,81
Warranty	$ -	$ -	$ 30,603	$ 30,909	$ 31,218	$ 31,530	$ 31,846	$ 32,164	$ 32,486	$ 32,811	$ 11,046	$ 33,470	$ 8,761	$ 304,84
Closing Costs	$ -	$ -	$ 19,127	$ 19,318	$ 19,511	$ 19,706	$ 19,904	$ 20,103	$ 20,304	$ 20,507	$ 6,904	$ 20,919	$ 4,226	$ 190,52
Contingency	$ -	$ -	$ 31,413	$ 31,843	$ 32,280	$ 32,522	$ 32,939	$ 33,351	$ 33,768	$ 34,190	$ 11,539	$ 35,050	$ 8,190	$ 317,09
Total Unit Costs	$ 1,792,448	$ 1,810,372	$ 2,142,767	$ 2,164,894	$ 2,187,252	$ 2,209,651	$ 2,232,434	$ 2,255,454	$ 984,736	$ 2,302,211	$ 511,321	$ 350,167	$ 88,350	$ 21,024,05
Project Costs														
Construction Overhead	$ -	$ -	$ 60,822	$ 61,582	$ 62,352	$ 63,131	$ 63,920	$ 64,719	$ 65,528	$ 66,347	$ 22,392	$ 68,016	$ 15,958	$ 614,76
Marketing & Advertising	$ -	$ -	$ 121,643	$ 123,164	$ 124,703	$ 126,262	$ 127,840	$ 129,438	$ 131,056	$ 132,694	$ 44,784	$ 136,032	$ 31,916	$ 1,229,53
Administrative & Overhead	$ -	$ -	$ 121,643	$ 123,164	$ 124,703	$ 126,262	$ 127,840	$ 129,438	$ 131,056	$ 132,694	$ 44,784	$ 136,032	$ 31,916	$ 1,229,53
Total Project Costs	$ -	$ -	$ 304,108	$ 307,909	$ 311,758	$ 315,655	$ 319,600	$ 323,595	$ 327,640	$ 331,736	$ 111,961	$ 340,081	$ 79,791	$ 3,073,83
Holding Costs														
Real Estate Taxes	$ 10,725	$ 10,832	$ 10,367	$ 9,211	$ 8,234	$ 7,134	$ 6,017	$ 4,865	$ 3,695	$ 2,502	$ 1,698	$ 879	$ 127	$ 76,37
Special Taxes (Assessments)	$ 5,363	$ 5,416	$ 5,183	$ 4,656	$ 4,117	$ 3,567	$ 3,005	$ 2,432	$ 1,848	$ 1,251	$ 849	$ 439	$ 63	$ 38,19
HOA Fees (Subsidies)	$ 36,465	$ 36,830	$ 35,247	$ 31,659	$ 27,995	$ 24,255	$ 20,437	$ 16,540	$ 12,564	$ 8,506	$ 5,774	$ 2,987	$ 431	$ 259,69
Total Holding Costs	$ 52,553	$ 53,078	$ 50,797	$ 45,626	$ 40,346	$ 34,955	$ 29,453	$ 23,838	$ 18,107	$ 12,259	$ 8,322	$ 4,305	$ 621	$ 374,25
Total Costs	$ 1,845,000	$ 1,863,450	$ 2,497,672	$ 2,518,428	$ 2,539,355	$ 2,560,261	$ 2,581,488	$ 2,602,887	$ 1,330,483	$ 2,646,206	$ 631,604	$ 694,554	$ 160,762	$ 24,473,15
Cash Flow Before Profit	$ (1,845,000)	$ (1,863,450)	$ 1,690,667	$ 1,727,274	$ 1,764,678	$ 1,777,386	$ 1,810,380	$ 1,843,879	$ 3,171,868	$ 1,912,424	$ 906,934	$ 3,978,754	$ 931,243	$ 17,807,03

TABLE NO. 34

Summary of Input Items	
Retail Acre Analysis	
No. of Lots =	149
Quarterly Lot Sales Rate =	15.00
Average Home Sales Price =	$252,718
Average Lot Premium =	$6,275
Price Escalation Factor =	5%
Direct Home Construction Costs = $	114,931
Discounts (Incentives) =	1.00%
Sales Commissions (In-house) =	1.50%
Sales Commissions (Co-broke) =	0.75%
Sales Tax =	2.50%
Warranty = $	2,000
Closing Costs = $	1,250
Contingency =	0.75%
Cost Inflation Factor =	4%
Construction Overhead =	1.50%
Marketing & Advertising =	3.00%
Administrative & Overhead =	3.00%
Holding Costs =	
Real Estate Taxes = $	300
Special Taxes (Assessments) = $	150
HOA Fees (Subsidies) = $	1,020

ABSORPTION SCHEDULE

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Lot Sales (Closings)	0	0	15	15	15	15	15	15	15	15	5	15	9	149
Beginning Lot Inventory	149	149	149	134	119	104	89	74	59	44	29	24	9	
Ending Lot Inventory	149	149	134	119	104	89	74	59	44	29	24	9	0	
Avg. Lot Inventory During Period	149	149	141.5	126.5	111.5	96.5	81.5	66.5	51.5	36.5	26.5	16.5	4.5	

DISCOUNTED CASH FLOW ANALYSIS

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Totals
Revenue														
Income From Lot Sales	$ -	$ -	$ 3,886,124	$ 3,934,701	$ 3,983,885	$ 4,033,683	$ 4,084,104	$ 4,135,156	$ 4,186,845	$ 4,239,181	$ 1,430,723	$ 4,745,872	$ 3,058,893	$ 41,319,11
Income from Lot Premiums	$ -	$ -	$ 103,776	$ 108,964	$ 114,413	$ 100,159	$ 101,411	$ 102,679	$ 103,963	$ 105,262	$ 35,576	$ 107,910	$ 65,555	$ 1,049,61
Total Revenue	$ -	$ -	$ 3,989,900	$ 4,042,665	$ 4,098,297	$ 4,133,843	$ 4,185,516	$ 4,237,835	$ 4,290,808	$ 4,344,443	$ 1,466,249	$ 4,853,783	$ 3,124,448	$ 42,368,73
Unit Costs														
Direct Home Construction Costs	$ 1,723,661	$ 1,740,898	$ 1,758,307	$ 1,775,890	$ 1,793,649	$ 1,811,585	$ 1,829,701	$ 1,847,998	$ 622,159	$ 1,885,142	$ 1,142,396	$ -	$ -	$ 17,931,26
Discounts (Incentives)	$ -	$ -	$ 38,861	$ 39,247	$ 39,639	$ 40,037	$ 40,841	$ 41,352	$ 41,866	$ 42,397	$ 14,307	$ 43,458	$ 30,589	$ 413,19
Sales Commissions (In-house)	$ -	$ -	$ 58,292	$ 59,021	$ 59,758	$ 60,505	$ 61,262	$ 62,027	$ 62,803	$ 63,588	$ 21,461	$ 65,187	$ 45,883	$ 619,78
Sales Commissions (Co-broke)	$ -	$ -	$ 29,146	$ 29,510	$ 29,879	$ 30,253	$ 30,631	$ 31,014	$ 31,401	$ 31,794	$ 10,730	$ 32,594	$ 22,942	$ 309,89
Sales Tax	$ -	$ -	$ 97,153	$ 98,368	$ 99,597	$ 100,842	$ 102,103	$ 103,379	$ 104,671	$ 105,980	$ 35,768	$ 108,646	$ 76,472	$ 1,032,97
Warranty	$ -	$ -	$ 30,603	$ 30,909	$ 31,218	$ 31,530	$ 31,846	$ 32,164	$ 32,486	$ 32,811	$ 11,046	$ 33,470	$ 20,283	$ 318,36
Closing Costs	$ -	$ -	$ 19,127	$ 19,318	$ 19,511	$ 19,706	$ 19,904	$ 20,103	$ 20,304	$ 20,507	$ 6,904	$ 20,919	$ 12,677	$ 198,97
Contingency	$ -	$ -	$ 29,974	$ 30,327	$ 30,737	$ 31,004	$ 31,391	$ 31,784	$ 32,181	$ 32,583	$ 10,997	$ 33,403	$ 23,433	$ 317,76
Total Unit Costs	$ 1,723,661	$ 1,740,898	$ 2,061,413	$ 2,082,690	$ 2,104,189	$ 2,125,762	$ 2,147,677	$ 2,169,820	$ 947,873	$ 2,214,796	$ 1,253,610	$ 337,677	$ 232,279	$ 21,142,34
Project Costs														
Construction Overhead	$ -	$ -	$ 58,292	$ 59,021	$ 59,758	$ 60,505	$ 61,262	$ 62,027	$ 62,803	$ 63,588	$ 21,461	$ 65,187	$ 45,883	$ 619,78
Marketing & Advertising	$ -	$ -	$ 116,584	$ 118,041	$ 119,517	$ 121,010	$ 122,523	$ 124,055	$ 125,605	$ 127,175	$ 42,922	$ 130,375	$ 91,767	$ 1,239,57
Administrative & Overhead	$ -	$ -	$ 116,584	$ 118,041	$ 119,517	$ 121,010	$ 122,523	$ 124,055	$ 125,605	$ 127,175	$ 42,922	$ 130,375	$ 91,767	$ 1,239,57
Total Project Costs	$ -	$ -	$ 291,459	$ 295,103	$ 298,791	$ 302,526	$ 306,308	$ 310,137	$ 314,013	$ 317,939	$ 107,304	$ 325,937	$ 229,417	$ 3,098,93
Holding Costs														
Real Estate Taxes	$ 11,175	$ 11,287	$ 10,826	$ 9,775	$ 8,702	$ 7,607	$ 6,489	$ 5,347	$ 4,183	$ 2,994	$ 2,195	$ 1,281	$ 380	$ 82,34
Special Taxes (Assessments)	$ 5,588	$ 5,643	$ 5,413	$ 4,887	$ 4,351	$ 3,803	$ 3,244	$ 2,674	$ 2,091	$ 1,497	$ 1,098	$ 690	$ 190	$ 41,12
HOA Fees (Subsidies)	$ 37,995	$ 38,375	$ 36,808	$ 33,235	$ 29,587	$ 25,863	$ 22,061	$ 18,181	$ 14,221	$ 10,179	$ 7,464	$ 4,694	$ 1,293	$ 279,95
Total Holding Costs	$ 54,758	$ 55,305	$ 53,046	$ 47,897	$ 42,640	$ 37,273	$ 31,794	$ 26,202	$ 20,494	$ 14,670	$ 10,758	$ 6,765	$ 1,863	$ 403,46
Total Costs	$ 1,778,419	$ 1,796,203	$ 2,405,919	$ 2,425,690	$ 2,445,620	$ 2,465,561	$ 2,485,779	$ 2,506,158	$ 1,282,381	$ 2,547,405	$ 1,371,672	$ 670,378	$ 463,560	$ 24,644,74
Cash Flow Before Profit	$ (1,778,419)	$ (1,796,203)	$ 1,583,981	$ 1,617,976	$ 1,652,677	$ 1,668,281	$ 1,699,737	$ 1,731,677	$ 3,008,427	$ 1,797,038	$ 94,577	$ 3,783,254	$ 2,660,888	$ 17,723,99

NPV of Cash Flows Discounted at:	Total	Per Lot
20.00%	$10,911,945	$73,235
22.50%	$10,283,388	$69,016
25.00%	$9,693,122	$65,055

FINISHED LOT VALUE CONCLUSION

The two income approach analyses preformed above indicate a tight range of finished lots values for each of the subject's four planning areas. The finished lot value conclusions for each planning area are summarized in Table 35.

TABLE NO. 35

SUMMARY OF "FINISHED LOT" CONCLUSIONS				
Planning Area/Analysis	Value Range Per Unit			
A-1 (Model home complex)				
Static Analysis	$	104,575	$	115,389
Yield Analysis	$	104,450	$	112,801
B-1				
Static Analysis	$	71,770	$	82,305
Yield Analysis	$	70,940	$	79,703
C-1				
Static Analysis	$	68,440	$	78,987
Yield Analysis	$	69,428	$	77,875
D-1				
Static Analysis	$	63,547	$	73,655
Yield Analysis	$	65,055	$	73,235

The variation in the finished lots values summarized in Table 35 reflect differences in unit mix as well as differences in the portion of premium lots per planning area. For instance, Parcel A-1 has a very high percentage of lots with premiums as opposed to the other three planning area. Similarly, Parcel D-1 has a higher percentage of smaller lots than the other three planning areas. Based upon the static and yield analyses for each planning area, individual per lot values "as if complete" are concluded. Table 36 summarized the "as if complete" lot values.

TABLE NO. 36

"FINISHED LOT" VALUE CONCLUSIONS		
Planning Area	Finished Lot Value	
A-1	$	108,000
B-1	$	75,000
C-1	$	75,000
D-1	$	70,000

The finished lot valuation conclusions provide the basis for concluding the "as is" value of the subject's four planning areas.

ESTIMATED COST NEW OF IMPROVEMENTS

There are two methods for deriving a cost new: reproduction cost or replacement cost. While either of these costs would be appropriate for the base in estimating cost new, it is our opinion that the most appropriate for this assignment is the replacement cost. Replacement cost is defined as:

> The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised using modern materials and current standards, design, and layout.[1]

Replacement cost new is composed of three separate groups: direct costs, indirect costs and entrepreneurial profit. These components are defined as follows:

Direct Costs:	Expenditures for the labor and materials used in the construction improvements (also called "hard costs").[2]
Indirect Costs:	Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. (also called "soft costs").[3]
Entrepreneurial Profit:	A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development.[4]

It should be noted that, for this assignment, contractor's overhead and profit is considered to be sole and separate from entrepreneurial profit.

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[1] The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, Chicago, Illinois, 2002, p. 244.

[2] *Ibid.*, p. 83.

[3] *Ibid.*, p. 145.

[4] The Dictionary of Real Estate Appraisal, 4th Edition, Appraisal Institute, Chicago, Illinois, 2002, p. 96.

Direct/Indirect Costs

Development costs for both community infrastructure and on-site (in-tract) lot development have been provided by the developer.

Infrastructure Costs

The cost of infrastructure for the initial phase of development of Sun City Festival is summarized in Table 37.

TABLE NO. 37

SUN CITY FESTIVAL INFRASTRUCTURE COSTS

Infrastructure Item		Cost	Cost/ Lot
Grading (all in - clear and grub, mass excavation, finishing	$	1,070,000	1,478
Water Reclamation Facility (1mgd) [1]	$	2,162,500	2,987
Well #1 and Water Plant #1 [2]	$	1,320,000	1,823
12" and 16" water lines in Canyon Springs, Beardsley and Desert Vista	$	1,120,000	1,547
Sewer Trunk to WRF	$	2,300,000	3,177
Canyon Springs (CBS) - paving, concrete, storm drains, street lights, dry utilities	$	1,500,000	2,072
Sun Valley Parkway (SVP)	$	400,000	552
Beardsley Road - paving, concrete, storm drain, street lights, dry utilities	$	1,070,000	1,478
Desert Vista (DV) - paving, concrete, storm drain, street lights, dry utilities	$	1,230,000	1,699
Landscaping and walls (A1-D1, Beardsley, Desert Vista, Canyon Springs)	$	3,440,000	4,751
Entry Monuments (SVP/CBS and CBS/DV)	$	1,100,000	1,519
Temporary Police/Fire Facility	$	300,000	414
Golf Course Development (Parcels A1-D1 only)	$	2,200,000	3,039
Total	$	19,212,500	26,537

Source: Pulte Homes, Inc.

(1) Water reclamation facility sized for 3,100 homes ($8.56 million). Phase 1 will require approx. 25% of capacity.
(2) Well and water plant to service 3,100 homes ($5.28 million). Phase 1 will require approx. 25% of capacity.

Infrastructure costs allocated to the initial development phase are estimated at $19,212,500, or approximately $26,500 per lot. The per lot costs of $26,500 are higher than most standard subdivision development costs, however higher development costs are not uncommon in a multi-phased development, particularly an age-restricted community. Many of the development costs for age-restricted communities are front-loaded. Costs for some items, which benefit the entire community such as entry monuments, loop roads, recreation amenities, oversized water and sewer lines, etc., are developed during the initial phase of development.

Lot Development Costs (In-tract)

Lot development costs have been provided for each of the subject's four planning areas. The lot development costs are summarized in Table 38.

TABLE NO. 38

ON-SITE DEVELOPMENT COSTS

Planning Area	No. Of Lots	Lot Development Costs	Costs/ Lot
A-1	24	$ 740,000	$ 30,833
B-1	408	$ 4,300,000	$ 10,539
C-1	143	$ 1,300,000	$ 9,091
D-1	149	$ 1,200,000	$ 8,054

Source: Pulte Homes, Inc.

Lot development costs for Parcel A-1 are significantly higher than the three other planning areas. The higher costs are associated with two facts: (1) the 24 lots within Parcel A-1 will be developed with a model home complex from which the homes in the rest of the community will sold, and (2) there are only 24 lots to spread the lot development costs. While the lot development costs for Parcels B-1, C-1 and D-1 are lower than the development costs associated with typical single family residential subdivision development, the developer has significant development experience with age-restricted master planned communities. Given the experience of the developer, the developer's estimation of on-site development costs is utilized in the Modified Cost Approach analysis.

Entrepreneurial Profit

It is logical to assume that an investor or developer would require an entrepreneurial profit over and above the cost to acquire the property and holding costs. Entrepreneurial profit pertinent to the development of finished subdivision lots is separate from homebuilder's profit, but in a reasonably balanced marketplace, should reflect a similar prorata share of costs (land plus development costs). If the marketplace is significantly undersupplied, an argument can be made that lot development can capture a higher percentage of profits because there are typically several homebuilders competing for the right to purchase the lots.

Homebuilder profits are typically within the range of 9% to 15% of base home. The lot development portion of residential development is anticipated to be similar to the homebuilding portion of residential development (as a ratio of total costs), if similar factors are affecting both homebuilding and lot development efforts. These factors include potential revenue sources (i.e., price level of homes and lot premium projections) and level of supply and demand (both home and lot inventories).

Referring back to the static residual analysis in the Income Capitalization Approach section, a homebuilder profit range of 12% to 16% of base home price is concluded to be reasonable for the subject units. The lot development portion of residential development is anticipated to be similar to the homebuilding portion of residential development (as a ratio of total costs), if similar factors are affecting both homebuilding and lot development efforts. These factors include potential revenue sources (i.e., price level of homes and lot premium projections) and level of supply and demand (both home and lot inventories).

For the purposes of this report, we have utilized a development profit range of 12% to 16% (as a percentage of lot development costs and land value). This range encompasses the homebuilder static profit range utilized in the Income Capitalization Approach as well as what in our opinion is reasonable to expect to reflect a current "as if vacant" opinion of value. Table 39 on the following page provides a range of "as if vacant" lot values based the development cost estimations and profit assumptions.

TABLE NO. 39

PARCEL A-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$108,000	$108,000	$108,000
Less: Development costs	(30,800)	(30,800)	(30,800)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($11,571)	($13,263)	($14,897)
Raw Lot Value ("As if vacant")	$39,129	$37,437	$35,803

PARCEL B-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$75,000	$75,000	$75,000
Less: Development costs	(10,539)	(10,539)	(10,539)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($8,036)	($9,211)	($10,345)
Raw Lot Value ("As if vacant")	$29,925	$28,750	$27,616

PARCEL C-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$73,500	$73,500	$73,500
Less: Development costs	(9,091)	(9,091)	(9,091)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,875)	($9,026)	($10,138)
Raw Lot Value ("As if vacant")	$30,034	$28,883	$27,771

PARCEL D-1 RESIDUAL ANALYSIS - "AS IF VACANT" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$70,000	$70,000	$70,000
Less: Development costs	(8,054)	(8,054)	(8,054)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,500)	($8,596)	($9,655)
Raw Lot Value ("As if vacant")	$27,946	$26,850	$25,791

"AS IS" VALUE CONCLUSION – PARCEL A-1

From the "as if vacant" value range concluded above, incurred development costs and earned profit as of the date of valuation must added back. While much of the on-site development will occur after the date of valuation, significant planning and engineering expenses have been incurred. For purposes of this analysis, incurred development costs are estimated at 15% of total development costs. Likewise, a portion of the profit to be earned for the successful development of the community has been earned up to the date of valuation. Because much of the profit is created through the efforts of planning and entitling the property, earned profit is estimated at 20% of total profit. Utilizing the incurred development costs and profit estimates, "As Is" lot values based the profit expectation rates of 12% to 16% are summarized in Table 40.

TABLE NO. 40

PARCEL A-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE

	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$108,000	$108,000	$108,000
Less: Development costs	(30,800)	(30,800)	(30,800)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($11,571)	($13,263)	($14,897)
Raw Lot Value	$39,129	$37,437	$35,803
Plus: Incurred development costs (1)	$8,595	$8,595	$8,595
Plus: Earned Profit (2)	$2,314	$2,653	$2,979
"As Is" Lot Value	$50,038	$48,684	$47,378
Rounded	**$50,000**	**$49,000**	**$47,500**

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $49,000 per lot, or $1,176,000 is estimated ($49,000 x 24 lots).

"AS IS" VALUE CONCLUSION – PARCEL B-1

The estimates and assumptions (percentages) utilized in estimating the "as is" value of Parcel A-1 are the same for the valuation of Parcel B-1. The only difference in the analyses is the staring

point, i.e., "as if vacant" per lot value range. The "as is" value range estimated for Parcel B-1 using the residual analysis is summarized in Table 41.

TABLE NO. 41

PARCEL B-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE

	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$75,000	$75,000	$75,000
Less: Development costs	(10,539)	(10,539)	(10,539)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($8,036)	($9,211)	($10,345)
Raw Lot Value	$29,925	$28,750	$27,616
Plus: Incurred development costs (1)	$5,556	$5,556	$5,556
Plus: Earned Profit (2)	$2,411	$2,763	$3,103
"As Is" Lot Value	$37,892	$37,069	$36,275
Rounded	**$38,000**	**$37,000**	**$36,000**

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $37,000 per lot, or $15,096,000 is estimated ($37,000 x 408 lots).

"AS IS" VALUE CONCLUSION – PARCEL C-1

The estimates and assumptions (percentages) utilized in estimating the "as is" value of Parcel A-1 are the same for the valuation of Parcel C-1. The only difference in the analyses is the staring point, i.e., "as if vacant" per lot value range. The "as is" value range estimated for Parcel C-1 using the residual analysis is summarized in Table 42.

TABLE NO. 42

PARCEL C-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE

	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$73,500	$73,500	$73,500
Less: Development costs	(9,091)	(9,091)	(9,091)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,875)	($9,026)	($10,138)
Raw Lot Value	$30,034	$28,883	$27,771
Plus: Incurred development costs (1)	$5,339	$5,339	$5,339
Plus: Earned Profit (2)	$1,575	$1,805	$2,028
"As Is" Lot Value	$36,948	$36,027	$35,137
Rounded	$37,000	$36,000	$35,000

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $36,000 per lot, or $5,148,000 is estimated ($36,000 x 143 lots).

"AS IS" VALUE CONCLUSION – PARCEL D-1

The estimates and assumptions (percentages) utilized in estimating the "as is" value of Parcel A-1 are the same for the valuation of Parcel D-1. The only difference in the analyses is the staring point, i.e., "as if vacant" per lot value range. The "as is" value range estimated for Parcel D-1 using the residual analysis is summarized in Table 43.

TABLE NO. 43

PARCEL D-1 RESIDUAL LOT VALUE ANALYSIS - "AS IS" VALUE			
	Profit Expectation		
	12.0%	14.0%	16.0%
Finished Lot Value ("As if complete")	$70,000	$70,000	$70,000
Less: Development costs	(8,054)	(8,054)	(8,054)
Less: Infrastructure costs	(26,500)	(26,500)	(26,500)
Less: Profit Margin (Rounded)	($7,500)	($8,596)	($9,655)
Raw Lot Value	$27,946	$26,850	$25,791
Plus: Incurred development costs (1)	$5,183	$5,183	$5,183
Plus: Earned Profit (2)	$1,500	$1,719	$1,931
"As Is" Lot Value	$34,629	$33,752	$32,905
Rounded	$35,000	$34,000	$33,000

(1) Incurred development costs up to final plat and site clearing estimated at 15% of total development costs
(2) Incurred profit is estimated at 20% of total profit

Within this rather narrow range, a single value estimate of $34,000 per lot, or $5,066,000 is estimated ($34,000 x 149 lots).

FINAL VALUE CONCLUSIONS

The value of each of the four subject parcels were concluded using the Modified Cost Approach, residual analysis. Within this analysis, the value of each parcel was effectively "backed" into from the finished home product. Construction costs, development cost and projected profits were subtracted from the final product to arrive at the "as if vacant" value of a raw residential lot within each planning area. At this point any incurred development costs and earned profit were added back to derive the "as is" value of each of the four subject parcels. Based upon the Modified Cost Approach analyses, the following "as is" wholesale market values are estimated, as of August 12, 2005:

WHOLESALE (BULK) MARKET VALUE

PLANNING AREA A-1
ONE MILLION ONE HUNDRED SEVENTY-SIX THOUSAND DOLLARS
($1,176,000)

PLANNING AREA B-1
FIFTEEN MILLION NINETY-SIX THOUSAND DOLLARS
($15,096,000)

PLANNING AREA C-1
FIVE MILLION ONE HUNDRED FORTY-EIGHT THOUSAND DOLLARS
($5,148,000)

PLANNING AREA D-1
FOUR MILLION NINE HUNDRED SEVENTEEN THOUSAND DOLLARS
($4,917,000)

The subject properties are being appraised in connection with the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the market value of each of the subject's four planning area be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. *The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; rather it reflects a special instruction from the client.*

ESTIMATED WHOLESALE (BULK) MARKET VALUE LESS 5% CFD ADMINISTRATIVE FEE

PARCEL A-1		PARCEL C-1	
Wholesale (Bulk) Value	$1,176,000	Wholesale (Bulk) Value	$5,148,000
Less: Admin. Fee (5%)	($59,000)	Less: Admin. Fee (5%)	($257,000)
Wholesale (Bulk) Value Less Admin. Fee	$1,117,000	Wholesale (Bulk) Value Less Admin. Fee	$4,891,000
PARCEL B-1		PARCEL D-1	
Wholesale (Bulk) Value	$15,096,000	Wholesale (Bulk) Value	$4,917,000
Less: Admin. Fee (5%)	($755,000)	Less: Admin. Fee (5%)	($246,000)
Wholesale (Bulk) Value Less Admin. Fee	$14,341,000	Wholesale (Bulk) Value Less Admin. Fee	$4,671,000

ADDENDA

LEGAL DESCRIPTION FOR FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT SPECIAL ASSESSMENT AREA #1

SUN CITY FESTIVAL PLAT MAPS (A-1 THROUGH D-1)

FINAL PLAT
OF

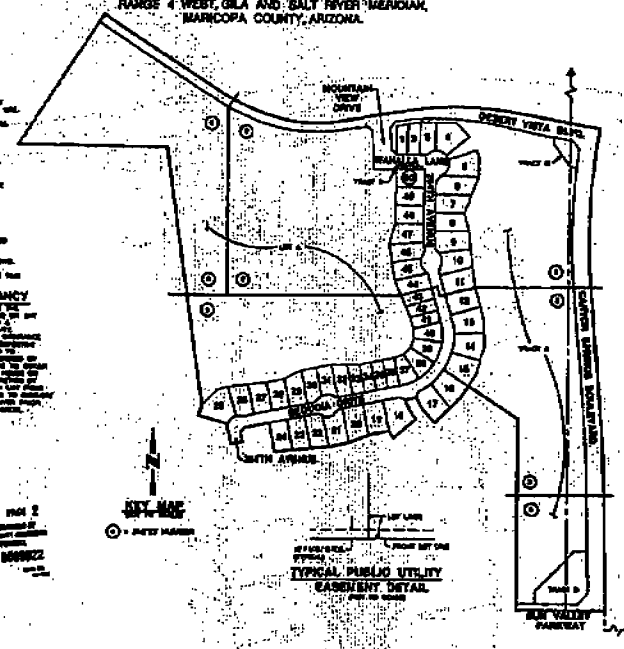
"SUN CITY FESTIVAL - PARCEL A1"

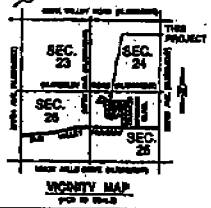
A SUBDIVISION LOCATED IN THE NORTH HALF OF SECTION 25, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND





VICINITY MAP

TRACT INFORMATION TABLE

CERTIFICATIONS

ACKNOWLEDGMENT

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

CERTIFICATION

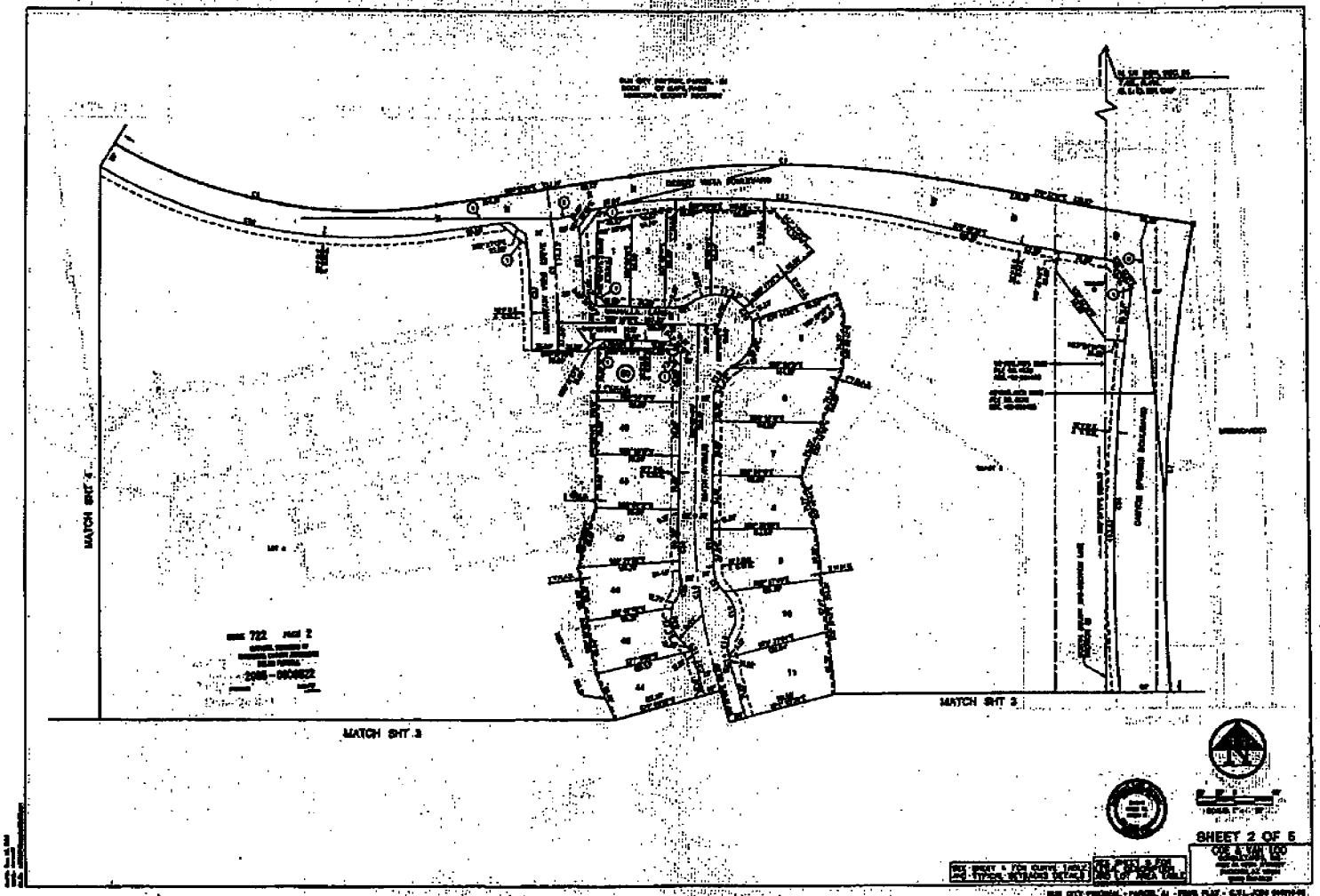
BASIS OF BEARING

SHEET 1 OF 5

NET AREA =[illegible] AC.
GROSS AREA =[illegible] AC.

SUN CITY FESTIVAL - PARCEL A1 - FINAL PLAT - [illegible]

0032P05-001001.tif



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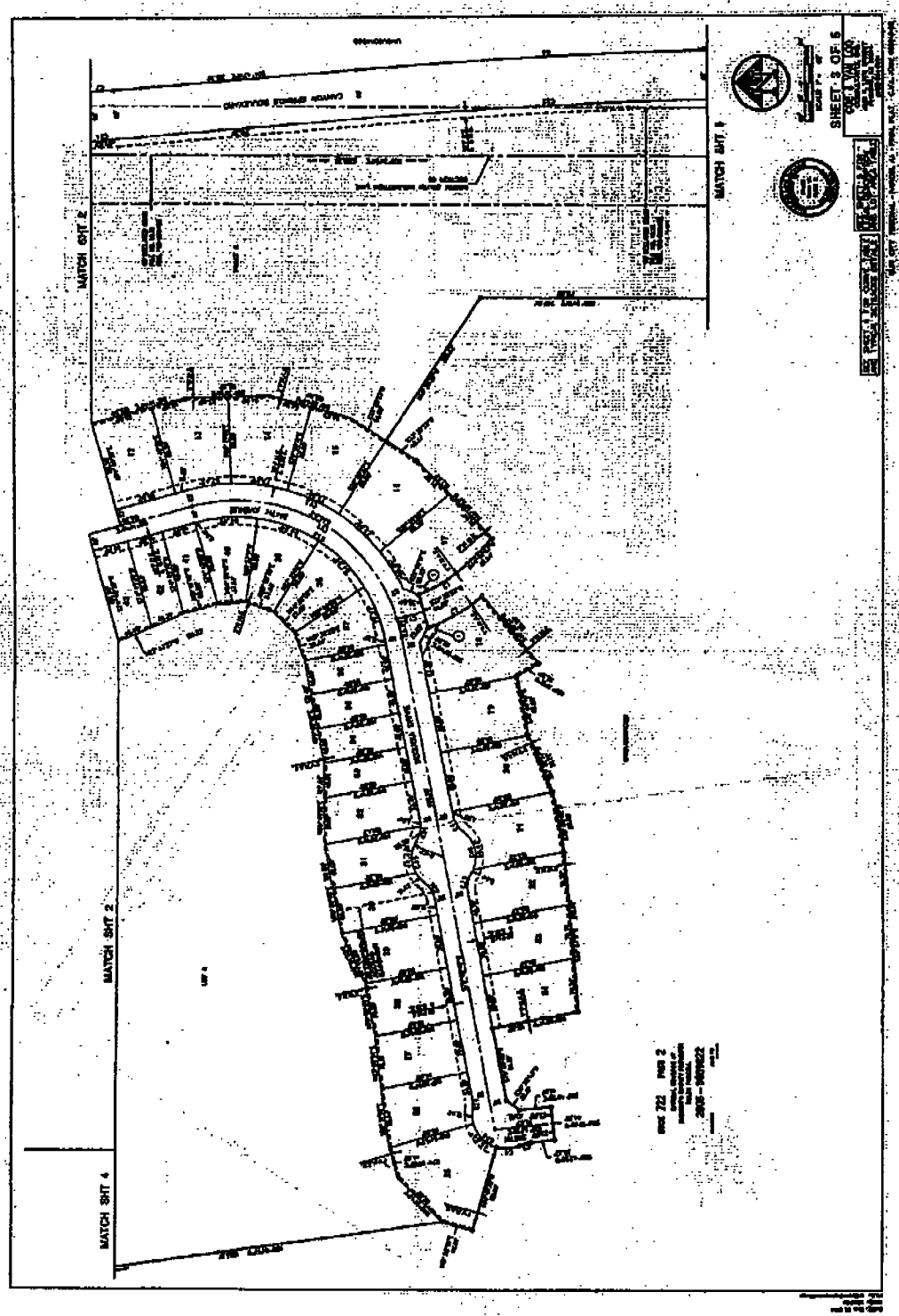

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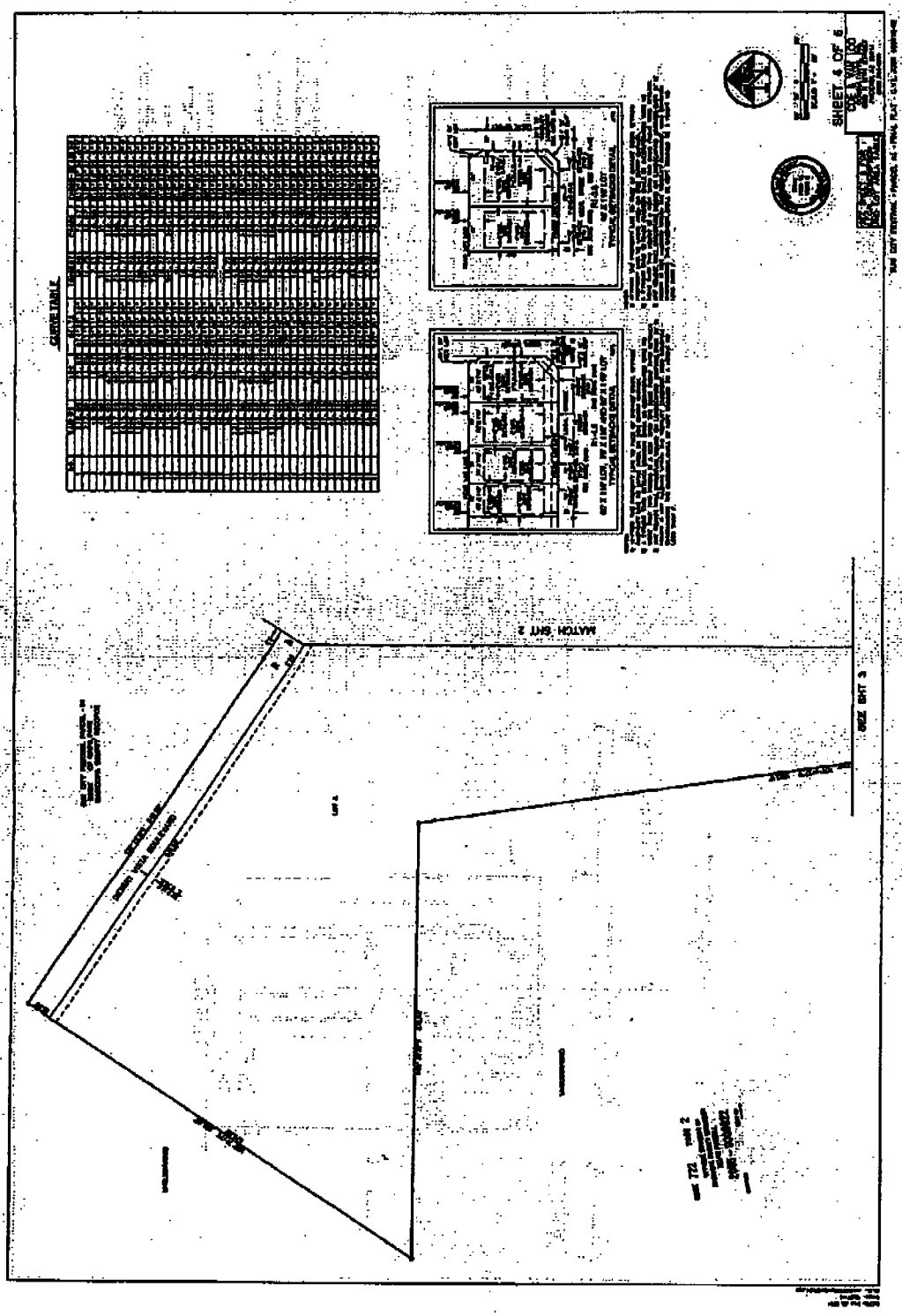

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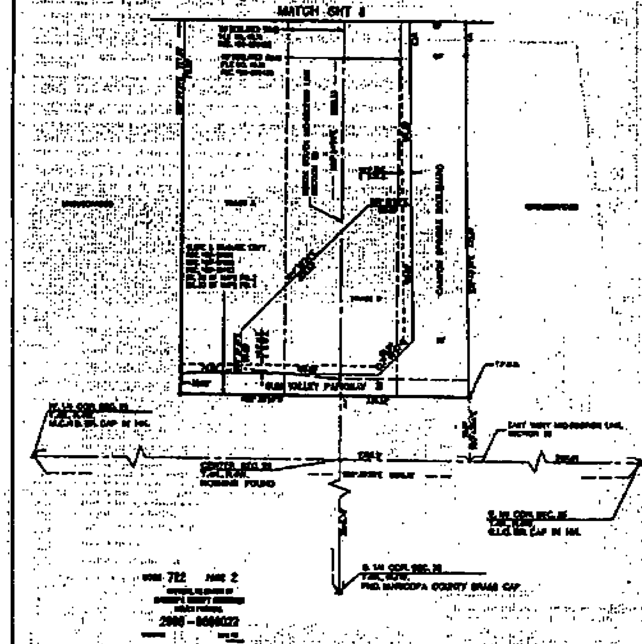


LOT TABLE

LOT	SQ. FEET PER LOT
1	[illegible]
2	[illegible]
3	[illegible]
4	[illegible]
5	[illegible]
6	[illegible]
7	[illegible]
8	[illegible]
9	[illegible]
10	[illegible]
11	[illegible]
12	[illegible]
13	[illegible]
14	[illegible]
15	[illegible]
16	[illegible]
17	[illegible]
18	[illegible]
19	[illegible]
20	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
23	[illegible]
24	[illegible]
25	[illegible]

LOT	SQ. FEET PER LOT
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
31	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
34	[illegible]
35	[illegible]
36	[illegible]
37	[illegible]
38	[illegible]
39	[illegible]
40	[illegible]
41	[illegible]
42	[illegible]
43	[illegible]
44	[illegible]
45	[illegible]
46	[illegible]
47	[illegible]
48	[illegible]
49	[illegible]
50	[illegible]
TOTAL:	[illegible]

LEGAL DESCRIPTION

[illegible]

SHEET 5 OF 5

0032P05-001005.tif

FINAL PLAT
OF

"SUN CITY FESTIVAL - PARCEL B1"

A SUBDIVISION LOCATED IN PORTIONS OF SECTIONS 23, 24, 25, AND 26, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

BOOK 722 PAGE 1

2005-0000017

NOTES

LEGEND

TYPICAL PUBLIC UTILITY EASEMENT DETAIL

KEY MAP

VICINITY MAP

TRACT INFORMATION TABLE

TRACT	PRIMARY USE	ACREAGE
A	LANDSCAPE DRAINAGE	[illegible] AC.
B	LANDSCAPE	[illegible] AC.
C	LANDSCAPE DRAINAGE	[illegible] AC.
D	LANDSCAPE DRAINAGE	[illegible] AC.
E	LANDSCAPE FALL & SHUL	[illegible] AC.
F	LANDSCAPE DRAINAGE	[illegible] AC.
G	LANDSCAPE DRAINAGE	[illegible] AC.
H	FUTURE DEVELOPMENT	[illegible] AC.
I	LANDSCAPE	[illegible] AC.
J	FUTURE DEVELOPMENT	[illegible] AC.
LOT A	FUTURE ARIZONA PLUMB SERVICE	[illegible] AC.
LOT B	FUTURE TOWN OF SURPRISE	[illegible] AC.
LOT C	ACCESS & LANDSCAPE	[illegible] AC.
LOT D	FUTURE GOLF MAINTENANCE FACILITY	[illegible] AC.
	TOTAL	[illegible] AC.

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

ACKNOWLEDGMENT

CERTIFICATIONS

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

CERTIFICATION

BASIS OF BEARING

SEE SHEET 1 FOR TYPICAL LOT SETBACK DETAIL

SEE SHEET 13 FOR LOT AREA TABLE

SEE SHEET 14 FOR LEGAL DESCRIPTION AND CURVE TABLE

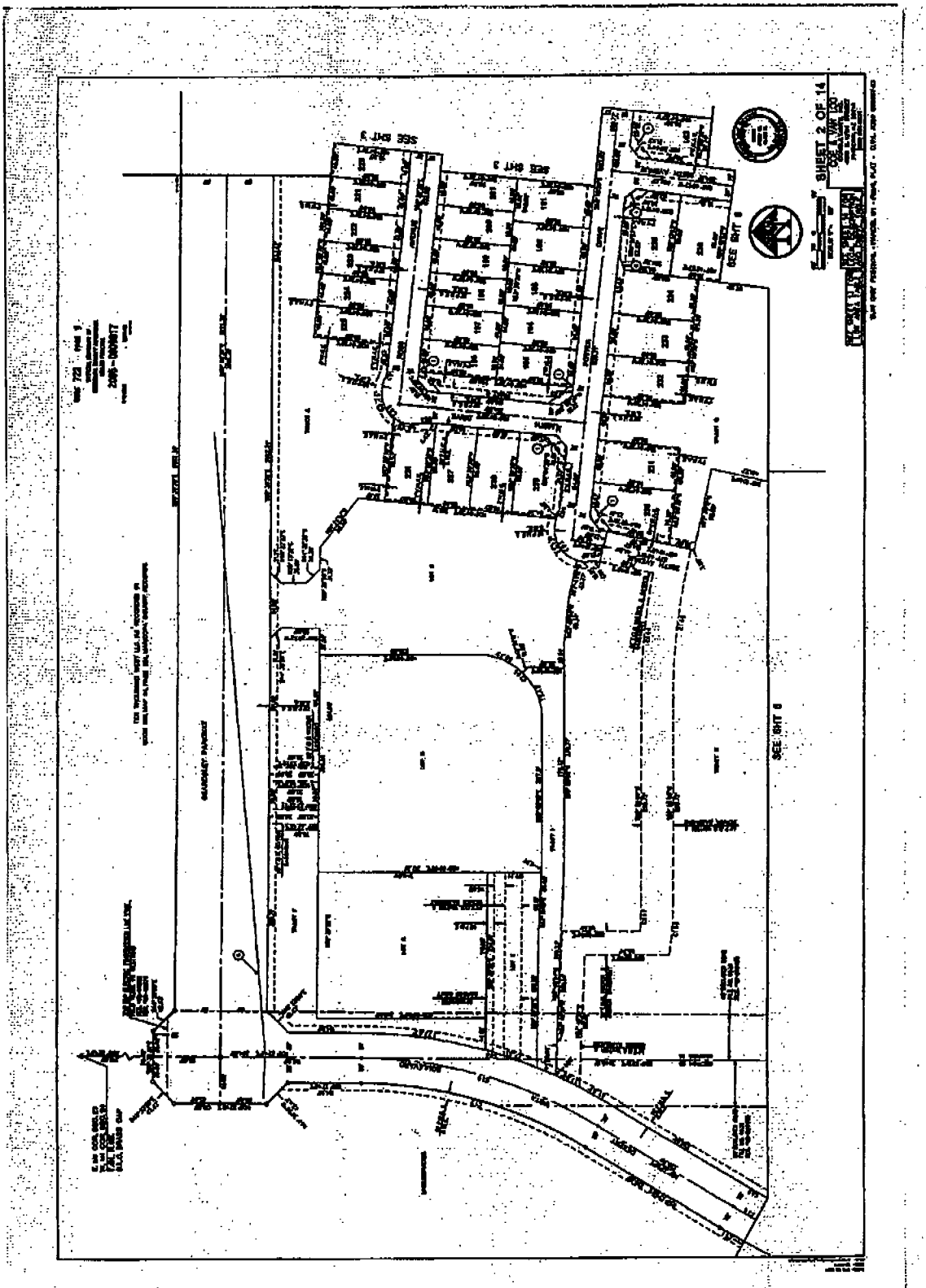
GROSS AREA = 227.[illegible] AC.
NET AREA = 203.[illegible] AC.

COE & VAN LOO

SUN CITY FESTIVAL - PARCEL B1 - FINAL PLAT - CIVIL JOB NUMBER

CO68P06

0033P05-001001.tif



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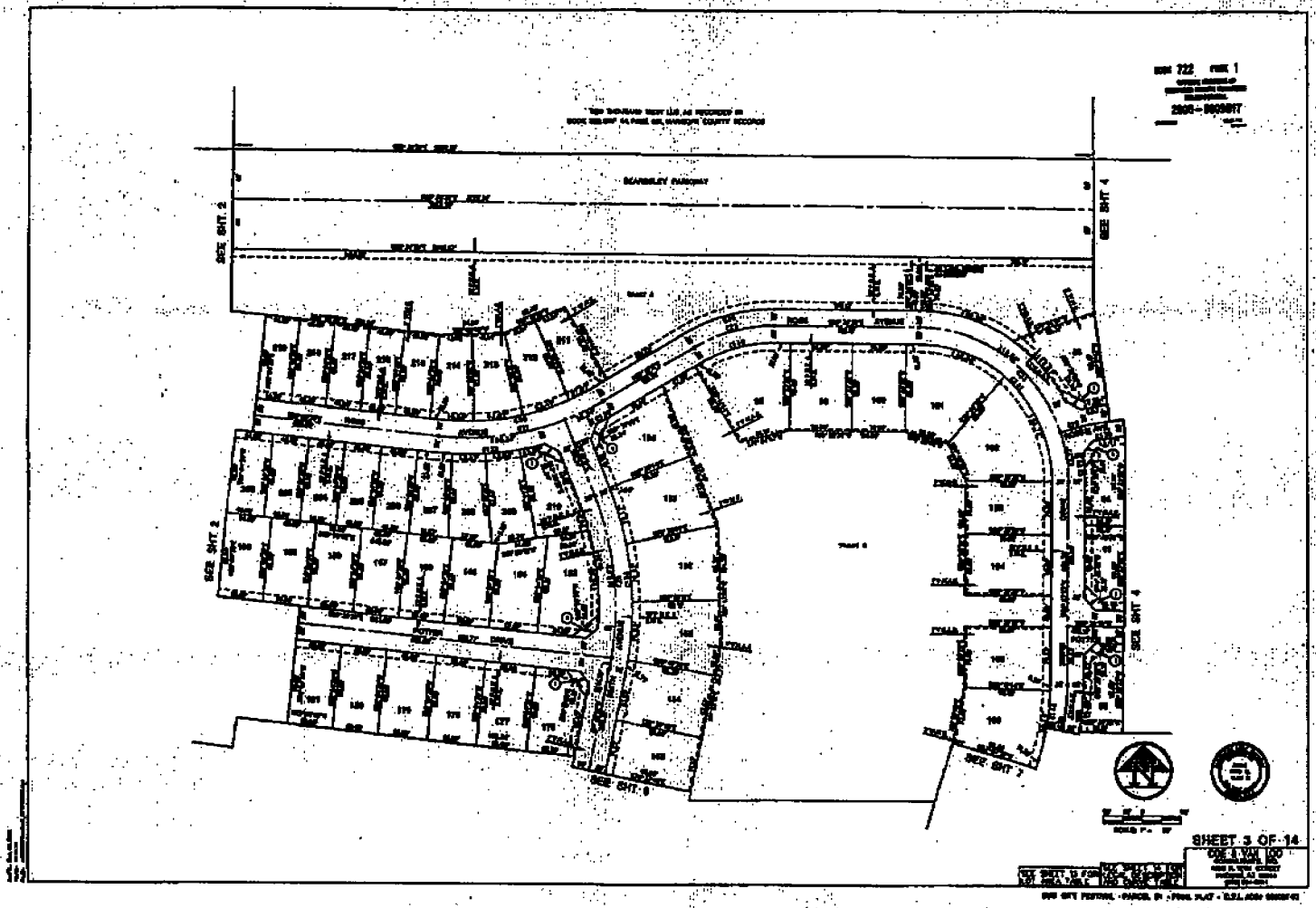

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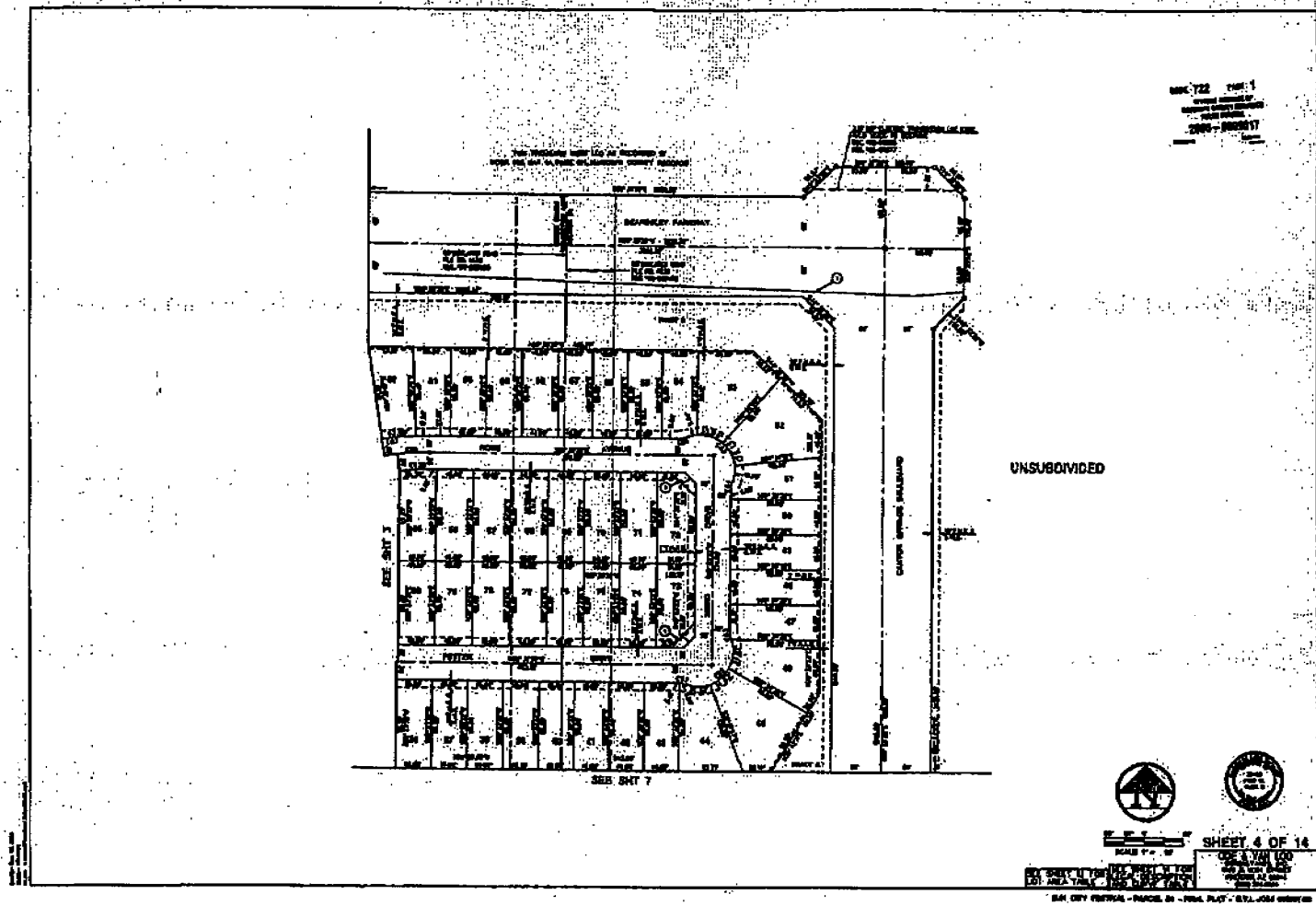

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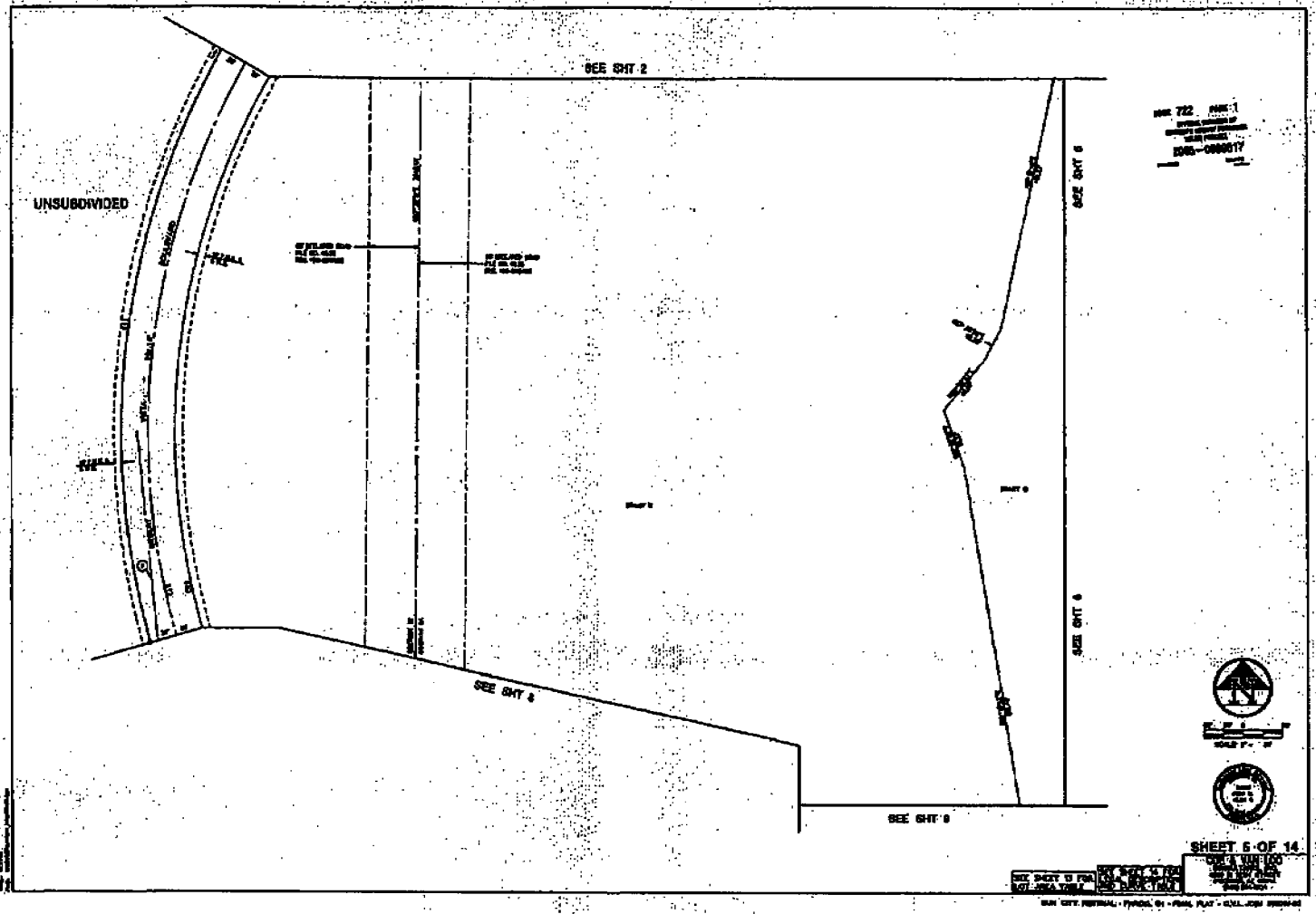

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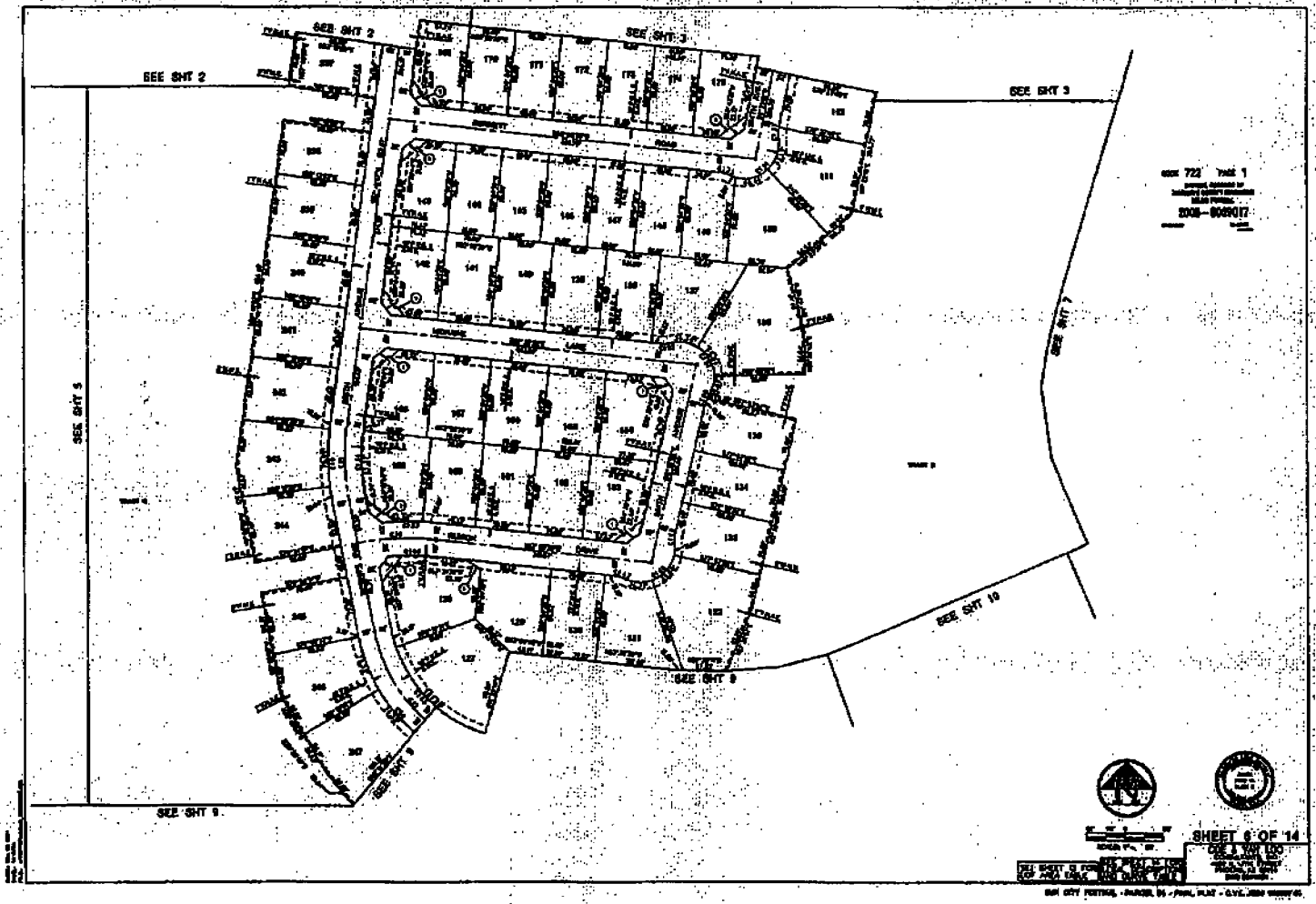

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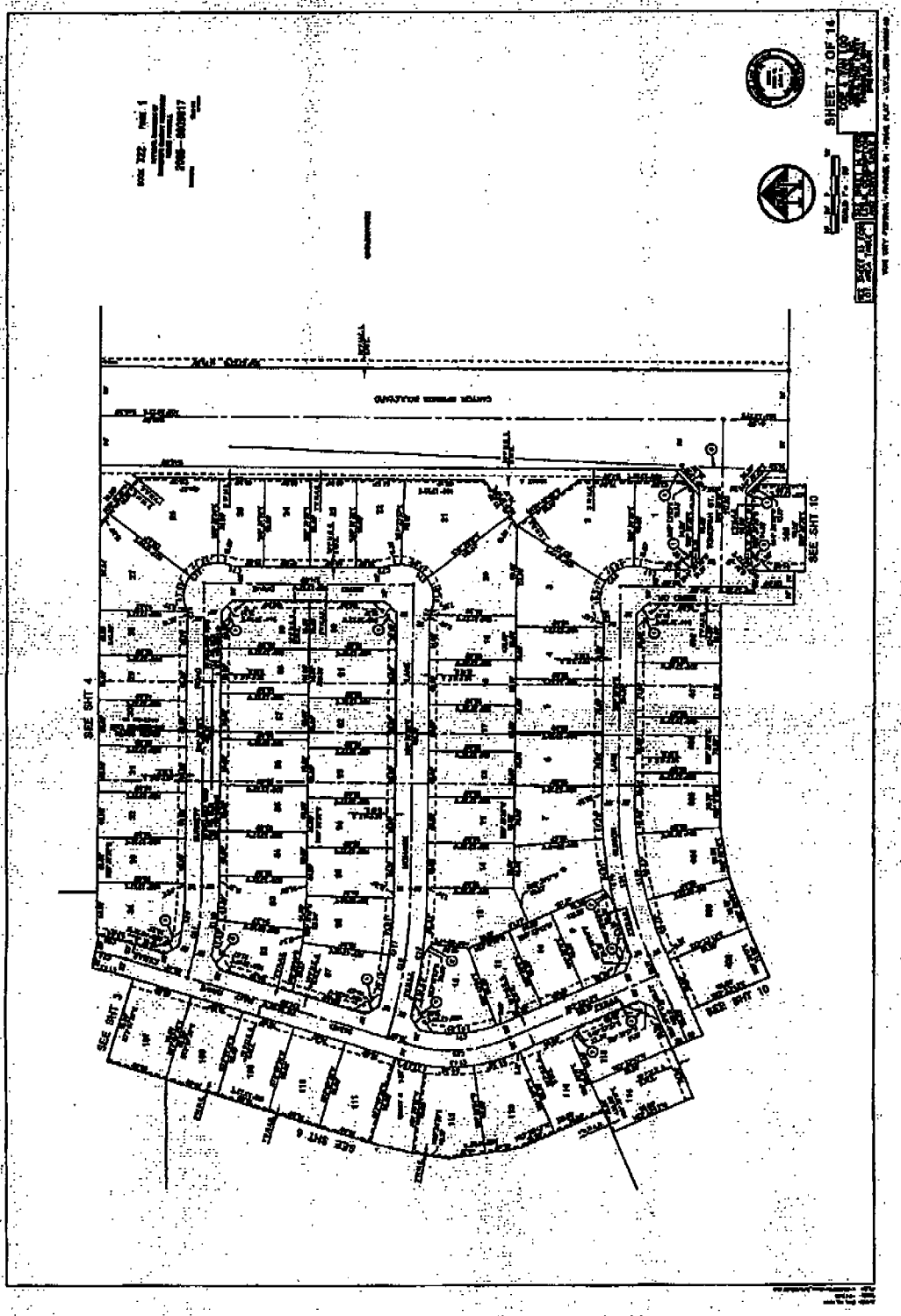

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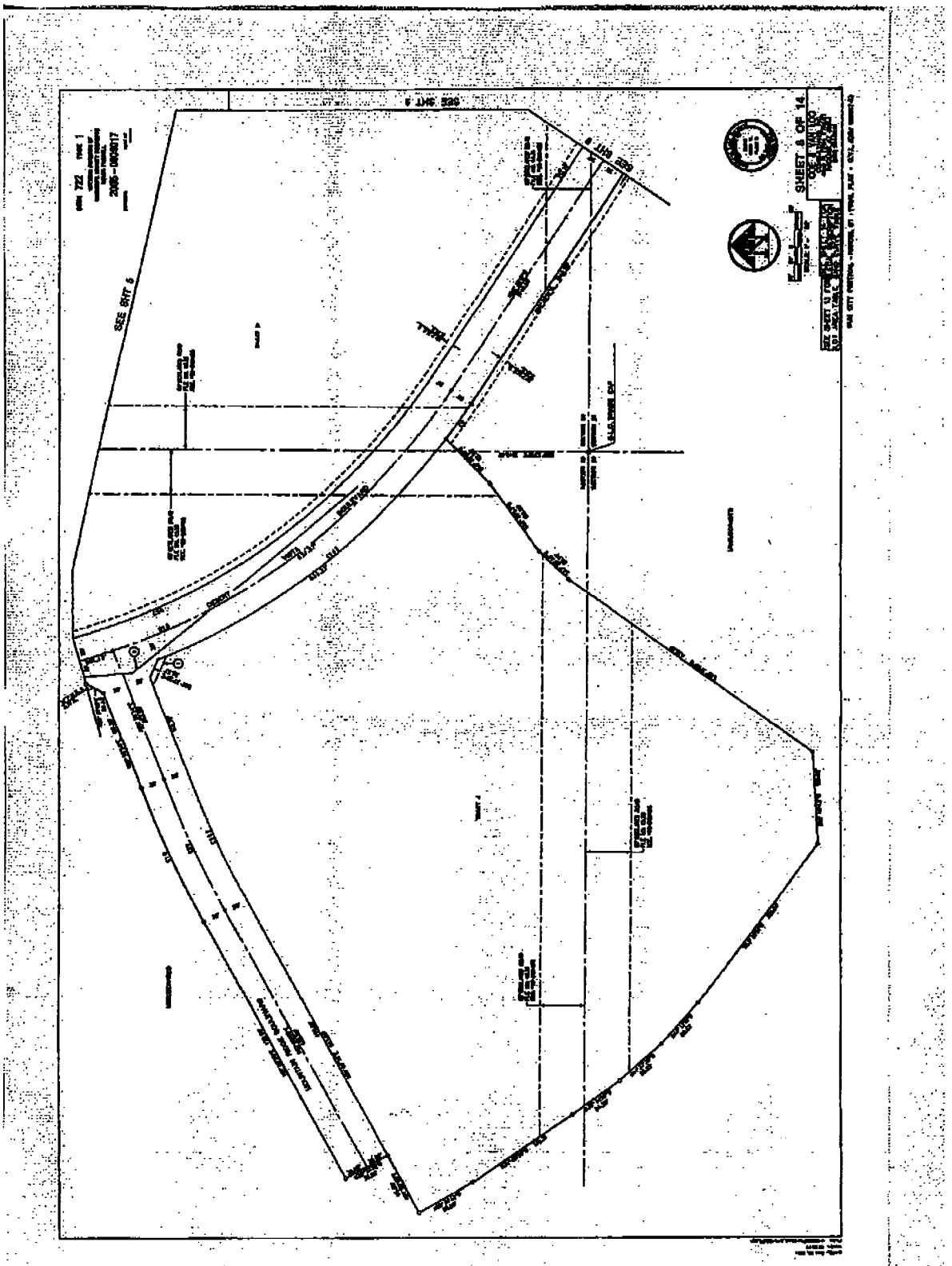

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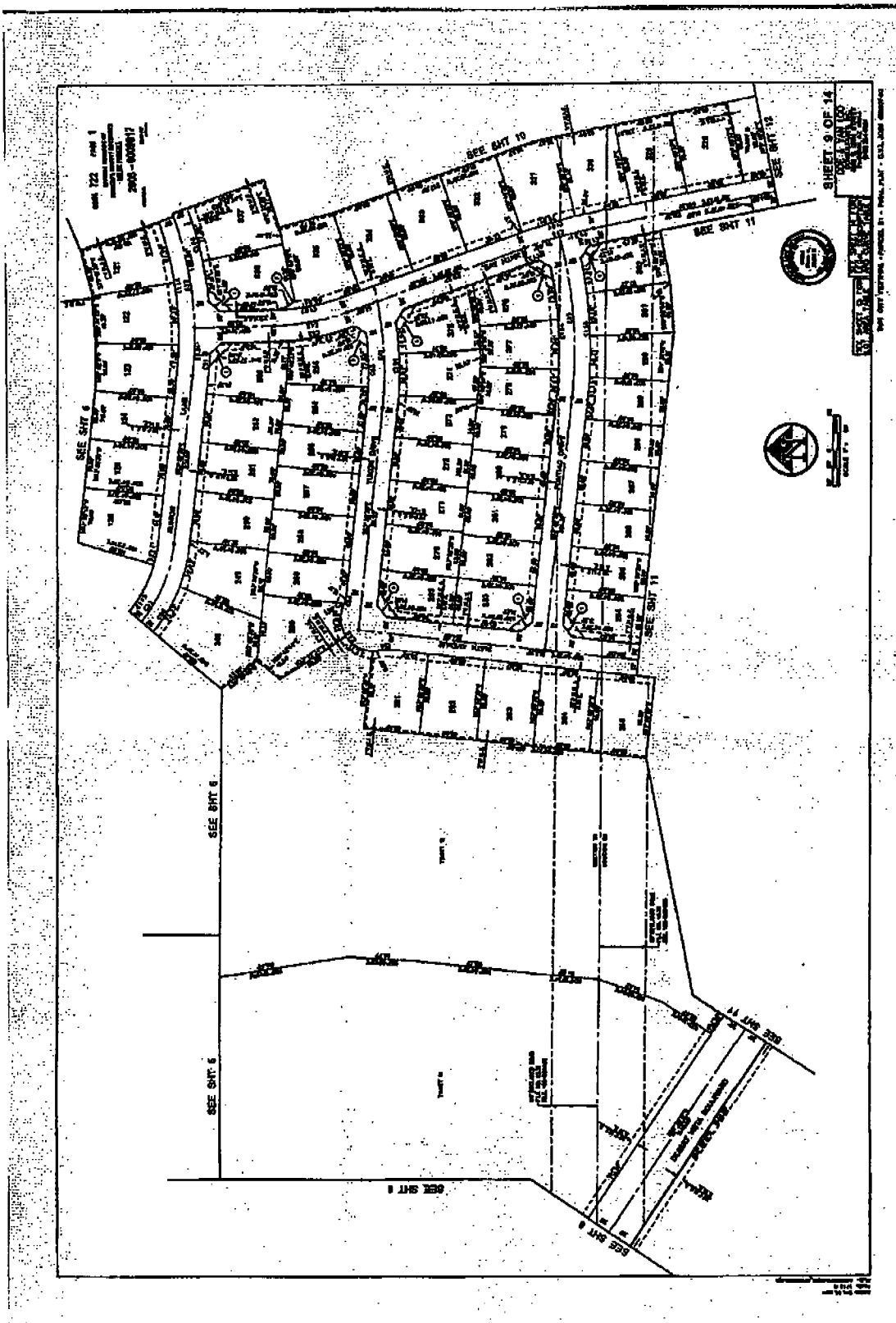

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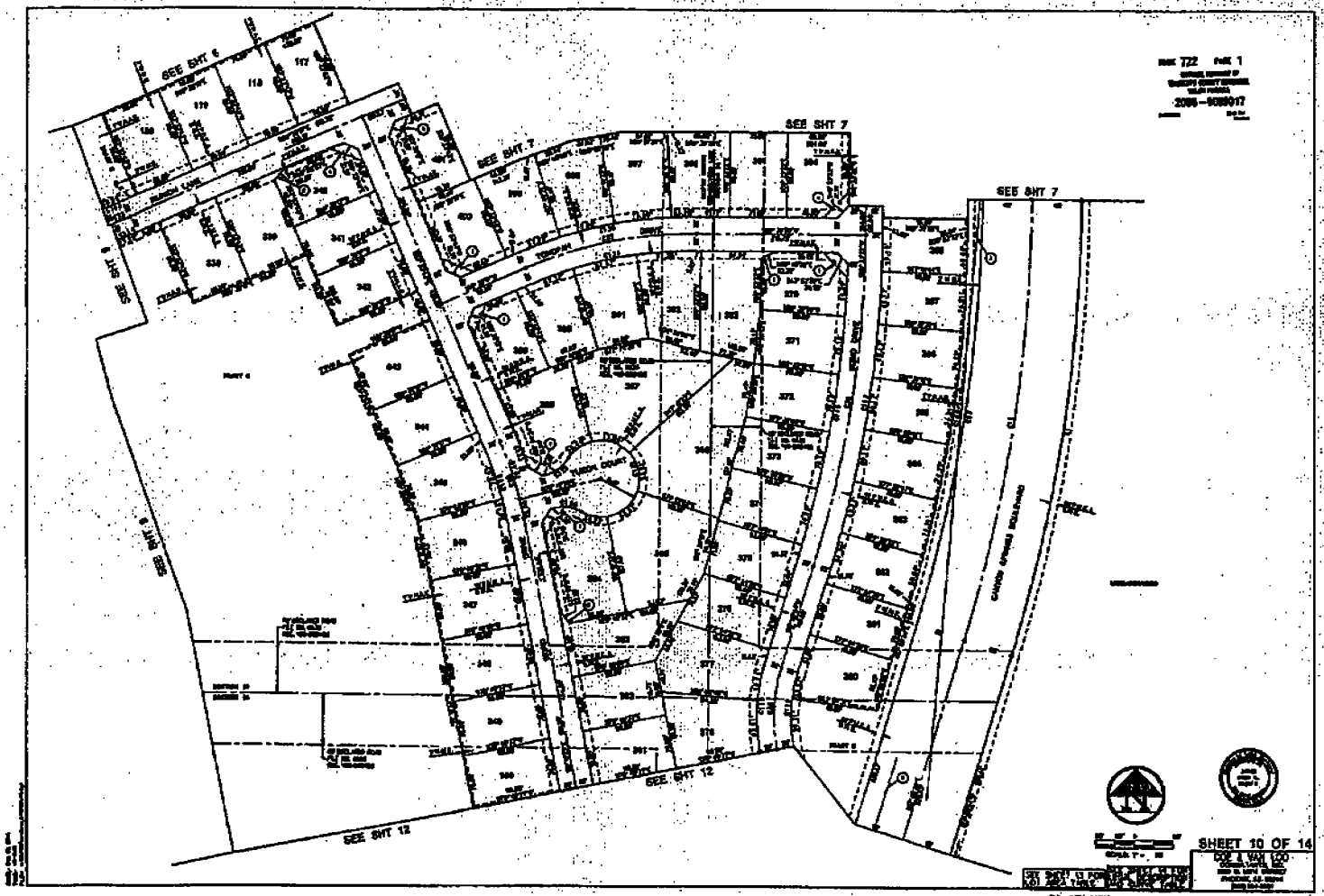

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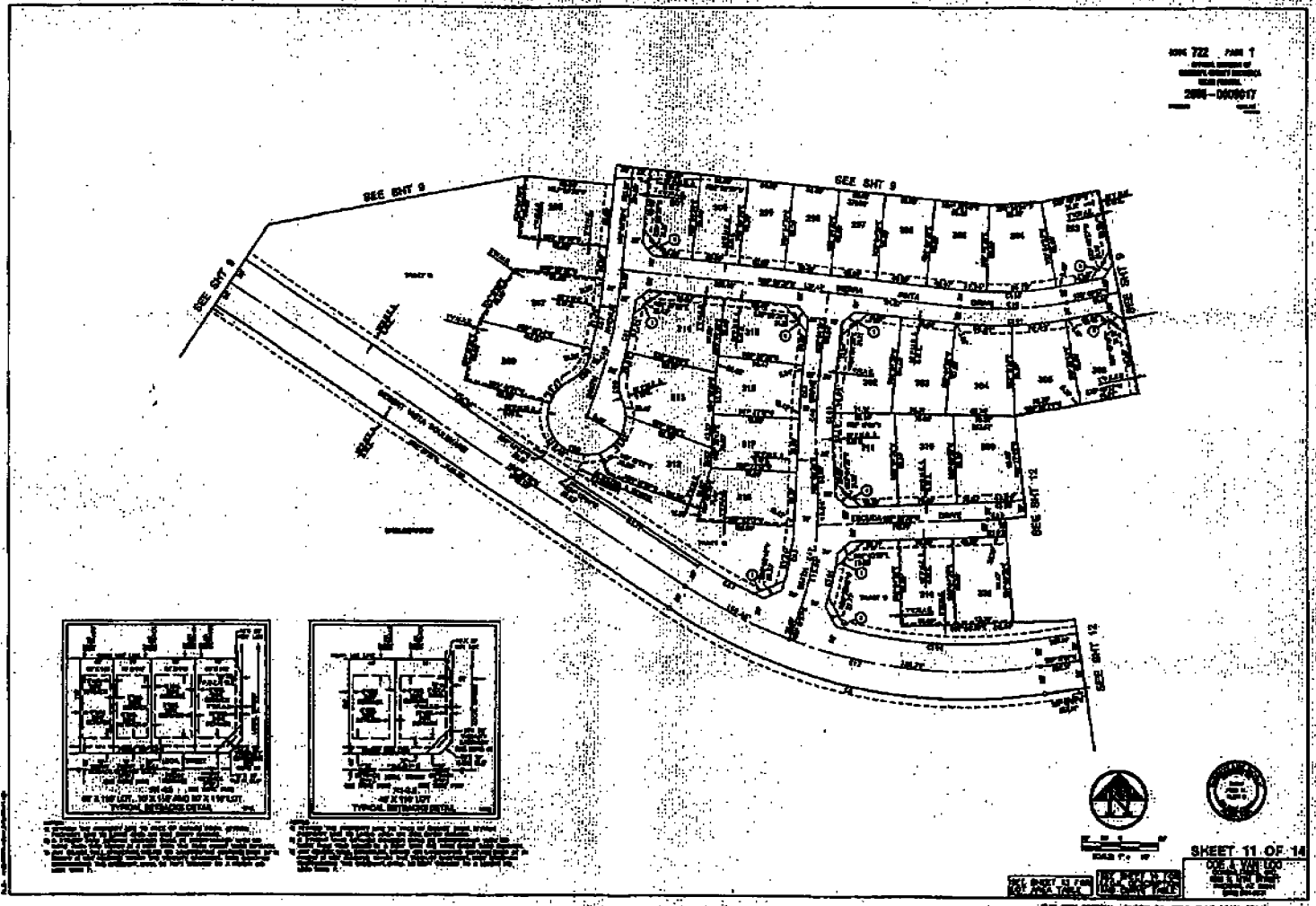

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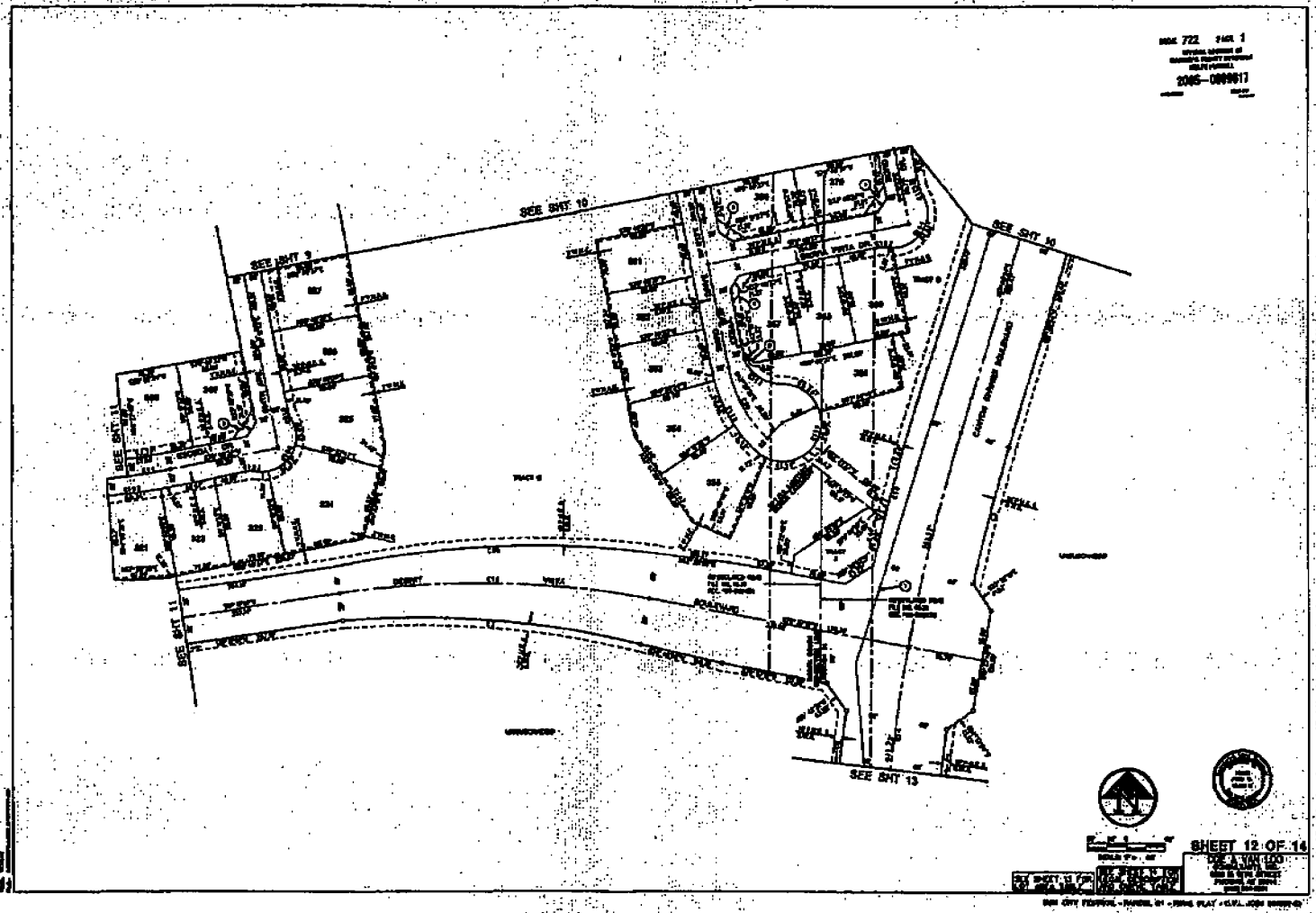

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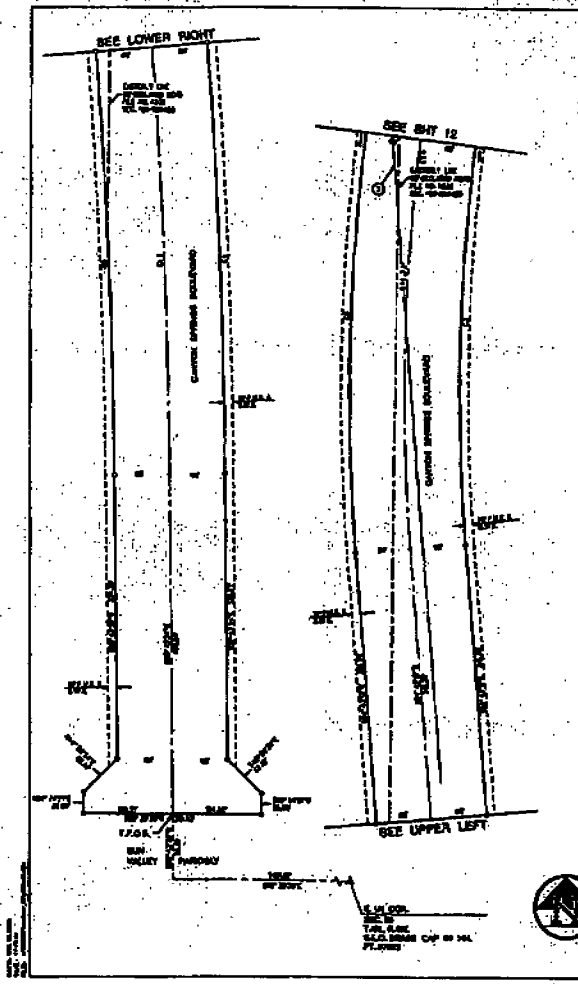


LOT TABLE

LOT	SQ. FEET PER LOT
[illegible]	[illegible]

SHEET 13 OF 14

0033P05-001013.MF

LEGAL DESCRIPTION

[illegible]

CURVE TABLE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURVE TABLE CONT.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BOOK 722 PAGE 1

[illegible]

2006-0086917

[illegible]

SHEET 14 OF 14

[illegible]

SEE SHEET 13 FOR KEY AREA TABLE

[illegible]

0033P05-001014.tif

FINAL PLAT
OF

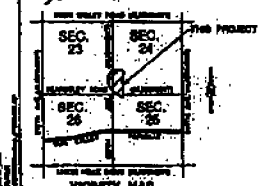
"SUN CITY FESTIVAL - PARCEL C1"

A SUBDIVISION BEING A REPLAT OF TRACT "H" OF "SUN CITY FESTIVAL - PARCEL B1" AS RECORDED IN BOOK 722 OF MAPS, PAGE 1, MARICOPA COUNTY RECORDS, AND BEING IN PORTIONS OF THE SOUTHEAST QUARTER OF SECTION 23, THE SOUTHWEST QUARTER OF SECTION 24, AND THE NORTHWEST QUARTER OF SECTION 25, TOWNSHIP 4 NORTH, RANGE 4 WEST, GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

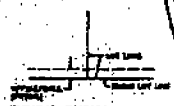
NOTES

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

LEGEND



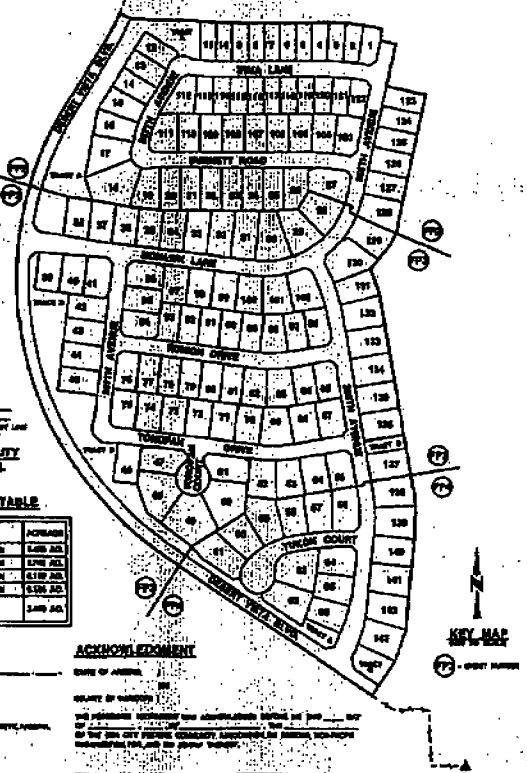
VICINITY MAP



TYPICAL PUBLIC UTILITY EASEMENT DETAIL

TRACT INFORMATION TABLE

TRACT	PRIMARY USE	ACREAGE
A	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
B	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
C	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
D	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
	TOTAL	[illegible] AC.



KEY MAP

CERTIFICATIONS

ACKNOWLEDGMENT

DEDICATION

ACKNOWLEDGMENT

RATIFICATION

CERTIFICATION

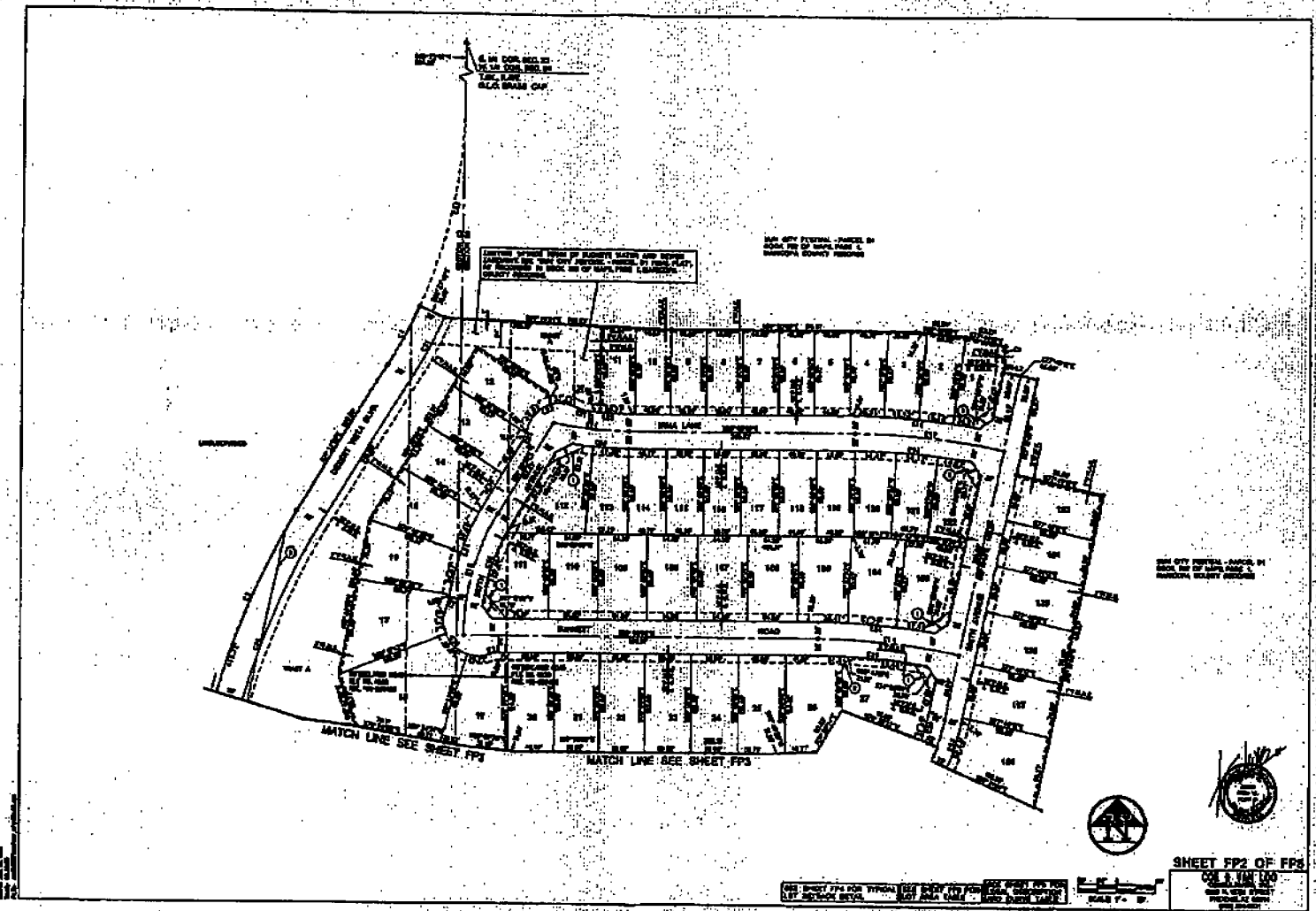
BASIS OF BEARING

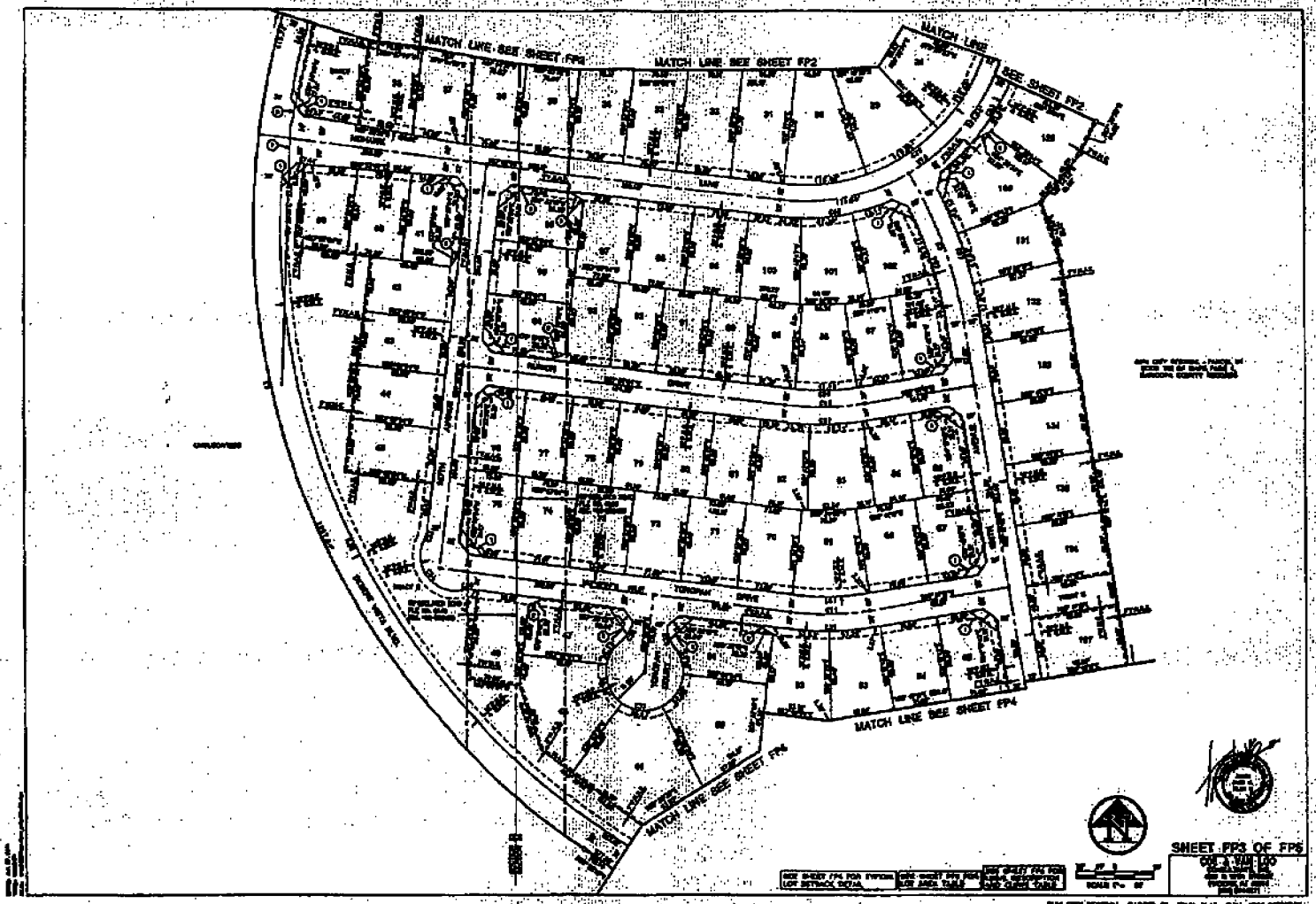
SHEET FP1 OF FP5

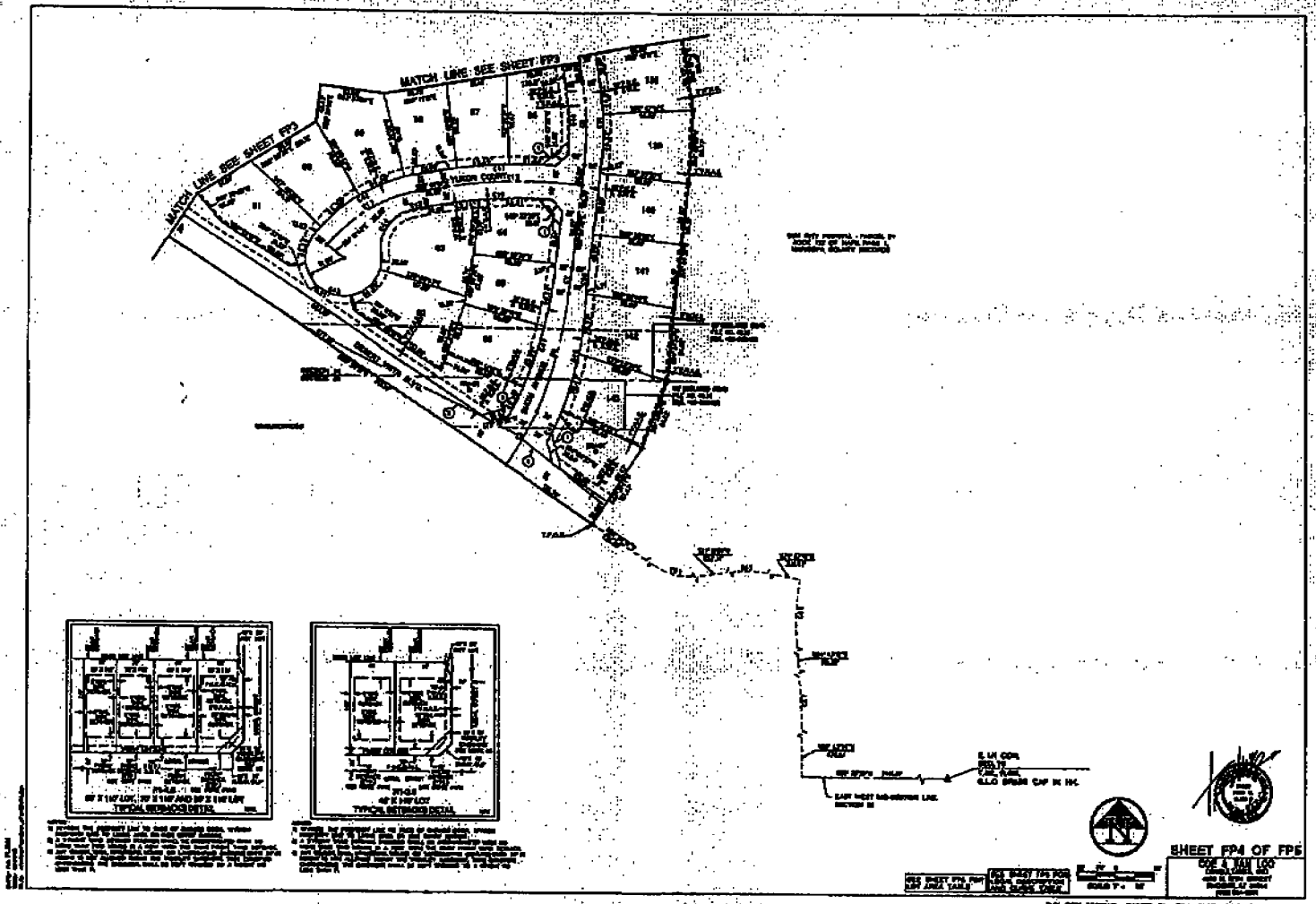
GROSS AREA = [illegible] AC.
NET AREA = [illegible] AC.

SUN CITY FESTIVAL - PARCEL C1 - FINAL PLAT - [illegible]

[illegible]


MATCH LINE SEE SHEET FP3
MATCH LINE SEE SHEET FP3
SHEET FP2 OF FP5


MATCH LINE SEE SHEET FP2
MATCH LINE SEE SHEET FP2
MATCH LINE SEE SHEET FP2
MATCH LINE SEE SHEET FP4
MATCH LINE SEE SHEET FP4
SHEET FP3 OF FP5



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CURVE TABLE

NO.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEGAL DESCRIPTION

[illegible]

LOT TABLE

LOT	SQ. FEET PER LOT	LOT	SQ. FEET PER LOT
[illegible]	[illegible]	[illegible]	[illegible]

SEE SHEET FP5 FOR TYPICAL LOT SETBACK DETAIL

SCALE 1" = 50'

SHEET FP5 OF FP5

COE & VAN LOO

SUN CITY FESTIVAL - PARCEL C1 - FINAL PLAT - C.V.L. JOB# [illegible]

00591P05-001005.01

FINAL PLAT
OF

"SUN CITY FESTIVAL - PARCEL D1"

A SUBDIVISION LOCATED IN THE SOUTHEAST QUARTER OF SECTION 23,
AND THE SOUTHWEST QUARTER OF SECTION 24,
TOWNSHIP 4 NORTH, RANGE 4 WEST,
GILA AND SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA.

NOTES

1. [illegible]
2. THE EAGLE UTILITY EASEMENT (E.U.E.) [illegible]
3. [illegible]
4. [illegible]
5. [illegible]
6. [illegible]
7. [illegible]
8. THE ONE MAINTENANCE EASEMENT SHALL BE THE RESPONSIBILITY OF THE SUN CITY FESTIVAL COMMUNITY ASSOCIATION.
9. [illegible]
10. [illegible]
11. [illegible]
12. [illegible]
13. [illegible]

LIMITATION ON THE ISSUANCE OF CERTIFICATES OF OCCUPANCY

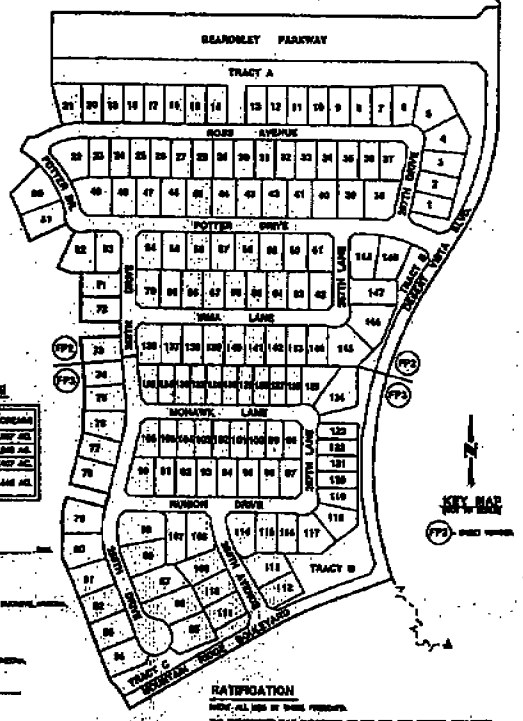
[illegible]

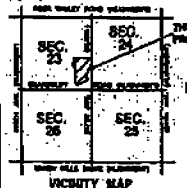
LEGEND

[illegible]

TRACT INFORMATION TABLE

TRACT	PRIMARY USE	ACREAGE
A	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
B	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
C	LANDSCAPE DRAINAGE RETENTION	[illegible] AC.
	TOTAL	[illegible] AC.





VICINITY MAP
NOT TO SCALE

CERTIFICATIONS

THIS PLAT REVIEWED AND APPROVED BY THE ___ DAY OF ___, ___ BY THE SUN CITY FESTIVAL COMMUNITY ASSOCIATION.

BY: ___
TITLE: ___

THIS PLAT APPROVED BY THE LAND USE ADMINISTRATOR OF MARICOPA COUNTY, ARIZONA THIS ___ DAY OF ___, ___.

BY: ___
LAND USE ADMINISTRATOR

THIS PLAT APPROVED BY THE TOWN COUNCIL OF QUEEN CREEK, ARIZONA THIS ___ DAY OF ___, ___.

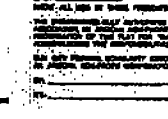
BY: ___ ATTEST: ___
MAYOR TOWN CLERK

ACKNOWLEDGMENT

STATE OF ARIZONA }
}ss
COUNTY OF MARICOPA }

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS ___ DAY OF ___, ___ BY ___ OF THE SUN CITY FESTIVAL COMMUNITY ASSOCIATION, AN ARIZONA NON-PROFIT CORPORATION, FOR AND ON BEHALF THEREOF.

MY COMMISSION EXPIRES: NOTARY PUBLIC



RATIFICATION

[illegible]

SUN CITY FESTIVAL COMMUNITY ASSOCIATION
AN ARIZONA NON-PROFIT CORPORATION

BY: ___ DATE: ___
ITS: ___

DEDICATION

STATE OF ARIZONA }
}ss
COUNTY OF MARICOPA }

[illegible]

ACKNOWLEDGMENT

STATE OF ARIZONA }
}ss
COUNTY OF MARICOPA }

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS ___ DAY OF ___, ___ BY ___ OF ___, A ___ CORPORATION, FOR AND ON BEHALF THEREOF.

MY COMMISSION EXPIRES: NOTARY PUBLIC

CERTIFICATION

[illegible]

BY: ___

BASIS OF BEARING

[illegible]

SHEET FP1 OF FP4

GROSS AREA = 43.869 AC.	COL & VIM LOT
NET AREA = 37.251 AC.	

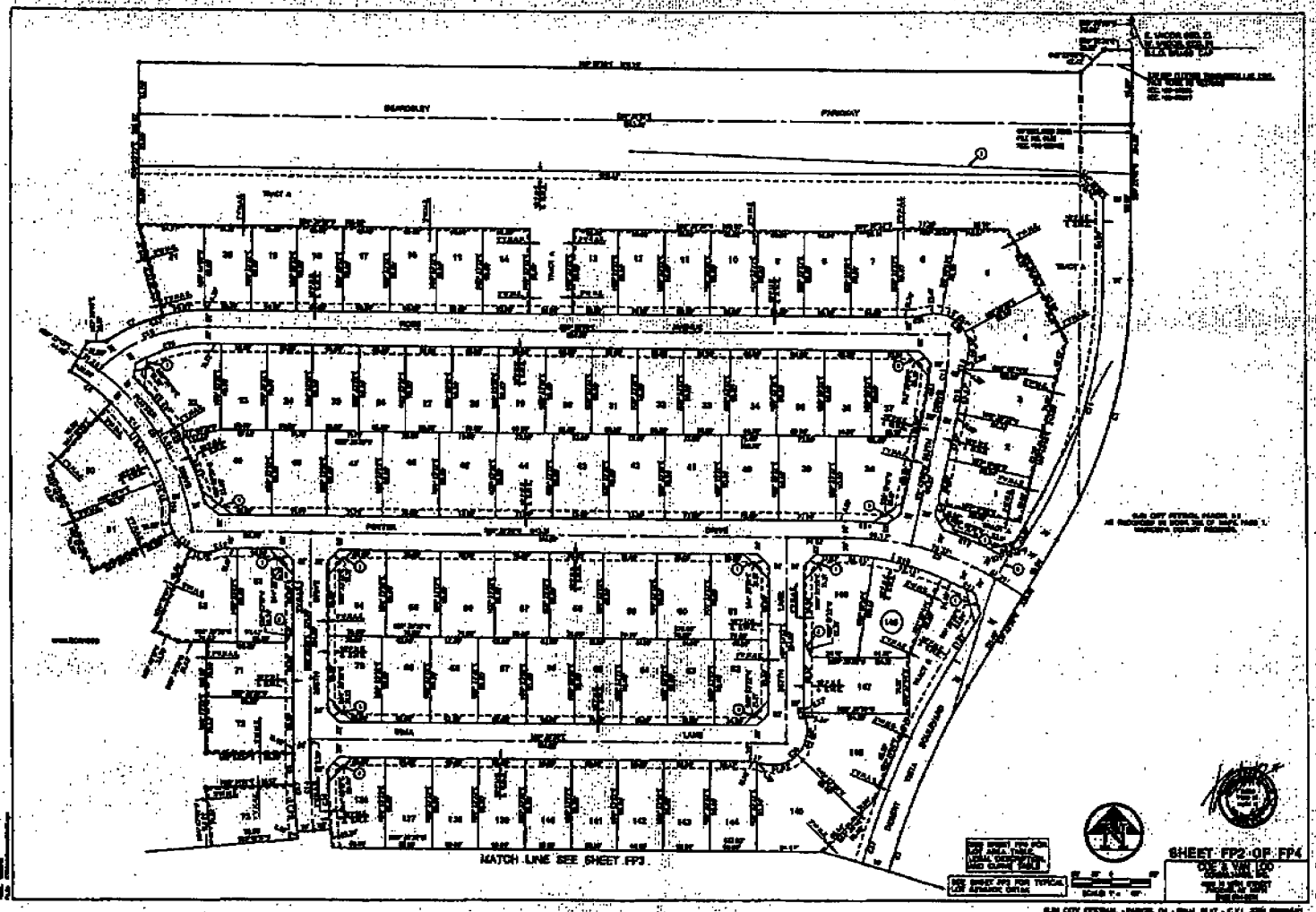
SEE SHEET FP4 FOR TYPICAL LOT AREA, YARD, SETBACK AND SLOPE TABLE

SEE SHEET FP4 FOR TYPICAL LOW SETBACK DETAIL

SUN CITY FESTIVAL - PARCEL D1 - FINAL PLAT - GILA, JOBS [illegible]

1176P05

01102009-00102009



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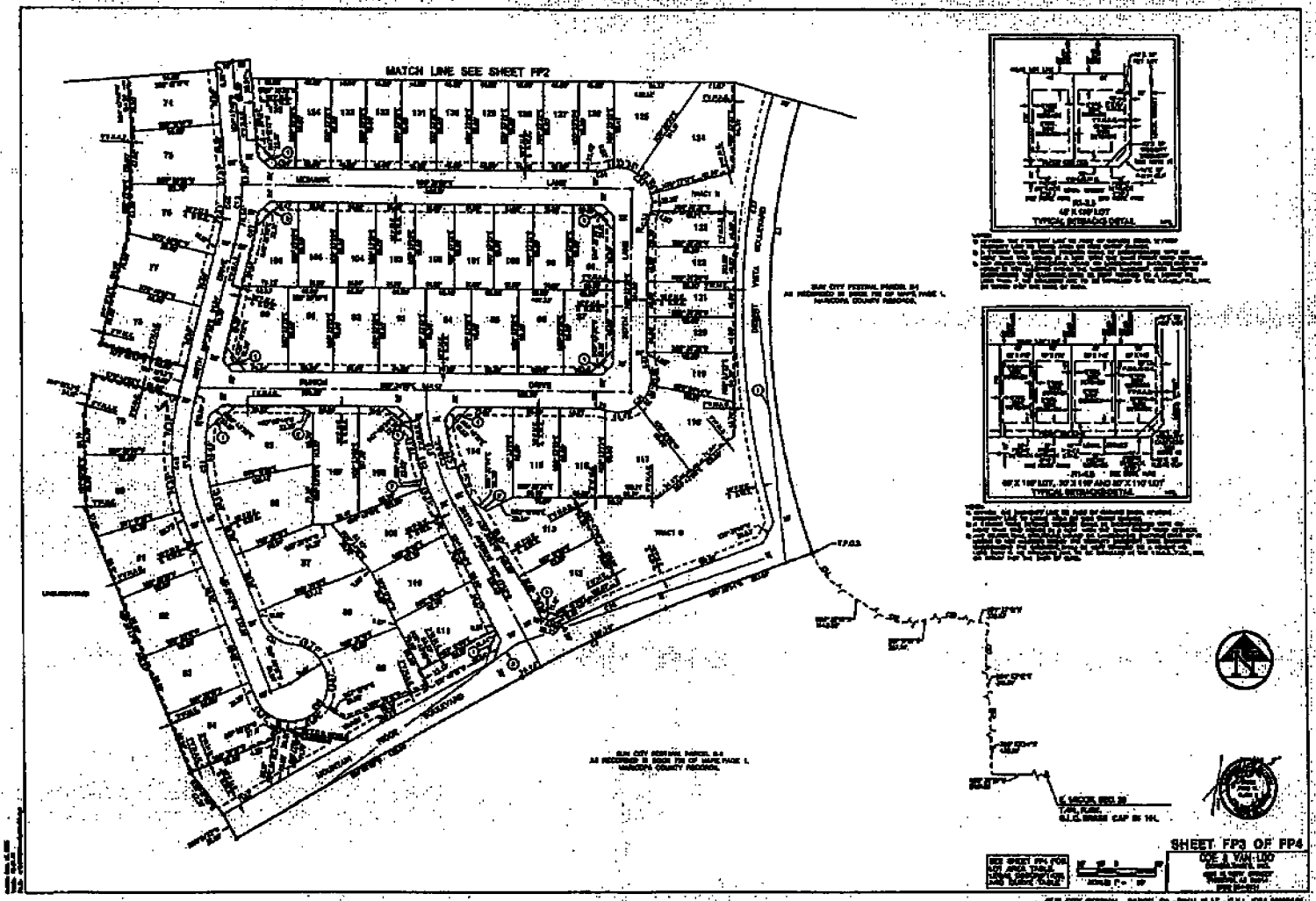
MATCH LINE SEE SHEET FP2
SHEET FP3 OF FP4

CURVE TABLE

[illegible]

LEGAL DESCRIPTION

[illegible]

LOT TABLE

LOT	SQ. FEET PER LOT	LOT	SQ. FEET PER LOT
[illegible]	[illegible]	[illegible]	[illegible]

SHEET FP4 OF FP4

COE & VAN LOO

[illegible]

FESTIVAL RANCH CFD AGREEMENT

OFFICIAL RECORDS OF
Unofficial Documents
ER
01:51
3

When recorded, return to:

Mr. Scott W. Ruby, Esq.
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, AZ 85004-2327

DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1

FOR

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (BUCKEYE, ARIZONA)

by and among

TOWN OF BUCKEYE, ARIZONA,

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (BUCKEYE, ARIZONA),

10,000 WEST, L.L.C.

and

PULTE HOME CORPORATION

Dated as of April 21, 2005

SWR:par 560850.2 02/22/05

DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1
FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

ARTICLE I	COMMUNITY FACILITIES DISTRICT	3
ARTICLE II	CONSTRUCTION OF PROJECTS BY OWNERS	5
ARTICLE III	ACQUISITION OF PROJECTS FROM OWNERS	6
ARTICLE IV	CONSTRUCTION OF PROJECTS BY THE DISTRICT	8
ARTICLE V	FINANCING OF PROJECTS	10
ARTICLE VI	MATTERS REL[illegible]E BONDS AND OTHER OBLIGATIONS OF THE DISTRICT	13
ARTICLE VII	ACCEPTANCE BY THE MUNICIPALITY; MAINTENANCE; APPLICABILITY OF THE INTERGOVERNMENTAL AGREEMENT ACT	18
ARTICLE VIII	INDEMNIFICATION AND INSURANCE.	22
ARTICLE IX	[RESERVED]	24
ARTICLE X	MISCELLANEOUS	25
SIGNATURES		29
EXHIBIT A	LEGAL DESCRIPTION OF PROPERTY.	A-1
EXHIBIT B	FORM OF NOTICE INVITING BIDS	B-1
EXHIBIT C	FORM OF CERTIFICATE OF ENGINEERS FOR CONVEYANCE OF SEGMENT OF PROJECT	C-1
EXHIBIT D	FORM OF CONVEYANCE OF SEGMENT OF PROJECT	D-1
EXHIBIT E	FORM OF DISCLOSURE PAMPHLET	E-1

Unofficial Document

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THIS DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1 FOR FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT, dated as of April 21, 2005 (the "*Agreement*"), by and among the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona (the "*Municipality*"), Festival Ranch Community Facilities District, a community facilities district formed by the Municipality, and duly organized and validly existing, pursuant to the laws of the State of Arizona (the "*District*"), 10,000 WEST, LLC, a limited liability company and PULTE HOME CORPORATION, a Michigan corporation (collectively, the "*Owners*") who owns in fee title all or substantially all of the real property in the District. Other persons having an interest in any real property within the District (the "*Lienholders*"), have acknowledged and agreed to the terms and provisions of this Agreement and have consented to the recording of this Agreement as a binding encumbrance against their respective property, by the execution of the Consent and Agreement attached hereto.

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Act*"), and Section [illegible] Unofficial Document [illegible]zona Revised Statutes, as amended, the Municipality, the District and the Owners may enter into this Agreement as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Act) and the financing of public infrastructure, including, but not limited to subsequent reimbursements or repayments over time; and

WHEREAS, with regard to the property described in *Exhibit "A"* hereto (the "*Property*") which makes up the real property included within the boundaries of the District, the Municipality, the District and the Owners have determined to specify some of such matters in this Agreement, particularly matters relating to the acquisition, construction financing, operation and maintenance of certain public infrastructure by the District, including matters relating to competitive bidding of the construction of the public infrastructure the acceptance thereof by the Municipality, the sale of bonds to finance the costs of the public infrastructure, and, if applicable and approved by the District, the reimbursement or repayment of the Owners with respect thereto, all pursuant to the Act; and

WHEREAS, this Agreement as a "development agreement" is consistent with the "general plan" of the Municipality as defined in Section 9-461, Arizona Revised Statutes, as amended, applicable to the Property on the date this Agreement is executed; and

WHEREAS, general obligation bonds (the "*G.O. Bonds*") and/or special assessment lien bonds (the "*Assessment Bonds*") of the District may be issued in the sole discretion of the District board of directors (the "*District Board*"), to provide moneys to finance certain "public infrastructure purposes" (as such term is defined in the Act) described in the General Plan of the District (the "*General Plan*") heretofore approved by the Municipality and the District (collectively, the G.O. Bonds and the Assessment Bonds of the District are referred to as the "*Bonds*"); and

WHEREAS, the District Board has ordered, called and conducted a general obligation bond election, whereat the persons qualified to vote at such election pursuant to the Act authorized the District Board to issue, in its sole discretion, G.O. Bonds in an amount not to exceed One Hundred Twenty Five Million Dollars ($175,000,000.00) to provide moneys for public infrastructure purposes consistent with the ballot, the General Plan and the Act; and

WHEREAS, the District Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable, or such other procedures as the District Board provides, may, in its sole discretion, levy assessments of the costs of any public infrastructure or public infrastructure purpose on any land in the District based on the benefit determined by the District Board to be received by the land, and issue and sell the Assessment Bonds payable from amounts collected from the special assessments; and

WHEREAS, pursuant to the Act, the District may enter into this Agreement with the Owners with respect to the advance of moneys for public infrastructure or public infrastructure purposes by the Owners and the repayment of such advances; and

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WHEREAS, pursuant to the Act and Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the "*Intergovernmental Agreement Act*"), the District and the Municipality may enter into the specified sections of this Agreement as an "intergovernmental agreement" with one another for joint or cooperative action for services and to jointly exercise any powers common to them and for the purposes of the planning, design, inspection, ownership, control, maintenance, operation or repair of public infrastructure; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes, as amended, and the CFD Guidelines (as defined herein) before constructing or acquiring any public infrastructure improvements, the District Board is required, in each instance, to cause a report of the feasibility and benefits of the project (the "*Report*") relating to such public infrastructure improvements to be prepared by engineers and other qualified persons, which must include a description of the public infrastructure to be constructed or acquired and all other information useful to understand the project, a map showing, in general, the location of the project, an estimate of the cost to construct, acquire, operate and maintain the project, an estimated schedule for completion of the project, a map or description of the area to be benefited by the project, and a plan for financing the project; and

WHEREAS, nothing contained in this Agreement is intended to limit the District Board in exercising its judgment with respect to the issuance of Bonds during the process of reviewing and approving or rejecting any Report;

NOW, THEREFORE, in the joint and mutual exercise of their powers, in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, and subject to the conditions set forth herein the parties hereto agree as follows:

ARTICLE I

COMMUNITY FACILITIES DISTRICT

Section 1.1 **CFD Guidelines.** Except as otherwise specifically provided in this Agreement, as may be amended from time to time, the District shall be subject to and governed by the terms and provisions of the Town of Buckeye, Arizona, Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts, as amended from time to time (the "*CFD Guidelines*").

Section 1.2 **District Consulting Costs.** The District may retain an independent financial advisor, legal advisor, underwriter, engineer and such other advisors and consultants as may be necessary to assist the District in its operations, including but not limited to evaluating budgets, reports, financing documents, District construction documents and similar matters ("*District Consulting Costs*"). District Consulting Costs shall be included as District Administrative Expenses, provided, however, certain District Consulting Costs constituting capital expenditures of a project financed by Bonds may, if approved by the District Board, be paid with the proceeds of Bonds. Unofficial Document

Section 1.3 **Compliance with Law and CFD Guidelines.** The District shall maintain its records and conduct its affairs in accordance with the Act, the laws of the State of Arizona and the CFD Guidelines.

Section 1.4 **Payment of Municipality's Costs and Expenses.** The Municipality shall be paid by the District for its costs and expenses relating to the District and the public infrastructure financed by the District as described in Section 7.3(d) of this Agreement. The Municipality will provide the District and the District will provide the Owners with an invoice for the Municipality's costs and expenses. The Owners agrees to pay to the District the amounts owed per Article VII of this Agreement within forty-five (45) days of receipt of the invoice.

Section 1.5 **Contracting for District Financial Infrastructure.**

(a) **Public Bid Requirement.** All infrastructure described in the General Plan that is or expected to be financed with District moneys or District Bond proceeds ("*District Financed Infrastructure*") shall be public infrastructure improvements as described in the Act. Any District Financed Infrastructure shall be publicly bid and awarded pursuant to the provisions of the Arizona Revised Statutes, as amended, and in accordance with the bidding policies of the Municipality (collectively, the "*Public Bid Requirements*").

(b) **Notice Inviting Bids.** Commencing on the date of this Agreement, the form of Notice Inviting Bids in *Exhibit "B"* hereto shall be used in substantially the form for such purpose, and the use of such form prior to the execution and delivery of this Agreement is hereby ratified in all respects.

(c) **Certificate of the Engineers**. Compliance with the Public Bid Requirements shall be evidenced by the certification of the engineers of the Owners and the District (collectively, the "*Engineers*") with respect thereto in the form of *Exhibit "C"* hereto (the "*Certificate of the Engineers*").

(d) **Limitation on Recourse**. Each construction or acquisition contract relating to the public infrastructure improvements or purposes shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly, to the Municipality. In the case of any initial financing provided by the Owners of any construction or acquisition contract relating to public infrastructure improvements or purposes for which reimbursement is expected, such contract shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly to the District, for the payment of any costs under such contract or any liability, claim or expense arising therefrom and that the Owners shall have sole liability for payment under such contract of all such amounts.

Section 1.6 **Submission of Reports; Approval or Rejection**. Owners or, if after the end of the Owners Exclusive Period (as hereinafter defined), the District or any third party owning real property within the D[illegible]ve the right to submit to the District Board one or more Reports pertaining to the issuance of Bonds to finance the construction, acquisition or installation of all or a part of the public infrastructure improvements described in the General Plan. The District Board, exercising its sole discretion may thereafter approve or reject the Report and approve or reject the issuance of District Bonds. With respect to general obligation bonds or revenue bonds, the Owners Exclusive Period shall end on the earlier to occur of (a) the reimbursement to the Owners or the Developer, or any successor thereto, of $109,000,000 or more for public infrastructure improvements (not including the water treatment facility improvements), or (b) March 1, 2025. With respect to special assessments, the Owners Exclusive Period shall end on the earlier to occur of (a) less than 15% of the assessment to be levied to secure the special assessment bonds will be levied on property owned by the Owners, or (b) March 1, 2025. Notwithstanding any provision of this Section 1.6, the District Board may cause the preparation of a Report and thereafter issue general obligation bonds or assessment bonds if the District Board determines that the issuance of such bonds and the use of the proceeds thereof will mitigate or cure a health or safety issue located within or affecting property or residents within the District.

Section 1.7 **Withdrawal of Reports**. Notwithstanding Section 1.6 above, Owners shall be permitted to withdraw any Report submitted by Owners from consideration by the District at any time before the conclusion of the hearing thereon. In the event of such a withdrawal, the District Board shall not approve the Report or adopt any resolution which would effect an implementation of any part of the transaction described in such Report. Owners shall be permitted to resubmit any such withdrawn Report or any Report which has been rejected by the District Board and then amended by Owners, at such time as Owners may, in their sole discretion, deem advisable. The Owners are responsible for the costs incurred prior to the withdrawal, including consultant fees.

ARTICLE II

CONSTRUCTION OF PROJECTS BY OWNERS

Section 2.1 **Construction by Owners.**

(a) **At Owners Expense.** Subject to the other terms and provisions of this Agreement, Owners at their sole cost and expense may, unless the procedure to have the District construct the public infrastructure improvements as described in Article IV hereof is followed, cause the public infrastructure improvements or purposes, including but not limited to those improvements described in the General Plan and generally consistent with the community master plan for the Festival Ranch project (collectively, the "*Acquisition Infrastructure*" and as detailed in the General Plan on a project-by-project basis as an "*Acquisition Project*" or the "*Acquisition Projects*") to be provided for pursuant to plans and specifications approved by the Municipality (the "*Plans and Specifications*").

(b) **Compliance with Applicable Codes, Etc.** The Acquisition Projects shall be constructed in a good and workmanlike manner in compliance with all applicable standards, codes, rules, guidelines or regulations of the Municipality, as in effect from time to time, for the same or comparable construction projects of the Municipality.

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Section 2.2 **Public Bidding.** The Acquisition Projects shall be bid in one or more parts pursuant to the Public Bid Requirements and the requirements set forth in Section 1.5 of this Agreement. Any contracts for such work shall be hereafter referred to as the "*Acquisition Project Construction Contracts*" and individually as an "*Acquisition Project Construction Contract*". Plans, specifications, bid documents and bidding procedures are subject to review and approval by the District. Bids will be submitted to, or as directed by, the District for opening and review. No award of an Acquisition Project Construction Contract shall be made without the concurrence of the District.

Section 2.3 **Project Costs; Change Orders.** The total bid amount of any Acquisition Project Construction Contract plus any other costs of the Acquisition Project that are not required to be bid pursuant to the Public Bid Requirements shall be submitted for review to and if acceptable, approved by the Manager for the District (the "*District Manager*") or his designee and the engineer for the District (the "*District Engineer*"). The total bid amount of any Acquisition Project Construction Contract shall not exceed the estimated cost of the Acquisition Project set forth in the approved Report. Any change order to any Acquisition Project Construction Contract shall be subject to approval by the District Engineer and District Manager (which approval shall not be unreasonably withheld or delayed) and shall be certified to in the Certificate of the Engineers; provided, however, that any change order increasing the amount of an Acquisition Project Construction Contract by more than 10% of the original contract amount or modifying significantly the scope of the work otherwise shall be approved by the District Board. Any increase in cost caused by any change order shall be the sole responsibility of Owners provided that such increase in cost caused by an approved change order may be included by Owners in any applicable Segment Price pursuant to Section 3.2 hereof.

Section 2.4 **At Owners Risk.** As between Owners, the Municipality and the District, Owners shall bear all risks, liabilities, obligations and responsibilities under each Acquisition Project Construction Contract and all risk of loss of or damage to any Acquisition Project (or any part thereof) occurring prior to the time of acquisition of such Acquisition Project (or part thereof).

Section 2.5 **Prior Conveyance Not a Bar.** The prior conveyance or dedication of easements, right-of-way or public infrastructure shall not affect or proscribe Owners right to construct public infrastructure improvements or purposes thereon or to be paid or reimbursed for such construction upon acquisition by the District.

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ARTICLE III

ACQUISITION OF PROJECTS FROM OWNERS

Section 3.1 Acquisition by District.

(a) **Purchase.** Subject to the other terms and provisions of this Agreement and after approval by the District Board, exercising its sole discretion, approves a Report pertaining to the applicable Acquisition Project, Owners shall sell to the District, and the District shall acquire from Owners, each Acquisition Project, together with all real property or interests therein necessary to operate and maintain the District Financed Improvements (collectively, the "*Necessary Public Property*"), as a whole (the entire Acquisition Project) or, if applicable, in completed, discrete portions as determined by the District Engineer and the District Manager and in accordance with the Plans and Specifications (referred to herein as a "*Segment*") at the price for the Acquisition Project or, if applicable, each Segment (the "*Project Price*" or the "*Segment Price*" as applicable) established as provided in Section 3.2 hereof. At the request of the District the Owners shall convey any acquired Acquisition Project or Segment(s) and the Necessary Public Property to be conveyed directly to the Municipality, together with a direct assignment of any warranties, guarantees and bonds.

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(b) **Financing; Limited Liability.** Any such acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.1(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.1(b) hereof. Payment of the Project Price or Segment Price is subject to the availability of proceeds of District Bonds as described in Section 5.1.

(c) **Compensation Limited.** Owners have not been and shall not be compensated for any of the Acquisition Infrastructure except as provided by this Agreement. The District shall not be liable for any payment or repayment to Owners therefor except as provided by this Agreement.

(d) **No Prior Dedication.** As of the date of this Agreement, none of the Acquisition Infrastructure has been dedicated by Owners or accepted by the District or the Municipality or offered for dedication by Owners or acceptance by the District or the Municipality.

Section 3.2 Determining Project Price.

(a) **Actual Costs.** The Project Price for an Acquisition Project or the Segment Price for a Segment, as applicable, shall be equal to the sum of the amounts bid (together with or net of any approved change orders), and approved pursuant to Section 2.3 hereof, plus any other amounts that are not required to be bid pursuant to the Public Bid Requirements but are approved pursuant to Section 2.3 hereof, and actually paid by Owners for (1) third-party design and/or engineering of the Acquisition Project or Segment, (2) construction and or installation of the Acquisition Project or Segment pursuant to the Acquisition Project Construction Contract for such Acquisition Project or Segment, (3) inspection and supervision of

the construction of the Acquisition Project or Segment by the District for performance under such Acquisition Project Construction Contract and a reasonable third-party construction management fee, and (4) other miscellaneous and incidental costs relating to the construction and/or installation of such Acquisition Project or Segment allowed by the Act and approved in the Report, but not including any Necessary Public Property.

(b) **Certificate of Engineers.** The determination of the Project Price or the Segment Price shall be certified in the Certificate of the Engineers for that Segment.

Section 3.3 **Conditions for Payment.** The District shall pay the Project Price or the Segment Price, as applicable for and acquire from Owners, and Owners shall, subject to Section 5.1(a)(ii) below, accept the Project Price or the Segment Price for and sell to the District, the Acquisition Project or Segment as provided in Section 3.1 hereof after the approval of the Report and after receipt by the District Manager of the following with respect to the acquisition Project or Segment, in form and substance reasonably satisfactory to the District Manager:

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(i) the Certificate of [illegible],

(ii) the "Conveyance for Segment of Project" in the form of *Exhibit "D"* hereto (hereinafter referred to as a "*Conveyance*");

(iii) evidence that all Necessary Public Property has been conveyed to the Municipality and public access to the Segment or the Acquisition Project, as applicable, has been or will be provided to the Municipality;

(iv) the assignment of all contractors' and materialmen's warranties and guarantees as well as payment and performance bonds;

(v) an acceptance letter issued by the Municipality and by its terms subject specifically to recordation of the Conveyance of the Acquisition Project or Segment, as applicable, which is the subject of such letter; and

(vi) such other documents, instruments, approvals or opinions as may reasonably be requested by the District Manager including, with respect to any Necessary Public Property, title reports, insurance and opinions and evidence satisfactory to the District Manager that any Necessary Public Property to be acquired does not contain environmental contaminants which make such real property unsuitable for its intended use or, to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use and the sources of funds necessary to accomplish such purpose.

Section 3.4 **Conveyance of Necessary Public Property.** The Owners shall convey to the District, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the operation and maintenance of the Acquisition Project or Segment, as applicable. The Necessary

Public Property required shall be similar to the requirements for construction projects of the Municipality similar to the Segment.

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ARTICLE IV

CONSTRUCTION OF PROJECTS BY THE DISTRICT

Section 4.1 **Construction by District.**

(a) **Generally.** Subject to the other terms and provisions of this Agreement, the District, after the District Board, exercising its sole discretion, approves a Report, prior to the bidding therefor, may cause any of the public infrastructure described in the General Plan (hereinafter referred to if constructed pursuant to the provisions of this Article IV as collectively the "*Constructed Infrastructure*" and as detailed in the General Plan on a project-by-project basis a "Construction Project" or the "*Construction Projects*") to be constructed pursuant to the Plans and Specifications.

(b) **Similar Requirements.** The Construction Projects shall be constructed in accordance with the requirements for construction projects of the Municipality similar to the Construction Projects unless heretofore agreed otherwise by the Municipality.

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Section 4.2 **Contracts.** The Construction Projects shall be bid in one or more parts by and in the name of the District pursuant to the Public Bid Requirements, and contracts shall be entered into by the District (hereinafter referred to as collectively the "*Construction Project Construction Contracts*" and as individually a "*Construction Project Construction Contract*").

Section 4.3 **Convey Necessary Public Property.** Prior to bidding any contract for the construction of a Construction Project, the Owners shall convey to the District, without cost, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the construction, operation and maintenance of the public improvements comprising the Construction Projects. The type, size and terms of the Necessary Public Property required for the construction, operation or maintenance of the Construction Project shall be similar to the requirements for construction projects of the Municipality similar to the Construction Projects. In addition, such conveyance shall occur after receipt by the District Manager of the following with respect to such Necessary Public Property, in form and substance reasonably satisfactory to the District Manager:

(i) a special warranty deed or easement from the Owners for such Necessary Public Property executed by an authorized officer of the Owners,

(ii) such environmental assessments or other evidence satisfactory to the District Manager that such Necessary Public Property does not contain environmental contaminants which make such Necessary Public Property unsuitable for its intended use or to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use, a plan for remediation of such contaminants, if required by the District Manager and the sources of funds necessary to accomplish such purpose, and

(iii) such other documents, instruments, approvals or opinions as the District Board may reasonably request including title reports, insurance and opinions.

Section 4.4 **Limited Compensation.** Owners have not been and shall not be compensated for any costs of any Construction Project except as provided herein.

Section 4.5 **Approval of Report.** Construction of any Construction Project has not and shall not commence prior to the approval of the Report as required by, and for all purposes of, the Act and conveyance or dedication of a Necessary Public Property as provided in Section 4.3 hereof.

Section 4.6 **Financing; Limited Liability.** Any such construction or acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.2(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.2(b) hereof. Payment of the costs of any Construction Project is subject to the availability of proceeds of District Bonds as described in Section 5.2.

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ARTICLE V

FINANCING OF PROJECTS

Section 5.1 **Acquisition Projects.**

(a) **Before Bond Sale.**

(i) To provide for any acquisition of an Acquisition Project or a Segment occurring before the sale and delivery of any Bonds, the Project Price or, if applicable, the Segment Price(s) for Segment(s) comprising an Acquisition Project shall be paid by Owners subject to payment and acquisition by the District pursuant to the terms of this Agreement and the Conveyance of the Acquisition Project or Segment.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, the amount of the Project Price for the Acquisition Project or the Segment Price of a Segment paid by the Owners prior to the sale and delivery of the Bonds sha.., subject to the requirements of Section 3.3 hereof, be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District, or District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay any Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any amount of the Project Price or Segment Price paid by Owners in excess of the proceeds from the sale of the Bonds if the District thereafter finances such amount from future Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

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(iii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall not have any obligation to repay Owners for any payment made by Owners to pay any Project Price or Segment Price.

(b) **After Bond Sale.**

(i) Any acquisition of an Acquisition Project or any Segment occurring after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment shall, subject to the requirements of Section 3.3 hereof, be provided for by the payment of the Project Price or Segment Price from, and only from, the proceeds of the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment.

(ii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall have no obligation to pay such Project Price or Segment Price. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District or the District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District or that sufficient proceeds from the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, shall be available to pay such Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any deficiency between the proceeds from the sale of the Bonds and the amount of any Project Price or Segment Price paid by Owners if the District thereafter finances such amount from other or future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(c) **If Sufficient Bo[illegible]d.** If the Bonds are not issued or if the proceeds of the Bonds are insufficient to pay all of the Project Price or Segment Price, there shall be no recourse to the District or the Municipality and the District and the Municipality shall not have liability with respect to, the Project Price or Segment Price, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds, if any. Nothing contained in this Section 5.1 shall obligate the Municipality to pay for any Segment Price or Acquisition Infrastructure from any monies of the Municipality. The foregoing is not intended to limit the ability of the Owners to payment for any deficiency between the proceeds from the sale of the Bonds for such purpose and the amount of a Project Price or Segment Price, if the District thereafter finances such amount from future Bond proceeds.

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Section 5.2 Construction Project.

(a) **Before Bond Sale.**

(i) To provide for amounts due pursuant to any Construction Project Construction Contract (including incidental costs relating thereto) (the "*Construction Costs*") after the biddings thereof but before the sale and delivery of any Bonds, such amounts shall be paid by Owners pursuant to the terms of this Agreement. Incidental costs related to a Construction Project Construction Contract shall include, without limitation, permits, staking costs, general conditions, engineering costs, and third-party construction management costs. Each payment of such Construction Costs by the Owners shall be evidenced by a written acknowledgement of the District Manager included as part of the written approval of the District Engineer of each pay request of the contractor for such Construction Project Construction Contract.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract and sufficient Bond proceeds are reserved to pay the remaining Construction Costs of a

Construction Project Construction Contract, the total amounts of the Construction Costs paid by Owners prior to the sale and delivery of the Bonds shall be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that sufficient proceeds from the sale of any Bonds shall be available to pay such amounts of the Construction Costs paid by Owners. The foregoing is not intended to limit the right of Owners to payment for any amount of the Construction Costs paid by Owners in excess of the proceeds from the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract if the District thereafter finances such amount from future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

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(iii) Until the sa[illegible]y of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall not have any obligation to repay Owners for any payment of a Construction Cost paid by Owners and after the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract such obligation shall be limited to the amount of the proceeds of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract available for such purpose.

(b) **<u>After Bond Sale</u>.**

(i) Any Construction Cost amounts due pursuant to any Construction Project Construction Contract after the sale and delivery of any of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract shall be provided for by the payment of such Construction Cost amounts from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract.

(ii) Until the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall have no obligation to pay such Construction Cost amounts. Neither the District nor the Municipality shall be liable to Owners for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that the Bonds can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay such Construction Cost amounts.

(c) **<u>If Sufficient Bonds Not Issued</u>**. If the Bonds are not issued or if the proceeds of the sale of the Bonds are insufficient to pay any or all of the amounts described in

Subsections (a) or (b), there shall be no recourse to the District or the Municipality and the District and the Municipality shall have no liability with respect to any Construction Project Construction Contract, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds. Nothing contained in this Section 5.2 shall obligate the Municipality to pay for any Construction Cost from any monies of the Municipality.

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ARTICLE VI

MATTERS RELATING TO THE BONDS AND OTHER OBLIGATIONS OF THE DISTRICT

Section 6.1 Bonds Generally.

(a) **Submission of Report; Approval of Bonds.** Upon the submission of a Report, and upon a date established by the District Manager, the District Board shall, in its sole, unfettered discretion, take all such reasonable action necessary for the District to consider the approval or rejection of the Report. If the Report is approved, the District Board may take all reasonable action necessary to issue and sell the Bonds pursuant to the terms and conditions as may be established by the District Board in connection with its approval of the Report (the "*Approval*"), and the provisions of the CFD Guidelines and the Act.

(b) **Sales of Bonds; Amount.** The Bonds may be sold in one or several series, in an amount sufficient (i) to pay the Acquisition Price or the Segment Prices for the Acquisition Infrastructure and all Co[illegible]ts relating to any Construction Project Construction Contract for the Constructed Infrastructure, in each case as established pursuant hereto and in the Approval (hereinafter referred to collectively as the "*Work*") which shall be based on the estimated costs and expenses indicated in the Report or the Approval (hereinafter referred to as the "*Estimate*"), (ii) to pay all other amounts indicated in any Report submitted as required by this Agreement, (iii) to pay all relevant issuance costs related to the applicable series of the Bonds, (iv) to pay capitalized interest for a period not in excess of that permitted by the Act and described in the Report or Approval, and (v) to the extent permitted by law, to fund a debt service reserve fund in an amount not in excess of that permitted by the Act and described in the Report or Approval (collectively, the "*Financeable Amount*").

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(c) **Assessment Bonds.**

(i) Assessment Bonds shall be special assessment lien bonds payable from amounts collected from, among other sources, the hereinafter described special assessment (referred to as originally levied and as thereafter may be reallocated as described herein as the "*Assessments*").

(ii) The Assessments shall be based on the Financeable Amount indicated in the Report or the Approval. None of the Acquisition Project Construction Contracts or the Construction Project Construction Contracts applicable to the Work shall be required to be bid or awarded as a prerequisite to the levying of the Assessments.

(iii) The Assessments shall be levied pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable or such other procedures as the District provides.

(iv) In the event of nonpayment of the Assessment, the procedures for collection thereof and sale of the applicable portion of the Property may be established by the

District, or the District may adopt the procedures prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended, as nearly as practicable, except that, under all procedures, neither the District nor the Municipality is required to purchase any of the Property at the sale if there is no other purchaser.

(v) To prepay, from property Owners payments, in whole or in part the applicable portion of the Assessment, on any interest payment date, the following shall be paid in cash to the District: (A) the interest on such portion to the next date Bonds may be redeemed plus (B) the unpaid principal amount of such portion rounded up to the next highest multiple of the lowest authorized denomination of the Bonds plus (C) any premium due on such redemption date with respect to such portion plus (D) any administrative or other fees charged by the District with respect thereto.

(vi) The Owners hereby acknowledges that lenders and Lienholders involved in financing future improvements on the Property (including mortgages for single family residences) may require that liens associated with the Assessment (or applicable portions thereof) be paid and released prior to accepting a lien with respect to any such financing.

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(vii) This Agreement shall be construed to be an express consent by the Owners that (A) the District Board may designate the boundaries of an Assessment area; (B) the District may, with respect to the Property, incur costs and expenses necessary to complete the Work provided that the Work is a part of a Construction Project, and (C) the District may levy and collect the Assessments in amounts sufficient to pay all costs and expenses of the Financeable Amount, including the Work.

Section 6.2 Requirements for Assessment Bonds.

(a) **CFD Guidelines Apply.** The terms and provisions of the Assessment Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by this Agreement or the Approval.

(b) **Appraisal; Coverage Ratio.** At the time of sale of the Assessment Bonds, an appraisal dated not earlier than six (6) months prior to the date of sale of the Assessment Bonds, in form and substance satisfactory to the District, in its sole and absolute discretion, and prepared by an MAI appraiser (the "*Appraisal*") must show that the wholesale (bulk) value of each assessed parcel or lot in any assessment area securing the Assessment Bonds (as improved by the public infrastructure described in the relevant Report) less five percent (5%), is worth at least six times (in the case of a public sale of Assessment Bonds) and four times (in the case of a sale of the Assessment Bonds to qualified institutional buyers [as defined in Rule 144A as amended], accredited investors [as defined in Rule 501(a), Regulation A, as amended]) or sophisticated municipal market participants, as much as the principal amount of the Assessment Bonds allocated to each assessed parcel.

(c) **Financial Assurance.** At the time of sale of the Assessment Bonds, and to the extent not already provided by the contractors pursuant to the Public Bid Requirements, Owners shall provide or cause to be provided financial assurances in the form of escrowed cash,

bonds, letter of credit or other similar assurances, accessible by the District and in each case in form acceptable to the District Manager, for amounts necessary to pay all costs and expenses associated with providing all the public infrastructure purposes described in the Report as well as any unpaid costs and expenses of any public infrastructure purposes not paid or payable from the proceeds of the sale of the Assessment Bonds because such proceeds are insufficient in amount for such purposes. The foregoing is not intended to limit the right of Owners to reimbursement for any amount advanced in excess of the proceeds from the sale of the Assessment Bonds if the District is able to finance such amount from other or future Assessment Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future reimbursement.

(d) **Reserve Fund.** Unless reduced by the District Board in the Approval, the amount of the Assessment Bonds and the "sale proceeds" thereof shall be sized to include an amount sufficient to fund a reserve to secure payment of debt service on the Assessment Bonds. Payment from such reserve shall not effect a reduction in the amount of the Assessment, and any amount collected with respect to the Assessment thereafter shall be deposited to such reserve to the extent the Assessment is so paid therefrom.

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Section 6.3 Requirements for General Obligation Bonds.

(a) **CFD Guidelines Apply.** Proceeds of G.O. Bonds may be used for any purpose permitted by the Act. The terms and provisions of the G.O. Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by, or inconsistent with, this Agreement or the Approval.

(b) **Tax Levy for Bonds.** The District may annually levy and collect an ad valorem tax upon all taxable property in the District which shall be sufficient after giving prudent consideration to other funds available to the District to pay when due the principal of, interest on and premium, if any, on the G.O. Debt (as hereinafter defined) incurred by the District to finance the construction or acquisition of public infrastructure.

(c) **Limited on Tax Levy For Bonds.** No indebtedness (indebtedness shall not include maintenance, administrative or operation expenses) secured by a pledge of ad valorem taxes, including, but not limited to, G.O. Bonds (collectively hereinafter referred to as "*G.O. Debt*"), shall be incurred unless ninety-five percent (95%) of the amount of ad valorem taxes estimated to be collected at a tax rate of not greater than three dollars ($3.00) per one hundred dollars ($100.00) of the secondary assessed value of the taxable property within the District, is sufficient to pay the highest combined debt service requirements for the proposed G.O. Debt and any other G.O. Debt outstanding. The secondary assessed value of the taxable property shall, for purposes of this paragraph, be equal to the value at the time of the issuance of the proposed G.O. Debt as shown in the records of the County Assessor. Notwithstanding the foregoing or any other provision of this Agreement, G.O. Debt may be authorized by the District Board in its sole discretion, for situations where a tax rate greater than three dollars ($3.00) per one hundred dollars ($100.00) of secondary assessed value of taxable property would be necessary to pay the highest combined debt service of the proposed and outstanding G.O. Debt, if other sources of revenue or additional security acceptable to the District Board are pledged to

pay debt service on the G.O. Debt in an amount that, when combined with the taxes collected at three dollars ($3.00) tax rate or less, provides a sufficient amount to pay the highest combined debt service of the proposed and outstanding G.O. Debt.

Section 6.4 **General Requirements.** The following requirements are hereby established and required with respect to any financing by the District.

(a) **Limited Offering of Bonds; Transfer Restrictions.** The District may impose offering and transfer restrictions with respect to any issue of Bonds. Such restrictions may include but are not limited to the following: Except as permitted below, the Bonds (Assessment Bonds or G.O. Bonds) shall be sold only to accredited investors (as defined in Rule 501(a), Regulation D as amended), qualified institutional buyers (as defined in Rule 144A, as amended) or sophisticated municipal market participants. Secondary transfers of the Bonds will be permitted upon the execution by the bondholder of a certificate, in a form satisfactory to the District, which contains at a minimum, the following certifications:

(i) the purchaser of the Bond is either an accredited investor, a qualified institutional buyer or a sophisticated municipal market participant;

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(ii) the purchaser of the Bond represents that it is knowledgeable in such investments, and has independently evaluated the factors associated with its investment decision and has not relied on the District or the Municipality for any due diligence or disclosure;

(iii) the purchaser is purchasing the Bond for its own account and not with a view towards distribution; and

(iv) the purchaser of the Bond acknowledges that further transfers of such investment shall require a similar certification;

The transfer restrictions may terminate upon: with respect to G.O. Bonds, the rating of the G.O. Bonds at "A" or higher, and, with respect to Assessment Bonds, the rating of the Assessment Bonds at "A" or higher or the appraised value as required by Section 6.2(b) of the real property subject to assessment results in a value to lien ratio greater than 6 to 1 (including in the amount of the lien overlapping special assessment liens).

(b) **Disclosure of Limited Liability.** Any disclosure document prepared in connection with the offer or sale of Bonds must clearly indicate that neither the Municipality nor the State of Arizona or any political subdivision of either (other than the District) shall be liable for the payment or repayment of any obligation, liability, bond or indebtedness of the District, and neither the credit nor the taxing power of the Municipality, the State of Arizona, or any political subdivision of either (other than the District) shall be pledged therefor.

(c) **Disclosure to Purchasers.** A disclosure document must be provided by Owners or Owners' successor to each potential purchaser of a residential lot within the District disclosing the existence of an Assessment or tax (assuming such Assessment or tax remains at the time of sale to the potential purchaser). Each potential purchaser must acknowledge in

writing that the purchaser received and understood the disclosure document. The District shall maintain records of the written acknowledgments. To provide evidence satisfactory to the District Board that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, a disclosure pamphlet substantially in the form of ***Exhibit "E"*** hereto (the "*Pamphlet*") shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Board and Owners. Owners agree to require each homebuilder to perform the obligations set forth in Section 9.2 of this Agreement.

(d) **Continuing Disclosure Undertaking.** Each Obligated Person (as defined in Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "*Rule*")) shall execute and deliver, and thereafter comply with and carry out all the provisions of, a "*Continuing Disclosure Undertaking*" with respect to the Bonds which shall be in a form satisfactory to the District and the purchaser of the Bonds for such purchaser to comply with the requirements of the Rule.

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ARTICLE VII

ACCEPTANCE BY THE MUNICIPALITY; MAINTENANCE; APPLICABILITY OF THE INTERGOVERNMENTAL AGREEMENT ACT

Section 7.1 **Acceptance of Improvements.** Upon satisfaction of the terms for acceptance set forth in this Agreement, and simultaneously with the payment of the related Project Price, Segment Price or Construction Costs of a Construction Project, the Acquisition Project or Segment of Acquisition Infrastructure or the Construction Project, as the case may be, shall be accepted by the Municipality, subject to the conditions pursuant to which facilities such as the Acquisition Project, Segment or Construction Project, as the case may be, are typically accepted by the Municipality and shall be made available for use by the general public.

Section 7.2 **District Expenses.**

(a) **District Administrative Expenses.** "*District Administrative Expenses*" shall include all the operating and administrative costs and expenses of the District, including but not limited to, District Consulting Cos..., ... y Services (as hereafter defined) and that portion of Municipality Overhead related to operating and administrative functions of the District. District Administrative Expenses will not include any costs or expenses paid by the District from revenues or taxes collected to pay the Debt Service (as such term is defined in the Act) on any Bonds of the District. District Administrative Expenses shall include Municipality Services and Municipality Overhead (as hereafter defined).

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(b) **District Maintenance Expenses.** "*District Maintenance Expenses*" shall include all maintenance and operational costs and expenses, including a Replacement Reserve Amount, of any Segment, Construction Project or other public improvement financed by the District. District Maintenance Expenses shall include Municipality Services and that portion of Municipality Overhead related to the maintenance functions of the District.

"*Replacement Reserve Amount*" shall mean an amount calculated using reasonable accounting practices based on the useful life of the various assets established by the Internal Revenue Code. The Replacement Reserve Amount shall include and be limited to a replacement or depreciation reserve for the following improvements financed by the District: (i) water system improvements, other than transmission lines, (ii) sewer treatment plants and facilities, including improvements, other than collection lines, relating to the disposal of solids, and (iii) any other depreciable capital public improvements, provided the Municipality has established and funded similar replacement or depreciation reserves for substantially all like kind capital public improvements not financed by the District.

With respect to District Maintenance Expenses relating to the water system and sewer system utility enterprises, such applicable District Maintenance Expenses shall be reduced by the amount of water or sewer system revenues received from the consumers located in the District. To the extent that the Municipality or the District establish rates for water or sewer services within the District that are less than rates charged elsewhere in the Municipality, the amount of revenues deemed received from consumers located in the District shall be computed

as though the rates charged to such consumers were the same as the rates charged elsewhere in the Municipality.

(c) **Enhanced Maintenance Expenses.** "*Enhanced Maintenance Expenses*" shall mean all District Maintenance Expenses attributable to any Acquisition Project, Segment, Construction Project or other public improvement financed by the District or part thereof, other than water improvements or sewer treatment facilities, that are in excess of the maintenance and operational expenses normally incurred by the Municipality in connection with maintaining or operating a similar public service or improvement (the "*Standard Municipality Expense*"). The Standard Municipality Expense will be established by the Municipality using actual historical costs and expenses and the Municipality's management/accounting practices. By example and not as a limitation, the Municipality will establish its Standard Municipality Expense related to right-of-way landscaping and if the Owners install enhanced landscaping, other than at the request of the Municipality, the costs and expenses in excess of the Standard Municipality Expense incurred to maintain the landscaping shall constitute Enhanced Maintenance Expenses.

In establishing the Standard Municipality Expenses, the Municipality shall annually review its actual costs, excludi Unofficial Document osts in the District or any other community facilities district providing enhanced services or public improvements. Enhanced Maintenance Expenses shall not include maintenance and operation expenses attributable to enhanced public service levels or public improvements if such enhanced public service levels or public improvements were imposed on the Owners by the Municipality and the Owners would have not otherwise provided such enhancements.

(d) **Charges of Municipality.** District Administrative Expenses and District Maintenance Expenses shall include a charge by the Municipality to the District for: (i) the reasonable cost of Municipality services provided directly to the District ("*Municipality Services*"), and (ii) Municipality overhead expenses allocated to the District ("*Municipality Overhead*"). Any charge of Municipality Services shall be the cost of those services provided to the District by the Municipality calculated using sound management/accounting principals. Any charge of Municipality Overhead to the District shall be made by the Municipality pursuant to sound management/accounting practices consistently applied by the Municipality in allocating costs, expenses and funded depreciation reserves to its service areas, departments or special projects. Owners shall have the right to review and comment to the Municipality upon the allocation practices and methodologies used in allocating Municipality Services or Municipality Overhead and have the right, at Owners expense and during normal business hours, to review the Municipality's records to verify the costs and expenses of the Municipality.

Section 7.3 O&M Tax.

(a) **Amount of O&M Tax.** The District Board shall levy and collect a maintenance and operation ad valorem tax not to exceed thirty cents ($.30) per one hundred dollars ($100.00) of assessed valuation on all taxable property within the District ("*O&M Tax*"). To the extent the proceeds from the O&M Tax exceed the expenses and costs described in this Article VII, such O&M Tax shall be reduced to provide a proper matching of proceeds to expenses.

(b) **Use of Proceeds of O&M Tax.** The proceeds of the O&M Tax may be used by the District for any lawful maintenance, operational or administrative purpose as provided in the Act. While the Owners are obligated to pay any amounts pursuant to Section 7.4 of this Agreement, the O&M Tax shall be applied only to the following expenses and in the following priority: (i) payment of District Administrative Expenses; (ii) payment of Enhanced Maintenance Expenses; (iii) payment of District Maintenance Expenses, other than District Maintenance Expenses described in Section 7.4(a)(i) below; and (iv) District Maintenance Expenses described in Section 7.4(a)(i) below.

Section 7.4 Owners or HOA Maintenance Obligation.

(a) **Landscaping.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners, or a homeowners association, if such homeowners association is, to the satisfaction of the District, legally obligated to pay and is comprised of more than one thousand (1000) homes ("*HOA*") shall maintain, at its expense, all landscaping located within any park (except as otherwise expressly agreed with respect to a public park), right-of-way or public easement.

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(b) **District Administrative and Maintenance Expenses.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners (or an HOA if, to the satisfaction of the District or Municipality, the HOA is legally obligated and is financially capable of bearing the costs) agree to pay the following expenses to the extent all or part of such expenses are not paid by the O&M Tax: (i) the District Administrative Expenses; (ii) the Enhanced Maintenance Expenses; and (iii) the District Maintenance Expenses, other than Enhanced Maintenance Expenses.

Further, notwithstanding the foregoing, the Owners shall not be obligated to pay the amounts owing pursuant to Section 7.4(b) for any public improvements financed by the District in response to a Report submitted by the District or a third party other than the Owners, provided however, Owners as a member of a group of either taxpayers or assessed parcel owners who, as a result of a uniformly applied tax or assessment methodology is liable for payments relating to improvements financed in response to a Report submitted by the District, shall have all rights and obligations established by the proceedings, including the right to protest and the obligation to pay amounts owed.

(c) **Maintenance Threshold.** The District or Municipality, with the participation of the Owners engineer, shall establish at the time of the submission of the Report boundaries of the served or benefited area (the "*Benefit Area*") for each Acquisition Project, Segment or Construction Project. Notwithstanding paragraph 7.4(b)(iii) above, the Owners or HOA, as applicable, shall not be obligated to pay the District Maintenance Expenses (other than Enhanced Maintenance Expenses) after the date ninety-five percent (95%) of the area benefited by the particular Acquisition Project, Segment, Construction Project or other public improvement financed by the District has been developed, based on the development

entitlements in effect from time to time within such benefited area (the "*Maintenance Threshold*"). While the Owners obligations under Section 7.4(b) are in effect, District Maintenance Expenses shall not include expenses related to street maintenance of streets within a Benefit Area that has satisfied the Maintenance Threshold.

Section 7.5 **Intergovernmental Agreement Act.** Notwithstanding any other provision of this Agreement to the contrary, the provisions of Article V, Article VII, Sections 8.1, 9.3 through 9.19, inclusive, are the only provisions that are effective for, from and against the Municipality for purposes of the Intergovernmental Agreement Act and as the Intergovernmental Agreement Act is intended to be applied for purposes of this Agreement.

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ARTICLE VIII

INDEMNIFICATION AND INSURANCE

Section 8.1 **Indemnification.**

(a) **Generally.** The Owners or such other financially acceptable entity determined by the District Manager (1) shall indemnify and hold harmless the Municipality and the District and each council member, director, trustee, partner, member, officer, official, independent contractor or employee thereof and each person, if any, who controls the Municipality and/or the District within the meaning of the Securities Act of 1933, as amended (hereinafter the Securities Act of 1933 and the Securities Exchange Act of 1934 are referred to as the "*Securities Acts*"), (any such person being herein sometimes called an "*Indemnified Party*") for, from and against any and all losses, claims, damages or liabilities, joint or several, relating to: (i) the formation, activities or administration of the District; (ii) the levy and collection of any tax or assessment; (iii) the offer or sale of any Bonds; (iv) the claims of any contractor, vendor, subcontractor or supplier under any Acquisition Project Construction Contract or Construction Project Construction Cont[illegible] or the carrying out of the provisions of this Agreement, including particularly but not by way of limitation (A) any Acquisition Project, Acquisition Project Construction Contract, and Construction Project, (B) any claim, loss, lawsuit, administrative action or other challenge to which any such Indemnified Party may become subject, under the Securities Acts or any other statute or regulation at law or in equity or otherwise, including but not limited to, losses, claims, damages or liabilities (or actions in respect thereof) arising out of or based upon any untrue statement or alleged untrue statement of a material fact set forth in any offering document relating to the Bonds, or any amendment or supplement thereto, or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or which is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect, or (C) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Owners (which consent shall not be unreasonably withheld); and (2) shall, subject to the Owners rights to defend in (c) below, reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action.

(b) **Limitation.** This Section shall not be applicable to matters involving any gross negligence or willful misconduct of any Indemnified Party.

(c) **Procedure.** Promptly after the receipt of notice of a written threat of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the Owners, an Indemnified Party shall notify the Owners in writing of the commencement thereof and provide a copy of the written threat received by such Indemnified Party. Failure of the Indemnified Party to give such notice shall reduce the liability of the Owners by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Owners, but the omission to notify the Owners of any such action shall

not relieve the Owners from any liability that it may have to such Indemnified Party otherwise than under this section. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Owners of the commencement thereof, the Owners may, or if so requested by such Indemnified Party shall, participate therein or defend the Indemnified Party therein, with counsel satisfactory to such Indemnified Party and Owners (it being understood that, except as hereinafter provided, the Owners shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Owners to such Indemnified Party of an election so to assume the defense thereof, the Owners shall not be liable to such Indemnified Party under this section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof; provided, however, that unless and until the Owners defend any such action at the request of such Indemnified Party, the Owners shall have the right to participate at their own expense in the defense of any such action. If the Owners shall not have employed counsel to defend any such action or if an Indemnified Party shall have reasonably concluded that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Owners (in which case the Owners shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, the legal and other expenses, in[illegible]ense of separate counsel, incurred by such Indemnified Party shall be borne by the Owners.

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ARTICLE IX

MISCELLANEOUS

Section 9.1 **Tax Covenant.** None of the Municipality, the District nor the Owners shall knowingly take, or cause to be taken, any action which would cause interest on any Bond to be includable in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

Section 9.2 **Pamphlet.**

(a) **Preparation of Pamphlet.** To provide evidence satisfactory to the District Manager that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, the Pamphlet shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Manager and the Owners.

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(b) **Distribution of Pamphlet; Disclosure Statement.** The Owners shall require that each homebuilder to whom the Owners have sold land shall:

(i) provide the Pamphlet to any prospective purchaser of land;

(ii) cause any purchaser of land to sign a disclosure statement upon entering into a contract for purchasing such land, such disclosure statement to acknowledge receipt of a copy of the Pamphlet and to disclose the effect of the special assessments on the District of the Bonds in a form reasonably acceptable to the District Manager;

(iii) provide a copy of each fully executed disclosure statement to be filed with the District Manager; and

(iv) provide such information and documents, including audited financial statements to the District, but only to the extent necessary for the District's compliance with Rule 15c2-12 of the Securities Exchange Act of 1934.

Section 9.3 **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective legal representatives, successors and assigns; provided, however, that none of the parties hereto shall be entitled to assign its right hereunder or under any document contemplated hereby without the prior written consent of the Lienholders to this Agreement, which consent shall not be unreasonably withheld or delayed.

Section 9.4 **Further Assurances.** Each party hereto shall, promptly upon the request of any other, have acknowledged and delivered to the other any and all further

instruments and assurances reasonably requested or appropriate to evidence or give effect to the provisions of this Agreement.

Section 9.5 **Entire Understanding; Amendment.** This Agreement, by and among the Municipality, the District and the Owners set forth the entire understanding of the parties as to the matters set forth herein as of the date this Agreement is executed and cannot be altered or otherwise amended except pursuant to an instrument in writing signed by each of the parties hereto. This Agreement is intended to reflect the mutual intent of the parties with respect to the subject matter hereof, and no rule of strict construction shall be applied against any party.

Section 9.6 **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Arizona.

Section 9.7 **Waiver.** The waiver by any party hereto of any right granted to it under this Agreement shall not be deemed to be a waiver of any other right granted in this Agreement nor shall the same be deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived under or by this Agreement.

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Section 9.8 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, but all of which taken together shall constitute one of the same instrument.

Section 9.9 **Release and Discharge.** This Agreement supercedes all previous written or oral agreements or understandings regarding the subject matter of this Agreement. The Owners knowingly and voluntarily forever releases and discharges the Municipality and all of its past and present elected officials, officers, directors, agents, employees, successors, assigns, attorneys, and representatives from all legal and equitable claims, causes of action, debts, accounts, and damages, known or unknown, asserted or unasserted, and of every nature and extent whatsoever, that the Owners have against the Municipality, and arising from actions, omissions, delays or other events that occurred prior to the date of this Agreement.

Section 9.10 **Cancellation; Covenant.** Pursuant to and for purposes of Section 38-511, Arizona Revised Statutes, as amended, the Municipality and the District may, within three years after its execution, cancel this Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, is, at any time while this Agreement is in effect, an employee or agent of the Owners in any capacity or a consultant to any other party of this Agreement with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, from the Owners arising as the result of this Agreement. The Owners have not taken and shall not take any action which would cause any person described in the preceding sentence to be or become an employee or agent of the Owners in any capacity or a consultant to any party to this Agreement with respect to the subject matter of this Agreement.

Section 9.11 **Term of Agreement.** The term of this Agreement shall be as of the date of the execution and delivery hereof by each of the parties hereto and shall expire upon the earlier of: (i) the agreement of the District, the Municipality and the Owners to the termination hereof; (ii) the dissolution of the District (which the parties hereto shall, to the extent permitted by applicable law, cause to occur an soon as practicable after the later of the issuance of the Bonds and the payment in full or provision for payment in full of the Bonds) or: (iii) June 1, 2050.

Section 9.12 **Notices.** All notices, certificates or other communications hereunder (including in the Exhibits hereto) shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid addressed as follows:

If to the Municipality:

Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: Town Manager

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If to the District:

Festival Ranch Community Facilities District
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: District Manager

With Copy to:

Gust Rosenfeld, P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327
Attention: Scott W. Ruby, District Attorney

If to the Owner:

10,000 West, L.L.C.
8777 N. Gainey Center Drive, Suite 205
Scottsdale, Arizona 85258
Attention: Dick Frye, Vice President

PULTE HOME CORPORATION
15111 North Pima Road
Scottsdale, AZ 85260
Attention: Steve Kunzweiler, Manager of Planning & Entitlements

Any of the foregoing, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 9.13 **Severability.** If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 9.14 **Headings and Titles.** The headings or titles of the several Articles and Sections hereof and in the Exhibits hereto, and any table of contents appended to copies hereof and thereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of th... Unofficial Document All references herein to "Exhibits," "Articles," "Sections," and other subdivisions are to the corresponding Exhibits, Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Exhibit, Article, Section or subdivision hereof.

Section 9.15 **Obligations Imposed by Law.** This Agreement does not relieve any party hereto of any obligation or responsibility imposed upon it by law.

Section 9.16 **Record with County Recorder.** No later than ten (10) days after this Agreement is executed and delivered by each of the parties hereto, the Owners shall on behalf of the Municipality and the District record a copy of this Agreement with the County Recorder of Maricopa County, Arizona.

Section 9.17 **Survival of Agreements.** Unless otherwise expressly provided, the representations, covenants, indemnities and other agreements contained herein shall be deemed to be material and continuing, shall not be merged and shall survive any conveyance or transfer provided herein.

Section 9.18 **Force Majeure.** If any party hereto shall be unable to observe or perform any covenant or condition herein by reason of "force majeure," then the failure to observe or perform such covenant or condition shall not constitute a default hereunder so long as such party shall use its best efforts to remedy with all reasonable dispatch the event or condition causing such inability and such event or condition can be cured within a reasonable amount of time. "Force majeure," as used here, means any condition or event not reasonably within the control of such party, including, without limitation, acts of God; strikes, lockouts, or other disturbances of employer/employee relations; acts of public enemies; orders or restraints of any kind of the government of the United States or any State thereof or any of their departments, agencies, or officials, or of any civil or military authority; insurrection; civil disturbances; riots;

epidemics; landslides; lightning; earthquakes; subsidence; fires; hurricanes; storms; droughts; floods; arrests; restraints of government and of people; explosions; and partial or entire failure of utilities. Failure to settle strikes, lockouts and other disturbances of employer/employee relations or to settle legal or administrative proceedings by acceding to the demands of the opposing party or parties, in either case when such course is in the judgment of the party hereto unfavorable to such party, shall not constitute failure to use its best effort to remedy such a condition or event.

Section 9.19 **Consent.** Whenever the consent or approval of any party hereto, or of any agency therefor, shall be required under the provisions hereof, such consent or approval shall not be unreasonably withheld, conditioned or delayed.

Section 9.20 **Lienholders.** The Lienholders join in the execution of this Agreement for the sole purpose of binding their respective interests in lands within the District and consenting to all matters agreed to herein by the Owners, and the Lienholders do not, by joining in the execution of this Agreement, obligate themselves to any of the affirmative obligations set forth herein on the part of the Owners.

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IN WITNESS WHEREOF, the officers of the Municipality and of the District have duly affixed their signatures and attestations, and the officers of the Owners their signatures, all as of the day and year first written above.

TOWN OF BUCKEYE, ARIZONA

By _____
Dustin Hull, Mayor

ATTEST:

_____
Town Clerk

Pursuant to A.R.S. Section 11-952(L), the Agreement has been reviewed by the undersigned attorney for the Municipality who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the Municipality.

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_____
Scott W. Ruby, Town Attorney

FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

By _____
Chairman, District Board

ATTEST:

_____
District Clerk

Pursuant to A.R.S. Section 11-952(D), this Agreement has been reviewed by the undersigned attorney for the District, who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the District.

District Counsel

State of Arizona)
) ss.
County of Maricopa)

The foregoing instrumen... ...ledged before me this 21st day of April, 2005, by Dustin Hull, as Mayor of the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona.

Unofficial Document

Notary Public

My commission expires:

March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC – ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

State of Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of April, 2005, by Dustin Hull, as Chairman of the District Board of Festival Ranch Community Facilities District, an Arizona community facilities district.

Notary Public

My commission expires:

March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC – ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

10,000 WEST, LLC, a limited liability company

By Philip A. Edlund

Its Secretary

PULTE HOME CORPORATION, a Michigan corporation

By

Its Attorney In Fact

STATE OF AZ
COUNTY OF Maricopa

Unofficial Document

The foregoing instrument was acknowledged before me this 23 day of March, 2005, by Philip A. Edlund, Secretary of 10,000 West, LLC, a limited liability company, on behalf of the company.

Charlene Sarich
Notary Public

My commission expires:

9-13-07

OFFICIAL SEAL
CHARLENE SARICH
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires Sept. 13, 2007

STATE OF AZ
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 4 day of APRIL, 2005 by MIKE BRILZ, ATTORNEY IN FACT of Pulte Home Corporation, a Michigan corporation, on behalf of the corporation.

Jackie Wilmoth
Notary Public

My commission expires:

JUNE 15, 2007

OFFICIAL SEAL
JACKIE WILMOTH
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 15, 2007

LIENHOLDER
CONSENT AND AGREEMENT

Reference is made to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District, dated as of April 21, 2005, by and among the Town of Buckeye, Arizona, the Festival Ranch Community Facilities District, 10,000 West, L.L.C. and Pulte Home Corporation to which this Consent and Agreement is attached (the "*Development Agreement*"). All capitalized terms used and not otherwise defined in this Consent and Agreement shall have the meanings set forth in this Development Agreement. The undersigned 10,000 West, L.L.C., an Arizona limited liability company ("*Beneficiary*"), is the beneficiary under a Performance Deed of Trust dated May 17, 2004 and recorded in the offices of the Maricopa County Recorder on May 18, 2004 as Instrument No. 2004-0549496 (the "*Deed of Trust*"), covering property proposed to be included in this proposed Festival Ranch Community Facilities District (the "*District*"). First American Title Insurance Company, a California corporation is the Trustee under said Deed of Trust (the "*Trustee*"). The undersigned, each as one of the "*Other Parties*" having an interest in the real propei District to the Development Agreement, acknowledges that the Development Agreement shall bind the real property in which the undersigned has an interest that is located within the District and authorizes the recordation of the Development Agreement with respect to such real property. In no event, however, shall anything in this Consent and Agreement constitute personal assumption by the undersigned of the obligations of the Owner under the Development Agreement.

Unofficial Document

[SIGNATURE PAGES TO FOLLOW]

10,000 WEST LLC,
an Arizona limited liability company

By: **Lyle Anderson Holding, Inc.,**
a Delaware corporation,
as Manager

By: Patrick R. Whelan

Its: President

FIRST AMERICAN TITLE INSURANCE COMPANY,
A California Corporation, as Trustee

By

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Its REGIONAL COUNSEL

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this day, personally appeared before me Patrick R. Whelan, as President of Lyle Anderson Holding, Inc., a Delaware corporation, as Manager of 10,000 West, L.L.C., an Arizona limited liability company, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 21, 2005

Elise V. Peters
Notary Public

OFFICIAL SEAL
ELISE V. PETERS
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Commission Expires September 18, 2008

My commission expires:
Sept. 18, 2008

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 23, 2005

Heather Garber
Notary Public

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OFFICIAL SEAL
HEATHER GARBER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

My commission expires:

June 17, 2005

BANK OF SCOTLAND, a banking organization
established by Act of the Scottish Parliament,
as Beneficiary

By _____ RUSSELL OLIVER

Its DIRECTOR.

For and on behalf of the Governor and Company
of the Bank of Scotland

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FIRST AMERICAN TITLE INSURANCE COMPANY,
A California Corporation, as Trustee

By _____

Its REGIONAL COUNSEL

ENGLAND.
~~SCOTLAND~~
United Kingdom

The foregoing instrument was acknowledged before me this 25 day of FEBRUARY, 2005, by RUSSELL OLIVER, DIRECTOR. of the Bank of Scotland, a banking organization established by Act of the Scottish Parliament, for and on behalf of the Governor and Company of the Bank of Scotland.

_____
Notary Public

Anthony Janion Gibbs,
Notary Public
Solicitor & Partner with
Cobbetts
Ship Canal House, King Street,
Manchester M2 4WB

My commission expires:
no fixed date.

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 23, 2005

Heather Garber

Notary Public

Unofficial Document

My commission expires:

June 17, 2005

OFFICIAL SEAL
HEATHER GARBER
Notary Public State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

ATTACHMENTS

EXHIBIT A -- Legal Description Of Property To Be Included In The District
EXHIBIT B -- Form of Notice Inviting Bids
EXHIBIT C -- Form Of Certificate Of Engineers For Conveyance Of Segment Of Project
EXHIBIT D -- Form Of Conveyance Of Segment Of Project
EXHIBIT E -- Form Of Disclosure Pamphlet

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FESTIVAL RANCH DEVELOPMENT AGREEMENT

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Documents

ER

2000-0787937 10/13/2000 01:33

When Recorded, Return to:

Joseph A. Blanton, Manager
100 North Apache
Suite A
Buckeye, Arizona 85326

DEVELOPMENT AGREEMENT

DATED OCTOBER 4, 2000

BETWEEN THE TOWN OF BUCKEYE

AND

10,000 West, LLC

SWR:jmp 363197.05 10/04/00

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Exhibits:

Exhibit A Legal Description of Land

Exhibit B Depiction of Land

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DEVELOPMENT AGREEMENT

1. **Date.** The date of this Development Agreement ("Agreement") is October 4, 2000.

2. **Parties.** The parties to this Agreement are:

(a) TOWN OF BUCKEYE, ARIZONA
Attention: Joseph A. Blanton, Manager
100 North Apache
Buckeye, Arizona 85326
Facsimile Number: 623.386.7832 ("Town")

(b) 10,000 WEST, LLC, an
Arizona limited liability company
Attention: Richard T. Frye
8777 N. Ga[illegible] ive, Suite 205
Scottsdale, Arizona 85258
Facsimile Number: 480.998.0329
("Owner")

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3. **Background.** The following is the background to this Agreement:

(a) Owner is the owner of approximately 10,105 acres of land located in the Town, which land is more particularly described in the attached Exhibit A (the "Land") and depicted in the attached Exhibit B. Pursuant to the General Plan and Land Use District Map of the Town, the Land is located in a Planned Community Land Use District.

(b) Owner desires to enable development of the Land as a phased master planned development and such phasing plan has been described in the Master Plan (as defined hereafter) and accepted by the Town.

(c) On June 17, 1997, by Resolution No. 8-97, Town adopted the Area Plan for certain property within the Town, including the Land ("Area Plan"), which Area Plan generally defined land uses, densities and other development features in conformance with the Town's adopted General Plan.

(d) On May 5, 2000, the Owner submitted for approval the following documents pertaining to the Land project narrative; land use, circulation and infrastructure plans; list of permitted uses, recreational amenities and design themes, development standards and review procedures along with supporting technical studies which documents are intended by the Owner to collectively constitute a Community Master Plan (the "Master Plan") pursuant to Section 7-3-3 of the Town of Buckeye Development Code (the "Development Code").

(e) Town and Owner desire to enter into this Agreement pursuant to A.R.S. § 9-500.05 and the Development Code to approve the Master Plan for the Land.

(f) On October 4, 2000, by Ordinance No. 84-00, (the "Ordinance") Town approved this Agreement and the Master Plan.

4. **Agreement**. For good and valuable consideration, including the benefits to Town and Owner as described above, Town and Owner agree as is more specifically set forth in this Agreement.

5. **Community Master Plan**.

(a) Owner has submitted and the Town has approved the Master Plan pertaining to the Land for development of the Land. The Master Plan is consistent with the Town's General Plan for the Land and the Area Plan for the Land. Master Plan contains the information required by the Laws and Regulations (as defined in this Agreement). The Master Plan shall constitute an amendment to the Area Plan to the extent the Area Plan is modified by the Master Plan. Subject to the amendm Unofficial Document es to the Laws and Regulations (as defined herein) pursuant to Section 6 of this Agreement, the Master Plan shall control if there is any inconsistency between this Agreement, the General Plan, the Area Plan, the existing Development Code, and the Master Plan.

(b) The types of uses, together with the densities, and intensities of such uses for each development parcel located on the Land as shown on the Master Plan are hereby established.

(c) Town shall permit and Owner or its Assignees shall have the right to develop the Land consistent with this Agreement and the Master Plan, subject to: (i) the submission and approval of a more detailed plan for, (1) each phase of development, if phases are contemplated and required by the Master Plan, (2) each plat, and (3) each site plan, and (ii) compliance with the Laws and Regulations. Subject to the foregoing, the right to develop the Land as provided in the Master Plan is hereby vested and shall not be changed, provided, however, the Town reserves the right to modify, terminate or otherwise change the Master Plan including the right to develop in accordance with the uses, densities, intensities and other standards established by the Master Plan and terminate this Agreement, if material progress has been made by the Owner or its Assignees in the construction of the elements of the public infrastructure required by the Master Plan (such as and primarily the elements relating to water, sewer and streets) within five (5) years or the Owner or its Assignees have not built or caused to be built the end product uses (such as houses, finished custom home lots, commercial buildings, improved park(s) and a golf course(s)): (i) on at least twenty five percent (25%) of the Land within fifteen (15) years, (ii) on at least fifty percent (50%) of the Land within twenty (20) years, and (iii) one hundred percent (100%) of the Land within thirty (30) years.

(d) The Land may be planned and developed in phases (individually "Phase" and collectively "Phases"). Owner, or its Assignees shall have the right to plan and develop more than one Phase at a time, with the location, rate, timing and sequencing to be determined by Owner, or its Assignees, provided, however the Town may require a different development

phasing plan if such location or sequencing determinations by the Owner, or its Assignees, materially adversely affect the Town's ability to provide municipal services to the Phase. Notwithstanding the modification or termination deadlines for the Master Plan set forth in paragraph (c) above, any one Phase may be developed pursuant to the Master Plan without change by the Town if the Town Manager determines that the public infrastructure and the end product uses for such Phase have been constructed or have been built, as applicable, in accordance with the time periods set forth in paragraph (c) above.

(e) The Town reserves the right to require dedications of part of the Land for schools (in the event school sites are not required to be dedicated by the Master Plan), open space and other public purposes as part of Town's final development approvals in addition to those areas shown on the Master Plan, subject to Owner's, or its Assignee's rights under applicable United States and Arizona statutory and case law.

6. **Laws and Regulations**. The Town of Buckeye Development Code shall govern the development of the Land pursuant to the Master Plan. The Town must be able to regulate the planning and development of the Land and the construction and installation of improvements on the Land in order to serve the best intere[illegible]. Consequently, Town reserves the right to amend existing or to adopt new laws, rules, regulations and standards of development for the Town, including resolutions, official policies and procedures and the Development Code (collectively, as amended or adopted from time to time, the "Laws and Regulations"), and subject to the provisions in Section 12 of this Agreement, the Laws and Regulations shall apply to the Land. Notwithstanding the provisions of Section 12 of this Agreement, future Laws and Regulations shall apply to the Land, regardless of the impact on the development of the Land, if such future Laws and Regulations are required or mandated by federal, state or county law or regulation; required or imposed by judicial or regulatory action, or necessary to alleviate or otherwise contain threats to public health or safety.

Any change to the Laws and Regulations as allowed in this section shall not discriminate against Owner or its Assignees, and the Land, and any change shall be uniformly applied to all land and landowners at such time such land is within the boundaries of Town. Owner reserves its right to object to and redress the Town as to any amendments or additions to the Laws and Regulations based upon applicable United States and Arizona statutory and case law.

7. **Infrastructure**.

(a) The construction and installation of the water and wastewater facilities, public streets, curbs, gutters, sidewalks and traffic control, directional signs and other public infrastructure and public facilities on the Land as required by the Master Plan and the Laws and Regulations (collectively, the "Infrastructure") shall be subject to and in compliance with the Laws and Regulations. Owner or its Assignees shall cause all the Infrastructure required by the Master Plan to be constructed and installed at no cost to the Town, such Infrastructure may be constructed in segments that correspond to the Phases, if any set forth in the Master Plan. All Infrastructure shall be installed in a workmanlike manner in conformity with the plans and specifications that are submitted to and approved by the Town in connection with the Master Plan or each Phase.

(b) Promptly upon request of the Town, Owner or its Assignees, at no cost to the Town, shall dedicate any Infrastructure that is requested by Town to be dedicated to Town or any other appropriate governmental entity. Owner or its Assignees, at no cost to Town, shall dedicate rights-of-ways or convey public easements necessary for the construction, installation, operation and maintenance of the Infrastructure as required by Town, which rights-of-ways or easements may be located adjacent to or in other public and private rights-of-ways or easements.

(c) Owner or its Assignees shall give to Town a one year warranty for all Infrastructure, which warranty shall begin on the date that Town accepts the Infrastructure as provided in this section. Any material deficiencies in material or workmanship identified by Town's staff during the one-year warranty period shall be brought to the attention of Owner or its Assignees, who shall promptly remedy or cause to be remedied such deficiencies to the reasonable satisfaction of Town's staff. Continuing material deficiencies in a particular portion of the Infrastructure shall be sufficient grounds for Town to require (i) an extension of the warranty for a second one year period or, (ii) the proper repair of, or (iii) the removal and reinstallation of, that portion of the Infrastructure that is subject to such continuing deficiencies. Regardless of whether the one year warranty period has expired, the Owner or its Assignees agrees to repair any damage to the Infrastructure caused by Owner's or such Assignee's construction activities on the Land. Nothing contained herein shall prevent the Town or Owner or its Assignees from seeking recourse against any other third party for damage to the Infrastructure caused by such third party.

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Owner or its Assignees shall maintain and repair all Infrastructure comprised of streets, parkways and alleys and all appurtenances thereto at its expense, for a period of two (2) years from the date the Town accepts the Infrastructure. Such maintenance shall consist of all maintenance and repair actions reasonably required by customary engineering industry standards for each item of Infrastructure. Notwithstanding the foregoing, the Owner or its Assignees agrees to forever maintain all landscaping located within the public easements and rights-of-way located on the Land and such obligation shall survive the termination or expiration of this Agreement; provided, however, Owner or its Assignees may assign this obligation to one or more home owners associations ("HOA") provided such HOA is legally bound to such landscaping maintenance obligation and has adequate financial ability, acceptable to the Town, to bear such obligation. Once the Town has consented to the assignment of this obligation to an HOA, Owner or its Assignees shall be relieved of any further obligation to maintain the landscaping.

(d) So long as such Infrastructure is constructed in accordance with the approved plans and the requirements of Section 7(a), as verified by the inspection of the completed improvements by the Town Engineer; all punch list items have been completed; and the acceptance and service agreement required by Section 11(b) (the "Service Agreement") has been executed and delivered by the Owner or its Assignees with respect to water, sewer, parks, police and fire facilities and any other matters set forth in the Service Agreement, the Town shall promptly thereafter accept such dedication(s) of Infrastructure, and, in the case of streets, parkways and alleys, after the expiration of the two (2) year Owner maintenance period described in paragraph 7(c) above, shall, at its own cost, maintain, repair and operate such Infrastructure, excepting areas of landscaping, in accordance with reasonable and customary municipal management and operational standards.

8. **Flood Control**. Flood control measures for the Land shall comply with the requirements of the United States Army Corp of Engineers, and the Laws and Regulations, and, to the extent they are not superceded by the United States Army Corp of Engineers or the Laws and Regulations, the requirements of the Maricopa County Flood Control District.

9. **Community Facilities District**. The Town in accordance with its adopted Community Facilities Guidelines, will consider any requests by Owner or its Assignees of Town to form a community facilities district comprised of the Land in order to aid in financing the cost of the Infrastructure. Nothing contained herein shall be construed to compel the Town to form a community facilities district or for the community facilities district, if formed, to finance any Infrastructure.

10. **Fees and Credits**.

(a) Promptly after the Town submits invoices to Owner, Owner shall pay Town's costs and expenses in connection with the negotiation and preparation of this Agreement.

(b) As the Land is de Unofficial Document r or its Assignees shall pay to Town what are commonly referred to as development, or impact, and hookup fees (collectively, "Development Fees") that are imposed by Town as of or after the date of this Agreement, subject to offsets and credits, as allowed by law.

(c) It is the intent of the parties to allow for a credit to be given against any Development Fee imposed if the Infrastructure or land, if any, is constructed or dedicated by a party other than the Town. No credit will be given for dedication of rights-of-way, easements or other land normally required for public Infrastructure; rather a credit for land dedication is intended for dedications such as regional park sites and municipal buildings.

11. **Services**.

(a) The Town shall, to the extent permitted by current law, include the Land in Town's municipal service area, and, upon construction and installation of the necessary Infrastructure by Owner or its Assignees as provided in or as required by the Laws and Regulations or the Master Plan and with respect to water, provide the Town with an adequate source and supply of water capable of serving the Land for 100 years with potable water, the Town shall provide to the Land such utility and other services in a manner that is similar to that by which Town provides such utilities and services generally to the residents of Town, including sewer, water, garbage, fire and police. To the extent a court of final jurisdiction determines the Town shall not provide one or more municipal services to all or part of the Land, the Town shall not be liable for any damages, costs or expenses incurred or suffered by the Owner or its Assignees as a result of the Town's inability to serve.

(b) Notwithstanding the foregoing, if the Town determines, utilizing reasonable and customary municipal management, accounting and operational practices, that the Land or portion thereof that is being included in the Town's service area generates insufficient revenues to pay the costs and expenses of providing the water system, water treatment system, wastewater system, police and fire service or other Infrastructure, such as a regional park, to or for such area of the Land, the Owner or its Assignees shall pay to the Town promptly upon

receipt of an invoice from the Town, the amount set forth by the Town as the operational deficit to be incurred by the Town in connection with providing municipal services to such area of the Land. The parties agree that the Owner's or the relevant Assignee's obligation to pay any operating deficit shall be evidenced by an acceptance and service agreement. The acceptance and service agreement shall, in addition to Owner's or the relevant Assignee's obligations, require the Town to assess and collect user fees or rates for each municipal service provided by the Town consisted with the fees or rates established by the Town and uniformly applied for other areas of the Town receiving similar municipal services. Failure by the Owner or its Assignees to promptly pay the amount owed will constitute a breach of this Agreement and the Town may collect such amounts owing by any remedy of law or equity and further may withhold the issuance of building permits for improvements on the Land until such amount is paid.

(c) Since Town does not have a current source of capital to offset the capital expenditures related to police and fire service, the Owner or its Assignees shall do the following in connection with the development of the Land:

i) Dedicate real property parcels of the Land (exclusive of streets and other publicly dedicated parts of the Land, [illegible] police substation and fire station required by the Master Plan or Town when reasonably requested by the Town to serve the Land.

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ii) Construct, when required by the Town, a building for each police substation and fire station reasonably required by the Town to serve the Land, or pay funds to the Town sufficient to allow the Town to build such building. The building shall be of a standard design adopted by the Town to adequately serve the Land. At its election and expense, Owner shall have the right to provide temporary police and fire facilities for Town until Town has issued certificates of occupancy for 150 homes on that part of the Land that will be served by the facilities.

12. **Restrictions**. Provided the Owner or its Assignees have met the deadlines set forth in Section 5 (c) of this Agreement and only with respect to any development on that part of the Land for which the major components of the public Infrastructure required to be built by the Master Plan and necessary to serve such development (such major Infrastructure shall consist of water and sewer system improvements and street improvements) has been constructed or material progress has been made in the construction of such major Infrastructure, the Town shall not (i) impose a moratorium, (ii) enforce any Laws or Regulations that directly impose material limitations on the rate, timing or sequencing (other than the Town's ability to require different sequencing pursuant to Section 5(d) of this Agreement), or (iii) impose any Laws or Regulations which are for anti-growth purposes or as applied to the Land significantly and materially frustrate the density of uses contemplated by the Master Plan for such particular development. This prohibition shall not apply to the extent that a limitation may be (a) required or mandated by County, state or federal laws; (b) required or imposed by judicial or regulatory action; or (c) necessary to alleviate or otherwise contain threats to public health or safety. Notwithstanding anything contained in this Section 12, the Town reserves the right to impose a moratorium on any part of the Land for which the major Infrastructure (as described above) has not been constructed or material progress in the construction of such major Infrastructure has not been made, provided, however, the Owner or its Assignees shall have the right to construct such major infrastructure and cause the removal of the moratorium from the Land if the Owner or the

relevant Assignees constructs the Infrastructure required by Section 5(c) of this Agreement, before the end of the time period relating to construction of public infrastructure set forth in Section 5(c) of this Agreement. Unless Town imposes a moratorium as permitted in this section and subject to all Laws and Regulations, Owner or its Assignees shall be allowed to apply for and receive approvals from Town for development on the Land that is consistent with this Agreement and the Master Plan. Nothing in this Section 12 shall preclude the Owner or its Assignees from exercising their rights under applicable United States and Arizona statutory and case law to object to or redress the Town as to any such moratorium or change in Laws or Regulations.

13. **Growth Boundaries**. The Town, to the extent allowed by applicable law, shall use its reasonable efforts to take such action legally and reasonably available to it to include and keep the Land (for development consistent with this Agreement and the Master Plan) within any boundaries that are established by Town or that Town is required to establish by any current or future law that prohibits or limits the development of land outside of the boundaries. Owner shall reimburse Town for any legal fees and costs paid by Town in connection with any legal action to include or keep the Land within such boundaries. The Owner acknowledges and agrees that the Town has included this same language in numerous other development agreements pertaining to other land in the Town and as a result the Town may not be able to accommodate any or all of the Land within any boundaries established by the Town and, accordingly, the Town shall not be liable to the Owner for, from or against any claims, costs or damages of any kind or amount for the Town's failure to include the Land within any such boundaries.

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14. **Agriculture Use**. Subject to the consequences described in Section 5 (c) of this Agreement, Owner or its Assignees shall have the right to use or grant rights to use the undeveloped part of the Land for agriculture purposes, including livestock grazing, until such time as development begins on that part of the Land. However, Owner or its Assignees shall use fences, setbacks and other physical buffers to adequately separate the agricultural uses from other uses, and Owner or its Assignees shall utilize agricultural practices to control dust, water runoff and other resulting conditions from the agricultural uses to ensure that such agricultural uses comply with the Laws and Regulations that apply to such agricultural uses.

15. **Covenants, Conditions and Restrictions**. Owner or its Assignees shall have the right to record one or more declaration of covenants, conditions and restrictions ("CC&Rs") for the area of the Master Plan and each phase to govern the private development and use of the Land. The CC&Rs shall be consistent with this Agreement and the Master Plan and all applicable Laws and Regulations, and each of the CC&Rs shall be subject to the prior review and approval of Town to confirm its compliance with this Agreement and the Master Plan.

16. **Representations and Warranties**. As of the date of the execution of this Agreement, the parties represent and warrant to each other as follows ("Representations and Warranties"):

(a) By Owner:

i) Owner is the owner of the Land.

ii) 10,000 West, LLC, an Arizona limited liability company is duly formed and in good standing in the State of Arizona.

iii) Owner has the authority, including the persons signing for Owner, and the right to enter into this Agreement as authorized by the members of Owner at duly noticed meetings at which quorums were present.

iv) Owner is not prohibited from executing this Agreement by any law, rule, regulation, instrument, agreement, order or judgment.

v) Owner has not relied on any representations or warranties of Town other than those expressly set forth in this Agreement.

(b) By Town:

i) The Ordinance was approved and enacted at a duly noticed and held public meeting by the Town Council, at which a quorum was present and the execution of this Agreement was authorized. Unofficial Document

17. Cooperation.

(a) Town and Owner shall each designate a representative to act as a liaison between Town and its various departments and Owner ("Representatives"). The Representatives shall be available at all reasonable times to assist with the performance of the parties under this Agreement. The initial representative for Town ("Town Representative") shall be Joseph A. Blanton, and the initial representative for Owner ("Owner Representative") shall be Richard T. Frye. Town Representative and Owner Representative may be changed by the applicable party by giving notice to the other party of the name, title, address and telephone number of the replacement.

(b) Town does and will from time to time, at the election of Town use the assistance of private independent attorneys, accountants, architects, engineers, inspectors and other outside professionals and consultants to assist Town in the process of administering the development of land within the boundaries of Town, including the Land. If Owner desires to have the Town retain additional outside professionals and consultants in connection with the Land, and if Town is willing to do so, Owner shall reimburse Town for all reasonable fees and costs of the professionals and consultants. Although Town shall have the right to retain and control the professionals and consultants, Town shall consider Owner's recommendation in connection with the selection of the additional professionals and consultants.

18. Conflicts of Interest. The parties acknowledge that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended.

19. Covenants Running with the Land. The provisions of this Agreement shall be for the benefit of, and shall be a burden upon, the Land, and the provisions of this Agreement shall be covenants running with the Land, without the necessity of an assignment of this Agreement with the conveyance of any part of the Land. However, the provisions of this Agreement shall

terminate as to any Lot (as defined in this Agreement) as provided in the section of this Agreement titled "Duration."

20. **Defaults and Remedies.** Any party to this Agreement shall be in default under this Agreement ("Default") if it fails to pay a fixed amount of money as required under this Agreement within thirty (30) days following notice from the other party, or if it fails to satisfy any other term or provision of this Agreement within thirty (30) days following notice from the other party. If a non-monetary Default may not reasonably be cured within the thirty (30) day period, the other party shall not be in Default if it, in good faith, commences with such thirty (30) day period, and proceeds with due diligence, to fully cure the Default. In the event of a Default by Town or Owner or its Assignees, after the mediation process as allowed in this Agreement, the other party shall be entitled to exercise such remedies in law or equity, provided however Owner or its Assignees shall not be entitled to receive or collect any type or amount of consequential damages from the Town. Each part shall use good faith efforts to agree upon and participate in mediation as provided in this Agreement, if mediation is requested by either party. In addition to the remedy of specific performance against Owner or its Assignees, Town shall have the right to withhold the issuance of building permits for improvements on the land affected by such default until the Default is cured by Owner or its Assignees. Nothing contained in this section shall prevent Town from using any remedies or imposing any fines available to it under the Laws and Regulations for a violation or breach by Owner or its Assignees of any Laws and Regulations.

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21. **Mediation.**

(a) Any Default of a party or disagreement between the parties ("Disagreement") shall be subject to mediation at the election of either party. The proceeding must be held in the offices of Town. A meeting shall be held promptly between the Town Representative and the Owner Representative to attempt in good faith to negotiate a resolution of the Default or Disagreement. If within ten (10) days after such meeting the parties have not succeeded in resolving the Default or Disagreement, they shall, within ten (10) days thereafter submit the Default or Disagreement to a mutually acceptable third-party mediator who is acquainted with dispute resolution methods. The mediator shall issue a written decision within thirty (30) days after a Default or Disagreement is submitted to the mediator. The parties shall participate in good faith in the mediation and the mediation process. The mediation shall be non-binding.

(b) The obligation to mediate shall not prevent either party from exercising self-help remedies, such as setoff, or obtaining provisional remedies from a court of competent jurisdiction before, during or after the pendency of any mediation proceeding.

(c) A mediation proceeding shall not delay the implementation by any part of this Agreement that is not the subject of or affected by the mediation.

(d) The costs of mediation, including any mediator's fee, shall be borne equally by the parties. Each party's other costs and expenses shall be borne by the party incurring them. Reasonable attorney's fees may be awarded, at the discretion of the mediator, to the prevailing party (provided such a party can clearly be determined from the proceedings).

22. **Duration.**

(a) Unless terminated earlier pursuant to Section 5(c) of this Agreement, this Agreement shall automatically terminate as to the Land without the necessity of any notice, agreement or recording by and between the parties twenty (20) years after the date of this Agreement. However, unless terminated by the Town pursuant to Section 5(c) of this Agreement, if less than fifty percent (50%) of the Land is still subject to this Agreement twenty (20) years after the date of this Agreement, this Agreement shall automatically extend without the necessity of any notice, agreement or recording by or between the parties for an additional ten (10) years, for a total of thirty (30) years, at which time this Agreement shall automatically terminate as to the Land without the necessity of any notice, agreement or recording by or between the parties. Upon the termination of this Agreement, neither party shall have any further obligations under this Agreement. However, such termination shall not affect any approval, permit, subdivision map or site plan that has been given, issued or approved by Town for any part of the Land as of the date of such termination. Town is willing to have this Agreement be effective for the period of [illegible] in this Agreement because of the large number of acres owned by Owner.

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(b) This Agreement shall automatically terminate as to any Lot without the necessity of any notice, agreement or recording by or between the parties anytime the required certificates of occupancy are issued by Town for all buildings on a Lot. A "Lot" (collectively "Lots") shall be any part of the Land, including common areas, that is identified in a recorded residential subdivision plat or site plan that has been approved by Town. This Agreement shall automatically terminate as to any part of the Land that is dedicated by deed, map of dedication or otherwise for Infrastructure and other public or governmental facilities and uses. Nothing contained in this section shall affect any obligation, tax, charge, assessment, encumbrance or other lien imposed on any Lot by the Town or a community facilities district.

23. **Assignment.** Owner shall have the right to sell, transfer or assign ("Transfer") part or all of the Land to any person or entity ("Transferee") at any time during the duration of this Agreement. Owner shall be released from the obligations under this Agreement with respect to the part of the Land that is transferred ("Transferred Land"), subject to the following:

(a) Owner has given Town notice of the Transfer, which shall include a legal description of the Transferred Land and the name, address and facsimile number for notice purposes, of the Transferee; and

(b) The Transferee has agreed in writing to be subject to all of the provisions of this Agreement as to the Transferred Land.

Any amendment to this Agreement in connection with the Transferred Land shall affect only the Transferred Land and shall not be an amendment of this Agreement as to the part of the Land that is not transferred. Any Default of this Agreement in connection with the Transferred Land shall affect only the Transferred Land and shall not be a Default under this Agreement as to the part of the Land that is not the subject of a Transfer.

24. **Lien Financing**. Owner shall have the right at any time, and as often as it desires, to finance the Land and to secure the financing with a lien or liens against the Land. Nothing contained in this section or this Agreement shall constitute a subordination of this Agreement to any voluntary or involuntary obligation, tax, charge, assessment, encumbrance or other lien against the Land.

25. **Compliance Confirmation**. When requested by either Town or Owner, which request can be made from time to time, the other shall use its best efforts to confirm the following in writing to the requesting party within thirty (30) days from the date of the request:

(a) This Agreement is unmodified and in full force and effect (or reasons why it is not); and

(b) Based upon knowledge, there are not any uncured Defaults under this Agreement (or reasons why there are).

26. **No Agency or Partnership**. Neither Town nor Owner is acting as the agent of the other with respect to this Agreement, an [illegible] nt shall not be deemed to create a partnership, joint venture or other business relationship between Town and Owner.

27. **No Third Party Beneficiary**. This Agreement shall not create any third party beneficiary rights to any person or entity who is not a party to this Agreement, including any lender to the Owner, unless expressly provided to the contrary in this Agreement (and then only to the extent so provided).

28. **Construction**. The provisions and exhibits of this Agreement shall be construed as a whole consistent with their plain meaning and intent, and they shall not be construed against one party or the other based upon which party prepared or influenced the drafting of any provision or exhibit of this Agreement.

29. **Recording**. Town shall record this Agreement with the County Recorder no later than ten (10) days after the execution of this Agreement.

30. **Time of Essence**. Time is of the essence of this Agreement.

31. **Benefit and Binding Effect**. This Agreement shall be for the benefit of and binding upon the parties hereto and their successors and assigns.

32. **Counterparts**. This Agreement, which may be executed in counterpart, shall constitute the entire agreement between the parties regarding the subject of this Agreement.

33. **Amendment**. Any amendment to this Agreement shall be in writing.

34. **Section Titles**. The section titles in this Agreement are not part of this Agreement and are for convenience only.

35. **Notices**. All notices, requests, waivers, approvals, acceptances or other communications under this Agreement shall be in writing and shall be deemed given when

personally delivered or transmitted by facsimile or two days after mailing by certified mail, return receipt requested and postage prepaid, to the addresses or facsimile numbers set forth in the section of this Agreement titled "Parties," with copies to the following:

(a) For Town: Joseph A. Blanton, Manager
Town of Buckeye
100 North Apache, Suite A
Buckeye, Arizona 85326

With a copy to: Scott W. Ruby, Esq.
Gust Rosenfeld PLC
201 N. Central Avenue, Suite 3300
Phoenix, AZ 85073-3300
Facsimile Number: 602.340.1538

(b) Owner: 10,000 West, LLC, an
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...mited liability company
Attention: Richard T. Frye
8777 N. Gainey Center Drive, Suite 205
Scottsdale, Arizona 85253
Facsimile Number: 480.998.0329

With a copy to: Stephen C. Earl
3101 N. Central Avenue, Suite 1000
Phoenix, Arizona 85012-2641
Facsimile Number: 602.265.2195

36. **Force Majeure.** The performance of either party and the duration of this Agreement shall be extended by any causes that are beyond the control of the party required to perform, such as an act of God, civil or military disturbance and labor or material shortage.

37. **Governing Law.** This Agreement shall be governed by and construed under the laws of the state of Arizona, and any litigation shall take place only in Maricopa County, Arizona.

38. **Attorneys Fees.** The prevailing party in any litigation in connection with this Agreement shall be entitled to its attorneys' fees and costs.

39. **Signature**. The parties have executed this Agreement on the date first above written.

TOWN:

TOWN OF BUCKEYE, ARIZONA

By: _____
Alan Newberry, Vice Mayor

OWNER:

10000 WEST L.L.C.,
an Arizona Limited Liability Company

By: _____
Its ~~President~~ Vice President

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Attest:

By: _____
Joseph A. Blanton, Town Manager

Approved as to Form:

By: _____
Scott W. Ruby, Special Legal Counsel

STATE OF ARIZONA)
: ss.
County of Maricopa)

The foregoing Agreement was acknowledged before me this 11 day of October 2000, by John L. Anderson, in his capacity as ~~President~~ Vice President, on behalf of 10000 West L.L.C.

Karn Reinke
Notary Public

My Commission Expires:

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 16, 2004

STATE OF ARIZONA)
: ss.
County of Maricopa)

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The foregoing Agreement was acknowledged before me this 4th day of October 2000, by Alan Rawberry, in his capacity as Vice Mayor, on behalf of the Mayor of Buckeye, Arizona.

Linda Garrison
Notary Public

My Commission Expires:

OFFICIAL SEAL
LINDA A.GARRISON
NOTARY PUBLIC- ARIZONA
MARICOPA COUNTY
My Comm. Expires 8-31-2001

ASSIGNMENT OF DEVELOPMENT AGREEMENT

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When recorded, return to:

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attn.: Diane M. Haller, Esq.

1420913 10/10
FIRST AMERICAN TITLE

ASSIGNMENT AND ASSUMPTION OF DEVELOPMENT AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF DEVELOPMENT AGREEMENT dated this 17 day of May, 2004, by and between 10,000 WEST, L.L.C., an Arizona limited liability company ("**Assignor**") and PULTE HOME CORPORATION, a Michigan corporation ("**Assignee**").

WITNESSETH

WHEREAS Assignor entered into a Development Agreement by and between Assignor and the Town of Buckeye, Arizona dated October 4, 2000 and recorded October 13, 2000, at recorder's number 2000-0787937, records of Maricopa County, Arizona (the "**Development Agreement**").

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby assigns, sets over and conveys all right, title and interest of Assignor in and to the Development Agreement, only with respect to those portions of the Land (as that term is defined in the Development Agreement) described on Exhibit "A", attached hereto and by this reference incorporated herein (the "**Transferred Land**"), to Assignee and Assignee hereby agrees to be subject to all of the provisions of the Development Agreement and to accept and assume, only with respect to the Transferred Land, all such right, title and interest and perform all such obligations of Assignor set forth therein.

[Signatures on following pages.]

ASSIGNOR:

10,000 WEST, L.L.C., an Arizona limited liability company

By: LYLE ANDERSON HOLDINGS, INC., a Delaware corporation
Its Manager

By: _____
Name: Lyle L. Anderson
Title: President

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STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of May, 2004, by Lyle L. Anderson, the President of **LYLE ANDERSON HOLDINGS, INC., a Delaware corporation,** Manager of **10,000 WEST, L.L.C., an Arizona limited liability company,** on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Karn Reinke
Notary Public

My commission expires:

August 15, 2004

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004

ASSIGNEE:

PULTE HOME CORPORATION, a Michigan corporation

By: _____
Name: Chad H. Kolodziejczyk
Title: Assistant Secretary and Vice President

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STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 11th day of May, 2004, by Chad H. Kolodziejczyk, the Assistant Secretary & Vice President of **PULTE HOME CORPORATION, a Michigan corporation,** on behalf of that corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

6/29/07

OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

EXHIBIT "A"

(THE WHITE TANK PROJECT FESTIVAL RANCH PARCELS E AND F)

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26 and 28, Township 4 North, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Northeast corner of said Section 24;

thence South 00 degrees 26 minutes 24 seconds West, along the East line of the Northeast quarter of said Section 24, a distance of 2,640.87 feet to the East quarter corner thereof;

thence South 00 degrees 23 minutes 56 seconds West, along the East line of the Southeast quarter of said Section 24, a distance of 2,639.68 feet to the Northeast corner of said Section 25;

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thence South 00 degrees 23 minutes 04 seconds West, along the East line of the Northeast quarter of said Section 25, a distance of 2,642.69 feet to the East quarter corner thereof;

thence South 00 degrees 24 minutes 50 seconds West, along the East line of the Southeast quarter of said Section 25, a distance of 2,641.16 feet to the Southeast corner thereof;

thence North 89 degrees 35 minutes 08 seconds West, along the South line of the Southeast quarter of said Section 25, a distance of 2,641.48 feet to the South quarter corner thereof;

thence North 89 degrees 35 minutes 25 seconds West, along the South line of the Southwest quarter of said Section 25, a distance of 2,639.43 feet to the Southeast corner of said Section 26;

thence North 89 degrees 42 minutes 22 seconds West, along the South line of the Southeast quarter of said Section 26, a distance of 2,630.35 feet to the South quarter corner thereof;

thence North 00 degrees 19 minutes 01 seconds East, along the North-South mid-section line of said Section 26, a distance of 2,202.89 feet to a point on a 5,500.00 foot radius non-tangent curve, whose center bears North 10 degrees 40 minutes 03 seconds West, said point also being on the centerline of "Sun Valley Parkway", as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

thence Southwesterly, along said curve and centerline, through a central angle of 05 degrees 15 minutes 04 seconds, a distance of 504.08 feet;

thence South 84 degrees 32 minutes 16 seconds West, a distance of 2,153.47 feet to the East line of the Southeast quarter of said Section 27;

thence North 00 degrees 24 minutes 17 seconds East, departing said centerline, along the East line of the Southeast quarter of said Section 27, a distance of 733.87 feet to the East quarter corner thereof;

thence North 00 degrees 21 minutes 02 seconds East, along the East line of the Northeast quarter of said Section 27, a distance of 2,640.03 feet to the Northeast corner thereof;

thence North 89 degrees 44 minutes 50 seconds West, along the North line of the Northeast quarter of said Section 27, a distance of 2,633.23 feet to the North quarter corner thereof;

thence North 89 degrees 29 minutes 15 seconds West, along the North line of the Northwest quarter of said Section 27, a distance of 2,642.45 feet to the Northwest corner thereof;

thence South 00 degrees 57 minutes 22 seconds West, along the West line of the Northwest quarter of said Section 27, a distance of 969.63 feet;

thence South 25 degrees 02 minutes 40 seconds West, a distance of 734.21 feet;

thence South 47 degrees 53 minutes 49 seconds West, a distance of 1,529.32 feet;

thence South 82 degrees 46 minutes 17 seconds West, a distance of 720.95 feet;

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thence North 74 degrees 50 minutes 14 seconds West, a distance of 371.53 feet;

thence North 19 degrees 21 minutes 24 seconds West, a distance of 398.70 feet;

thence South 70 degrees 38 minutes 36 seconds West, a distance of 248.27 feet;

thence North 24 degrees 46 minutes 06 seconds West, a distance of 583.53 feet;

thence North 52 degrees 39 minutes 50 seconds West, a distance of 239.24 feet;

thence South 74 degrees 02 minutes 06 seconds West, a distance of 460.64 feet to a point on a 5,085.00 foot radius non-tangent curve, whose center bears South 64 degrees 25 minutes 19 seconds West;

thence Northwesterly, along said curve, through a central angle of 04 degrees 28 minutes 57 seconds, a distance of 397.82 feet;

thence North 30 degrees 03 minutes 38 seconds West, a distance of 2,586.05 feet to the beginning of a tangent curve of 3,915.00 foot radius, concave Northeasterly;

thence Northwesterly, along said curve, through a central angle of 20 degrees 45 minutes 41 seconds, a distance of 1,418.62 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence along the Southerly right-of-way line of the "Central Arizona Project Canal" the following courses:

thence North 44 degrees 33 minutes 22 seconds East, a distance of 315.71 feet;

thence North 56 degrees 59 minutes 46 seconds East, a distance of 496.13 feet;

thence North 80 degrees 26 minutes 29 seconds East, a distance of 3,220.32 feet;

thence North 85 degrees 39 minutes 45 seconds East, a distance of 497.23 feet;

thence South 89 degrees 08 minutes 59 seconds East, a distance of 293.06 feet;

thence South 00 degrees 51 minutes 01 seconds West, a distance of 74.97 feet;

thence South 89 degrees 07 minutes 56 seconds East, a distance of 300.00 feet;

thence North 01 degrees 19 minutes 16 seconds East, a distance of 75.03 feet;

thence South 89 degrees 08 minutes 59 seconds East, a distance of 6,130.87 feet to a point on the West line of the Northwest quarter of said Section 23;

thence South 00 degrees 22 minutes 19 seconds West, departing said Southerly right-of-way line, along the West line of the Northwest quarter of said Section 23, a distance of 468.31 feet to the West quarter corner of said Section 23;

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thence South 89 degrees 37 minutes 07 seconds East, along the East-West mid-section line of said Section 23, a distance of 5,278.03 feet to the West quarter corner of said Section 24;

thence North 00 degrees 22 minutes 48 seconds East, along the West line of the Northwest quarter of said Section 24, a distance of 2,253.90 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 28 minutes 05 seconds East, along said Southerly right-of-way line, a distance of 1,086.54 feet to a point on the South line of the Southwest quarter of said Section 13;

thence South 89 degrees 37 minutes 17 seconds East, along the South line of the Southwest quarter of said Section 13, a distance of 1,625.24 feet to the South quarter corner thereof;

thence North 00 degrees 24 minutes 03 seconds East, along the North-South mid-section line, a distance of 621.31 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 27 minutes 38 seconds East, along said Southerly right-of-way line, a distance of 1,296.88 feet;

thence South 00 degrees 00 minutes 00 seconds East, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 27 minutes 38 seconds East, along said parallel line, a distance of 464.53 feet;

thence North 00 degrees 00 minutes 00 seconds East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

thence North 69 degrees 27 minutes 38 seconds East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast quarter of said Section 13;

thence South 00 degrees 24 minutes 51 seconds West, along said East line, a distance of 1,633.09 feet to the POINT OF BEGINNING;

EXCEPT all minerals, oil, gas and geothermal resources as reserved by the United States of America in Patent to said land recorded as 85-411086 of Official Records.

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FESTIVAL RANCH CC&RS

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When recorded, return to

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attn.: Heidi L. Kimzey, Esq.

FIRST AMERICAN TITLE
1420913 7/10

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

This Declaration of Covenants, Conditions and Restrictions ("**Declaration**") is made this 17th day of May, 2004 by PULTE HOME CORPORATION, a Michigan corporation ("**Pulte**") and 10,000 WEST, L.L.C., an Arizona limited liability company ("**10,000 West**").

RECITALS

A. In accordance with that certain Amended and Restated Purchase Agreement dated July 26, 2002, as amended (the "**Agreement**"), 10,000 West has sold to Pulte certain real property, a legal description of which is attached hereto as Exhibit A (the "**Purchase Property**").

B. The Purchase Property is part of a master-planned real property development commonly known as "**Festival Ranch**". A portion of the balance of Festival Ranch, consisting of real property located within three (3) miles of the Purchase Property, a legal description of which is attached hereto as Exhibit B (the "**Restricted Property**") is owned by 10,000 West. A map showing the respective locations of the Purchase Property and the Restricted Property is attached hereto as Exhibit C.

C. Pulte's anticipated development of the Purchase Property will enhance the value and marketability of the Restricted Property and the balance of Festival Ranch. In consideration of the mutual covenants contained herein, and in order to promote the development of Festival Ranch as a first class community, Pulte and 10,000 West desire to enter into this Declaration.

1. Restricted Property Owner's Covenants, Conditions and Restrictions. For purposes of this Declaration, "**Restricted Property Owner**" shall mean each and every owner of the Restricted Property, or any portion thereof or any interest therein, during the term of its ownership, and each lessee or other user or occupier in possession thereof, during the term of its possession. Restricted Property Owner hereby agrees that the Restricted Property is now, and shall hereafter be, held, transferred, sold, leased, conveyed, developed, improved, maintained and occupied subject to the covenants, conditions and restrictions set forth below and each and every portion thereof shall be binding upon each and every Restricted Property Owner. Said covenants, conditions and restrictions shall inure to the benefit of and be enforceable by Pulte, and its successors and assigns as designated in a written instrument executed by Pulte and identifying this Declaration.

Except as provided in the immediately succeeding sentences, Restricted Property Owner agrees that:

(a) no Age Restricted Community (hereinafter defined) will be constructed, developed or otherwise permitted on the Restricted Property; and

(b) no housing community which contains Age Restricted Amenities (hereinafter defined) will be constructed, developed or otherwise permitted on the Restricted Property.

As used in this paragraph 1(a) the term "**Age Restricted Community**" means any community that is intended to provide housing primarily for persons 55 years of age or older and/or operated as an age restricted community in compliance with all applicable State and Federal laws, provided that areas totaling no more than 40 acres in the aggregate within the Restricted Property may be utilized as housing limited to persons 55 years of age or older without the same constituting an Age Restricted Community under the terms of this Declaration. As used in this paragraph 1(b) the term "**Age Restricted Amenities**" means amenities that are provided primarily for persons 55 years of age or older and/or operated as age restricted amenities in compliance with all applicable State and Federal laws, provided that areas totaling no more than 40 acres in the aggregate within the Restricted Property may be utilized for such amenities for persons 55 years of age or older and/or operated as age restricted amenities in compliance with all applicable State and Federal laws without the same constituting Age Restricted Amenities under the terms of this Declaration.

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2. Other Covenants.

(a) Term. This Declaration (and the restrictions contained in paragraph 1) shall be effective upon the date of its recordation and, as amended from time to time, shall continue in full force and effect until the earlier to occur of: (i) expiration of ten (10) years from the date of recordation of this Declaration, (ii) conveyance of any portion of the Purchase Property by foreclosure following a default under the Deferred Consideration Deed of Trust recorded against the Purchase Property concurrently herewith, executed by Pulte as Trustor for the benefit of 10,000 West and securing Pulte's obligation to pay an agreed upon sum to 10,000 West at the close of escrow for each retail sale of a lot and house, or (iii) at any time when ninety percent (90%) of the residential units planned for the Purchase Property (as specified in the development plan of Pulte existing as of the date of this Declaration) are sold to retail users, or (iv) at any time that the Covenants, Conditions and Restrictions for the Purchase Property are amended to no longer require an Age Restricted Community. After such date, this Declaration and the restrictions contained in paragraph 1 shall automatically terminate and be of no further force or effect.

(b) Termination or Amendment. This Declaration may be amended as to any portion of the Restricted Property upon recordation of the written consent of Pulte and the owner of such portion of the Restricted Property. This Declaration may be terminated as to any portion of the Restricted Property at any time upon recordation of a notice of termination executed by Pulte.

(c) Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

(d) Rule Against Perpetuities. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until twenty-one (21) years after the death of the survivor of the now living descendants of the President of the United States on the date hereof.

[Signatures on following pages]

Unofficial Document

IN WITNESS WHEREOF, the undersigned have executed this Declaration on the date hereinabove written.

10,000 WEST, L.L.C., an Arizona limited liability company

By: LYLE ANDERSON HOLDINGS, INC., a Delaware corporation
Its Manager

By: _____
Name: John L. Anderson
Title: President

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PULTE HOME CORPORATION, a Michigan corporation

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the undersigned have executed this Declaration on the date hereinabove written.

10,000 WEST, L.L.C., an Arizona limited liability company

By: LYLE ANDERSON HOLDINGS, INC., a Delaware corporation
Its Manager

By:_____
Name:_____
Title:_____

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PULTE HOME CORPORATION, a Michigan corporation

By:_____
Name: Anne H. Kolodisner
Title: Assistant Secretary and Vice President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of May, 2004, by Tabor L. Anderson, the President of **LYLE ANDERSON HOLDINGS, INC., a Delaware corporation,** Manager of **10,000 WEST, L.L.C., an Arizona limited liability company,** on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Karn Reinke
Notary Public

My commission expires:

August 15, 2004

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004
Unofficial Document

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of May, 2004, by _____, the _____ of **PULTE HOME CORPORATION, a Michigan corporation,** on behalf of that corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

_____

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this ____ day of May, 2004, by _____, the _____ of **LYLE ANDERSON HOLDINGS, INC., a Delaware corporation,** Manager of **10,000 WEST, L.L.C., an Arizona limited liability company,** on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My commission expires:

_____

Unofficial Document

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 11th day of May, 2004, by Chad H. Koladisner, the Vice President Assistant Secretary of **PULTE HOME CORPORATION, a Michigan corporation,** on behalf of that corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Linda J. Moody
Notary Public

My commission expires:

6/29/07

OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

Joinder of Lender

Bank of Scotland, a banking organization established by Act of the Scottish Parliament (the "**Bank**"), the holder of the beneficial interest under the Amended and Restated Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated November 26, 2003 and recorded on December 3, 2003 with the County Recorder of Maricopa County, Arizona at Document No. 2003-1649448 and by and Assignment of Leases, Lease Payments and Profits dated November 26, 2003 and recorded on December 3, 2003 with the County Recorder of Maricopa County, Arizona at Document No. 2003-1649449, as the same has been or in the future may otherwise be amended or modified (the "**Deed of Trust**"), with the Deed of Trust being provided pursuant to certain financing provided by Bank, joins herein for the purposes of:

(a) consenting to 10,000 West's entering into and performing its obligations under the Declaration; and

(b) subordinating the Deed of Trust to the Declaration.

Dated as of this 12 day of May, 2004.

Unofficial Document

BANK OF SCOTLAND, a banking organization established by Act of the Scottish Parliament

By: R. O. Le.
Name: RUSSELL OLIVER
Its: ASSOCIATE DIRECTOR OF CORPORATE BANKING
For and on Behalf of the Governor and Company of the Bank of Scotland

SCOTLAND)
) ss.
United Kingdom)

The foregoing instrument was acknowledged before me this 12 day of May, 2004, by RUSSELL OLIVER, the ASSOCIATE DIRECTOR OF CORPORATE BANKING of Bank of Scotland, a banking organization established by the Act of the Scottish Parliament, on behalf of the banking organization, for and on behalf of the banking organization.

Notary Public

GAVIN RICHARD BUSHELL
NOTARY PUBLIC
Ship Canal House
King Street Manchester M2 4WB

My Commission ~~Expires:~~
lasts indefinitely

QBPHX\093564.20016\1814652.2

GROUNDWATER REPLENISHMENT DISTRICT CC&RS

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Unofficial Documents

When recorded, please return to:
Central Arizona Water
Conservation District
P.O. Box 43020
Phoenix, Arizona 85080-3020
Attn: Manager, Groundwater
Replenishment District

MA
HELEN PURCELL
2003-1752903 12/31/03 14:48
1 OF 2
DELROSSOA

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR SUN CITY FESTIVAL, PHASE 1 REGARDING MEMBERSHIP IN THE CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT

This Declaration of Covenants, Conditions and Restrictions for Sun City Festival, Phase 1 Regarding Membership in the Central Arizona Groundwater Replenishment District is made this 23rd day of December, 2003, by 10,000 West, L.L.C., an Arizona limited liability company.

RECITALS

A. Declarant is the owner of the Property, legally described in Exhibit A attached and incorporated into this Declaration.

B. Declarant has applied to the Department for a certificate of assured water supply for the property pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9.

C. As permitted by Arizona Revised Statutes § 45-576.01(B), Declarant desires to satisfy one requirement for obtaining a certificate of assured water supply by qualifying the Property as Member Land pursuant to the Groundwater Replenishment Statute. As Member Land, the Property will be a member of the Central Arizona Groundwater Replenishment District, an operating subdivision of the CAWCD.

D. To qualify the Property as Member Land, the Groundwater Replenishment Statute requires Declarant to subject the Property to this Declaration.

E. To permit the delivery of Excess Groundwater to the Property as Member Land, each Parcel must be subject to the Parcel Replenishment Obligation and the Replenishment Assessment to be determined by CAWCD.

F. Qualifying the Property as Member Land and subjecting the Property to the Parcel Replenishment Obligation and the Replenishment Assessment directly benefits the Property by increasing the potential of the Property to qualify for a certificate of assured

water supply issued by the Department pursuant to Arizona Revised Statutes Title 45, Chapter 2, Article 9, thereby allowing the development, use and enjoyment of the Property.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold and conveyed subject to the covenants, conditions and restrictions contained in this Declaration.

ARTICLE 1
DEFINITIONS

1.1 "CAWCD" means the Central Arizona Water Conservation District, a political subdivision of the State of Arizona, and any successor political subdivision.

1.2 "Declarant" means 10,000 West, L.L.C., an Arizona limited liability company.

1.3 "Declaration" means this Declaration of Covenants, Conditions and Restrictions for Sun City Festival, Phase 1 Regarding Membership in the Central Arizona Groundwater Replenishment District, as amended from time to time.

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1.4 "Department" means the Arizona Department of Water Resources, an agency of the State of Arizona, and any successor agency.

1.5 "Excess Groundwater" means the amount of Groundwater equal to the amount of Groundwater delivered to the Property in a calendar year in excess of the amount of Groundwater that may be used at the Property in that calendar year consistent with the applicable Assured and Adequate Water Supply Rules adopted by the Department for the Phoenix Active Management Area pursuant to Arizona Revised Statutes § 45-576(H).

1.6 "Groundwater" is as defined in Arizona Revised Statutes § 45-101(5).

1.7 "Groundwater Replenishment Statute" means Arizona Revised Statutes Title 48, Chapter 22.

1.8 "Member Land" is as defined in Arizona Revised Statutes § 48-3701(9).

1.9 "Owner" means the Person or Persons who individually or collectively own fee title to a Parcel, provided that if fee title to a Parcel is vested in a trustee under a deed of trust under Arizona Revised Statutes Title 33, Chapter 6.1, the owner of the trustor's interest under the deed of trust is deemed to be the "Owner" of that Parcel.

1.10 "Parcel" means any portion of the Property now existing or hereafter established for which the tax assessor for the county in which the Property is located has issued a separate tax parcel number.

1.11 "Parcel Replenishment Obligation" means, with respect to any particular Parcel, an amount of Groundwater that is equal to the amount of Groundwater delivered to the Parcel in a calendar year multiplied by the percentage that the Excess Groundwater of the Property for that year bears to the total amount of Groundwater delivered to the Property during that year.

1.12 "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, limited liability company, limited liability partnership, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.13 "Property" means the real property described in Recital A.

1.14 "Replenishment Assessment" means the annual assessment levied by CAWCD against a Parcel in a calendar year based on the Parcel Replenishment Obligation applicable to that Parcel during that year.

Unofficial Document

ARTICLE 2
COVENANT FOR REPLENISHMENT ASSESSMENT

2.1 Replenishment Assessment. Each Parcel is hereby made subject to the Replenishment Assessment based on the Parcel Replenishment Obligation in an amount to be determined by CAWCD as necessary to allow CAWCD to perform its groundwater replenishment obligation under the Groundwater Replenishment Statute.

2.2 Levy of Replenishment Assessment. CAWCD shall levy the Replenishment Assessment against each Parcel in accordance with Arizona Revised Statutes § 48-3778.

2.3 Interest, Costs and Penalties. If the Replenishment Assessment is not paid when due, CAWCD will be entitled to interest, costs and penalties as provided by Arizona Revised Statutes § 48-3782.

ARTICLE 3
COVENANT FOR CREATION OF LIEN

3.1 Creation of Lien and Personal Obligation. Declarant, for each Parcel, hereby covenants and agrees, and each Owner (other than Declarant), by becoming the Owner of a Parcel, is deemed to covenant and agree, to pay the Replenishment Assessment to CAWCD in accordance with this Declaration and the Groundwater Replenishment Statute. The Replenishment Assessment, together with interest, costs, and penalties as provided by Arizona Revised Statutes § 48-3782, constitutes a continuing lien on the Parcel against which such Replenishment Assessment is levied, as provided by Arizona Revised Statutes § 48-3778. A Replenishment Assessment, together with interest, costs and penalties, as provided by Arizona Revised Statutes § 48-3782, is also a personal obligation of each Person who was an Owner of a Parcel at the time such Replenishment Assessment came due.

3.2 Remedies for Nonpayment of Replenishment Assessment. In the event of delinquency of any Replenishment Assessment, CAWCD has the rights and remedies provided in Arizona Revised Statutes §§ 48-3778 and 48-3782.

ARTICLE 4
GENERAL PROVISIONS

4.1 Binding Effect. The Property shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any portion of or any interest in the Property, each Owner is bound by all the covenants, conditions and restrictions now or hereafter imposed by this Declaration. The covenants, conditions and restrictions contained in this Declaration run with the land and bind Declarant, all Owners, and all successors and assigns of Declarant or any Owner. Declarant agrees and covenants to CAWCD to execute and record any additional documentation which CAWCD may reasonably require to effectuate the intents and purposes of this Declaration and the Groundwater Replenishment Statute.

Unofficial Document

4.2 Amendments. This Declaration may be modified, amended or revoked only (i) by the express written agreement of CAWCD, the Department and the Owners of 67% of the total area of the Property; or (ii) by amendment statutes, rules or regulations or successor statutes, rules or regulations, as contemplated by Paragraph 4.4.

4.3 Interpretation. This Declaration must be construed and interpreted in accordance with and in reference to the laws of the State of Arizona, including but not limited to the Groundwater Replenishment Statute.

4.4 Rules, Regulations and Successor Statutes. All references in this Declaration to Arizona Revised Statutes include all rules and regulations promulgated by the Department under such statutes and all amendments and successor statutes, rules and regulations to such statutes, rules and regulations.

4.5 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable does not affect the validity or enforceability of any other provision of this Declaration.

4.6 Captions. All captions, titles or headings in this Declaration are used for the purpose of reference and convenience only and do not limit, modify or otherwise affect any of the provisions of this Declaration.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

20031752903

DECLARANT: 10,000 WEST, L.L.C., an Arizona limited liability company

By: LA WEST INVESTMENT, L.L.C., an Arizona limited liability company

Its: Executive Member

By: _____
Taber Anderson

Its: Vice President

The undersigned Optionee, identified as "Buyer" under that certain Memorandum of Purchase Agreement dated December 5, 2002, by and between 10,000 West, L.L.C., an Arizona limited liability company and Pulte Home Corporation, a Michigan corporation, hereby directs 10,000 West, L.L.C. to execute this document and consents to the execution and recording of this document.

Unofficial Document

OPTIONEE: PULTE HOME CORPORATION, a Michigan corporation

By: _____
Samuel C. Colgan, Authorized Agent

By: _____
Chad H. Kolodisner, Authorized Agent

STATE OF Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 22nd day of December, 2003, by Taber Anderson, the Vice President of LA West Investment, L.L.C., on behalf of 10,000 West, L.L.C.

_____
Notary Public

My commission expires:
August 15, 2004

OFFICIAL SEAL
KARN REINKE
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Aug. 15, 2004

STATE OF)
) ss.
County of)

The foregoing instrument was acknowledged before me this 22nd day of December, 2003, by Samuel C. Colgan the Authorized Agent of Pulte Home Corporation.

Linda Garrison
Notary Public

My commission expires:
March 31, 2005

OFFICIAL SEAL
Unofficial Document
GARRISON
NOTARY PUBLIC – ARIZONA
MARICOPA COUNTY
My Comm. Expires 3-31-2005

STATE OF)
) ss.
County of)

The foregoing instrument was acknowledged before me this 23rd day of December, 2003, by Chad H. Kolodisner the Authorized Agent of Pulte Home Corporation.

Linda J. Moody
Notary Public

My commission expires:
6/29/07

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080.02

OFFICIAL SEAL
LINDA J. MOODY
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 29, 2007

EXHIBIT A

That part of Section 13, 22, 23, 24, 25, and 26, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Southeast Corner of said Section 22;

Thence North 89°44'50" West, along the South line of the Southeast Quarter of said Section 22, a distance of 2,633.23 feet to G.L.O. Brass Cap marking the South Quarter Corner of said Section 22;

Thence North 89°29'15" West, along th Unofficial Document the Southwest Quarter of said Section 22, a distance of 212.30 feet;

Thence North 47°27'37" East, departing said South line, a distance of 3,887.22 feet to the West Quarter Corner of said Section 23;

Thence South 89°37'07" East, along the East-West mid-section line of said Section 23, a distance of 5,278.03 feet to the West Quarter Corner of said Section 24;

Thence North 00°22'48" East, along the West line of the Northwest Quarter of said Section 24, a distance of 2,253.90 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

Thence North 69°28'05" East, along said Southerly right-of-way line, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence South 89°37'17" East, along the South line of the Southwest Quarter of said Section 13, a distance of 1,625.24 feet to the South Quarter Corner thereof;

Thence North 00°24'03" East, along the North-South mid-section line, a distance of 621.31 feet to a point on the Southerly right-of-way line of the "Central Arizona Project Canal";

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,296.88 feet;

Thence South 00°00'00" East, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the "Central Arizona Project Canal";

Thence North 69°27'38" East, along said parallel line, a distance of 302.37 feet;

Thence South 00°00'00" East, departing said parallel line, a distance of 795.98 feet to the beginning of a tangent curve of 2,065.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 28°30'37", a distance of 1,027.54 feet;

Thence South 28°30'37" West, a distance of 1,168.85 feet to the beginning of a tangent curve of 1,935.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 28°07'15", a distance of 949.69 feet;

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Thence South 00°23'22" West, a distance of 195.00 feet;
Thence South 44°36'38" East, a distance of 56.57 feet;
Thence South 00°23'22" West, a distance of 130.00 feet;
Thence South 45°23'22" West, a distance of 56.57 feet;

Thence South 00°23'22" West, a distance of 1,479.50 feet to the beginning of a tangent curve of 2,065.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 16°42'02", a distance of 601.91 feet;

Thence South 17°05'24" West, a distance of 529.47 feet to the beginning of a tangent curve of 2,370.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 05°08'19", a distance of 212.56 feet;

Thence South 33°50'03" East, a distance of 41.84 feet;
Thence South 10°22'48" West, a distance of 70.00 feet;

Thence South 54°35'40" West, a distance of 41.84 feet to a point on a 2,370.00 foot radius non-tangent curve, whose center bears South 81°11'29" East;

Thence Southerly, along said curve, through a central angle of 13°31'43", a distance of 559.60 feet;

Thence South 04°43'12" East, a distance of 318.36 feet to the beginning of a tangent curve of 7,265.00 foot radius, concave Westerly;

Thence Southerly, along said curve, through a central angle of 03°59'38", a distance of 506.43 feet;

Thence South 00°43'34" East, a distance of 336.87 feet;
Thence South 45°09'36" East, a distance of 57.12 feet;

Thence South 00°24'21" West, a distance of 100.00 feet to a point on the centerline of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said centerline of Sun Valley Parkway, the following courses:

Thence North 89°35'39" West, a distance of 2,892.14 feet to the East Quarter Corner of said Section 26;

Thence North 89°31'54" West, a distance of 133.95 feet to a point on a 5,500.00 foot radius non-tangent curve, whose center bears South 00°25'12" West;

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Thence Southwesterly, along said curve, through a central angle of 13°46'18", a distance of 1,321.99 feet;

Thence South 76°40'10" West, a distance of 969.54 feet to a point on a 5,500.00 foot radius non-tangent curve, whose center bears North 13°19'57" West;

Thence Southwesterly, along said curve, through a central angle of 03°46'45", a distance of 362.76 feet;

Thence North 09°33'12" West, departing said centerline of Sun Valley Parkway, a distance of 100.00 feet;

Thence North 34°53'22" East, a distance of 56.02 feet;

Thence North 10°40'03" West, a distance of 401.54 feet to the beginning of a tangent curve of 2,435.00 foot radius, concave Southwesterly;

Thence Northwesterly, along said curve, through a central angle of 34°01'56", a distance of 1,446.33 feet;

Thence North 44°41'59" West, a distance of 125.93 feet;
Thence North 89°41'59" West, a distance of 42.43 feet;

Thence South 45°18'01" West, a distance of 213.53 feet to the beginning of a tangent curve of 870.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 45°03'01", a distance of 684.06 feet;

Thence North 89°38'58" West, a distance of 904.91 feet to a point on the West line of the Northwest Quarter of said Section 26;

Thence North 00°21'02" East, along said West line, a distance of 1,622.48 feet to the Point of Beginning.

Containing 1,284.551 Acres, more or less.

Unofficial Document

APPRAISER'S QUALIFICATIONS

FRANK R. KLEINMAN, MAI, CRE

BURKE HANSEN, LLC

Real Estate Appraisal, Consultation & Advisory Services

EDUCATION

College: Bachelor of Science – Business Administration, Arizona State University, Tempe, 1957. Selected as the outstanding military student in the Class of 1957.

Continuing Education: Successfully completed the required courses of The Appraisal Institute. Attended numerous seminars and courses as part of the Appraisal Institute Professional Education/Certification program.

PROFESSIONAL AFFILIATIONS

MAI, Member, The Appraisal Institute since November 1970
State of Arizona, Certified General Real Estate Appraiser, Certificate No. 30207
CRE, Member, The American Society of Real Estate Counselors since January 1977

BUSINESS EXPERIENCE

2000 to Present, Appraiser, *Burke Hansen, LLC*
1983 to 2000, Partner, *Burke Hansen, Inc.*
1978 to 1983, Independent Fee Appraiser, *DICOR, Inc.*, retained as a consultant in charge of commercial real estate development
1967 to 1978, Manager of Appraisal Department, *Coldwell Banker & Company and Coldwell Banker Management Corporation*
1963 to 1978, Real Estate Appraiser, *Coldwell Banker & Company and Coldwell Banker Management Corporation*

APPRAISAL/RESEARCH EXPERIENCE

Assignments: Market and absorption studies and expert witness testimony.

Product Types: Master planned communities; apartments; neighborhood shopping centers; community shopping centers; historical Indian lands; office buildings; industrial buildings; and residential subdivisions.

A list of clients for whom assignments have been completed would include:

City of Peoria
Fortis Private Capital
Shimizu America Corporation
Suncor
Fry's
Nathan & Associates, Inc.
Maricopa Water District
Northern Trust Bank
Pinnacle West Capital Corp
The Mitsui Trust and Banking Co. Ltd.
Harris Trust Bank
Johnson Bank, N.A.
Snell & Wilmer

STEPHEN E. NIEBLING

BURKE HANSEN, LLC

Real Estate Appraisal, Consultation & Advisory Services

EDUCATION

College: Master of Business Administration. Arizona State University, Tempe, Arizona, 1998.
Bachelors of Science in Economics. Santa Clara University, Santa Clara, California, 1992.

CERTIFICATION/ LICENSURE

State of Arizona, Certified General Real Estate Appraiser, Certificate (#30879)
Arizona Licensed Real Estate Sales Agent

PROFESSIONAL AFFILIATIONS

Associate Member, The Appraisal Institute
Associate Member of the American Bar Association

BUSINESS EXPERIENCE

2001 to Present, Senior Appraiser, *Burke Hansen, LLC*
1999 to 2001, *Real Estate Consultant, PricewaterhouseCoopers LLP*
1993 to 1999, Appraiser, *Burke Hansen, Inc.*

APPRAISAL/RESEARCH EXPERIENCE

Assignments: Majority of the assignments have been appraisals for conventional financing and/or CFD financing. Other appraisal assignments have included estate tax and litigation matters (eminent domain, lost profits, partnership disputes, CERCLA, etc.). Consulting assignments have been prepared for affordable housing, financial feasibility and market analyses.

Product Types: Master-planned communities; apartments; neighborhood and community shopping centers; professional and medical office buildings; industrial buildings; residential subdivisions, hotels and golf courses.

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APPENDIX D

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE UNDERTAKING
(OWNER)

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

(CUSIP BASE NUMBER .....)

This Undertaking is executed and delivered by Pulte Home Corporation, a Michigan corporation (hereinafter referred to as the "Owner"), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the "Securities") for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

"Annual Report" shall mean any annual report provided by the Owner pursuant to, and as described in, Section 2.

"Assessment Area" shall have meaning provided thereto in the Official Statement.

"Authorizing Documents" shall mean, collectively, the resolutions authorizing the issuance of the Securities and the Indenture of Trust and Security Agreement from the Issuer to Wells Fargo Bank Arizona, N.A. with respect to the Securities.

"Central Post Office" shall mean an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to the Repositories for purposes of the Rule. As of the date of this Disclosure Undertaking, the Central Post Office is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78678-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

"Dissemination Agent" shall mean any agent which has executed a dissemination agency agreement with the Owner and the successors and assigns of such agent.

"Issuer" shall mean Festival Ranch Community Facilities District, a community facilities district organized and existing pursuant to the laws of the State of Arizona.

"Official Statement" shall mean the Official Statement, dated November 1, 2005, with respect to the Securities.

"Material Events" shall mean any of the events listed in Section 3(a).

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Owner shall contact the Securities and Exchange Commission to determine the National Repositories existing at such time.)*** Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: munis@bloomberg.com

Standard & Poor's Securities Evaluations Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: nrmsir@interactivedata.com

The names and addresses of the then-current National Repositories should be verified each time information is delivered pursuant to this

Undertaking. (A current listing of the National Repositories can be found at http://www.sec.gov/info/municipal/nrmsir.htm.)

"Notice of Material Event" shall mean any notice provided by the Owner pursuant to, and as described in, Section 3.

"Objective Criteria" shall mean, as to any owner of land within the boundaries of the Assessment Area in question at the time in question, that the unpaid portions of the Special Assessments levied against such land owned by such owner equals or exceeds twenty percent (20%) of the total principal amount of the Securities then outstanding.

"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.

"Special Assessments" shall have the meaning provided thereto in the Official Statement.

"State Repository" shall mean any public or private repository or entity designated by the State of Arizona and recognized by the Securities and Exchange Commission as a state repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Owner shall contact the Securities and Exchange Commission to determine the State Repositories existing at such time.)*** Currently, no State Repositories exist for the State of Arizona. ***The name and address of the then-current State Repository should be verified each time information is delivered pursuant to this Undertaking.***

Section 2. Contents and Provision of Annual Reports.

(a) (i) ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN JULY 1 OF EACH YEAR, COMMENCING JULY 1, 2006, PROVIDE TO EACH REPOSITORY AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF EACH ANNUAL REPORT TO THE ISSUER.***

(ii) ***IF THE OWNER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO EACH REPOSITORY AND TO THE MUNICIPAL SECURITIES RULEMAKING BOARD ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information with respect to (I) single family lot closings and issuance of building permits within the boundaries of the portion of the Assessment Area owned by the Owner, (II) the full cash value for taxation purposes of the land within the Assessment Area owned by the Owner, (III) update of the land sales and land development (including particularly the status of completion of the items described under the heading "THE OTHER INFRASTRUCTURE"), (IV) any conveyance in a single transaction to any entity by the Owner of land within the boundaries of the Assessment Area which has unpaid portions of the Special Assessments levied there against in an amount equal to or exceeding five percent (5%) of the principal amount of the Securities then outstanding (including identity of the entity and location of property conveyed) and (V) changes in the description of residential product mix, development and sale of lots, project financing and encumbrances of the Owner set forth in the relevant sections of the Official Statement.

(B) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis generally accepted accounting principles. (The Owner does not currently obtain audited financial statements.) ***IF THE FISCAL YEAR OF THE OWNER CHANGES, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided to each Repository.***

Section 3. Reporting of Material Events.

(a) This Section shall govern the giving of notices of the occurrence of the following events (the "Material Events") with respect to the Securities:

(i) The conveyance in a single transaction to any entity by the Owner of land within the boundaries of the Assessment Area which has unpaid portions of the Special Assessments levied there against in an amount equal to or exceeding twenty percent (20%) of the principal amount of the Securities then outstanding (including identity of the entity and location of property conveyed).

(ii) Any failure by the Owner to pay, prior to delinquency, general property taxes, special taxes or assessments with respect to property of the Owner within the boundaries of the Issuer.

(b) ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF MATERIAL EVENT OF THE OCCURRENCE OF A MATERIAL EVENT WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH REPOSITORY. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE OF MATERIAL EVENT TO THE ISSUER.***

Section 4. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Owner file the Annual Reports, the notices of any Material Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Owner may instead comply with the provisions of this Undertaking by filing the Annual Reports and such notices with a Central Post Office.

Section 5. Termination of Reporting Obligation. The obligations of the Owner pursuant to this Undertaking shall terminate upon (i) the legal defeasance, prior redemption or payment in full of all of the Securities or (ii) the failure of the Owner to satisfy the Objective Criteria. ***THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO EACH REPOSITORY AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

Section 6. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Owner may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is 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 the Owner or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the

interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Owner or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authority Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report 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. Such 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 Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE OWNER CHANGE, THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT. THE OWNER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.***

Section 7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Owner from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Undertaking. If the Owner chooses to include any information in any Annual Report or Notice of Material Event in addition to that which is specifically required by this Undertaking, the Owner shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Material Event.

Section 8. Default. In the event of a failure of the Owner to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Owner to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authority Documents, and the sole remedy under this Undertaking in the event of any failure of the Owner to comply with this Undertaking shall be an action to compel performance.

Section 9. Dissemination Agent. The Owner may, from time to time, appoint or engage a Dissemination Agent to assist it in satisfying the obligations of the Owner hereunder and may discharge

any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Recordkeeping. The Owner shall maintain copies of each Annual Report and Notice Material Event as well as the names of the entities with whom the same was filed and the date of filing thereof.

Section 11. Subsequent Transfers of Owner's Land. Upon any sale by the Owner of land within the boundaries of the Assessment Area such that the acquiring owner of land within the boundaries of the Assessment Area then satisfies the Objective Criteria, the Owner shall require such acquiring owner of land within the boundaries of the Assessment Area to execute an undertaking substantially similar to this Undertaking and in compliance with the Rule prior to the conveyance of title to such acquiring owner of such land within the boundaries of the Assessment Area.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and the Owner shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or wilful misconduct of the Dissemination Agent. The obligations of the Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Section 13. Copies for Issuer. Any copy provided by this Undertaking to be given or furnished to the Issuer by the Owner shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Issuer addressed to it at c/o Town of Buckeye, Arizona, Suite A, 100 North Apache, Buckeye, Arizona 85326, Attention: District Clerk or at any other address furnished previously in writing to the Owner by the Issuer.

Dated: November 17, 2005

PULTE HOME CORPORATION, a Michigan corporation

By.....
Printed Name:.....
Title:.....

CONTINUING DISCLOSURE UNDERTAKING
(ISSUER)

$1,448,000
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

(CUSIP BASE NUMBER .....)

This Undertaking is executed and delivered by Festival Ranch Community Facilities District (hereinafter referred to as the "Issuer"), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the "Securities") for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

"Annual Report" shall mean any annual report provided by the Issuer pursuant to, and as described in, Section 2.

"Authorizing Documents" shall mean, collectively, the resolutions authorizing the issuance of the Securities and the Indenture of Trust and Security Agreement from the Issuer to Wells Fargo Bank, N.A. with respect to the Securities.

"Central Post Office" shall mean an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to the Repositories for purposes of the Rule. As of the date of this Disclosure Undertaking, the Central Post Office is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78678-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

"Dissemination Agent" shall mean any agent which has executed a dissemination agent agreement with the Issuer and such successors and assigns of such agent.

"Listed Events" shall mean any of the events listed in Section 3(a).

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Issuer shall contact the Securities and Exchange Commission to determine the National Repositories existing at such time.)*** Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: munis@bloomberg.com

Standard & Poor's Securities Evaluations Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-mail: nrmsir@interactivedata.com

The names and addresses of the then-current National Repositories should be verified each time information is delivered pursuant to this Undertaking. (A current listing of the National Repositories can be found at http://www.sec.gov/info/municipal/nrmsir.htm.)

"Notice of Material Event" shall mean any notice provided by the Issuer pursuant to, and as described in, Section 3.

"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 Arizona and recognized

by the Securities and Exchange Commission as a state repository for purposes of the Rule ***at the time any information is provided as required by this Undertaking. (The Issuer shall contact the Securities and Exchange Commission to determine the State Repositories existing at such time.)*** Currently, no State Repositories exist for the State of Arizona. ***The name and address of the then-current State Repository should be verified each time information is delivered pursuant to this Undertaking.***

"Tax-exempt" shall mean that interest on the Securities 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 2. Contents and Provision of Annual Reports.

(a) (i) ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2006, PROVIDE TO EACH REPOSITORY AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.***

(ii) ***IF THE ISSUER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO EACH REPOSITORY AND TO THE MUNICIPAL SECURITIES RULEMAKING BOARD ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information of the type in TABLES 1 and 2 of the Official Statement, dated November 1, 2005, with respect to the Securities.

(B) Information with respect to status of ownership, amounts of delinquencies and parcels delinquent (including amount of penalties and interest) and status of foreclosure sales by tax parcel identification number as such matters relate to the "Special Assessments" which are the subject of TABLE 5.

(C) Current balances in the funds held pursuant to the "Indenture of Trust" described in such Official Statement.

(D) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis of generally accepted accounting principals as applied to governmental units. (The Issuer does not currently obtain audited

financial statements.) ***IF THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided to each Repository.***

Section 3. Reporting of Material Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events") with respect to the Securities:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Securities (including particularly, but not by way of limitation,

(A) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the Securities is not Tax-exempt or

(B) Any event adversely affecting the Tax-exempt status of the Securities, including but not limited to:

(I) Any non-random audit, investigation or other challenge of the Tax-exempt status of the Securities by the Internal Revenue Service or in any administrative or judicial proceeding or

(II) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official tax authority or by any court adversely affecting the Tax-exempt status of the Securities or securities of the same type as the Securities or financing structures of the same type as financed by the Securities.)

(vii) Modifications to rights of holders (i.e. owners).

(viii) Bond calls (which are other than mandatory or scheduled redemptions, not otherwise contingent upon the occurrence of an event).

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the Securities (including property leased, mortgaged or pledged as such security).

(xi) Rating changes.

(b) ***IF KNOWLEDGE OF THE OCCURRENCE OF A LISTED EVENT WOULD BE MATERIAL AS INTERPRETED PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (PROVIDED, HOWEVER, THAT ANY EVENT UNDER SUBSECTION (A)(VIII), (IX) OR (XI) OF THIS SECTION SHALL ALWAYS BE DEEMED TO BE MATERIAL), THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF MATERIAL EVENT OF SUCH OCCURRENCE WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH REPOSITORY.***

Section 4. Alternate Means of Disclosure. Notwithstanding the provisions hereof requiring that the Issuer file the Annual Reports, the notices of any Listed Event and certain other notices with each of the Repositories, for so long as there is a Central Post Office, the Issuer may instead comply with the provisions of this Undertaking by filing the Annual Reports and such notices with a Central Post Office.

Section 5. Termination of Reporting Obligation.

(a) The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO EACH REPOSITORY AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.***

(b) To the extent applicable by provision of law, this Undertaking is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provision of which are incorporated herein.

Section 6. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is 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 the Issuer or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Issuer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authority Documents at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report 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. Such 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 Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE ISSUER CHANGE, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF MATERIAL EVENT.***

Section 7. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or Notice of

Material Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Material Event.

Section 8. Default. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authority Documents, and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.

Section 9. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in satisfying the obligations of the Owner hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or wilful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Dated: November 17, 2005

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

By.....
Chairman, District Board

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions of Certain Terms

The following is a summary of certain provisions of the Indenture to which reference is hereby made for a more complete description of its terms. The following are certain terms defined in the Indenture and used in this Official Statement.

"Bondholder" means a Holder of a Bond.

"Business Day" means any day other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the place of payment or in the City where the principal corporate trust office of the Trustee is located.

"Code" means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

"Costs of Acquisition and Construction" means all items of expense directly or indirectly relating to the cost of the public infrastructure purposes (as such term is defined in the Enabling Act) and in a study prepared for the District as required by the Enabling Act.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Bonds and the execution and delivery of the Indenture including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds, fees and charges for the Appraisal and charges and fees in connection with any of the foregoing and costs related to collection of Assessments.

"Debt Service" means, collectively, (i) the principal of and interest and premium, if any, on the Bonds, when due, (ii) fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds, and (iii) amounts due with regard to Rebate.

"Governmental Obligations" means (1) direct obligations of, or obligations fully guaranteed by, the United States of America or (2) obligations described in Section 103(a) of the Internal Revenue Code of 1954, provision for the payment of which shall have been made by the deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in clause (1) the maturing principal of and interest on which, when

due, will provide sufficient moneys to pay when due the principal of, premium, and interest on such obligations, and which securities described in clause (1) are not available to satisfy any other claim which, at the time of deposit, have been assigned ratings in the highest rating categories of S&P and Moody's, but in the case of both Clause (1) and Clause (2) of this paragraph, only if such obligations are noncallable prior to the Maturity of the Bonds or (3) REFCORP STRIPS as defined in "Permitted Investments". Governmental Obligations also includes a "no load," open-end management investment company or trust (mutual fund), registered with the Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which money market fund invests in short term United States Treasury obligations, agencies guaranteed by the United States of America, and repurchase agreements secured by the same and which money market fund has a rating by S&P of AAAm-G; AAAm; or AAm or better and a rating by Moody's of "VMIG-1" or better.

"Holder" when used with respect to any Bond means the Person in whose name such Bond is registered in the Bond Register.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

"Moody's" means Moody's Investors Service or any entity succeeding to the duties and obligations thereof.

"Opinion of Counsel" means a written opinion of counsel who may (except as otherwise expressly provided in the Indenture) be counsel for the District and shall be acceptable to the Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

"Outstanding" when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except, without duplication:

1. Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any paying agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or

waived, or provision therefor satisfactory to the Trustee has been made;

3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and

5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified under the heading "Defeasance" below.

"**Permitted Investments**" means:

A. Direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

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:

1. *U.S. Export-Import Bank*
   Direct obligations or fully guaranteed certificates of beneficial ownership.

2. *Farmers Home Administration*
   Certificates of beneficial ownership

3. *Federal Financing Bank*

4. *Federal Housing Administration Debentures*

5. *General Services Administration*
   Participation certificates

6. *Government National Mortgage Association ("GNMA")*
   Guaranteed mortgage-backed bonds
   Guaranteed pass-through obligations

7. *U.S. Maritime Administration*
   Guaranteed Title XI financing

8. *New Communities Debentures*
   U.S. government guaranteed debentures

9. *U.S. Public Housing Notes and Bonds*
   U.S. government guaranteed public housing notes and bonds

10. *U.S. Department of Housing and Urban Development*
Project Notes Local Authority Bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following United States government agencies (non-full faith and credit agencies):

1. *Federal Home Loan Bank System*
Senior debt obligations

2. *Federal Home Loan Mortgage Corporation*
Participation Certificates and senior debt obligations

3. *Federal National Mortgage Association ("FNMA")*
Mortgage-backed securities and senior debt obligations

4. *Student Loan Marketing Association*
Senior debt obligations

D. Money market funds, including mutual funds of the Trustee, registered with the Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a(7) under the Investment Company Act of 1940, and having a rating by S&P of AAAm-G; AAAm; or AAm or better and having a rating by Moody's of "VMIG-1" or better.

E. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Company.

F. Investment agreements provided by entities with ratings on their long term obligations or claims paying ability of "AA" or better by S&P and "Aa" or better by Moody's and required to be collateralized to the then current requirements of S&P and Moody's to always have a rating of at least "A".

G. Commercial paper rated, at the time of purchase, "A-1" or better by S&P and Moody's.

H. Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such agencies.

I. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P and "P-1" by Moody's.

J. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm to the Issuer and the transfer of cash from the Issuer to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Issuer in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria.

1. *Repurchase Agreements must be between the Issuer and a dealer bank or securities firm*

   a. *Primary dealers* on the Federal Reserve reporting dealer list, or

   b. *Banks* rated "A" or above by S&P and rated "A" or above by Moody's.

2. *The written Repurchase Agreement contract must include the following*:

   a. *Securities which are acceptable for transfer are*:

      (1) Direct United States government, or
      (2) Federal agencies backed by the full faith and credit of the United States government

   b. *The term of the Repurchase Agreement may be up to 30 days*

   c. The collateral must be delivered to the Issuer, the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities)

   d. *Valuation of Collateral*

      (1) *The securities must be valued weekly, marked-to market at current market price plus accrued interest*

         (a) The value of collateral must equal 103% of the amount of cash transferred by the Issuer to the dealer bank or security firm plus accrued interest. If the value slips below 103% of the value of the cash transferred by the Issuer, then additional cash and/or acceptable securities must be transferred. If the securities used as collateral are FNMA, then the value must equal 105%.

3. *Legal opinion which must be delivered to the municipal entity*:

a. The Repurchase Agreement meets guidelines under state law for legal investment of public funds.

K. Governmental Obligations.

L. "*REFCORP STRIPS*" obligations, representing interest on obligations of the Resolution Funding Corporation, the payment of such interest, if other revenues are insufficient, is required to be paid from the United States Treasury, which interest obligations are stripped by the Federal Reserve Bank of New York.

M. Local Government Investment Pool, managed by the Treasurer of the State.

"**Rating Agency**" means S&P or Moody's.

"**Redemption Price**" when used with respect to any Bond to be redeemed means the amount to be paid on any Redemption Date for such redemption pursuant to the Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"**S&P**" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, or any successor thereto.

"**Stated Maturity**" when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable.

Trust Estate Under the Indenture

The District has granted a security interest to the Trustee in all money and investments held for the credit of the Bond Fund, Issuance and Expense Fund and the Reserve Fund. The Trustee is required to hold all such property in trust for the benefit of all the Bondholders.

Funds

Bond Fund. The money deposited to the Bond Fund shall be held by the Trustee and applied solely as provided in the Indenture. The Bond Fund will be comprised of the Principal Account, the Interest Account and the Prepayment Account

The District shall deposit with the Trustee and the Trustee shall deposit to the Bond Fund to the credit of the applicable accounts or subaccounts:

(1) to the Principal and Interest Accounts, as applicable, all amounts collected by the Issuer from collections of the Assessments, to be applied to pay principal and interest then due on the Bonds;

(2) to the Prepayment Account all prepayments of the Assessments;

(3) to the Prepayment Account all proceeds from any foreclosure sale of any assessed property not used to replenish the Reserve Fund to an amount equal to the Reserve Fund Requirement; and

(4) such other funds as the District shall, from time to time, deem advisable.

The Trustee shall deposit to the Bond Fund to the credit of the applicable accounts:

(1) to the Interest Account, all accrued interest and interest capitalized;

(2) to the Prepayment Account, amounts transferred from the Acquisition and Construction Fund to the extent provided in the Indenture;

(3) to the Principal and Interest Accounts, amounts transferred from the Reserve Fund pursuant to the Indenture;

(4) to the Interest Account, any amounts transferred from the Reserve Fund as investment profits to be held in the Interest Account to be used to pay Bond interest not paid from Assessments as a result of prepayment or foreclosure of any Assessments; and

(5) to the Prepayment Account, any amounts transferred from the Reserve Fund as a result of a reduction in the Reserve Fund Requirement due to prepayment of Assessments or in the event the amount in the Reserve fund and Bond Fund is sufficient to pay all Bonds.

The Principal, Interest and Prepayment Accounts shall be applied solely to pay principal of, interest on and Redemption Price with respect to the Bonds.

Acquisition and Construction Fund. Deposits to the Acquisition and Construction Fund shall be applied as follows:

Funds in the Acquisition and Construction Fund shall be used to pay the Costs of Acquisition and Construction and to pay all incidental expenses. Amounts on deposit in the Acquisition and Construction Fund shall be applied by the Trustee as set forth in an Issuer Request.

The Trustee shall make payments from the Acquisition and Construction Fund upon receipt of:

1. in every case, a Disbursement Request (as defined in the Indenture) certifying that the work to which the payment relates has been accomplished in a manner satisfactory to the District. The Disbursement Request may be based upon certificates satisfactory to the Assessment District Engineer and the District Engineer;

2. in the case of payments or reimbursements due related to construction contracts, a certificate signed and approved by the Assessment District Engineer and the District Engineer certifying (a) approval of the requisition; (b) that the obligation was properly incurred; (c) that the amount requisitioned is due and unpaid; (d) that, insofar as the payment is to be made for work, material, supplies or equipment, the work has been performed and the material, supplies or equipment have been installed as part of the Projects or any portion thereof or have been delivered either at the proper site or at a proper place for fabrication and are covered by the builders' risk insurance; and (e) that all work, material, supplies and equipment for which payment is to be made are, in the signer's opinion or opinion of an inspector employed by the Municipality, in accordance with the plans and specifications or duly approved change orders.

3. in the case of payments to discharge any obligation or indebtedness of the District, properly chargeable against the Acquisition and Construction Fund, any notes or other evidences of the obligation or indebtedness to be discharged, which shall be cancelled by the Trustee and returned to the issuer thereof.

The date of completion of any portion of the Projects (the "Completion Date") shall be evidenced to the Trustee by a certificate signed by the District Engineer and the District Manager or a Responsible Officer of the Issuer stating that:

1. The Projects or any portion thereof, as applicable, have been completed in accordance with the plans and specifications therefor and all labor, services, materials and supplies used in the Projects or any portion thereof, as applicable, have been paid for and acknowledgments of such payments have been obtained from all contractors and suppliers; and

2. All other facilities necessary in connection with the applicable portion of the Projects have been constructed, acquired and installed in accordance with the plans and specifications therefor and all Costs of Acquisition and Construction for and incurred in connection therewith have been paid.

Within 10 days following the Completion Date, the Trustee shall transfer any balance in the Acquisition and Construction Fund (except moneys retained for expenses not yet due and payable) into the Prepayment Account in the Bond Fund for application to the redemption of Bonds.

On November 1, 2008, any amounts remaining in the Acquisition and Construction Fund shall be transferred to the Prepayment Account of the Bond Fund.

Issuance and Expenses Fund. The money deposited to the Issuance and Expenses Fund and investments thereof shall be applied solely to pay all Costs of Issuance identified in an Issuer Request. On May 1, 2006, the Trustee shall transfer any balance to the Acquisition and Construction Fund.

Reserve Fund. The money deposited to the Reserve Fund and investments thereof shall be held in trust and applied solely as follows:

A. The District shall deposit to the credit of the Reserve Fund $113,783.

B. On, or before June 29 and December 30 of each year, the Trustee shall, to the extent there are sufficient moneys in the Reserve Fund, transfer from the Reserve Fund to the Principal and Interest Accounts of the Bond Fund the difference between the amount in the Bond Fund and the amount necessary to pay the principal of and interest on the Bonds on the next succeeding July 1 or January 1, as the case may be.

C. The Trustee shall examine the Reserve Fund Requirement on May 1 of each year to determine if any prepaid assessments and corresponding redemption of Bonds has allowed the Reserve Fund Requirement to be reduced. On May 1 of each year, the Trustee shall determine the value of the Reserve Fund investments, excluding any moneys which constitute investment earnings and shall thereafter deposit in the Prepayment Account, in $1,000 multiples, any moneys in the Reserve Fund in excess of the Reserve Fund Requirement. On May 1, 2029, moneys in the Reserve Fund shall be transferred to the Bond Fund.

D. After a Reserve Fund withdrawal, if the Reserve Fund is less than the Reserve Fund Requirement, the District shall reimburse the Reserve Fund from either the proceeds from the sale of delinquent assessments, or from all future installment payments on the assessments, but only to the extent that such portion of such installment payments is not required for the payment of Debt Service.

E. Any investment profits realized from the investment of moneys in the Reserve Fund in excess of the Reserve Fund Requirement shall be transferred to the Interest Account.

F. If the amount held in the Reserve Fund together with the amount held in the Bond Fund is sufficient to pay the principal amount of all Bonds on the next Interest Payment Date, together with accrued interest on such Bonds as of such Interest Payment Date, the moneys shall be transferred to the Prepayment Account of the Bond Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

Investment of and Security for Funds.

A. Money held in the Bond Fund shall be continuously invested and reinvested by the Trustee in Governmental Obligations as directed in writing by the District.

B. Money held in the Acquisition and Construction Fund, Reserve Fund and Issuance and Expenses Fund shall be continuously invested and reinvested by the Trustee in Permitted Investments as directed in writing by the District.

C. The Trustee shall sell or present for redemption any obligations so purchased as an investment hereunder whenever it shall be necessary to do so to make any required payment. Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder without penalty, not later than the respective dates when such money is expected to be required for the purpose intended. Obligations purchased as an investment in any fund shall be deemed at all times to be a part of such fund. Other than investment profits in the Reserve Fund, the interest on obligations so purchased and any profit realized from such investment shall be credited to such Fund and any loss resulting from such investment shall be charged to such fund.

D. All money held by the Trustee hereunder shall be continuously secured in the manner and to the fullest extent then required by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. The Trustee may make any investment permitted by the Indenture through or with its own commercial banking or investment departments. The Trustee shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from its own negligence or willful misconduct.

E. All investments in the Funds established under the Indenture shall be valued at fair market value by the Trustee.

Remedies under the Trust Indenture

The Trustee in its discretion, pursuant to the Indenture, may proceed to protect and enforce its rights and the rights of the Bondholders under the Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture or for the enforcement of any other remedy, as the Trustee deems most effectual to protect and enforce any of the rights of the Trustee or the Bondholders. The Indenture provides that, in addition to all rights and remedies of any Bondholder provided therein, in the event the District defaults in the payment of the principal of, or interest on, any of the Bonds when due, or defaults in the performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution or the Indenture, the Trustee will be entitled to a writ of mandamus

compelling and requiring the District to make such payment or to observe and perform any covenant, obligation, or condition prescribed in the Bond Resolution or the Indenture. The Indenture contains no provision for acceleration of maturity of principal of the Bonds in the event of default. The remedy of mandamus described above would have to be exercised upon each separate default and may prove costly, time consuming, and difficult to enforce. The rights and remedies of Bondholders and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally. **SEE "RISK FACTORS."**

If default occurs in the payment of any principal of or interest on any Bond when due and payable or at maturity, then upon demand of the Trustee, the District will cause to be paid to the Trustee the amount so due and payable and an amount sufficient to cover the costs and expenses of administration and collection, including reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the District fails to cause to be paid such amounts upon demand, the Trustee will be entitled to sue for and recover judgment against the District for the amount then so due and unpaid.

The Trustee will be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of the Indenture, and in case of a sale of the Trust Estate and application of the proceeds as aforesaid, the Trustee will be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Bonds, for the Holders, and will be entitled to recover judgment for the same. No recovery of judgment upon the District will affect or impair the lien on the Indenture upon the trust estate or any rights, powers, or remedies of the Trustee or the Holders. Any amounts due shall be payable solely from amounts collected as installments on the Assessments, and amounts held by the Trustee pursuant to the Indenture.

Application of Money Collected

Any money collected by the Trustee pursuant to the "**Remedies under the Trust Indenture**" above, together with any other sums then held by the Trustee as part of the Trust Estate, will be applied as follows:

> First: To the payment of all unpaid amounts due the Trustee under the Indenture;
>
> Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds, for principal, premium and interest and (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable) on overdue principal and in case such proceeds will be sufficient to pay in full the whole amount due and unpaid,

then to the payment of such principal and interest without any preference or priority;

Third: To the extraordinary redemption of Bonds; and

Fourth: To the payment of the remainder, if any, to whosoever may be lawfully entitled to receive the same, or as a court may direct.

Control by Bondholders

The Holders of a majority in principal amount of any Outstanding Bonds will have the right (subject to providing indemnity to the Trustee as described below)

1. to require the Trustee to enforce the Indenture, either by judicial proceedings, the sale of the Trust Estate or otherwise; and

2. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that

    a. such direction will not be in conflict with any rule of law or the Indenture,

    b. the Trustee may take any other action deemed proper by the Trustee not inconsistent with such direction,

    c. the Trustee has not determined that the action would be unjustly prejudicial to the Holders not taking part in such direction, and

    d. if the remedy requires the consent of a certain number of the Holders, such consent has been provided.

Before taking action pursuant to the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability resulting from its negligence or wilful misconduct. The Trustee may take action without that indemnity, and in that case, the District will reimburse the Trustee (but only from amounts pledged under the Indenture) for all of the expenses of the Trustee pursuant to the Indenture.

Each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee,

the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. However, the provisions of the Indenture will not apply to any suit instituted by or against the Trustee, to any suit instituted by any Bondholder, or group of Bondholders of the series affected thereby, holding in the aggregate more than ten percent in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the redemption date of such Bond).

Supplemental Indentures

Without the consent of the Holders of any Bonds and, under certain circumstances described in the Indenture, the District and the Trustee may from time to time enter into indentures supplemental to the Indenture or adopt a resolution amending the Bond Resolution (i) to correct or amplify the description of any property subject to the lien of the Indenture, or better to convey unto the Trustee any property subject to the lien of the Indenture, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; (ii) to add to the conditions, limitations and restrictions on the authorized amount, terms, or purposes of issue, authentication and delivery of Bonds any additional conditions, limitations and restrictions thereafter to be observed; (iii) to evidence the succession of another entity to the District and the assumption by any such successor of the covenants of the District in the Indenture or the Bond Resolution; (iv) to add to the covenants of the District for the benefit of the Holders of all the Bonds; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture or the Bond Resolution which may be inconsistent with any other provisions thereof, or to make any other provisions for matters arising thereunder not inconsistent with the provisions thereof, if such actions will not adversely affect the interests of the Bondholders.

With the consent of the Holders of not less than a majority in principal amount of the Bonds affected by such supplemental Indenture and, under certain circumstances described in the Indenture, the District and the Trustee may also enter into indentures supplemental to the Indenture or resolutions amending the Bond Resolution for the purpose of adding provisions to or changing in any other manner or eliminating any provisions of the Indenture or of modifying in another manner the rights of the Bondholders under the Indenture or the Bond Resolution. However, no supplemental indenture or amending resolution, without the consent of the Holder of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) change the Stated Maturity of the principal of, or interest on, any Bond, or reduce the principal amount of or the interest on, any Bond, or change

any place of payment where, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); (ii) reduce the percentage in principal amount of Outstanding Bonds the consent of the Holders of which is required for any supplemental indenture, or any waiver provided for in the Indenture of compliance with certain provisions of or certain defaults under the Indenture and their consequences; (iii) modify or alter the provisions of the definition of the term "Outstanding" in the Indenture; or (iv) modify any of the provisions of the Indenture concerning approval of supplemental indentures or amending resolution except to increase any percentage of the Holders of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby. The Trustee may determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution and any such determination will be conclusive upon each Bondholder. The Trustee will not be liable for any such determination made in good faith.

Concerning the Trustee

The Trustee has undertaken to perform such duties as are specifically set forth in the Indenture, and no implied covenants or obligations should be read into the Indenture against the Trustee. In the absence of bad faith on its part, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, in the case of any such certificates or opinions which are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture.

No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, failure to act, or wilful misconduct, except that (1) this paragraph will not limit the effect of the preceding paragraph; (2) the Trustee will not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent; (3) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith upon direction of the Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any available remedy or exercising any trust or power conferred upon the Trustee under the Indenture; and (4) no provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in the Indenture.

Except as otherwise provided in the Indenture:

1. the Trustee may rely and will be protected in acting or refraining from acting upon:

   a. any resolution or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper persons; and

   b. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by the Indenture before the Trustee is to take or refrain from taking any action;

2. any request or direction of the District mentioned in the Indenture will be sufficiently evidenced by a District request and any District order or resolution may be sufficiently evidenced by a resolution of the District board;

3. whenever in the administration of the Indenture the Trustee deems it desirable that a matter be proved or established prior to taking or omitting any action described in the Indenture, the Trustee (unless other evidence is specifically prescribed) may rely upon a certificate of a District officer;

4. the Trustee may consult with legal counsel and the written advice of such counsel will be full and complete authorization and protection in respect of any action taken or omitted by the Trustee in good faith and in reliance on the Indenture;

5. the Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders pursuant to the Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

6. the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution or other paper or document, but the Trustee may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry, it will be entitled to examine the books, records, and premises of the District, personally or by agent or attorney; and

7. the Trustee may execute any of the trusts or powers or perform any duties under the Indenture either directly or through agents or attorneys, and the Trustee will not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it.

There will at all times be a trustee under the Indenture which will be a bank or trust company organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or State authority, and having an office in the Town of Buckeye, Arizona. If such corporation publishes reports of condition at least annually, the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee ceases to be eligible in accordance with provisions of the Indenture, it will resign immediately in the manner and with the effect specified in the Indenture.

The Trustee may resign at any time by giving written notice thereof to the District. If an instrument of acceptance by a successor Trustee will not have been delivered to the Trustee within 30 days after giving such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time by act of the Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District.

If at any time:

1. the Trustee ceases to be eligible under the Indenture and fails to resign after written request therefor by the District or a Bondholder, or

2. the Trustee becomes incapable of acting or adjudged insolvent or a receiver is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in any such case, the District may remove the Trustee.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor. In case all or substantially all of the Trust Estate will be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee is appointed by the Bondholders. If, within one year after such resignation, removal, or incapability, or

the occurrence of such vacancy, a successor Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor will become the successor Trustee and supersede the successor Trustee appointed by the District or by such receiver or trustee. If no successor Trustee is so appointed by the District or the Bondholders and has accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Defeasance

The Indenture, and the lien, rights, and interests created thereby, will terminate, at the request of the District, when all Bonds previously authenticated and delivered under the Indenture have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding certain Bonds as provided in the Indenture or the District has paid or caused to be paid all other sums payable by the District under the Indenture.

Any Bond will be deemed no longer outstanding when payment of the principal of such Bond, plus interest thereon to its Maturity (whether by reason of the Stated Maturity or by call for redemption, if notice of such call has been given or waived or irrevocable arrangements for such notice satisfactory to the Trustee have been made), calculated at the maximum permitted rate for any period in which the rate of interest on the Bonds is unknown and has been provided by depositing (i) money sufficient to make such payment or (ii) money and Governmental Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment, be sufficient to make such payment, provided that all necessary and proper fees, compensation and expenses of the Trustee and paying agents pertaining to the Bonds have been paid or the payment thereof has been provided for to the satisfaction of the Trustee. Any deposit described above must be made either with the Trustee or, if notice is given to the Trustee or with a state or nationally chartered bank with a minimum combined capital surplus or $50,000,000 as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or to the paying agents in the amounts and at the times required to pay principal of and interest on the Bonds with respect to which such deposit is made at the maturity thereof and of such interest or the Stated Maturity, as the case may be. In the event such deposit is made with respect to some but not all of the Bonds then outstanding, the Trustee is required to select the Outstanding Bonds with respect to which such deposit is made in the same manner as provided in the Indenture for the selection of Bonds to be redeemed.

No such deposit will have the effect specified above, (i) if made during the existence of a default under the Indenture, unless made

with respect to all of the Bonds then Outstanding, and (ii) unless there is delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose is required to be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, is required to be disbursed solely to pay the principal of and interest on such Bonds when due.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and the District takes no responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.

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 million issues of U.S. and non-U.S., equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC 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 securities 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, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC 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 other 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 Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds 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 Participant's and Indirect Participant's 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest 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 interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the 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 the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC 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 Participants 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.

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

Neither DTC nor Cede & Co. (nor any 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 Trustee 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).

Payment of principal of and interest on the Bonds, and the redemption price of any 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 and information funds and corresponding detail information from the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 Direct Participants and Indirect Participants and not of DTC (or its nominee) or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds, and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of Direct Participants and Indirect Participants.

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

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

Under DTC's rules, DTC now advises that upon receipt of a withdrawal request from an issuer, such as the District, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its participants of the receipt of a withdrawal request from the issuer reminding participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the issuer.

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APPENDIX G

CERTAIN STATUTORY PROVISIONS APPLICABLE TO THE FORECLOSURE PROCESS

The following constitutes a summary of the "Foreclosure Process," specifically portions of certain sections of the General Public Improvements and Improvement Bonds Law, Title 48, Chapter 4, Article 2, Arizona Revised Statutes, as amended, deemed applicable to the Bonds pursuant to the Bond Resolution. The summaries do not purport to be complete and reference is hereby made to the full text of each section and the Bond Resolution.

Section 48-601. List of delinquent installments; publication of notice; sale of delinquent property

The representative of the District shall, within 20 days from the date of the delinquency, begin the publication of the list of the assessments on which any installment is delinquent. The Superintendent shall append to and publish with the list, a notice that unless each delinquent installment, together with the penalty and cost thereon, is paid, the whole amount of the assessment will be declared due by him, and the property upon which the assessment is a lien will be sold at public auction at a time and place to be specified in the notice. The publication shall be published and circulated in the District for a period of 10 days in a daily newspaper, or for two weeks in a weekly newspaper so published and circulated.

Before the date fixed for the sale or before the date to which the sale has been postponed, the Superintendent shall obtain a record search that shows the names and addresses of record of all lien claimants on, and other persons with an interest in, all lots or parcels on which an installment of the assessment is delinquent.

At least 10 days before the sale date or the date to which the sale has been postponed, the Superintendent shall serve by first-class mail a notice of the date and place of the sale or postponed sale to the owner and to each of the lien claimants and other interested persons. A final sale may not be held unless the Superintendent has provided notice by mail to all lien claimants discovered in the search of records.

The time of sale shall not be less than five days after the last publication, and the place of the sale shall be in or in front of the office of the representative of the District, or in front of the usual place of meeting of the Board of the District. The sale may be postponed.

Section 48-602. Payment after delinquency and before sale

At any time prior to the sale of any lot assessed, any person may pay the delinquent installment on the lot together with the penalty and costs then due, including the cost of advertising, whereupon the Superintendent shall note on his records the date of payment, the name of the person by or for whom it is paid and the amount paid.

Section 48-603. Sale procedure

On the day fixed for the sale, the representative of the District shall, at 10 o'clock a.m., or at any time thereafter to which the sale may be adjourned, begin the sale of the property advertised, commencing at the head of the list and continuing in the numerical order of lots, until all are sold. He may postpone or continue the sale from day to day until all the property is sold. Each lot separately assessed shall be offered for sale separately. The sale shall be for the entire assessment including the delinquent installments, and the person who will take the least quantity of land and then and there pay the amount of the assessment, penalty and costs due, including 50 cents to the Superintendent for a certificate of sale, shall become the purchaser.

The representative of the District shall note on his records the date of the payment and mark the installment of principal or interest paid. In the event the owner does not pay the balance due on the installment or principal or interest, and the property is sold for the full amount of the assessment, the representative of the District shall refund to the owner all money received by him from the owner by way of partial payments.

Section 48-604. Certificate of sale; lien

After making the sale, the representative of the District shall execute, in duplicate, a certificate of sale stating the description of the property sold, the name of the owner thereof as given on the record of the assessment, that the property was sold for a delinquent assessment, specifying the improvement for which the assessment was made, the amount for which the property was sold, the date of sale, the name of the purchaser, and the time when the purchaser will be entitled to a deed. The representative of the District shall file one copy of the certificate in his office, and deliver the other to the purchaser.

On filing the copy of the certificate in the office of the representative of the District the lien of the assessment shall vest in the purchaser, and is only divested by a redemption of the property, as provided in the Act.

The representative of the District shall also enter on the record of the assessment, opposite the description of each lot offered for sale, a description of the part thereof sold, the amount for which it was sold, the date of sale, and the name of the purchaser.

Section 48-605. Redemption

Redemption may be made by any party having an interest in the lot at any time before the execution and delivery of a deed therefor by paying to the representative of the District the amount for which the property was sold and 5% thereon if paid within three months from the date of sale, 10% if paid within six months, 12% if paid within nine months, 15% if paid within 12 months, or 20% if paid after 12 months. When redemption is made, the representative of the District shall note that fact on the duplicate certificate of sale in his office and deposit the amount paid with the District Treasurer, who shall credit the purchaser named in the certificate of sale with the amount, and pay the amount to such purchaser or his assignee, upon the surrender of the certificate of sale.

Section 48-606. Deed to purchaser; notice to owner; redemption after notice; effect of deed

After the expiration of 12 months from the date of sale, the representative of the District shall execute to the purchaser, or his assignee, on his application, if he has fully complied with Section 48-606 of the Act, a deed to the property sold in which shall be recited substantially the matters contained in the certificate, any assignment thereof, and that no person has redeemed the property. The Superintendent shall receive from the applicant for a deed, $1.00 for making the deed.

The purchaser shall, at least 30 days before he applies for a deed, serve by first-class mail to the owner, all lien claimants of records, all persons of record with an interest in the property and, if occupied, the occupant of the property, a written notice that the property, giving the description, has been sold for a delinquent assessment, specifying the improvement for which the assessment was made, the amount for which it was sold, the amount necessary to redeem at the time of giving notice, the time when the purchaser or assignee will apply to the Superintendent for a deed and that, on issuance of the deed, all interest in the property, whether of record before or after the assessment lien, will be extinguished, except for the lien for general property taxes and prior special assessments. If the owner cannot be found after due diligence, the notice shall be posted in a conspicuous

place upon the property at least 30 days before the time stated therein of the application for a deed.

The applicant shall file with the Superintendent an affidavit showing that notice of the application has been given, and if the notice was not served on the owner personally, that due diligence was used to find the owner. If redemption of the property is made after the affidavit is filed, and more than 11 months from the date of sale, the person making redemption shall pay, in addition, for payment to the purchaser, $3.00 for the service of notice and the making of the affidavit.

The deed of the representative of the District shall be prime facie evidence of the truth of all matters recited therein, and of the regularity of all proceedings prior to the execution thereof, and of title in the grantee. The deed of the Superintendent shall convey to the purchaser fee title to the lands described therein, free and clear of all interests, liens, claims and encumbrances whether of record before or after the assessment lien, except for the lien for general property taxes and prior special assessments.

Section 48-607. Disposition of sale proceeds

The representative of the District shall promptly pay to the District Treasurer all moneys collected by him from sales. The District Treasurer, on receipt thereof, shall place the moneys in the special fund hereby created for the payments of the bonds issued for the improvement.

GUST ROSENFELD
ATTORNEYS SINCE 1921 P.L.C.

■ 201 E. WASHINGTON, SUITE 800 ■ PHOENIX, ARIZONA 85004-2327 ■ TELEPHONE 602-257-7422 ■ FACSIMILE 602-254-4878 ■

November 17, 2005

District Board
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)

Re: Festival Ranch Community Facilities District (Town of Buckeye, Arizona), Assessment District No. 1, Special Assessment Revenue Bonds, Series 2005

Honorable Board:

At your request we have examined the official proceedings leading to the issuance of $1,448,000 aggregate principal amount of Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*"), dated as of the date hereof, issued by Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") initiated under Resolution of Intention No. 06-05.

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. 10-05, passed and adopted by the District Board on October 18, 2005 (the "*Bond Resolution*"). As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The District is duly created and validly existing as a community facilities district and political subdivision of the State of Arizona with power to pass and adopt the Bond Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Bond Resolution has been duly passed and adopted by the District Board and the Indenture (as such term is defined in the Bond Resolution) is valid and binding upon and enforceable against the District and creates the lien which it purports to create.

3. The Bonds and the proceedings leading to and including the issuance thereof are legal and constitute a valid obligation payable by the District from the Bond Fund provided for that purpose.

4. The Bonds are payable at the office of the Trustee, Wells Fargo Bank, N.A. The Bonds are payable solely from the funds pledged pursuant to the Indenture and from payments of the unpaid assessments upon the real property within the boundaries of the District assessed for the improvement which have been validly levied, which assessments may be subject to reduction to the extent the improvement is not completed and the land assessed does not receive benefits commensurate with the amount assessed.

5. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; such interest income must, however, be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "*Code*"). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of the investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The District has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the District with such restrictions, conditions and requirements.

The rights of the owners of the Bonds and the enforceability of those rights and the rights and obligations of the District with respect to the Bond Resolution and the Indenture and to collection of assessments may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

By Scott W. Ruby

Scott W. Ruby
Bond Counsel

SWR:gmh
613491

GUST ROSENFELD
ATTORNEYS SINCE 1921 P.L.C.

■ 201 E. WASHINGTON, SUITE 800 ■ PHOENIX, ARIZONA 85004-2327 ■ TELEPHONE 602-257-7422 ■ FACSIMILE 602-254-4878 ■

November 17, 2005

RBC Dain Rauscher Inc.
2398 E. Camelback Road, Suite 700
Phoenix, Arizona 85016

Re: $1,448,000 Festival Ranch Community Facilities District
(Town of Buckeye, Arizona) Assessment District No. 1
Special Assessment Revenue Bonds, Series 2005

WE HAVE ACTED as Bond Counsel to Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "*Issuer*") in connection with the issuance this date by the Issuer of its bonds designated Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005, in the aggregate principal amount of $1,448,000 (hereinafter referred to as the "*Bonds*") and otherwise as counsel to the Issuer including for purposes relating to the execution and delivery of the "*Waiver Agreement*" as such term is defined in the hereinafter described Purchase Contract. The Bonds (i) are issued under and secured by a resolution authorizing issuance of, and certain other matters related to, the Bonds adopted by the District Board of the Issuer on October 18, 2005 (hereinafter referred to as the "*Resolution*") and an Indenture of Trust and Security Agreement, dated as of November 1, 2005 (hereinafter referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, N.A., as trustee (hereinafter referred to as the "*Trustee*"); (ii) are the subject of an Official Statement, dated November 1, 2005 (hereinafter referred to as the "*Official Statement*") and (iii) are being sold pursuant to a Purchase Contract, dated November 1, 2005 (hereinafter referred to as the "*Purchase Contract*"), by and between the Issuer and RBC Dain Rauscher Inc. (hereinafter referred to as the "*Underwriter*"). (You may rely on our opinion as Bond Counsel, dated of even date herewith, with regard to the Bonds as if addressed to you.)

IN OUR CAPACITY as Bond Counsel, and as counsel as described hereinabove to the Issuer, we have examined and relied upon:

(i) An executed copy of the Waiver Agreement;

(ii) An executed copy of the Purchase Contract;

(iii) An executed copy of the Official Statement;

(iv) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Purchase Contract);

(v) An executed copy of the Indenture;

(vi) An executed copy of a Blanket Letter of Representations (hereinafter referred to as the "*Letter*"), by and between the Issuer and The Depository Trust Company;

(vii) An executed copy of a Continuing Disclosure Undertaking, dated of even date herewith (hereinafter referred to as the "*Undertaking*"), from the Issuer;

(viii) An executed copy of a Dissemination Agency Agreement, dated as of November 1, 2005 (hereinafter referred to as the "*Agreement*" and, collectively with the Indenture, the Purchase Contract, the Waiver Agreement, the Letter and the Undertaking, as the "*District Documents*"), by and between the Issuer and RBC Dain Rauscher Inc.;

(ix) Such other agreements, certificates (including particularly, but not by way of limitation, representations of the "Owner" (as such term is defined in the Official Statement), provided in the Waiver Agreement, opinions (including particularly, but not by way of limitation, opinions of counsel to the Owner, dated as of even date herewith), letters and other documents, including all documents delivered or distributed at the closing of the sale of the Bonds, as we have deemed necessary or appropriate in rendering the opinions set forth herein and

(x) Such provisions of the Constitution and laws of the State of Arizona and the United States of America as we believe necessary to enable us to render the opinions set forth herein.

IN OUR EXAMINATION, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and the accuracy of the statements contained in such certificates. In connection with our representation of the Issuer in the capacities described above, we have also participated in conferences from time to time with representatives of the Issuer, the Underwriter, the Town of Buckeye, Arizona, the Trustee and the Owner relating to the Official Statement and the District Documents.

WE ARE OF THE OPINION, based upon the foregoing and subject to the qualifications hereinafter set forth, that under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Issuer is duly organized and validly existing as a community facilities district pursuant to the Constitution and laws of the State of Arizona and has all requisite power and authority thereunder (a) to adopt the Resolution, (b) to authorize, execute, deliver and issue, as applicable, the District Documents and the Bonds, (c) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement, dated October 21, 2005 (the "*Preliminary Official Statement*"), with respect to the Bonds) and (d) to carry out and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds (including performing the applicable obligations thereunder).

2. Adoption of the Resolution; authorization, execution, delivery and issuance, as applicable, of, and the due performance of the obligations of the District under, the District Documents and the Bonds and the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) by the Issuer under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or of any existing law, ordinance, administration regulation, court order or consent decree to which the Issuer is subject.

3. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bonds), is required in connection with the adoption by the Issuer of the Resolution or the authorization, execution, delivery, issuance and performance, as applicable, by the Issuer of the District Documents and the Bonds and the consummation of the transactions contemplated by the Official Statement.

4. The Issuer has duly (a) adopted the Resolution, (b) authorized (i) the authorization, execution, delivery and issuance, as applicable of, and the performance of its obligations under, the District Documents and the Bonds and (ii) the taking of the actions required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds and (c) levied the special assessments from which the Bonds are payable. The liens with respect to such assessments have been perfected pursuant to applicable law and as described in the Official Statement. The Issuer has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the aforesaid documents.

5. The District Documents have been duly authorized, executed and delivered by the Issuer and, assuming due and valid authorization, execution and delivery by the other party thereto, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms.

6. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or overtly threatened against or affecting the Issuer, and there is no basis therefor, (i) which in any way questions the powers of the Issuer referred hereinabove or the validity of the proceedings taken by the Issuer in connection with the issuance and sale of the Bonds, (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the Bond Resolution, the District Documents or the Bonds or would in any way adversely affect the validity or enforceability of the Bond Resolution, the District Documents or the Bonds (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or hereby or by the Official Statement) or (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement. Further, there are no lawsuits pending or threatened against the Issuer which question the right of the Issuer to levy, receive and pledge special assessments or taxes, nor lawsuits pending or overtly threatened against the Issuer which, if decided adversely to the Issuer, would, individually or in the aggregate, have a material adverse effect on the financial condition of the Issuer or impair the ability of the Issuer to comply with all the requirements set forth in the Official Statement, the Bond Resolution, the District Documents or the Bonds.

7. The information contained in the Official Statement on the cover thereof, under the headings "THE DISTRICT AND THE ASSESSMENT AREA", "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "LITIGATION," "TAX EXEMPTION," "QUALIFIED TAX-EXEMPT OBLIGATIONS," "CONTINUING DISCLOSURE" (and "RELATIONSHIPS AMONG PARTIES" (as it relates to Bond Counsel only), therein and in Appendix B - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," Appendix D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS," Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and Appendix G – "CERTAIN STATUTORY PROVISIONS APPLICABLE TO THE FORECLOSURE PROCESS" thereto, insofar as such information purports to summarize certain provisions of federal or state law or of the Bonds and the District Documents, fairly summarizes the information which it purports to summarize. With regard to the other portions of the Official Statement, on the basis of our participation as Bond Counsel, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and

the schedules and other financial or statistical data included in Appendix A thereto or otherwise included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

8. It is not necessary in connection with the issuance and sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution or the Indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the District Documents are dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other party thereto and to the extent that the enforceability of the District Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the District Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshalling of assets or (iv) purporting to grant to the owners of the Bonds or to any party to the District Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

This opinion may be relied upon only by you and by persons to whom we grant written permission to do so.

Very truly yours,

Scott W. Ruby
For the Firm

SWR:gmh
613492

Greenberg Traurig

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

This opinion is rendered pursuant to the Purchase Contract, dated November 1, 2005 (the "Purchase Contract"), by and between Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "District") and RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter"), relating to the purchase by the Underwriter from the District of its $1,448,000 Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (hereinafter referred to as the "Bonds"), and as counsel to the Underwriter solely for its use in connection with the issuance and the sale of the Bonds to the Underwriter by the District.

We have examined the Official Statement relating to the Bonds (hereinafter referred to as the "Official Statement"). We also have examined originals, or copies certified or otherwise identified to our satisfaction, of other documents, resolutions, instruments, records, certificates and opinions, have reviewed other laws and information and have made investigations, as we have considered necessary or appropriate, for the purpose of rendering this opinion.

In accordance with our understanding with you, we have rendered legal advice and assistance to you in the course of your investigations pertaining to, and your participation in the preparation of, the Official Statement. That assistance involved, among other things, inquiries concerning various legal and related matters, our review of

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NEW JERSEY
NEW YORK
ORANGE COUNTY, CA
ORLANDO
PHILADELPHIA
PHOENIX
SILICON VALLEY
TALLAHASSEE
TYSONS CORNER
WASHINGTON, D.C.
WEST PALM BEACH
WILMINGTON
ZURICH

Greenberg Traurig, LLP

certain corporate records, documents and proceedings and our participation in discussions with your representatives and other persons involved in the preparation of information for the Official Statement and representatives of the District and the Owners and Stonebridge (as such terms are defined in the Official Statement) concerning the contents of the Official Statement and related matters. While we are not passing upon, and do not assume responsibility for, the accuracy, completeness or fairness of the contents of the Official Statement, on the basis of the information which was developed in the course of our performance of the services referred to hereinabove and without having undertaken to verify independently that accuracy, completeness or fairness, nothing has come to our attention which leads us to believe that the Official Statement, at its date or as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which such statements were made, not misleading. Reference in this paragraph to the Official Statement does not include the information contained in the Official Statement on the cover thereof, under the headings "THE DISTRICT AND THE ASSESSMENT AREA," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," "THE PUBLIC INFRASTRUCTURE," "THE OTHER INFRASTRUCTURE," "LAND DEVELOPMENT," "THE OWNER," "RISK FACTORS," "LITIGATION," "TAX EXEMPTION," "CONTINUING DISCLOSURE" and "RELATIONSHIPS AMONG PARTIES" therein and in Appendix B - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," Appendix C - "APPRAISAL," Appendix D - "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS," Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and Appendix G - "CERTAIN STATUTORY PROVISIONS APPLICABLE TO THE FORECLOSURE PROCESS" thereto nor the financial information or other technical or statistical data included in the Official Statement or its Appendices, as to all of which we express no opinion.

Respectfully submitted,

Greenberg Traurig, LLP

GALLAGHER & KENNEDY
P.A.
LAW OFFICES

2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225

PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to Pulte Home Corporation, a corporation organized and existing pursuant to the laws of the State of Michigan and doing business in the State of Arizona (the "Owner"), particularly in connection with the transactions provided for by the documents referred to herein in and connection with the issuance and sale of the Bonds, sold pursuant to a Purchase Contract, dated November 1, 2005 (the "Purchase Contract"), by and between RBC Dain Rauscher Inc. (the "Underwriter") and Festival Ranch Community Facilities District (the "District"). Any capitalized terms used in and not defined in this letter will have the meanings assigned to them in the Purchase Contract.

Examinations. As such counsel, we have made such examinations and inquiries as we have deemed necessary as a basis for this opinion, including examination of the forms of the following documents:

1. The following documents pertaining to the transaction:

   a. The Purchase Contract.

b. The Official Statement issued by the District.

c. The Continuing Disclosure Undertaking (the "Undertaking") from the Owner.

d. The Dissemination Agency Agreement dated as of November 1, 2005 (the "Agency Agreement") between the Owner and the Underwriter.

e. The Waiver Agreement.

f. The Owner Indemnity Letter of even date with the Purchase Contract (the "Indemnity Letter" and, collectively with the Undertaking, the Agency Agreement, and the Waiver Agreement, the "Transaction Documents").

2. The following organizational documents pertaining to Owner (collectively, the "Organizational Documents"):

a. Articles of Incorporation of the Owner, a Michigan corporation, dated January 24, 1985, as amended by that Certificate of Amendment to the Articles of Incorporation, dated February 19, 1985, the Certificate of Merger/Consolidation, dated April 10, 1985, the Certificate of Amendment to the Articles of Incorporation, dated April 29, 1987, the Certificate of Amendment to the Articles of Incorporation, dated December 7, 1987, and the Certificate of Merger/Consolidation, dated December 7, 1987.

b. Bylaws of the Owner, dated October 10, 2005

c. Certificate of Good Standing of the Owner, dated November 3, 2005, issued by the Corporation Division of the Michigan Department of Labor and Economic Growth.

d. Certificate of Good Standing of the Owner, dated November 3, 2005, issued by the Arizona Corporation Commission.

3. We have further examined:

a. An Officer's Certificate of Rich Gallagher, Vice President of Finance of the Owner, executed on November 17, 2005 (the "Officer's Certificate").

b. An Opinion of Honigman Miller Schwartz & Cohn of Detroit, Michigan of even date herewith.

We have also examined such certificates of public officials, certificates of representatives of the Owner and such other documents as we have deemed relevant and necessary as a basis for the

opinions set forth below. We have relied upon certificates of public officials and of the Owner with respect to the accuracy of material or factual matters contained in such certificates, which were not independently established.

Assumptions. In rendering this opinion, we have assumed that:

1. (a) Each of the other parties to the Transaction Documents (the "Other Parties") is duly formed and validly existing; (b) the execution, delivery and performance of all applicable Transaction Documents by each of the Other Parties has been duly authorized by all corporate or limited liability company action required of such Other Party; (c) each of the Other Parties has obtained all necessary governmental consents, authorizations, approvals, permits or certificates that are required as a condition to the execution and delivery of the Transaction Documents by such Other Party and to the consummation of the transactions contemplated thereby; (d) the Transaction Documents constitute legal, valid, binding and enforceable obligations of each of the Other Parties under federal law, the laws of the State of Arizona, and the laws of any other applicable jurisdiction; (e) except for the Transaction Documents, there are no other documents or agreements between any of the Other Parties and others that would expand or otherwise modify the obligations of the parties under the Transaction Documents; (f) each of the Other Parties has the power and authority under applicable laws and regulations to enter into and perform the transactions as described in the Transaction Documents and has complied in all material respects with all applicable laws and regulations with respect thereto; and (g) each of the Other Parties will at all times during the term of the Transaction Documents act in good faith and only in a manner that under the circumstances is commercially reasonable and in accordance with applicable law.

2. The Transaction Documents accurately and completely describe and contain the parties' mutual intent, understanding and business purposes, and there are no understandings among the Other Parties or the Owner that are inconsistent with the content of the Transaction Documents, and there are no facts or events (such as fraud or duress) that have occurred in connection with the execution, acknowledgment and delivery of the Transaction Documents that would impair their enforceability.

3. No fraud, misrepresentation, unilateral mistake or concealment has occurred in connection with the Transaction Documents or any aspect of the transactions governed by the Transaction Documents.

4. The applicable Transaction Documents, immediately after delivery, will be properly filed or recorded in the appropriate governmental offices, and all necessary continuation statements will be timely filed, and all fees, charges, and taxes due and owing as of this date have been paid.

5. The parties' representations and warranties contained in the Transaction Documents are truthful and accurate.

6. All reports and other documents prepared by third party consultants relating to the transactions contemplated by the Transaction Documents or any of the property within the District are truthful and accurate.

7. Each of the Transaction Documents required to be executed, ratified, notarized, filed, recorded or indexed to be effective (and any UCC-1 or other financing statements required to perfect same) have been or will be timely and properly executed, ratified, notarized, filed, recorded or indexed in the appropriate governmental offices and the recipient will timely file any and all necessary continuation statements.

8. No interest, fees or other charges will be collected with respect to the transactions that are not clearly specified in the Transaction Documents or that are not permitted by applicable law.

9. At the time any of the Other Parties seeks to enforce its rights under the Transaction Documents, such Other Party will not be in breach thereof, those documents will still be in force, and no applicable statute of limitations will have expired.

10. Each of the Other Parties will diligently and timely pursue its rights and remedies under the Transaction Documents.

11. All consents, approvals, licenses or authorizations by, and all notifications of and filings with, any court, governmental body or other person required to be obtained or made in connection with the Transaction Documents and the transactions contemplated thereby have been so obtained or made.

12. The Owner holds the requisite title and rights to any real or personal property involved in the transactions contemplated by the Transaction Documents or otherwise purported to be owned by the Owner.

13. We have assumed without investigation the completeness, genuineness and authenticity of any document submitted to us as an original, the conformity to the original of any document submitted to us as a copy, the authenticity of the original of such latter documents, the conformity to the executed document of any document submitted to us as the form to be executed, the genuineness of all signatures, and the legal competency and capacity of natural persons to execute and deliver all applicable documents and carry out such individual's obligations under the Transaction Documents. We have assumed without investigation that any certificate, representation (oral or otherwise), telegram, telex, telecopy, email or other document on which we have relied, whether or not given or dated earlier than the date hereof, is authentic and remains accurate insofar as relevant to this opinion from such earlier date through and including the date hereof, and we are not aware of any facts inconsistent with this assumption.

Other Limitations. The opinions expressed in this letter are subject to the following qualifications, limitations and exceptions:

1. Our opinions are limited by the internal laws of the State of Arizona (notwithstanding Arizona choice-of-law rules). Accordingly, we express no opinion as to the possible impact upon the matters of the laws, orders or judgments of any jurisdiction other than the local laws of the State of Arizona (notwithstanding Arizona choice-of-law rules).

2. Whenever we indicate that our opinion is based on "our knowledge," or words of similar import, such opinion is based solely on the current actual knowledge of the firm's attorneys who have devoted substantive attention to matters related to the Transaction Documents. We have not made any independent investigation, verification, or review of any matters whatsoever except as specifically set forth herein, and we are relying solely on such specifically stated investigation or review.

3. We express no opinion concerning the legal validity and sufficiency of the acts of any of the Other Parties.

4. The opinions herein are based upon and limited to the laws and facts in effect on the date hereof, and we assume no obligation to update, revise or supplement the opinion should any law be changed by any legislative action, judicial decision, administrative process, or otherwise.

5. Our opinion is limited to the matters set forth herein and to the date hereof. No opinion may be inferred or implied beyond the matters expressly stated herein. Our opinion is applicable only to the addressee of this opinion and will not be applicable to any other person.

6. The enforceability of the Transaction Documents is subject to:

a. Bankruptcy, insolvency, fraudulent transfer, fraudulent conveyance, reorganization, arrangement, receivership, conservatorship, moratorium and other similar state and federal laws or court decisions now or hereafter affecting the enforcement of creditors' and property rights generally.

b. The general principles of equity.

c. The qualification that certain waivers, procedures, remedies, indemnities, consents to jurisdiction and other provisions of the Transaction Documents (excluding all waivers and indemnities contained in the Waiver Agreement and Indemnity Letter) may be unenforceable under or limited by the laws of the State of Arizona; provided, however that such possible unenforceability or limitations will not render the Transaction Documents (including, but not limited to, the Waiver Agreement and the Indemnity Letter) invalid as a whole or

substantially prevent the practical realization of the principal benefits intended by the Transaction Documents (except for the economic consequences of procedural or other delay).

7. We express no opinion as to matters of title, priority, or perfection of liens or priority or perfection of security interests except as specifically set forth herein.

8. Our engagement did not extend to, and we render no opinion about, any federal or state securities laws, rules or regulations, zoning matters, or applicable building codes or ordinances, or the effect of such matters, if any, on the opinions expressed herein, including, without limitation, the compliance of the Transaction Documents or the offer and sale of the Bonds with any securities laws or regulations.

Based on and subject to the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, we are of the opinion that:

1. The Owner is qualified to do business as a foreign corporation under the laws of the State of Arizona.

2. The execution, delivery and performance of the Transaction Documents by the Owner have been duly authorized by all requisite corporate action on the part of the Owner.

3. The Transaction Documents have been duly executed and delivered by the Company.

4. The Transaction Documents are valid, binding and enforceable obligations of the Owner.

5. The execution and delivery by the Owner of the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents: (a) will not violate the Organizational Documents; or (b) to our knowledge, (i) will not cause a material breach or default under any agreement or other instrument to which the Owner is a party or by which it or its properties are bound that are material to the business operations of the Owner, or (ii) will not violate any applicable law, rule or regulation affecting the Owner which, in any of the above cases, would materially and adversely affect the business, properties, assets, liabilities or condition (financial or otherwise) of the Owner.

6. To our knowledge, Owner has obtained all material consents, approvals, authorizations and other actions by, and filings with, all federal, state, and local governmental authorities required to: (a) execute and deliver the Transaction Documents and consummate the transactions contemplated by the Transaction Documents that are applicable to the Owner; (b) carry out its business as such business is currently being conducted related to the Transaction Documents as described in the Official Statement, except for such consents, approvals,

authorizations and other actions or filings that the Owner would expect to obtain in the ordinary course of its business provided that no opinion is hereby expressed as to the compliance of the offer and sale of the Bonds with any securities law or regulation or any consents, approvals, authorizations or other actions or filings by the Town or the District.

7. To our knowledge, the Owner is not in violation of any provision of, or in default under, the Organizational Documents or any agreement or other instrument, violation of or default under which would materially and adversely affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Owner.

8. To our knowledge, there are no legal or governmental actions, proceedings, inquiries or investigations pending or overtly threatened by any governmental authorities or to which the Owner is a party or of which any property of the Owner is subject, except as described in the Official Statement, which, if determined adversely to the Owner would individually or in the aggregate: (a) have a material adverse effect on the financial condition or results of operations of the Owner and its affiliates considered as a whole; (b) materially and adversely affect the validity or the enforceability of the Transaction Documents; (c) otherwise materially or adversely affect the ability of the Owner to comply with its obligations under the Transaction Documents; or (d) materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the Owner.

9. To our knowledge, the information contained in the Official Statement under the headings "THE PUBLIC INFRASTRUCTURE," "THE OTHER INFRASTRUCTURE," "LAND DEVELOPMENT," "THE OWNER" and "RISK FACTORS" to the extent it is applicable to the Owner and to the extent that Owner is involved with: (i) the Public Infrastructure and the Property (as each of "Public Infrastructure" and the "Property" are defined in the Official Statement), and (ii) the development of the Property, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. In connection with our limited participation with the Official Statement, we have not undertaken to determine independently the accuracy, completeness or fairness of the statements contained therein, except as and to the extent otherwise provided in this paragraph, and, therefore, we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information. However, on the basis of such limited participation, we have not acquired any knowledge that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

We are furnishing this letter of opinion to you solely for your benefit and it may be relied on by you only for the purpose contemplated by the transactions under the Transaction Documents. Our opinion is not to be reproduced or filed publicly, or used or relied on, or quoted or delivered to by any other person or entity without, in each instance, our prior written consent, nor may it be used, quoted, delivered, circulated or otherwise referred to for any other purpose.

Sincerely,

GALLAGHER & KENNEDY, P.A.

Gallagher & Kennedy, P.A.

HONIGMAN

Honigman Miller Schwartz and Cohn LLP
Attorneys and Counselors

(313) 465-7000
Fax: (313) 465-8000
www.honigman.com

November 17, 2005

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

Re: $1,448,000 Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005

Ladies and Gentlemen:

We are counsel to Pulte Home Corporation, a Michigan corporation (hereinafter referred to as the "Owner"). This opinion letter is being delivered to you at the request of Owner pursuant to Section 6(j)(3) of the Purchase Contract, dated November 1, 2005 (the "Purchase Contract"), by and between RBC Dain Rauscher Inc. (the "Underwriter") and Festival Ranch Community Facilities District (the "District"). Any capitalized terms used herein and not defined shall have the meaning assigned to it in the Purchase Contract.

We have examined the following documents, each of which is dated as of the date hereof unless otherwise indicated (the "Owner Documents"):

1. the Continuing Disclosure Undertaking (the "Undertaking") from Owner;

2. the Dissemination Agency Agreement dated as of November 1, 2005 (the "Agency Agreement") by and between Owner and the Underwriter;

3. the Waiver Agreement; and

4. the Owner Indemnity Letter of even date with the Purchase Contract (the "Indemnity Letter").

In so acting, we have relied upon such records, documents, certificates and other instruments furnished to us, and have considered such matters of law and fact, as we have deemed appropriate as a basis for our opinions set forth in this opinion letter. As to matters involving the facts specified therein, we have relied solely, without independent investigation or verification, upon a certificate of certain officers of Owner, representations and warranties of Owner in the Owner Documents, and certificates of government officials.

For the purposes of this opinion letter, we have assumed that each document submitted to us is accurate and complete, that each such document that is an original is authentic, that each such document that is a copy conforms to an authentic original, and that all signatures on each such document are genuine. We have further assumed the legal capacity of all natural persons, and we have assumed that the other parties to the Owner Documents have satisfied all legal requirements that are applicable to each of them to the extent necessary to make the Owner Documents enforceable against them. We have not verified any of these assumptions.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is out opinion that:

1. Owner has been duly incorporated and is validly existing under the laws of the State of Michigan.

2. Owner has the requisite corporate power and authority to perform all obligations on its part under the terms of the Owner Documents.

The foregoing opinions are subject to the following (in addition to the qualifications and other limitations set forth above):

A. The laws covered by the opinions expressed in this opinion letter are limited solely to the "laws" of the State of Michigan (the "Opining Jurisdiction") in effect on the date of this opinion letter and we do not express any opinion concerning any other laws. For purposes of the opinion letter, "laws" means the statutes, the judicial and administrative decisions, and the rules and regulations of the governmental agencies of the applicable jurisdiction, but excluding the statutes and ordinances, the administrative decisions, and the rules and regulations of counties, towns, municipalities and special political subdivisions (whether created or enabled through legislative action at the Federal, state or regional level), and judicial decisions to the extent that they deal with any of the foregoing. We disclaim any opinion concerning the laws of any other jurisdiction, or any other statutes or laws of the named jurisdiction or the effect thereof.

B. We have not investigated and express no opinion concerning (i) Federal and state bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights and remedies of creditors generally, (ii) Federal Reserve Board margin regulations, (iii) pension and employee benefit laws and regulations (e.g., ERISA), (iv) Federal and state antitrust and unfair competition laws and regulations, (v) filing and notice requirements under the Hart-Scott-Rodino Act and the Exon-Florio Act, (vi) compliance with fiduciary duty requirements, (vii) fraudulent transfer and fraudulent conveyance laws, (viii) Federal and state environmental laws and regulations, (ix) Federal and state land use and subdivision laws and regulations, (x) Federal and state tax laws and regulations, (xi) Federal patent, copyright and trademark, state trademark, and other Federal and state intellectual property laws and regulations, (xii) Federal and state racketeering laws and regulations (e.g., RICO), (xiii) Federal and state health and safety laws and regulations (e.g., OSHA), (xiv) Federal and state labor laws and regulations, (xv) Federal and state laws, regulations and policies concerning (I) national and local emergency, (II) possible judicial deference to acts of sovereign states, and (III) criminal and civil forfeiture laws, (xvi) Federal and state securities laws, and (xvii) other Federal and state

statutes of general application to the extent they provide for criminal prosecution (i.e., mail fraud and wire fraud statutes).

C. In reviewing the material documents and agreements of Owner, including the Owner Documents, we have assumed, to the extent any of them do not purport to be governed by the laws of the State of Michigan, that the laws of each jurisdiction governing such material documents and agreements are those of the State of Michigan.

This opinion letter is provided to you by us in our capacity as counsel to Owner and may not be relied upon by any other person, or by any person for any purpose other than the purchase and sale of the captioned Bonds pursuant to the Purchase Contract, without, in each instance, our prior written consent. This opinion letter is given as of the date hereof, and we undertake no obligation to advise you of any changes occurring after the date hereof.

Very truly yours,

Honigman Miller Schwartz and Cohn LLP

HONIGMAN MILLER SCHWARTZ AND COHN LLP

DF/RK/TEP

DETROIT.2008300.2

RBC
Dain Rauscher
Member NYSE/SIPC

FINAL
SETTLEMENT, DELIVERY & CLOSING PROCEDURES

ISSUE:

$1,448,000
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
Assessment District No. 1
Special Assessment Revenue Bonds,
Series 2005

BONDS DATED:

Date of Initial Delivery

INTEREST PAYMENT DATES:

January 1 and July 1 of each year, commencing July 1, 2006.

RATINGS:

Not Rated

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, CUSIPs:

See Exhibit A

PRE-CLOSING:

Wednesday, November 16, 2005
3:00 P.M. (M.S.T.)
Gust Rosenfeld P.L.C.
201 East Washington Street, 8th Floor
Phoenix, Arizona 85004
Phone: (602) 257-7967
Fax: (602) 340-1538

CLOSING:

Thursday, November 17, 2005
8:00 A.M. (M.S.T.)
Gust Rosenfeld P.L.C.
201 East Washington Street, 8th Floor
Phoenix, Arizona 85004
Keith Hoskins, Esq. will conduct the closing.
Phone: (602) 257-7967
Fax: (602) 340-1538

Prepared by RBC Dain Rauscher Inc.

PARTICIPANTS: See Exhibit B

REGISTRATION & AUTHENTICATION: Gust Rosenfeld P.L.C. will deliver the Bonds to Wells Fargo Bank, N.A. (Nancy Eatros) for registration and authentication. After the Bonds have been registered and authenticated, Wells Fargo Bank, N.A. will verify registration instructions with The Depository Trust Company in preparation of a F.A.S.T. closing.

SETTLEMENT INSTRUCTIONS:

Par Value of Bonds	$1,448,000.00
Less: Underwriter's Discount	(43,440.00)
Purchase Price of the Bonds	$1,404,560.00

TRANSFERS BY RBC DAIN ON THE DAY OF CLOSING: **$1,404,560.00** representing the purchase price of the Bonds will be wire transferred on the day of closing to:

Wells Fargo Bank Minnesota, N.A.
ABA Number # 121000248
Trust Clearing Account # 00010-38-377
For Credit to: Festival Ranch CFD 05
Account Number: 18629200

APPLICATION OF FUNDS BY THE TRUSTEE: **$1,177,427.50** will be deposited to the Acquisition and Construction Fund and used to pay the costs of the Public Infrastructure.

$113,350.00 will be deposited to the Issuance and Expenses Fund to pay the costs of issuance.

$113,782.50 will be deposited to the Reserve Fund.

After notice has been given by Bond Counsel of the completed transfer of funds, and all documentation is in order, the Bonds will be released to RBC Dain Rauscher Inc. via The Depository Trust Company Closing Desk (212) 855-3752, 53, 54, 56, through Donna Hoagland (312) 559-5491.

EXHIBIT A

$1,448,000
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
Assessment District No. 1
Special Assessment Revenue Bonds, Series 2005

Debt Service Schedule

Date	Principal	Coupon		Interest	Semi-Annual Debt Service	Fiscal Year Total	CUSIPs (315599)
11/17/2005							
01/01/2006							
07/01/2006				$ 47,133.33	$ 47,133.33	$ 47,133.33	
01/01/2007				37,875.00	37,875.00		
07/01/2007				37,875.00	37,875.00	75,750.00	
01/01/2008				37,875.00	37,875.00		
07/01/2008	$ 33,000.00	4.000%		37,875.00	70,875.00	108,750.00	AA8
01/01/2009				37,215.00	37,215.00		
07/01/2009	35,000.00	4.200%		37,215.00	72,215.00	109,430.00	AB6
01/01/2010				36,480.00	36,480.00		
07/01/2010	40,000.00	4.375%		36,480.00	76,480.00	112,960.00	AC4
01/01/2011				35,605.00	35,605.00		
07/01/2011	40,000.00	4.550%		35,605.00	75,605.00	111,210.00	AD2
01/01/2012				34,695.00	34,695.00		
07/01/2012	40,000.00	4.700%		34,695.00	74,695.00	109,390.00	AE0
01/01/2013				33,755.00	33,755.00		
07/01/2013	45,000.00	4.800%		33,755.00	78,755.00	112,510.00	AF7
01/01/2014				32,675.00	32,675.00		
07/01/2014	45,000.00	4.900%		32,675.00	77,675.00	110,350.00	AG5
01/01/2015				31,572.50	31,572.50		
07/01/2015	50,000.00	5.000%		31,572.50	81,572.50	113,145.00	AH3
01/01/2016				30,322.50	30,322.50		
07/01/2016	50,000.00	5.100%		30,322.50	80,322.50	110,645.00	AJ9
01/01/2017				29,047.50	29,047.50		
07/01/2017	55,000.00	5.150%		29,047.50	84,047.50	113,095.00	AK6
01/01/2018				27,631.25	27,631.25		
07/01/2018	55,000.00	5.200%		27,631.25	82,631.25	110,262.50	AL4
01/01/2019				26,201.25	26,201.25		
07/01/2019	60,000.00	5.250%		26,201.25	86,201.25	112,402.50	AM2
01/01/2020				24,626.25	24,626.25		
07/01/2020	60,000.00	5.300%		24,626.25	84,626.25	109,252.50	AN0
01/01/2021				23,036.25	23,036.25		
07/01/2021	65,000.00	5.400%	(a)	23,036.25	88,036.25	111,072.50	
01/01/2022				21,281.25	21,281.25		
07/01/2022	70,000.00	5.400%	(a)	21,281.25	91,281.25	112,562.50	
01/01/2023				19,391.25	19,391.25		
07/01/2023	75,000.00	5.400%	(a)	19,391.25	94,391.25	113,782.50	
01/01/2024				17,366.25	17,366.25		
07/01/2024	75,000.00	5.400%	(a)	17,366.25	92,366.25	109,732.50	
01/01/2025				15,341.25	15,341.25		
07/01/2025	80,000.00	5.400%	(a)	15,341.25	95,341.25	110,682.50	AP5
01/01/2026				13,181.25	13,181.25		
07/01/2026	85,000.00	5.550%	(b)	13,181.25	98,181.25	111,362.50	
01/01/2027				10,822.50	10,822.50		
07/01/2027	90,000.00	5.550%	(b)	10,822.50	100,822.50	111,645.00	
01/01/2028				8,325.00	8,325.00		
07/01/2028	95,000.00	5.550%	(b)	8,325.00	103,325.00	111,650.00	
01/01/2029				5,688.75	5,688.75		
07/01/2029	100,000.00	5.550%	(b)	5,688.75	105,688.75	111,377.50	
01/01/2030				2,913.75	2,913.75		
07/01/2030	105,000.00	5.550%	(b)	2,913.75	107,913.75	110,827.50	AQ3
Total	$ 1,448,000.00			$ 1,232,980.83	$ 2,680,980.83	$ 2,680,980.83	

(a) Represents mandatory sinking fund redemptions for term bond due July 1, 2025.
(b) Represents mandatory sinking fund redemptions for term bond due July 1, 2030.

EXHIBIT B

DISTRIBUTION LIST

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005

ISSUER

Town of Buckeye
100 Apache
Suite A
Buckeye, Arizona 85326
FAX: (623) 386-7832

Carroll Reynolds
Town Manager
(623) 386-4691
E-mail: creynolds@buckeyeaz.org

Doug Allen
Finance Director
(623) 386-4691
E-mail: dallen@buckeyeaz.gov

Kim Sandstrom
CFD Accountant I
(623) 386-4691
E-mail: ksandstrom@buckeyeaz.org

LANDOWNER

Pulte Home Corporation
15111 North Pima Road
Suite 100
Scottsdale, Arizona 85260

Steve Kunzweiler
Land Development Manager
(480) 314-7970
Fax: (480) 391-6100
E-mail: steve.kunzweiler@pulte.com

Jeff Romaine, Esq.
Area Counsel – Arizona
(480) 391-6144
Fax: (480) 391-6253
E-mail: jeff.romaine@pulte.com

Rich Gallagher
Vice President of Finance –
West Valley/Phoenix
(480) 391-6283
Fax: (480) 391-6032
E-mail: rich.gallagher@pulte.com

LANDOWNER (CONT'D)

Laura Clewell
Field Financial Analyst
Phoenix West Valley Division
(480) 314-7907
Fax: (480) 391-6032
E-mail: laura.clewell@delwebb.com

Sam Colgan
Vice President of Operations
(480) 391-6199
Fax: (480) 391-6296
E-mail: sam.colgan@pulte.com

Mike Brilz
Vice President of Planning & Development
(480) 391-6198
Fax: (480) 391-6296
E-mail: mike.brilz@pulte.com

LANDOWNER'S COUNSEL

Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016
FAX: (602) 257-9459

Dana Belknap, Esq.
(602) 530-8348
E-mail: dsb@gknet.com

Steve Lawrence, Esq.
(602) 530-8077
E-mail: stl@gknet.com

BOND COUNSEL

Gust Rosenfeld P.L.C.
201 East Washington Street
Suite 800
Phoenix, Arizona 85004
FAX: (602) 340-1538

Keith Hoskins, Esq.
(602) 257-7967
E-mail: khoskins@gustlaw.com

Scott Ruby, Esq.
(602) 257-7432
E-mail: swruby@gustlaw.com

Gwyne Henning
(602) 257-7447
E-mail: ghenning@gustlaw.com

UNDERWRITER

RBC Dain Rauscher Inc.
2398 East Camelback Road
Suite 700
Phoenix, Arizona 85016
FAX: (602) 381-5380

Shawn Dralle
(602) 381-5362
E-mail: shawn.dralle@rbcdain.com

Matt Diamond
(602) 381-5373
E-mail: matthew.diamond@rbcdain.com

UNDERWRITER'S COUNSEL

Greenberg Traurig, LLP
2375 East Camelback Road
Suite 700
Phoenix, Arizona 85016
FAX: (602) 445-8100

Michael Cafiso, Esq.
(602) 445-8452
E-mail: cafisom@gtlaw.com

DISTRICT FINANCIAL ADVISOR

Stone & Youngberg LLC
2375 East Camelback Road
5th Floor
Phoenix, Arizona 85016
FAX: (602) 387-4035

Mark Reader
(602) 387-5361
E-mail: mreader@syllc.com

APPRAISER

Burke Hansen, LLC
2700 North Central Avenue
9th Floor
Phoenix, Arizona 85004
FAX: (602) 253-4862

Stephen Niebling
(602) 257-1451
E-mail: sniebling@burkehansen.com

TRUSTEE

Wells Fargo Bank, N.A.
Wells Fargo Plaza
MAC4101-22E
100 West Washington Street
22nd Floor
Phoenix, Arizona 85003
FAX: (602) 378-2333

Nancy Eatros
(602) 378-2337
E-mail: nancy.l.eatros@wellsfargo.com

$1,448,000
FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

ISSUER REQUEST FOR PAYMENT OF COSTS OF ISSUANCE

Pursuant to Section 5.6 of the Indenture of Trust and Security Agreement dated as of November 1, 2005 (the "*Indenture*"), from Festival Ranch Community Facilities District (Town of Buckeye, Arizona) to Wells Fargo Bank, N.A., as trustee (the "*Trustee*"), the Trustee is hereby requested to disburse from the Issuance and Expenses Fund established in the Indenture to the persons named on *Exhibit A* hereto the respective amounts set forth thereon in payment of Costs of Issuance (as such term is defined in the Indenture), which amounts are for Costs of Issuance properly chargeable to the Issuance and Expenses Fund.

DATED: November 17, 2005.

FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
Chairman

KCH:gmh 613415.2 11/03/05

EXHIBIT A
Costs of Issuance

FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2005

Bond Counsel (including expenses) -- Gust Rosenfeld P.L.C.	$30,850.00
Underwriter Counsel – Greenberg Traurig, LLP	25,000.00
Financial Advisor – Stone & Youngberg LLC	10,000.00
Trustee – Wells Fargo Bank, N.A. (acceptance and first year annual fees)	4,500.00
Printing of Official Statement – Wold Printing (estimated)	13,000.00
District Administration Fees	25,000.00
Miscellaneous	5,000.00
	$113,350.00

PETITION FOR FORMATION
AND
PETITION FOR ADOPTION OF RESOLUTIONS
ORDERING AND DECLARING
FORMATION OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(TOWN OF BUCKEYE, ARIZONA)

STATE OF ARIZONA)
COUNTY OF MARICOPA)
TOWN OF BUCKEYE)

The undersigned owners of all of the land (hereinafter collectively referred to as the "*Petitioner*"), hereinafter described by metes and bounds, acting pursuant to the provisions of Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Act*"), respectfully petitions the Honorable Town Council of the Town of Buckeye, Arizona (hereinafter referred to as the "*Town*"), to adopt such resolutions (hereinafter referred to as the "*Resolutions*") as may be necessary to declare its intent to form and order the formation of a tax levying community facilities district (hereinafter referred to as the "*District*") and would respectfully request the proceedings to provide for the following:

A. The name of the District is to be "***FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 (TOWN OF BUCKEYE, ARIZONA)***",

B. The District is to be formed, and shall exist, pursuant to the terms and provisions of the Act,

C. The District is to contain an area of approximately 3,766 acres of land, more or less, wholly within the corporate boundaries of the Town and is to be composed of the land described by metes and bounds in ***Exhibit A*** hereto, which is made a part hereof for all purposes,

D. The District is to be a special purpose district for purposes of Article IX, Section 19, Constitution of Arizona, a tax levying public improvement district for the purposes of Article XIII, Section 7, Constitution of Arizona, and a municipal corporation for all purposes of Title 35, Chapter 3, Articles 3, 3.1, 3.2, 4 and 5, Arizona Revised Statutes, as amended; is, except as otherwise provided in the Act, to be considered a municipal corporation and political subdivision of the State of Arizona, separate and apart from the Town, and is to be formed for, and to have, all the purposes and powers of a "District" as such term is defined, and as provided, in the Act,

E. Public convenience and necessity require the adoption of the Resolutions.

NOW THEREFORE, the Petitioner represents, attests and declares that:

1. On the date hereof, as shown on the assessment roll for State and county taxes in Maricopa County, Arizona, all of the land to be in the District, as described in *Exhibit A* hereto and depicted on the map attached hereto as *Exhibit B* which is made a part hereof, is owned by Petitioner or, if a person listed on such assessment roll is no longer the owner of the land in the District, that the name of the successor owner has become known and has been verified by recorded deed or other similar evidence of transfer of ownership to be Petitioner and that there are no resident electors on the land to be in the District; and

2. Attached hereto as *Exhibit C* and made a part hereof, is a certificate of the Tax Assessor of Maricopa County stating who are the owners of the land in the proposed District and listing the tax parcel numbers for the parcels of real property affected by or included within the boundaries of the District; and

3. Attached hereto as *Exhibit D* and made a part hereof, is a certificate of the Maricopa County Recorder stating who are qualified electors residing on the land in the proposed District; and

4. Based on its own knowledge and the information contained in *Exhibits C* and *D* hereto, the Petitioner is the sole owner of the real property described in *Exhibit A*; no other person having any interest in such real property has filed a written request for copies of any notices under the Act; and there are no qualified electors residing on such real property; and

5. The land to be included in the District: (i) consists of approximately 3,766 acres; (ii) lies wholly within the corporate limits of the Town; and (iii) shall be benefited from the improvements for which the District is proposed to be formed; and

6. This Petition is signed (either as a single document or in counterparts) by the owners of all the land to be in the District, any requirements of posting, publication, mailing, notice, hearing and landowner election otherwise required by the Act in connection with the formation of the District and the adoption of the Resolutions are waived, and the Town may, and is hereby requested to, on receipt of this Petition, declare the District formed without being required to comply with such provisions for posting, publication, mailing, notice, hearing or landowner election; and

7. A "general plan" (as such term is defined in the Act) for the proposed District has been filed with the Town Clerk setting out a general description of the proposed public infrastructure improvements for which the District is proposed to be formed and the general areas to be improved.

FURTHER, Petitioner requests that this Petition be properly filed as provided by law; that the Town adopt the Resolutions required to declare and order the District formed without being required to comply with the provisions for posting, publication, mailing, notice, hearing and landowner election otherwise required by the Act in connection with the Resolutions; and that such other orders, acts, procedures and relief as are proper, necessary and appropriate to the purposes of organizing the District and to the execution of the purposes for which the District shall be organized be granted as the Honorable Town Council shall deem proper and necessary.

Submitted and effective this 19th day of APRIL, 2005.

10,000 WEST, LLC, a limited liability company

By Philip A. Edlund

Its Secretary

PULTE HOME CORPORATION, a Michigan corporation

By

Its Attorney-in-Fact

STATE OF AZ
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 23 day of March, 2005, by Philip A. Edlund, Secretary of 10,000 West, LLC, on behalf of the company.

My commission expires:

9-13-07

Charlene Sarich
Notary Public

OFFICIAL SEAL
CHARLENE SARICH
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires Sept. 13, 2007

STATE OF AZ
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 4 day of APRIL, 2005, by MIKE BRILZ, ATTORNEY IN FACT of Pulte Home Corporation, on behalf of the corporation.

My commission expires:

JUNE 15, 2007

Jackie Wilmoth
Notary Public

OFFICIAL SEAL
JACKIE WILMOTH
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 15, 2007

SWR:gmh 559036 12/13/04

ATTACHMENTS:

EXHIBIT A	Legal description of property to be included in the District
EXHIBIT B	Map of property to be included in the District
EXHIBIT C	County Assessor's certificate of owners of property in the District
EXHIBIT D	County Recorder's certificate of qualified electors in the District
Lienholder Consent:	10,000 West L.L.C.
	Bank of Scotland

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY
TO BE INCLUDED IN THE DISTRICT

December 9, 2004

LEGAL DESCRIPTION FOR FESTIVAL RANCH COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South 00°26'24" West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South 00°23'56" West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South 00°23'04" West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South 00°24'50" West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North 89°35'08" West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North 89°35'25" West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North 89°42'22" West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North 00°19'01" East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 10°31'05" West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of 05°06'05", a distance of 496.37 feet;

Thence South 84°32'16" West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 05°28'11" West;

Thence Westerly, along said curve, through a central angle of 18°10'52", a distance of 1,769.07 feet;

Thence North 77°17'35" West, a distance of 734.70 feet;

Thence South 18°15'19" West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South 40°58'02" West, a distance of 464.78 feet;
Thence South 74°21'22" West, a distance of 761.00 feet;
Thence South 41°37'56" West, a distance of 588.43 feet;

Thence South 03°22'04" East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North 89°31'12" West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North 00°27'37" East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North 89°37'25" West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North 00°30'30" East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 44°33'22" East, a distance of 3,419.52 feet;
Thence North 56°59'46" East, a distance of 496.13 feet;
Thence North 80°26'29" East, a distance of 3,220.32 feet;
Thence North 85°39'45" East, a distance of 497.23 feet;
Thence South 89°08'59" East, a distance of 293.06 feet;
Thence South 00°51'01" West, a distance of 74.97 feet;
Thence South 89°07'56" East, a distance of 300.00 feet;
Thence North 01°19'16" East, a distance of 75.03 feet;

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
Thence North 00°22'19" East, a distance of 200.50 feet;
Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.

EXHIBIT B

Map of Property to be Included in the District

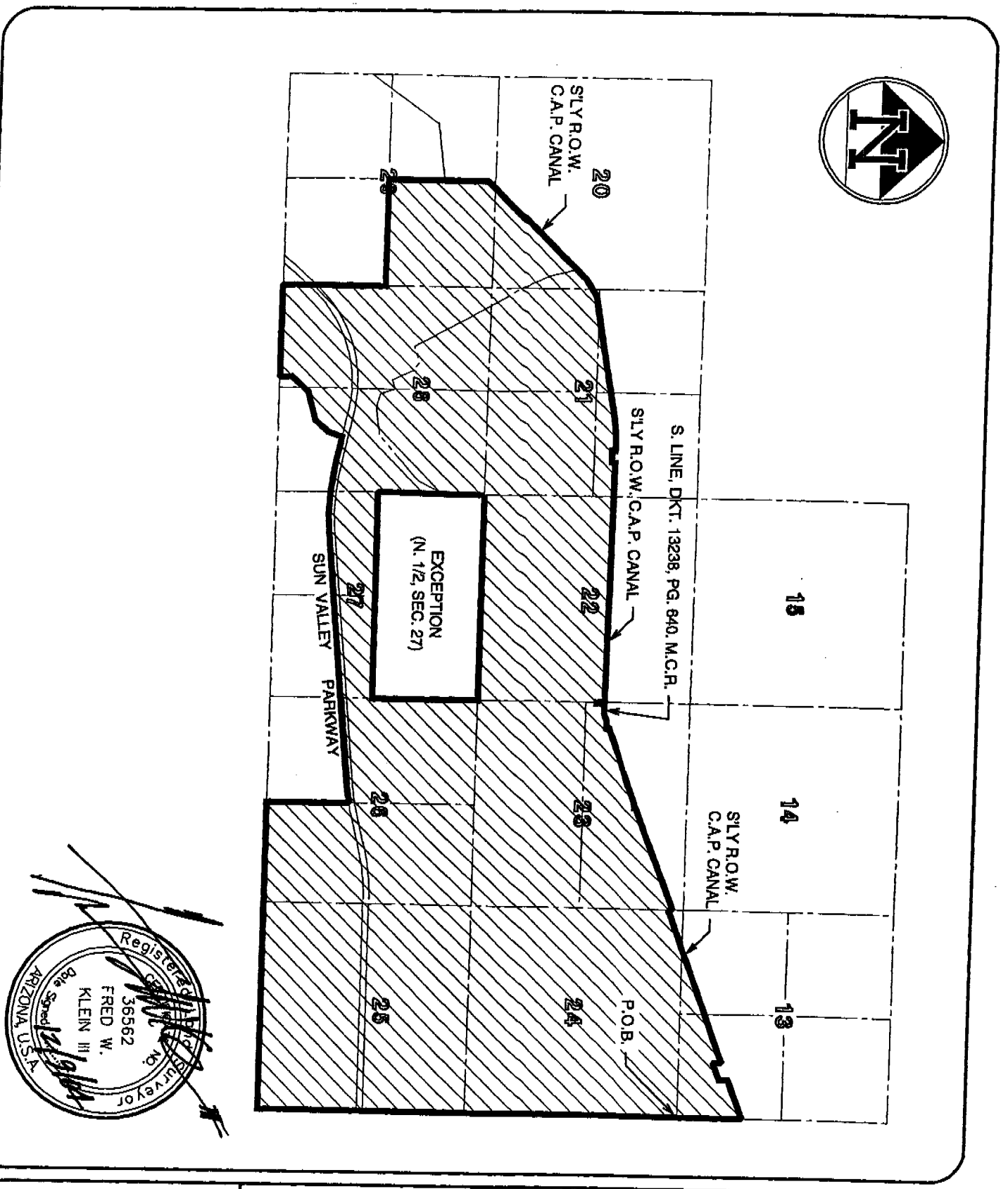

EXHIBIT	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO
N:\680001\LAND\EH-CFD.DGN		680001
4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

EXHIBIT C

County Assessor's Certificate of Owners of Property in the District

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(CITY OF GOODYEAR, ARIZONA)

ASSESSOR'S CERTIFICATE

I, the undersigned Maricopa County Assessor, hereby certify that the following persons are the owners of the real property described in *Exhibit A* hereto as shown on the most recent assessment roll for state and county taxes and owners of the corresponding tax parcels which are included in the area described in *Exhibit A* hereto.

Owner

1. Name: Pulte Home Corporation
   Address: 15333 N Pima Road
   Scottsdale, AZ 85260

2. Name: Ten Thousand West LLC
   Address: 8777 N Gainey Center Drive Suite 205
   Scottsdale, AZ 85258

Dated: 1-7-05

MARICOPA COUNTY ASSESSOR

Fred Kelly

SWR: gmh/cj 59906 12/20/04
Updated 01/07/05 cj

December 9, 2004

LEGAL DESCRIPTION FOR FESTIVAL RANCH COMMUNITY FACILITY DISTRICT

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Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

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Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

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Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

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Thence North 69°27'38" East, a distance of 1,296.88 feet;

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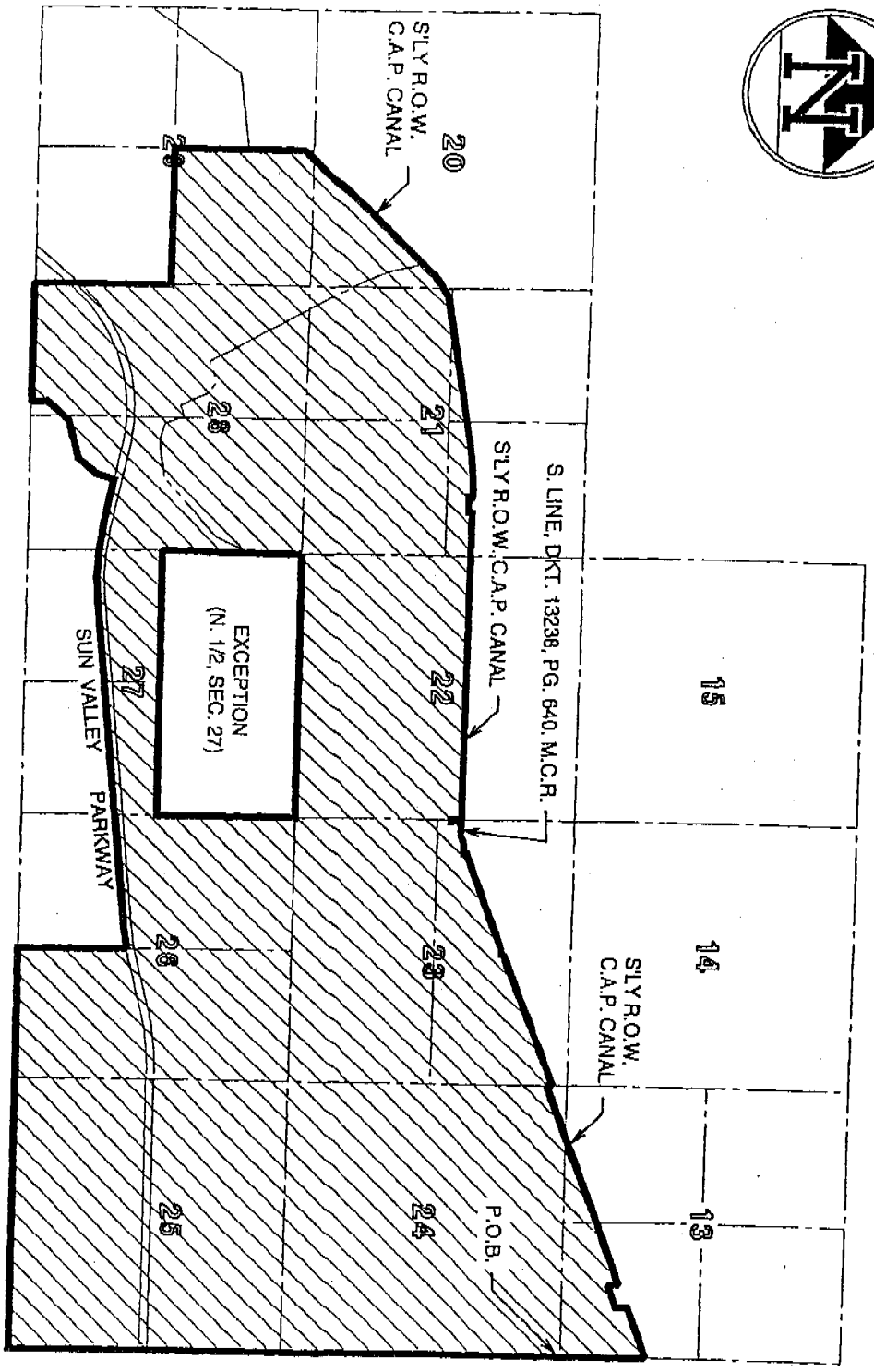
EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.



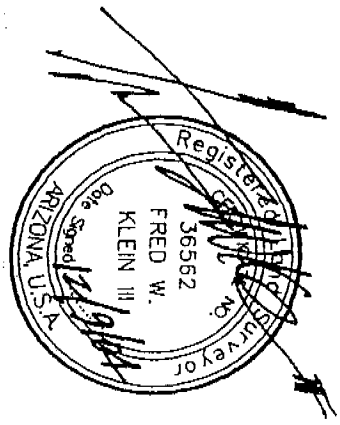


EXHIBIT	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO
N:\680001\LAND\EH-CFD.DGN		680001
4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831	**COE & VAN LOO** PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

EXHIBIT D

County Recorder's Certificate of Qualified Electors in the District

Maricopa County
Elections Department

Karen Osborne, Directo

111 S. 3rd Avenue, Suite 102
Phoenix, Arizona 85003-2235
Phone: (602) 506-1511
Fax: (602) 506-3069
TDD: (602) 506-1517

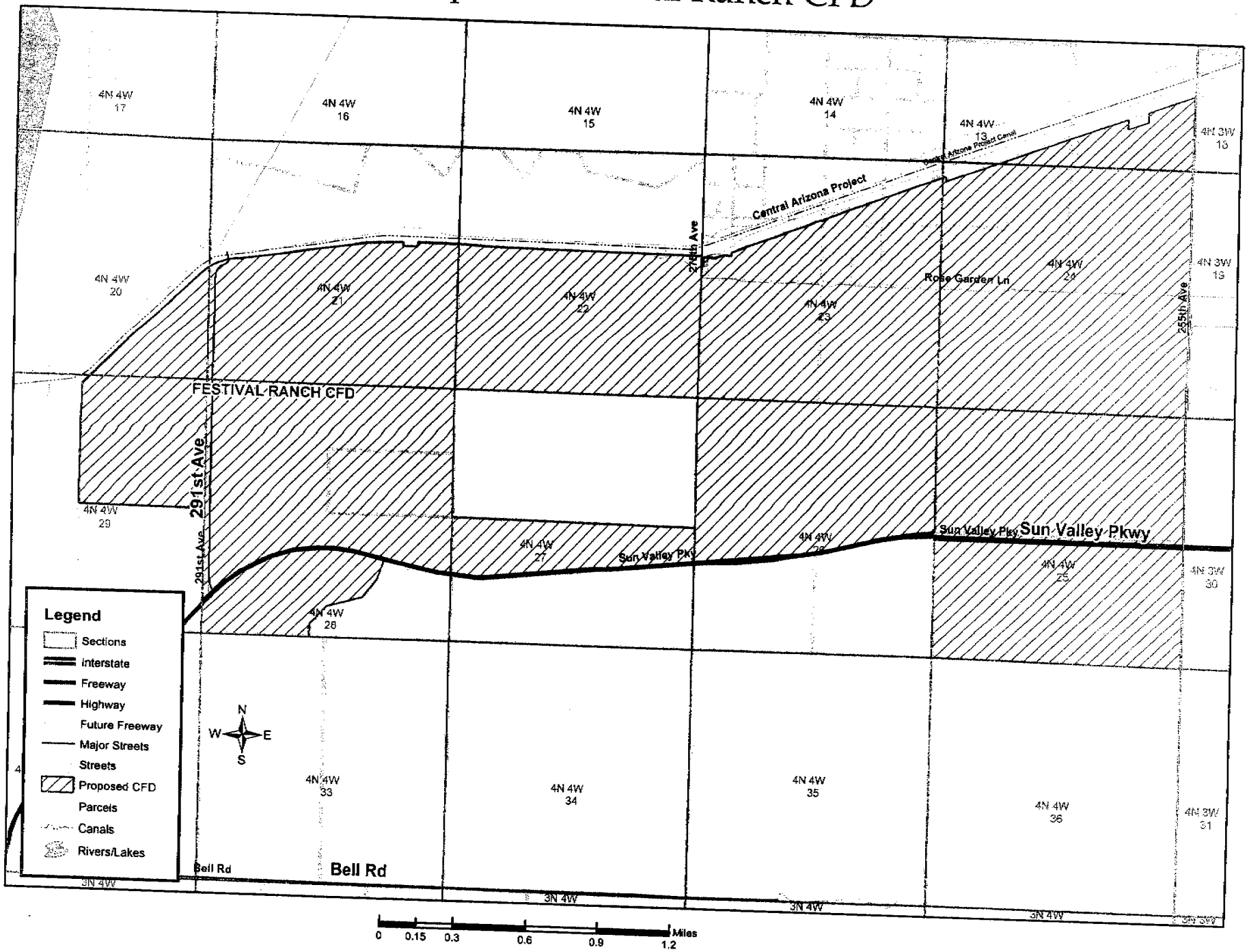
CERTIFICATION

I, **HELEN PURCELL,** County Recorder in and for Maricopa County, State of Arizona, hereby certify that as of April 14, 2005, according to the general register of the voters maintained by the Maricopa County Recorder, there are no qualified electors residing in the area of the Proposed Festival Ranch Community Facilities District. Witness my hand and seal this 14th day of April, 2005.

HELEN PURCELL
MARICOPA COUNTY RECORDER

Jean Bennett, D.C.R.
County Recorder

Proposed Festival Ranch CFD



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ated On: 12/29/2004

LIENHOLDER
CONSENT TO WAIVER
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

The undersigned is a lienholder or otherwise has an interest in property proposed to be included in the proposed Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") pursuant to that certain deed of trust recorded in the offices of the Maricopa County Recorder as Instrument No. 2004-0549496. As persons with an interest in the property, the undersigned hereby consent to the submission to the Clerk for the Town of Buckeye of a General Plan for the proposed District and a Petition for Formation and Petition for Adoption of Resolution Ordering and Declaring Formation of Festival Ranch Community Facilities District (Town Buckeye, Arizona). The undersigned further consent to the waiver by the Town of Buckeye of any and all requirements of posting, publication, mailing, notice, hearing and landowner election with respect to the formation of the District. Beneficiary hereby instructs Trustee to execute this consent, or a counterpart copy hereof.

10,000 WEST, L.L.C., an Arizona limited liability company, as beneficiary

By: Lyle Anderson Holding, Inc., a Delaware corporation, Manager

By [signature]
Its President

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, as Trustee

By [signature]
Its Regional Counsel

STATE OF ARIZONA
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 21st day of March, 2005, by Patrick R. Whelan, as President of Lyle Anderson Holding, Inc., a Delaware corporation, as Manager of 10,000 West, L.L.C., an Arizona limited liability company, on behalf of the company.

Elise V. Peters
Notary Public

My commission expires:
Sept. 18, 2008

OFFICIAL SEAL
ELISE V. PETERS
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Commission Expires September 18, 2008

SWR:gmh 561137 12/31/04

STATE OF Arizona
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 23rd day of March, 2005, by John N. Graham, Regional Counsel of First American Title Insurance Company, a California corporation, on behalf of the corporation.

Heather Garber
Notary Public

OFFICIAL SEAL
HEATHER GARBER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

SWR:gmh 561137 12/31/04

LIENHOLDER
CONSENT TO WAIVER
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

The undersigned is a lienholder or otherwise has an interest in property proposed to be included in the proposed Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") pursuant to that certain deed of trust recorded in the offices of the Maricopa County Recorder as Instrument No. 2002-298363 and thereafter amended and restated December 3, 2003 as No. 2003-1649448 and October 25, 2004 as No. 2004-1245183 and, with respect to the undersigned Bank of Scotland, pursuant to that Assignment of Leases, Lease Payments and Profits recorded in the offices of the Maricopa County Recorder on December 3, 2003 as Instrument No. 2003-1649449 and thereafter amended by First Amendment recorded October 25, 2004 as Instrument No. 2004-1246184. As persons with an interest in the property, the undersigned hereby consent to the submission to the Clerk for the Town of Buckeye of a General Plan for the proposed District and a Petition for Formation and Petition for Adoption of Resolution Ordering and Declaring Formation of Festival Ranch Community Facilities District (Town Buckeye, Arizona). The undersigned further consent to the waiver by the Town of Buckeye of any and all requirements of posting, publication, mailing, notice, hearing and landowner election with respect to the formation of the District. Beneficiary hereby instructs Trustee to execute this consent, or a counterpart copy hereof.

BANK OF SCOTLAND, a banking organization established by Act of the Scottish Parliament, as Beneficiary

By _____
Its ASSOCIATE DIRECTOR.

For and on behalf of the Governor and Company of the Bank of Scotland

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, as Trustee

By _____
Its REGIONAL COUNSEL

SWR:gmh 561273 12/31/04

STATE OF ~~[illegible]~~ Arizona
COUNTY OF ~~Manchester~~ Maricopa

The foregoing instrument was acknowledged before me this 23rd day of March, 2005, by John K. Graham, Regional Counsel of First American Title Insurance Company, a California corporation, on behalf of the corporation.

Heather Garber
Notary Public

My commission expires:
June 17, 2005

OFFICIAL SEAL
HEATHER GARBER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun 17, 2005

~~SCOTLAND~~ Manchester
United Kingdom

The foregoing instrument was acknowledged before me this 4th day of March, 2005, by RUSSELL OLIVER of the Bank of Scotland, a banking organization established by Act of the Scottish Parliament, for and on behalf of the Governor and Company of the Bank of Scotland.

Notary Public

My Commission lasts indefinitely.

GAVIN RICHARD BUSHELL
NOTARY PUBLIC
Ship Canal House
King Street Manchester M2 4WB

PHX/RBALLARD/1625090.1/90235.001

SWR:gmh 561273 12/31/04

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-523798 04/22/2005 13:51
00671820022A-12-4-2--
ELECTRONIC RECORDING

When recorded return to:

Mr. Scott W. Ruby
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, AZ 85004-2327

GENERAL PLAN FOR THE PROPOSED FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

To: Clerk, Town of Buckeye, Arizona

For the purposes of Section 48-702(B), Arizona Revised Statutes, as amended, the following is the general plan for the proposed captioned district:

Article I.

GENERAL AREA TO BE IMPROVED WITHIN THE PROPOSED CAPTIONED DISTRICT

All that area described in *Exhibit A* attached hereto and made a part hereof for all purposes shall comprise the area to be benefited. The public infrastructure improvements shall be constructed in public rights-of-way or easements located both within and outside the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") and the areas described in *Exhibit A* hereto, all for the benefit of the area described in *Exhibit A* hereto.

Article II.

GENERAL DESCRIPTION OF THE PUBLIC INFRASTRUCTURE IMPROVEMENTS FOR WHICH THE PROPOSED CAPTIONED DISTRICT IS PROPOSED TO BE FORMED:

1. INITIAL PUBLIC INFRASTRUCTURE

The proposed District is to be formed to accomplish the purposes permitted in the Act. It is anticipated that the district initially will construct the public infrastructure described in

Exhibit B, which shall be available for use by the public. Future public infrastructure which is presently contemplated and may be completed include certain water and sewer facilities and road improvements for the District. The map attached as *Exhibit C* sets forth the general location of the district and the public infrastructure described in *Exhibit B*.

2. ADDITIONAL PUBLIC INFRASTRUCTURE

In addition to the initial public infrastructure described in paragraph 1 above, the proposed District is being formed for accomplishing the following public infrastructure improvements as such improvements are authorized by the governing body of the District in accordance with applicable law and are consistent with the powers of a community facilities district:

(a) Sanitary sewage systems, including collection, transport, storage, treatment, dispersal, effluent use and discharge;

(b) Drainage and flood control systems, including collection, transport, diversion, storage, detention, retention, dispersal, use and discharge;

(c) Water systems for domestic, industrial, irrigation, municipal or fire protection purposes including production, collection, storage, treatment, transport, delivery, connection and dispersal, but not including facilities for agricultural irrigation purposes unless for the repair or replacement of existing facilities when required by other improvements permitted by this article;

(d) Highways, streets, roadways, bridges and parking facilities including all areas for vehicular use for travel, ingress, egress and parking;

(e) Areas for pedestrian, equestrian, bicycle or other non-motor vehicle use for travel, ingress, egress and parking;

(f) Pedestrian malls, parks, recreational facilities other than stadiums and open space areas for the use of the public for entertainment, assembly and recreation;

(g) Landscaping including earthworks, structures, lakes and other water features, plants, trees and related water delivery systems;

(h) Public buildings, public safety facilities and fire protection facilities;

(i) Lighting systems;

(j) Traffic control systems and devices including signals, controls, markings and signage;

(k) School sites and facilities;

(l) Equipment, vehicles, furnishings and other personalty related to the items listed in clauses (a) through and including (k) above; and

(m) Operation and maintenance of the items listed in clauses (a) through and including (l) above.

DATED: April 19, 2005

10,000 WEST, LLC, a limited liability company

By Philip A. Edlund
Its Secretary

PULTE HOME CORPORATION, a Michigan corporation

By
Its Attorney in Fact

STATE OF AZ
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 23 day of March, 2005, by Philip A. Edlund, Secretary of 10,000 West, LLC, a limited liability company, on behalf of the company.

Charlene Sarich
Notary Public

My commission expires:
9-13-07

OFFICIAL SEAL
CHARLENE SARICH
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires Sept. 13, 2007

STATE OF AZ
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 4 day of APRIL, 2005, by MIKE BRILZ, ATTORNEY IN FACT of Pulte Home Corporation, a Michigan corporation, on behalf of the corporation.

Jackie Wilmoth
Notary Public

My commission expires:
JUNE 15, 2007

OFFICIAL SEAL
JACKIE WILMOTH
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 15, 2007

ATTACHMENTS:

EXHIBIT A	Legal description of property to be included in the District
EXHIBIT B	Description of initial public infrastructure to be constructed or installed by the District
EXHIBIT C	Map showing general areas of the public infrastructure to be constructed or installed by the District

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY
TO BE INCLUDED IN THE DISTRICT

December 9, 2004

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South 00°26'24" West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South 00°23'56" West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South 00°23'04" West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South 00°24'50" West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North 89°35'08" West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North 89°35'25" West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North 89°42'22" West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North 00°19'01" East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 10°31'05" West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of 05°06'05", a distance of 496.37 feet;

Thence South 84°32'16" West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 05°28'11" West;

Thence Westerly, along said curve, through a central angle of 18°10'52", a distance of 1,769.07 feet;

Thence North 77°17'35" West, a distance of 734.70 feet;

Thence South 18°15'19" West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South 40°58'02" West, a distance of 464.78 feet;
Thence South 74°21'22" West, a distance of 761.00 feet;
Thence South 41°37'56" West, a distance of 588.43 feet;

Thence South 03°22'04" East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North 89°31'12" West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North 00°27'37" East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North 89°37'25" West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North 00°30'30" East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 44°33'22" East, a distance of 3,419.52 feet;
Thence North 56°59'46" East, a distance of 496.13 feet;
Thence North 80°26'29" East, a distance of 3,220.32 feet;
Thence North 85°39'45" East, a distance of 497.23 feet;
Thence South 89°08'59" East, a distance of 293.06 feet;
Thence South 00°51'01" West, a distance of 74.97 feet;
Thence South 89°07'56" East, a distance of 300.00 feet;
Thence North 01°19'16" East, a distance of 75.03 feet;

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
Thence North 00°22'19" East, a distance of 200.50 feet;
Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.

EXHIBIT B

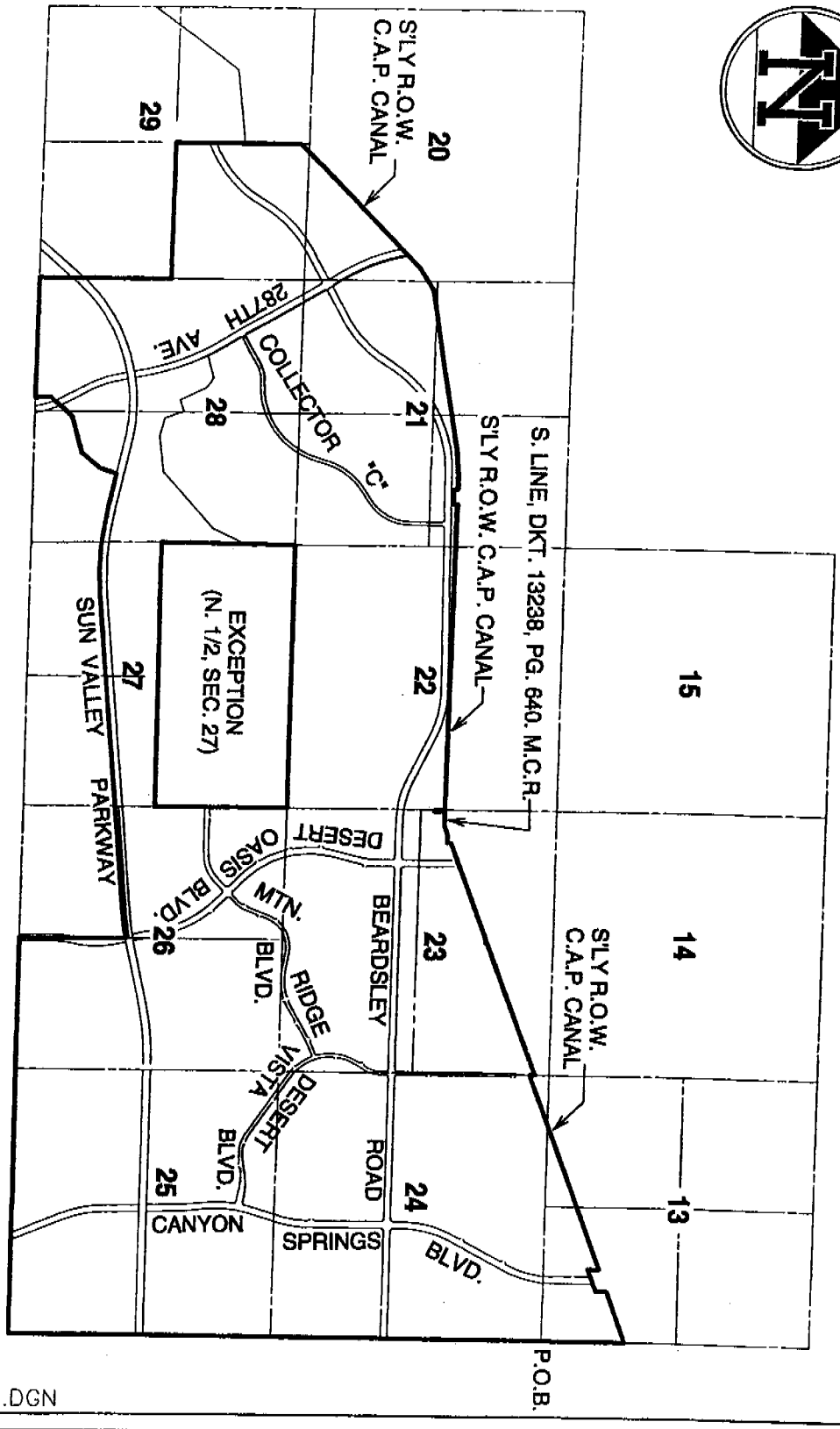
DESCRIPTION OF INITIAL PUBLIC INFRASTRUCTURE

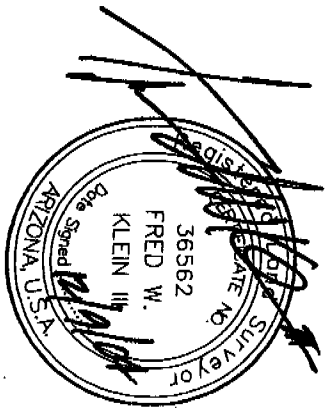
General Improvements

Sun Valley Parkway
Festival Parkway
Beardsley Road
263rd Avenue
271st Avenue
279th Avenue
287th Avenue
Loop Road through Town Center
Collector Roads
Traffic Signals
CAP Canal Bridge
Wagner Wash Bridge
Mass Grading
Water Reclamation Facility (WRF)
Sewer Trunk Lines
Effluent Main
Booster Pumps, Water Storage Tanks and other water facilities
Water Lines
Water Wells
Perimeter Walls and Buffers
Parks
Police/Fire Facilities
K-8 School

EXHIBIT C

MAP SHOWING GENERAL AREAS OF THE
PUBLIC INFRASTRUCTURE





N:\680001\LAND\EH-CFD.DGN

EXHIBIT C	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO 680001
4550 NORTH 12TH ST. PHOENIX, ARIZONA 85014 TEL. (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

TOWN OF BUCKEYE

REGULAR COUNCIL MEETING

APRIL 19, 2005

AGENDA

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
7:00 p.m.

Accessibility for all persons with disabilities will be provided upon request. Please telephone your accommodation request (623 386-4691) 72 hours in advance if you need a sign language interpreter or alternate materials for a visual or hearing impairment.

Members of the Town Council will either attend in person or by telephone conference call or video presentation. Items listed may be considered by the Council in any order.

REVISED AGENDA

POSTED 4-18-05 5:00 P.M.

The following item has been added to the Agenda:

5U. Council to consider and if advisable, adopt Ordinance 19-05 amending the Town Code Sections 18-1-4 and 18-1-5, declaring an emergency, and read by title only.

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1. Call to Order/Pledge of Allegiance/Roll Call.

2. Comments from the Public – Members of the audience may comment on any item of interest. *Council Action: Open Meeting Law does not permit Council discussion of items not specifically on the agenda.*

3. *Approval of items on the Consent Agenda – All items with and (*) are considered to be routine matters and will be enacted by one motion and vote of the Town Council. There will be not separate discussion of these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence.*
CONSENT AGENDA

***3. Council to consider approval of the minutes of the April 5, 2005 Council workshop and regular meeting as presented.**

***4. Council to consider invoices due by the Town for payment. Copies of invoices are available at Town Hall for review.**

5. New Business

***5A. Council to consider appointment of a representative and alternate to the Community Development Advisory Committee (CDAC) for a term of office from July 1, 2005 to June 30, 2006.**

***5B. Council to consider and if advisable, approve the award of a contract to Southwest Engineering in an amount not to exceed $8,100 for engineering services related to the construction of a traffic signal at the intersection of MC-85 and Miller Road with the form subject to minor changes necessary to finalize the agreement.**

*Council Action: Motion to approve consent agenda items *3, *4, *5A, and *5B.*

NON CONSENT AGENDA ITEMS

5C. Council to consider and if advisable, adopt Ordinance 21-05 increasing the corporate limits of the Town of Buckeye and read by tile only. Request by Jim Talbert of Manhard Consulting on behalf of Montalbano Homes for the annexation of approximately eighty (80) acres located on the

northwest corner of Perryville Road and Broadway Road. MONTALBANO HOMES A04-31
Council Action: Discussion and possible motion.

5D. Council to consider and if advisable, adopt Ordinance 22-05 increasing the corporate limits of the Town of Buckeye and read by title only. Request by George Musser on behalf of Bruce Heiden for the annexation of approximately 400 acres located on the northwest corner of Southern Avenue and Rooks Road. HEIDEN A04-28
Council Action: Discussion and possible motion.

5E. Council to consider and if advisable, adopt Resolution 33-05 approving the Final Plat of a subdivision to be known as "Verrado Parcel 4.623" located within Planning Unit IV in the southeastern portion of Phase 1 of the Verrado Master Planned Community in a portion of Section 30, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County. Site consists of 34 lots on 13.53 acres. This site consists of 13.53 acres, 34 single family lots, with a proposed lot size of 80'x135'. Request by Biskind, Hunt & Taylor, P.L.C. VERRADO FP05-10
Council Action: Discussion and possible motion.

5F. Council to consider and if advisable, adopt Resolution 34-05 approving the Final Plat of a subdivision to be known as "Westpark Parcel 14" located within Phase 2 of the Westpark Master Planned Community in a portion of Section 19 of Township 1 North, Range 3 West of Gila and Salt River Base and Meridian. This site consists of 22.78 acres, 116 single family lots, with a proposed lot size of 45'x110'. Request by Karen Williamson of Roston on behalf of AZPropertyCo Holdings, LLC. FP04-568
Council Action: Discussion and possible motion.

5G. Council to consider and if advisable, adopt Resolution 35-05 approving the Final Plat of a subdivision to be known as "Westpark Parcel 13" located within Phase 2 of the Westpark Master Planned Community in a portion of Section 19 of Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. This site consists of 23.88 acres, 98 lots, and 53'x115' lot size. This site consists of 23.88 acres, 98 single family lots, with a proposed lot size of 53'x115'. Request by Karen Williamson of Roston on behalf of AZPropertyCo Holdings, LLC FP04-567
Council Action: Discussion and possible motion.

5H. Council to consider and if advisable, adopt Resolution 36-05 approving the Final Plat of a subdivision to be known as "Parkplace at Buckeye" located in apportion of the southwest quarter of Section 6, Township 1 South, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. This site consists of approximately 66.07 acres, 267 single family lots, with lot sizes 48'x63', 53'x119', 58'x85'. Request by George Musser on behalf of Parkplace at Buckeye, L.L.C. FP04-502
Council Action: Discussion and possible motion.

5I. Council to consider and if advisable, adopt Resolution 37-05 approving the Final Plat of a subdivision to be known as "Tartesso Unit 1" located within the Tartesso West Master Planned Community in portions within Section 20 and 29, Township 2 North, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. This site consists of 258 gross acres, 766 lots, with various lot sizes. Request by Stephen Earl of Earl, Curley, & Legarde on behalf of Stardust-Tartesso W12, Inc. TARTESSO WEST FP03-484
Council Action: Discussion and possible motion.

5J. Council to consider and if advisable, adopt Resolution 38-05 approving the Final Plat of a subdivision to be known as "Tartesso Unit 2A" located within the Tartesso West Master Planned Community in portions within Section 25 and 30, Township 2 North, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. This site consists of 451 gross acres, 1,247 lots, with various lot sizes. Request by Stephen Earl of Earl, Curley, & Legarde on behalf of Stardust-Tartesso W12, Inc. TARTESSO WEST FP04-166
Council Action: Discussion and possible motion.

5K. Council to consider authorizing the initiation of an amendment to the Town of Buckeye Development Code by amending Article 7, Sections 7-7-4, and 7-8-4 regarding the status and approval of preliminary plats and Section 7-8-4 regarding Development Code Amendments.
Council Action: Discussion and possible motion.

5L. Council to consider authorizing the initiation of an amendment to the Town of Buckeye Development Code by amending Article 7, Section 7-7-4 and 7-8-4 regarding Preliminary Plat extensions.
Council Action: Discussion and possible motion.

5M. Council to consider and if advisable approve the Intergovernmental Agreement between Agua Fria Union High School District #216 and the Town of Buckeye regarding development processing and general cooperation.
Council Action: Discussion and possible motion.

5N. Council to consider and if advisable, approve a contract with WLB Group for the scope of services proposed for year one in the amount of $199,185 to complete a Cultural Resources Survey necessary for the purchase of BLM land.
Council Action: Discussion and possible motion.

5O. Council to consider a request from Buckeye Main Street Coalition for $75,000 (salary $50,000, benefits $15,000, travel, conferences, dues and education expense $10,000) from the Downtown Revitalization Fund to be used to hire a new Main Street Director.
Council Action: Discussion and possible motion.

5P. Council to consider and if advisable, award a contract to Garney Construction for Guaranteed Maximum Price #2 (GMP#2) in an amount of $5,014,009 with $250,700.45 Contingency for a total contract price of $5,264,709.45 for the expansion of the Wastewater Treatment Plant.
Council Action: Discussion and possible motion.

5Q. Council to consider and if advisable, award a contract to Banicki Construction in the amount not to exceed $979,033.80 for the reconstruction of 5th Street (Beloat Road to Monroe Ave.), 7th Street (Beloat Road – Mahoney Avenue), and Narramore Avenue (Beloat Road to MC85) with the form of the agreement subject to those minor changes necessary to finalize the agreement. This project is partially funded through the CDBG process in the amount of $462,000.
Council Action: Discussion and possible motion.

5R. Council to consider a petition received relative to formation of the Festival Ranch Community Facilities District and, if deemed advisable, to adopt Resolution 39-05 forming such District and

entering into a Development, Financing Participation and Intergovernmental Agreement No. 1 with such District.
Council Action: Discussion and possible motion.

5S. Council to consider and if advisable, authorize two temporary Planner I positions in the Community Development Department to be funded by an agreement with the Development Community.
Council Action: Discussion and possible motion.

5T. Council to consider and if advisable approve the Westpark Development Service Agreement regarding the maintenance of streets for the Phase I Infrastructure in the Westpark Community Facilities District.
Council Action: Discussion and possible motion.

5U. Council to consider and if advisable, adopt Ordinance 19-05 amending the Town Code Sections 18-1-4 and 18-1-5, declaring an emergency, and read by title only.
Council Action: Discussion and possible motion.

6. Town Manager's Report – *The Manager may provide a brief summary of current events; however, there can be discussion on the following matters:*

Manager's update on Council related matters.
Update on Legislative issues.

7. Comments from the Mayor and Council – *Mayor and Council may present a brief summary on current events. The Council may not propose, discuss, deliberate, or take any legal action of information presented. Council may direct inquiries to staff.*

8. Adjournment.
Council Action: Motion to adjourn.

TOWN OF BUCKEYE
REGULAR COUNCIL MEETING
APRIL 19, 2005
MINUTES

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
7:00 p.m.

REVISED AGENDA
POSTED 4-18-05 5:00 P.M. Item 5U was added to the agenda

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1. Call to Order/Pledge of Allegiance/Roll Call.
Vice Mayor Urwiller called the meeting to order at 7:00 p.m.

Members Present:	Councilman Meck, Councilman Beard, Vice Mayor Urwiller, Councilwoman May, and Councilman Doster
Members Absent:	Councilman Garza and Mayor Hull.
Departments Present:	Town Manager Carroll Reynolds, Town Attorney Scott Ruby, Town Clerk Linda Garrison, Deputy Clerk Lucinda Aja, Fire Chief Scott Rounds, Fire Marshall Bob Costello, Finance Director Ron Brown, Parks, Rec and Library Director Jeanine Guy, Police Chief Dan Saben, Public Works Director Chris Young, Community Development Director Dennis Zwagerman, Town Engineer Woody Scoutten, Sr. Accountant Iris Wallace, Human Resources Director Toni Brown, and Airport Director Jason Hardison.

2. Comments from the Public
- Elizabeth McClure addressed the Council about the need of a recycling program for Buckeye.
- Richard Adams stated that he would like another Senior Center survey done to see if the attendants are happy.
- Rachel Aja of the Homebuilders Association asked to speak about Item 5U, and to thank and commend the Community Development Department for all of their hard work.

CONSENT AGENDA
All items with and (*) are considered to be routine matters and will be enacted by one motion and vote of the Town Council. Councilwoman May requested Item 5A be pulled from the consent agenda. Motion made by Councilman Beard and seconded by Councilwoman May to approve Items *3, *4, and *5B. Motion passed unanimously. Motion made by Councilman Meck and seconded by Councilwoman May to approve Item *5A. Motion passed unanimously.

*3. Council approved the minutes of the April 5, 2005 Council workshop and regular meeting as presented.

*4. Council approved invoices due by the Town for payment. Copies of invoices are available at Town Hall for review.

5. New Business
*5A. Council approved appointment of Councilman Doster as representative and Councilman Beard as alternate to the Community Development Advisory Committee (CDAC) for a term of office from July 1, 2005 to June 30, 2006.

*5B. Council approved the award of a contract to Southwest Engineering in an amount not to exceed $8,100 for engineering services related to the construction of a traffic signal at the intersection of MC-85 and Miller Road with the form subject to minor changes necessary to finalize the agreement.

NON CONSENT AGENDA ITEMS
5C. Ordinance 21-05 Annexation MONTALBANO HOMES A04-31
Requested by Jim Talbert of Manhard Consulting on behalf of Montalbano Homes for the annexation of approximately eighty (80) acres located on the northwest corner of Perryville Road and Broadway Road.
Motion made by Councilman Meck and seconded by Councilwoman May to adopt Ordinance 21-05 increasing the corporate limits of the Town of Buckeye and read by tile only. Motion passed unanimously.

5D. Ordinance 22-05 HEIDEN A04-28
Requested by George Musser on behalf of Bruce Heiden for the annexation of approximately 400 acres located on the northwest corner of Southern Avenue and Rooks Road. Motion made by Councilman Beard and seconded by Councilwoman May to adopt Ordinance 22-05 increasing the corporate limits of the Town of Buckeye and read by title only. Motion passed unanimously.

5E. Resolution 33-05- Final Plat of a subdivision to be known as Verrado Parcel 4.623 VERRADO FP05-10
Requested by Biskind, Hunt & Taylor, P.L.C. to approve Resolution 33-05 approving the Final Plat of a subdivision to be known as "Verrado Parcel 4.623" located within Planning Unit IV in the southeastern portion of Phase 1 of the Verrado Master Planned Community in a portion of Section 30, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County. Site consists of 34 lots on 13.53 acres. This site consists of 13.53 acres, 34 single family lots, with a proposed lot size of 80'x135'. Motion made by Councilman Meck and seconded by Councilwoman May to approve with the stipulation stating there shall be no parking on all streets within the area as measured 60 feet from the point of intersection of the back of curb lines extended and a no parking area shall be designated with signage and curb indicators with exact color and type to be determined by the Town of Buckeye Public Works Director. Motion passed unanimously.

5F. Resolution 34-05 Westpark Parcel 14- FP04-568
Requested by Karen Williamson of Roston on behalf of AZPropertyCo Holdings, LLC. to adopt Resolution 34-05 approving the Final Plat of a subdivision to be known as "Westpark Parcel 14" located within Phase 2 of the Westpark Master Planned Community in a portion of Section 19 of Township 1 North, Range 3 West of Gila and Salt River Base and Meridian. This site consists of 22.78 acres, 116 single family lots, with a proposed lot size of 45'x110'. Motion made by Councilman Meck and seconded by Councilwoman May to approve with three (3) stipulations stating (1) there shall be no parking on all streets within the area as measured 60 feet from the point of intersection of the back of curb lines extended and a no parking area shall be designated with signage and curb indicators with exact color and type to be determined by the Town of Buckeye Public Works Director, (2) On street parking shall be restricted to one side of the street within this plat and shall be designated as no parking zones with signage and curb indicators (exact type and colors to be determined by the Town of Buckeye Public Works Director), and (3) On Parcels 13, 14, 18, and 20 the back of curb street width of 28 feet with the addition of stipulations K an L. The remainder of Phase 2 and all of Phase 3 shall have a back of curb width of 32 feet.
Motion passed unanimously.

5G. Resolution 35-05-Final Plat of a subdivision to be known as Westpark Parcel 13 LLC FP04-567
Requested by Karen Williamson of Roston on behalf of AZPropertyCo Holdings to adopt Resolution 35-05 approving the Final Plat of a subdivision to be known as "Westpark Parcel 13" located within Phase 2 of the Westpark Master Planned Community in a portion of Section 19 of Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. This site consists of 23.88 acres, 98 lots, and 53'x115' lot size. Motion made by Councilman Meck and seconded by Councilwoman May to approve with three (3) stipulations stating (1) there shall be no parking on all streets within the area as measured 60 feet from the point of intersection of the back of curb lines extended and a no parking area shall be designated with signage and curb indicators with exact color and type to be determined by the Town of Buckeye Public Works Director, (2) On street parking shall be restricted to one side of the street within this plat and shall be designated as no parking zones with signage and curb indicators (exact type and colors to be determined by the Town of Buckeye Public Works Director), and (3) On Parcels 13, 14, 18, and 20 the back of curb street width of 28 feet with the addition of stipulations K an L. The remainder of Phase 2 and all of Phase 3 shall have a back of curb width of 32 feet. Motion passed unanimously.

5H. Resolution 36-05-Final Plat of a subdivision to be known as Parkplace at Buckeye FP04-502
Requested by George Musser on behalf of Parkplace at Buckeye, L.L.C. After some discussion a motion made by Councilman Meck and seconded by Councilwoman May to adopt Resolution 36-05 approving the Final Plat of a subdivision to be known as "Parkplace at Buckeye" located in apportion of the southwest quarter of Section 6, Township 1 South, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona consisting of approximately 66.07 acres, 267 single family lots, with lot sizes 48'x63', 53'x119', 58'x85'. with (2) stipulations, (1) On street parking shall be restricted to one side of the street within this plat and shall be designated as no parking zones with signage and curb indicators (exact type and colors to be determined by the Town of Buckeye Public Works Director), and (2) the back of curb street width of 28 feet, and a back of curb width of 32 feet. Motion passed unanimously.

5I. Resolution 37-05-Final Plat of a subdivision to be known as Tartesso Unit 1 TARTESSO WEST FP03-484
Requested by Stephen Earl of Earl, Curley, & Legarde on behalf of Stardust-Tartesso W12, Inc. Motion made by Councilman Meck and seconded by Councilman Beard to adopt Resolution 37-05 approving the Final Plat of a subdivision to be known as "Tartesso Unit 1" located within the Tartesso West Master Planned Community in portions within Section 20 and 29, Township 2 North, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona consisting of 258 gross acres, 766 lots, with various lot sizes. Motion passed unanimously.

5J. Resolution 38-05- Final Plat of a subdivision to be known as Tartesso Unit 2A TARTESSO WEST FP04-166
Requested by Stephen Earl of Earl, Curley, & Legarde on behalf of Stardust-Tartesso W12, Inc.
Motion made by Councilman Meck and seconded by Councilwoman May to adopt Resolution 38-05 approving the Final Plat of a subdivision to be known as "Tartesso Unit 2A" located within the Tartesso West Master Planned Community in portions within Section 25 and 30, Township 2 North, Range 4 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona. This site consists of 451 gross acres, 1,247 lots, with various lot sizes. Motion passed unanimously.

5K. Development Code Amendment- Article 7, Sections 7-7-4, and 7-8-4
Motion made by Councilwoman May and seconded by Councilman Meck to not authorize the initiation of an amendment to the Town of Buckeye Development Code by amending Article 7, Sections 7-7-4, and 7-8-4 regarding the status and approval of preliminary plats and Section 7-8-4 regarding Development Code Amendments. Motion passed unanimously.

5L. Development Code Amendment- Article 7, Section 7-7-4 and 7-8-4
Motion made by Councilman Meck and seconded by Councilwoman May to authorize the initiation of an amendment to the Town of Buckeye Development Code by amending Article 7, Section 7-7-4 and 7-8-4 regarding Preliminary Plat extensions with the addition of C and D from Item K. Motion passed unanimously.

5M. Intergovernmental Agreement between Agua Fria Union High School District #216 and the Town of Buckeye- Development Processing and General Cooperation.
Motion made by Councilman Beard and seconded by Councilman Doster to approve the Intergovernmental Agreement between Agua Fria Union High School District #216 and the Town of Buckeye regarding development processing and general cooperation. Motion passed unanimously.

5N. WLB Group- Cultural Resources Survey- Purchase of BLM Land
Motion made by Councilman Meck and seconded by Councilwoman May to approve a contract with WLB Group for the scope of services proposed for year one in the amount of $199,185 to complete a Cultural Resources Survey necessary for the purchase of BLM land with the stipulations that it is subject to changes in the standard conditions as worked out by legal council and the Parks and Rec Director, and it is subject to annual appropriation and approval. Motion passed unanimously.

5O. Buckeye Main Street Coalition- Main Street Director Salary
Motion made by Councilman Meck to grant a request from Buckeye Main Street Coalition for $75,000 (salary $50,000, benefits $15,000, travel, conferences, dues and education expense $10,000) from the Downtown Revitalization Fund to be used to hire a new Main Street Director with the stipulation that the amount includes the prorated amount for the remainder of this fiscal year. Motion passed unanimously.

5P. Garney Construction- Wastewater Treatment Plant Expansion
Chris Young said the project would start immediately upon approval to be completed in December of 2005 for expansion of 1.5 million gallons per day. Motion made by Councilman Meck and seconded by Councilwoman May to award a contract to Garney Construction for Guaranteed Maximum Price #2 (GMP#2) in an amount of $5,014,009 with $250,700.45 Contingency for a total contract price of $5,264,709.45 for the expansion of the Wastewater Treatment Plant. Motion passed unanimously.

5Q. Banicki Construction- Reconstruction of 5th Street (Beloat Road to Monroe Ave.), 7th Street (Beloat Road – Mahoney Avenue), and Narramore Avenue (Beloat Road to MC85)
Motion made by Councilman Doster and seconded by Councilman Beard to award a contract to Banicki Construction in the amount not to exceed $979,033.80 for the reconstruction of 5th Street (Beloat Road to Monroe Ave.), 7th Street (Beloat Road – Mahoney Avenue), and Narramore Avenue (Beloat Road to MC85) with the form of the agreement subject to those minor changes necessary to finalize the agreement. This project is partially funded through the CDBG process in the amount of $462,000. Motion passed unanimously.

5R. Festival Ranch Community Facilities District- Resolution 39-05
Motion made by Councilman Meck and seconded by Councilwoman May to adopt Resolution 39-05 forming such District and entering into a Development, Financing Participation and Intergovernmental Agreement No. 1 with such District and grant a petition received relative to formation of the Festival Ranch Community Facilities District. Motion passed unanimously.

5S. Temporary Planner I Positions- Community Development Department
Motion made by Councilman Meck and seconded by Councilwoman May to authorize two temporary Planner I positions in the Community Development Department to be funded by an agreement with the Development Community. Motion passed unanimously.

5T. Westpark Development Service Agreement- Maintenance of Streets for the Phase I Infrastructure
Motion made by Councilman Beard and seconded by Councilwoman May to approve the Westpark Development Service Agreement regarding the maintenance of streets for the Phase I Infrastructure in the Westpark Community Facilities District. Motion passed unanimously.

5U. Ordinance 19-05 Amending the Town Code Sections 18-1-4 and 18-1-5
Motion made by Councilman Beard and seconded by Councilwoman May to adopt Ordinance 19-05 amending the Town Code Sections 18-1-4 and 18-1-5, declaring an emergency, and read by title only. Motion passed unanimously.

6. Town Manager's Report

- Need for adoption of Public Safety Training, more information at a later date.
- Marquis Funeral time / location
- MAG Census Population and revenue estimate at 1.18 million increase in revenue sharing.

7. Comments from the Mayor and Council
Meck-The April 16th Retreat was very positive, inquired about the Sonora Fence
Beard-None
Vice Mayor Urwiller-New staff is Dave Dial, Sr. Civil Engineer
Councilwoman May-None
Councilman Doster-In response to the recycling inquiry: Town has a recycling program in place for municipal departments, and the City of Phoenix is going to assist us to put a program in place for the public.
Councilman Garza-absent
Mayor Hull-absent

8. Adjournment.
Their being no further business to come before Council motion made by Councilman Meck and seconded by Councilwoman May to adjourn at 8:57 p.m. Motion passed unanimously.

Dustin Hull, Mayor

ATTEST:

Linda Garrison, Town Clerk

I hereby certify that the foregoing is a true and correct copy of the Regular Council Meeting held on the 19th day of April, 2005. I further certify that a quorum was present.

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-0523797 04/22/2005 13:51
00671820022A-12-4-1--
ELECTRONIC RECORDING

When recorded return to:

Mr. Scott W. Ruby
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, AZ 85004-2327

RESOLUTION NO. 39-05

RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF BUCKEYE, ARIZONA, DECLARING INTENT TO FORM A COMMUNITY FACILITIES DISTRICT; ORDERING AND DECLARING FORMATION OF THE TAX LEVYING FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); APPROVING THE DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1 WITH SUCH DISTRICT; AND DECLARING AN EMERGENCY.

RESOLUTION NO. 39-05

RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF BUCKEYE, ARIZONA, DECLARING INTENT TO FORM A COMMUNITY FACILITIES DISTRICT; ORDERING AND DECLARING FORMATION OF THE TAX LEVYING FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); APPROVING THE DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1 WITH SUCH DISTRICT; AND DECLARING AN EMERGENCY.

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF BUCKEYE, ARIZONA, as follows:

Section 1. Findings. The mayor and council hereby make the following findings:

A. Prior to the adoption hereof, there was presented to us, the Mayor and Council of the Town of Buckeye, Arizona (hereinafter referred to as the "*Town*"), a petition for formation of a community facilities district and adoption of resolutions declaring formation of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona), submitted and effective April 19, 2005 (hereinafter referred to as the "*Petition*"), signed by the entities which, on the date of the Petition and on the date hereof, are the owners of all real property as shown on the assessment roll for State and County taxes for Maricopa County, Arizona, or, if such persons shown on such assessment roll are no longer the owners of land in the District, are the entities which are the successor owners which have become known and have been verified by recorded deed or similar evidence of transfer of ownership to be the owners of such real property (hereinafter such owners are collectively referred to as the "*Petitioner*") described in the Petition by metes and bounds to be in the community facilities district, the formation of which is requested by the Petitioner in the Petition, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Act*"). (The proposed district shall be referred to herein as the "*District*").

B. The Petitioner has represented, attested and declared the following:

1. The name of the District is requested pursuant to the Petition to be "*Festival Ranch Community Facilities District (Town of Buckeye, Arizona)*",

2. The District is to be formed, and will exist, pursuant to the terms and provisions of the Act,

3. The District is to contain an area of approximately 4,015 acres of land, more or less, wholly within the corporate boundaries of the Town, and is to be composed of the land described by metes and bounds as provided in *Exhibit A* hereto, which is made a part hereof for all purposes (hereinafter referred to as the "*Property*"),

4. The District is to be a special purpose district for purposes of Article IX, Section 19, Constitution of Arizona, a tax levying public improvement district for the purposes of Article XIII, Section 7, Constitution of Arizona, and a municipal corporation for all purposes of Title 35, Chapter 3, Articles 3, 3.1, 3.2, 4 and 5, Arizona Revised Statutes, as amended; except as otherwise provided in the Act, and is to be considered a municipal corporation and political subdivision of the State of Arizona separate and apart from the Town; and is to be formed for, and

have, all the purposes and powers of a "district" as such term is defined, and as provided, in the Act, and

5. Public convenience and necessity require the adoption of this resolution forming the District.

C. The Petitioner further represented, attested and declared that on the date thereof and hereof, as shown on the assessment roll for State and county taxes in Maricopa County, Arizona, all of the land to be in the District is owned by the Petitioner or, if a person listed on such assessment roll is no longer the owner of the land in the District, that the name of the successor owner has become known and verified by recorded deed or similar evidence of transfer of ownership to the Petitioner and that the land to be included in the District shall be benefited from the improvements for which the District is proposed to be formed and that there are no qualified electors residing on the land to be in the District.

D. After representing, attesting and declaring the preceding, the Petitioner requested that the Petition be properly filed as provided by law and that, as the Petition is signed by the owners of all the land to be in the District, any requirements of posting, publication, mailing, notice, hearing and landowner election otherwise required by the Act in connection with the formation of the District and adoption hereof be waived, and that the Town, upon receipt of the Petition, declare its intention to form the District and thereafter form the District without being required to comply with such provisions for posting, publication, mailing, notice, hearing or landowner election.

E. A Development, Financing Participation and Intergovernmental Agreement No. 1 (the "*Development Agreement*") has been presented to the Mayor and Council, executed by the owners of all the land in the District and it is now in order for the Town to approve such Development Agreement.

Section 2. Agreements and Further Findings by the Town. The Mayor and Council hereby agree to and find the following:

A. The Petitioner seeks formation of the District to exercise the powers and functions set forth in the Act.

B. The General Plan (as defined hereafter) has been filed with the Clerk of the Town.

C. The Petition, and all necessary supporting materials, meets the requirements of A.R.S. § 48-707, subsections F and G and has been filed with the Council, and the showings in the Petition are each noticed by us and are hereby incorporated at this place as if set forth in whole.

D. The purposes for which the organization of the District is sought are as described in the Petition and General Plan and are purposes for which a community facilities district created pursuant to the Act may be lawfully formed.

E. The District is to be wholly comprised of the Property and the Property is wholly within the boundaries of the Town.

F. The Property is benefited by the District and the public infrastructure and the public infrastructure purposes set forth in the General Plan.

G. Pursuant to A.R.S. § 48-707, subsections F and G, no hearing on the formation of the District will be held.

H. The Petitioner is the owner of all of the Property and no qualified electors reside on the Property.

I. The public convenience and necessity require the adoption hereof.

Section 3. Approval of the General Plan. Prior to the adoption hereof, a "General Plan for the Proposed Festival Ranch Community Facilities District (Town of Buckeye, Arizona)" for the District was filed with the Clerk of the Town setting out a general description of the improvements for which the District is proposed to be formed and the general areas to be improved and benefited (hereinafter referred to as the "*General Plan*"). The General Plan is hereby approved in all respects.

Section 4. Approval of the Development Agreement. The Development Agreement by and among the Town, the District and the owners of the property within the District, as presented to the Town and on file with the Clerk, is hereby approved. The Mayor is authorized and directed to execute and deliver and the Clerk is authorized and directed to attest, the Development Agreement.

Section 5. Intention to Form the District. The Mayor and Council hereby declares, pursuant to the Act, its intention to form the District comprised of the Property as a community facilities district, pursuant to the terms and provisions of, and with the powers and authority established by, the Act, with jurisdiction over the Property. Based on the Petition and the findings set forth herein, all requirements of posting, publication, mailing, notice, hearing and landowner election otherwise required by the Act in connection with the formation of the District and adoption hereof are waived.

Section 6. Granting of Petition; Formation of District. The Petition is hereby granted, and the District is hereby formed as a community facilities district pursuant to the terms and provisions of, and with the powers and authority established by, the Act, with jurisdiction over the Property. The Mayor and Council hereby determine May 25, 2005 to be the scheduled election date to submit the question of formation of the District to the qualified electors, if any, who reside within the boundaries of the District. As of the date hereof, which is a date within 50 days immediately preceding such scheduled election date, there are no resident electors or qualified electors residing on the Property, therefore, the submission of the formation of the District to an election of resident electors is hereby found to be unnecessary and no formation election will be held.

Section 7. Levy of Taxes. Formation of the District may result in the levy of taxes by the District on all taxable property located within the District to pay the costs of improvements constructed by the District and the administration of the District and for their operation and maintenance and the administration of the District.

Section 8. District Board and Officers. The District shall be governed by a "District Board" comprised of the members of the governing body of the Town, ex officio.

Section 9. District Boundaries and Map. The District boundaries are set to be as described in metes and bounds in *Exhibit A* hereto. The map showing the District boundaries is set forth in *Exhibit B* hereto and is hereby approved.

Section 10. Dissemination of This Resolution. The Town Clerk shall cause a copy of this resolution to be delivered to the County Assessor and the Board of Supervisors of Maricopa County, Arizona, and to the Department of Revenue of the State of Arizona.

Section 11. No General Liability of or for the Town. Neither the general fund or any other fund or moneys of the Town, nor that of the State of Arizona or any political subdivision of either (other than the District) shall be liable for the payment or repayment of any obligation, liability, bond or indebtedness of the District, and neither the credit nor the taxing power of the Town, the State of Arizona or any political subdivision of either (other than the District) shall be pledged therefor.

Section 12. Emergency. The immediate operation of the provisions of this resolution is necessary for the preservation of the public peace, health and safety and an emergency is hereby declared to exist, and this resolution shall be in full force and effect from and after its passage, adoption and approval by the Mayor and Council of the Town and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

Passed by the Council of the Town of Buckeye, Arizona, on April 19, 2005.

Chris P. Urwiller, Vice Mayor

ATTEST:

Linda Garrison, Town Clerk

APPROVED AS TO FORM:

Scott W. Ruby, Town Attorney

Exhibits:

A Legal description of district

B Boundary map of district

EXHIBIT A

LEGAL DESCRIPTION OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

December 9, 2004

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South 00°26'24" West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South 00°23'56" West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South 00°23'04" West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South 00°24'50" West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North 89°35'08" West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North 89°35'25" West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North 89°42'22" West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North 00°19'01" East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 10°31'05" West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of 05°06'05", a distance of 496.37 feet;

Thence South 84°32'16" West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 05°28'11" West;

Thence Westerly, along said curve, through a central angle of 18°10'52", a distance of 1,769.07 feet;

Thence North 77°17'35" West, a distance of 734.70 feet;

Thence South 18°15'19" West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South 40°58'02" West, a distance of 464.78 feet;
Thence South 74°21'22" West, a distance of 761.00 feet;
Thence South 41°37'56" West, a distance of 588.43 feet;

Thence South 03°22'04" East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North 89°31'12" West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North 00°27'37" East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North 89°37'25" West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North 00°30'30" East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 44°33'22" East, a distance of 3,419.52 feet;
Thence North 56°59'46" East, a distance of 496.13 feet;
Thence North 80°26'29" East, a distance of 3,220.32 feet;
Thence North 85°39'45" East, a distance of 497.23 feet;
Thence South 89°08'59" East, a distance of 293.06 feet;
Thence South 00°51'01" West, a distance of 74.97 feet;
Thence South 89°07'56" East, a distance of 300.00 feet;
Thence North 01°19'16" East, a distance of 75.03 feet;

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
Thence North 00°22'19" East, a distance of 200.50 feet;
Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

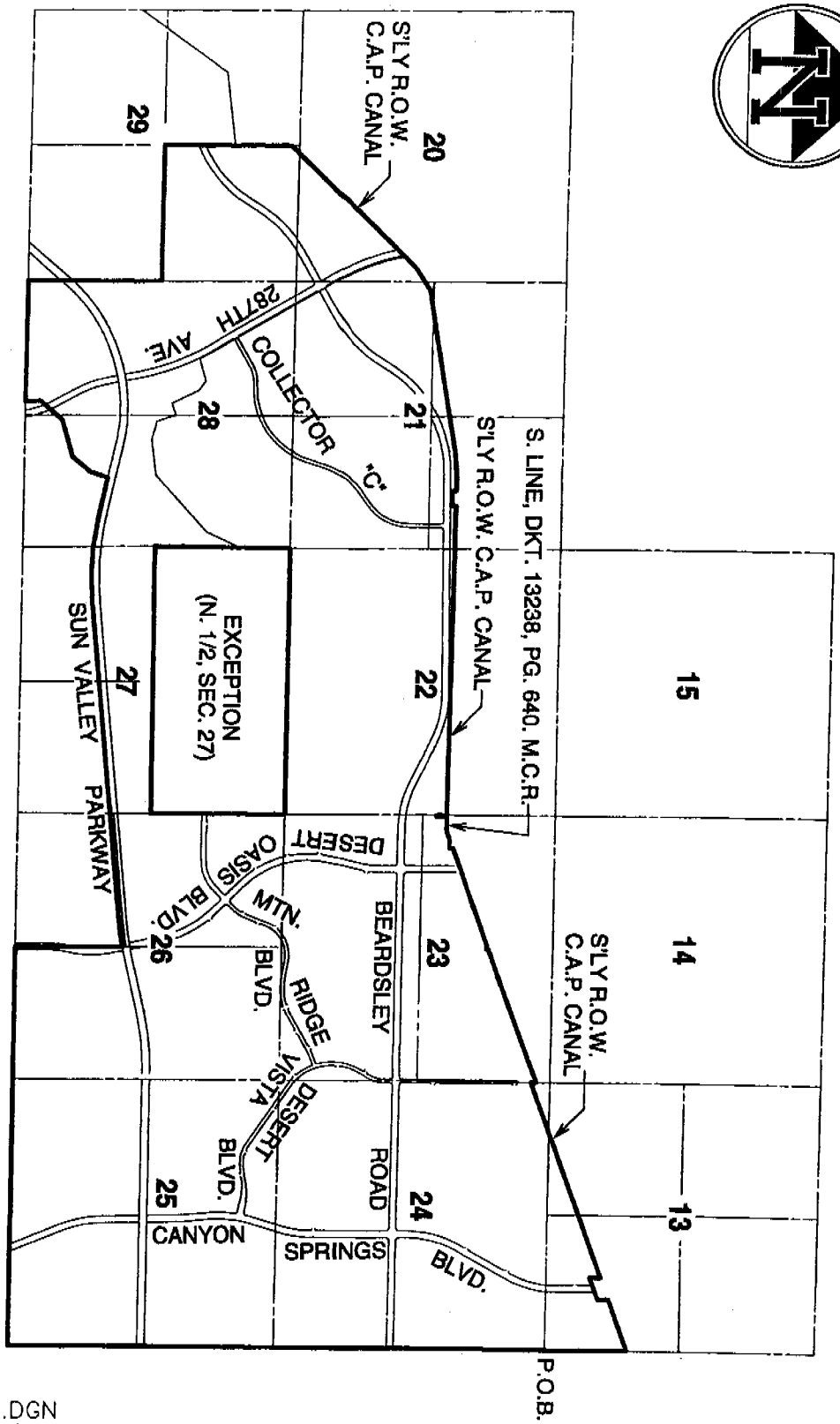
The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,.

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.

EXHIBIT B

BOUNDARY MAP OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)



Registered Professional Land Surveyor
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed
ARIZONA, U.S.A.

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EXHIBIT B	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO 680001
4550 NORTH 12TH ST. PHOENIX, ARIZONA 85014 TEL. (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-0523800 04/22/2005 13:51
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201 E. Washington Street, Suite 800
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DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1

FOR

**FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT
(BUCKEYE, ARIZONA)**

by and among

TOWN OF BUCKEYE, ARIZONA,

**FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(BUCKEYE, ARIZONA),**

10,000 WEST, L.L.C.

and

PULTE HOME CORPORATION

Dated as of April 21, 2005

DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1
FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

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THIS DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1 FOR FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT, dated as of April 21, 2005 (the "*Agreement*"), by and among the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona (the "*Municipality*"), Festival Ranch Community Facilities District, a community facilities district formed by the Municipality, and duly organized and validly existing, pursuant to the laws of the State of Arizona (the "*District*"), 10,000 WEST, LLC, a limited liability company and PULTE HOME CORPORATION, a Michigan corporation (collectively, the "*Owners*") who owns in fee title all or substantially all of the real property in the District. Other persons having an interest in any real property within the District (the "*Lienholders*"), have acknowledged and agreed to the terms and provisions of this Agreement and have consented to the recording of this Agreement as a binding encumbrance against their respective property, by the execution of the Consent and Agreement attached hereto.

W I T N E S S E T H :

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Act*"), and Section 9-500.05, Arizona Revised Statutes, as amended, the Municipality, the District and the Owners may enter into this Agreement as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Act) and the financing of public infrastructure, including, but not limited to subsequent reimbursements or repayments over time; and

WHEREAS, with regard to the property described in *Exhibit "A"* hereto (the "*Property*") which makes up the real property included within the boundaries of the District, the Municipality, the District and the Owners have determined to specify some of such matters in this Agreement, particularly matters relating to the acquisition, construction financing, operation and maintenance of certain public infrastructure by the District, including matters relating to competitive bidding of the construction of the public infrastructure the acceptance thereof by the Municipality, the sale of bonds to finance the costs of the public infrastructure, and, if applicable and approved by the District, the reimbursement or repayment of the Owners with respect thereto, all pursuant to the Act; and

WHEREAS, this Agreement as a "development agreement" is consistent with the "general plan" of the Municipality as defined in Section 9-461, Arizona Revised Statutes, as amended, applicable to the Property on the date this Agreement is executed; and

WHEREAS, general obligation bonds (the "*G.O. Bonds*") and/or special assessment lien bonds (the "*Assessment Bonds*") of the District may be issued in the sole discretion of the District board of directors (the "*District Board*"), to provide moneys to finance certain "public infrastructure purposes" (as such term is defined in the Act) described in the General Plan of the District (the "*General Plan*") heretofore approved by the Municipality and the District (collectively, the G.O. Bonds and the Assessment Bonds of the District are referred to as the "*Bonds*"); and

WHEREAS, the District Board has ordered, called and conducted a general obligation bond election, whereat the persons qualified to vote at such election pursuant to the Act authorized the District Board to issue, in its sole discretion, G.O. Bonds in an amount not to exceed One Hundred Twenty Five Million Dollars ($175,000,000.00) to provide moneys for public infrastructure purposes consistent with the ballot, the General Plan and the Act; and

WHEREAS, the District Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable, or such other procedures as the District Board provides, may, in its sole discretion, levy assessments of the costs of any public infrastructure or public infrastructure purpose on any land in the District based on the benefit determined by the District Board to be received by the land, and issue and sell the Assessment Bonds payable from amounts collected from the special assessments; and

WHEREAS, pursuant to the Act, the District may enter into this Agreement with the Owners with respect to the advance of moneys for public infrastructure or public infrastructure purposes by the Owners and the repayment of such advances; and

WHEREAS, pursuant to the Act and Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the "*Intergovernmental Agreement Act*"), the District and the Municipality may enter into the specified sections of this Agreement as an "intergovernmental agreement" with one another for joint or cooperative action for services and to jointly exercise any powers common to them and for the purposes of the planning, design, inspection, ownership, control, maintenance, operation or repair of public infrastructure; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes, as amended, and the CFD Guidelines (as defined herein) before constructing or acquiring any public infrastructure improvements, the District Board is required, in each instance, to cause a report of the feasibility and benefits of the project (the "*Report*") relating to such public infrastructure improvements to be prepared by engineers and other qualified persons, which must include a description of the public infrastructure to be constructed or acquired and all other information useful to understand the project, a map showing, in general, the location of the project, an estimate of the cost to construct, acquire, operate and maintain the project, an estimated schedule for completion of the project, a map or description of the area to be benefited by the project, and a plan for financing the project; and

WHEREAS, nothing contained in this Agreement is intended to limit the District Board in exercising its judgment with respect to the issuance of Bonds during the process of reviewing and approving or rejecting any Report;

NOW, THEREFORE, in the joint and mutual exercise of their powers, in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, and subject to the conditions set forth herein the parties hereto agree as follows:

ARTICLE I

COMMUNITY FACILITIES DISTRICT

Section 1.1 **CFD Guidelines.** Except as otherwise specifically provided in this Agreement, as may be amended from time to time, the District shall be subject to and governed by the terms and provisions of the Town of Buckeye, Arizona, Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts, as amended from time to time (the "*CFD Guidelines*").

Section 1.2 **District Consulting Costs**. The District may retain an independent financial advisor, legal advisor, underwriter, engineer and such other advisors and consultants as may be necessary to assist the District in its operations, including but not limited to evaluating budgets, reports, financing documents, District construction documents and similar matters ("*District Consulting Costs*"). District Consulting Costs shall be included as District Administrative Expenses, provided, however, certain District Consulting Costs constituting capital expenditures of a project financed by Bonds may, if approved by the District Board, be paid with the proceeds of Bonds.

Section 1.3 **Compliance with Law and CFD Guidelines.** The District shall maintain its records and conduct its affairs in accordance with the Act, the laws of the State of Arizona and the CFD Guidelines.

Section 1.4 **Payment of Municipality's Costs and Expenses**. The Municipality shall be paid by the District for its costs and expenses relating to the District and the public infrastructure financed by the District as described in Section 7.3(d) of this Agreement. The Municipality will provide the District and the District will provide the Owners with an invoice for the Municipality's costs and expenses. The Owners agrees to pay to the District the amounts owed per Article VII of this Agreement within forty-five (45) days of receipt of the invoice.

Section 1.5 **Contracting for District Financial Infrastructure**.

(a) **Public Bid Requirement**. All infrastructure described in the General Plan that is or expected to be financed with District moneys or District Bond proceeds ("*District Financed Infrastructure*") shall be public infrastructure improvements as described in the Act. Any District Financed Infrastructure shall be publicly bid and awarded pursuant to the provisions of the Arizona Revised Statutes, as amended, and in accordance with the bidding policies of the Municipality (collectively, the "*Public Bid Requirements*").

(b) **Notice Inviting Bids**. Commencing on the date of this Agreement, the form of Notice Inviting Bids in *Exhibit "B"* hereto shall be used in substantially the form for such purpose, and the use of such form prior to the execution and delivery of this Agreement is hereby ratified in all respects.

(c) **Certificate of the Engineers**. Compliance with the Public Bid Requirements shall be evidenced by the certification of the engineers of the Owners and the District (collectively, the "*Engineers*") with respect thereto in the form of *Exhibit "C"* hereto (the "*Certificate of the Engineers*").

(d) **Limitation on Recourse**. Each construction or acquisition contract relating to the public infrastructure improvements or purposes shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly, to the Municipality. In the case of any initial financing provided by the Owners of any construction or acquisition contract relating to public infrastructure improvements or purposes for which reimbursement is expected, such contract shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly to the District, for the payment of any costs under such contract or any liability, claim or expense arising therefrom and that the Owners shall have sole liability for payment under such contract of all such amounts.

Section 1.6 **Submission of Reports; Approval or Rejection.** Owners or, if after the end of the Owners Exclusive Period (as hereinafter defined), the District or any third party owning real property within the District, shall have the right to submit to the District Board one or more Reports pertaining to the issuance of Bonds to finance the construction, acquisition or installation of all or a part of the public infrastructure improvements described in the General Plan. The District Board, exercising its sole discretion may thereafter approve or reject the Report and approve or reject the issuance of District Bonds. With respect to general obligation bonds or revenue bonds, the Owners Exclusive Period shall end on the earlier to occur of (a) the reimbursement to the Owners or the Developer, or any successor thereto, of $109,000,000 or more for public infrastructure improvements (not including the water treatment facility improvements), or (b) March 1, 2025. With respect to special assessments, the Owners Exclusive Period shall end on the earlier to occur of (a) less than 15% of the assessment to be levied to secure the special assessment bonds will be levied on property owned by the Owners, or (b) March 1, 2025. Notwithstanding any provision of this Section 1.6, the District Board may cause the preparation of a Report and thereafter issue general obligation bonds or assessment bonds if the District Board determines that the issuance of such bonds and the use of the proceeds thereof will mitigate or cure a health or safety issue located within or affecting property or residents within the District.

Section 1.7 **Withdrawal of Reports.** Notwithstanding Section 1.6 above, Owners shall be permitted to withdraw any Report submitted by Owners from consideration by the District at any time before the conclusion of the hearing thereon. In the event of such a withdrawal, the District Board shall not approve the Report or adopt any resolution which would effect an implementation of any part of the transaction described in such Report. Owners shall be permitted to resubmit any such withdrawn Report or any Report which has been rejected by the District Board and then amended by Owners, at such time as Owners may, in their sole discretion, deem advisable. The Owners are responsible for the costs incurred prior to the withdrawal, including consultant fees.

ARTICLE II

CONSTRUCTION OF PROJECTS BY OWNERS

Section 2.1 **Construction by Owners.**

(a) **At Owners Expense.** Subject to the other terms and provisions of this Agreement, Owners at their sole cost and expense may, unless the procedure to have the District construct the public infrastructure improvements as described in Article IV hereof is followed, cause the public infrastructure improvements or purposes, including but not limited to those improvements described in the General Plan and generally consistent with the community master plan for the Festival Ranch project (collectively, the "*Acquisition Infrastructure*" and as detailed in the General Plan on a project-by-project basis as an "*Acquisition Project*" or the "*Acquisition Projects*") to be provided for pursuant to plans and specifications approved by the Municipality (the "*Plans and Specifications*").

(b) **Compliance with Applicable Codes, Etc.** The Acquisition Projects shall be constructed in a good and workmanlike manner in compliance with all applicable standards, codes, rules, guidelines or regulations of the Municipality, as in effect from time to time, for the same or comparable construction projects of the Municipality.

Section 2.2 **Public Bidding.** The Acquisition Projects shall be bid in one or more parts pursuant to the Public Bid Requirements and the requirements set forth in Section 1.5 of this Agreement. Any contracts for such work shall be hereafter referred to as the "*Acquisition Project Construction Contracts*" and individually as an "*Acquisition Project Construction Contract*". Plans, specifications, bid documents and bidding procedures are subject to review and approval by the District. Bids will be submitted to, or as directed by, the District for opening and review. No award of an Acquisition Project Construction Contract shall be made without the concurrence of the District.

Section 2.3 **Project Costs; Change Orders.** The total bid amount of any Acquisition Project Construction Contract plus any other costs of the Acquisition Project that are not required to be bid pursuant to the Public Bid Requirements shall be submitted for review to and if acceptable, approved by the Manager for the District (the "*District Manager*") or his designee and the engineer for the District (the "*District Engineer*"). The total bid amount of any Acquisition Project Construction Contract shall not exceed the estimated cost of the Acquisition Project set forth in the approved Report. Any change order to any Acquisition Project Construction Contract shall be subject to approval by the District Engineer and District Manager (which approval shall not be unreasonably withheld or delayed) and shall be certified to in the Certificate of the Engineers; provided, however, that any change order increasing the amount of an Acquisition Project Construction Contract by more than 10% of the original contract amount or modifying significantly the scope of the work otherwise shall be approved by the District Board. Any increase in cost caused by any change order shall be the sole responsibility of Owners provided that such increase in cost caused by an approved change order may be included by Owners in any applicable Segment Price pursuant to Section 3.2 hereof.

Section 2.4 **At Owners Risk.** As between Owners, the Municipality and the District, Owners shall bear all risks, liabilities, obligations and responsibilities under each Acquisition Project Construction Contract and all risk of loss of or damage to any Acquisition Project (or any part thereof) occurring prior to the time of acquisition of such Acquisition Project (or part thereof).

Section 2.5 **Prior Conveyance Not a Bar.** The prior conveyance or dedication of easements, right-of-way or public infrastructure shall not affect or proscribe Owners right to construct public infrastructure improvements or purposes thereon or to be paid or reimbursed for such construction upon acquisition by the District.

ARTICLE III

ACQUISITION OF PROJECTS FROM OWNERS

Section 3.1 Acquisition by District.

(a) **Purchase.** Subject to the other terms and provisions of this Agreement and after approval by the District Board, exercising its sole discretion, approves a Report pertaining to the applicable Acquisition Project, Owners shall sell to the District, and the District shall acquire from Owners, each Acquisition Project, together with all real property or interests therein necessary to operate and maintain the District Financed Improvements (collectively, the "*Necessary Public Property*"), as a whole (the entire Acquisition Project) or, if applicable, in completed, discrete portions as determined by the District Engineer and the District Manager and in accordance with the Plans and Specifications (referred to herein as a "*Segment*") at the price for the Acquisition Project or, if applicable, each Segment (the "*Project Price*" or the "*Segment Price*" as applicable) established as provided in Section 3.2 hereof. At the request of the District the Owners shall convey any acquired Acquisition Project or Segment(s) and the Necessary Public Property to be conveyed directly to the Municipality, together with a direct assignment of any warranties, guarantees and bonds.

(b) **Financing; Limited Liability.** Any such acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.1(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.1(b) hereof. Payment of the Project Price or Segment Price is subject to the availability of proceeds of District Bonds as described in Section 5.1.

(c) **Compensation Limited.** Owners have not been and shall not be compensated for any of the Acquisition Infrastructure except as provided by this Agreement. The District shall not be liable for any payment or repayment to Owners therefor except as provided by this Agreement.

(d) **No Prior Dedication.** As of the date of this Agreement, none of the Acquisition Infrastructure has been dedicated by Owners or accepted by the District or the Municipality or offered for dedication by Owners or acceptance by the District or the Municipality.

Section 3.2 Determining Project Price.

(a) **Actual Costs.** The Project Price for an Acquisition Project or the Segment Price for a Segment, as applicable, shall be equal to the sum of the amounts bid (together with or net of any approved change orders), and approved pursuant to Section 2.3 hereof, plus any other amounts that are not required to be bid pursuant to the Public Bid Requirements but are approved pursuant to Section 2.3 hereof, and actually paid by Owners for (1) third-party design and/or engineering of the Acquisition Project or Segment, (2) construction and or installation of the Acquisition Project or Segment pursuant to the Acquisition Project Construction Contract for such Acquisition Project or Segment, (3) inspection and supervision of

the construction of the Acquisition Project or Segment by the District for performance under such Acquisition Project Construction Contract and a reasonable third-party construction management fee, and (4) other miscellaneous and incidental costs relating to the construction and/or installation of such Acquisition Project or Segment allowed by the Act and approved in the Report, but not including any Necessary Public Property.

(b) **Certificate of Engineers.** The determination of the Project Price or the Segment Price shall be certified in the Certificate of the Engineers for that Segment.

Section 3.3 **Conditions for Payment.** The District shall pay the Project Price or the Segment Price, as applicable for and acquire from Owners, and Owners shall, subject to Section 5.1(a)(ii) below, accept the Project Price or the Segment Price for and sell to the District, the Acquisition Project or Segment as provided in Section 3.1 hereof after the approval of the Report and after receipt by the District Manager of the following with respect to the acquisition Project or Segment, in form and substance reasonably satisfactory to the District Manager:

(i) the Certificate of the Engineers;

(ii) the "Conveyance for Segment of Project" in the form of *Exhibit "D"* hereto (hereinafter referred to as a "*Conveyance*");

(iii) evidence that all Necessary Public Property has been conveyed to the Municipality and public access to the Segment or the Acquisition Project, as applicable, has been or will be provided to the Municipality;

(iv) the assignment of all contractors' and materialmen's warranties and guarantees as well as payment and performance bonds;

(v) an acceptance letter issued by the Municipality and by its terms subject specifically to recordation of the Conveyance of the Acquisition Project or Segment, as applicable, which is the subject of such letter; and

(vi) such other documents, instruments, approvals or opinions as may reasonably be requested by the District Manager including, with respect to any Necessary Public Property, title reports, insurance and opinions and evidence satisfactory to the District Manager that any Necessary Public Property to be acquired does not contain environmental contaminants which make such real property unsuitable for its intended use or, to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use and the sources of funds necessary to accomplish such purpose.

Section 3.4 **Conveyance of Necessary Public Property.** The Owners shall convey to the District, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the operation and maintenance of the Acquisition Project or Segment, as applicable. The Necessary

Public Property required shall be similar to the requirements for construction projects of the Municipality similar to the Segment.

ARTICLE IV

CONSTRUCTION OF PROJECTS BY THE DISTRICT

Section 4.1 **Construction by District.**

(a) **Generally.** Subject to the other terms and provisions of this Agreement, the District, after the District Board, exercising its sole discretion, approves a Report, prior to the bidding therefor, may cause any of the public infrastructure described in the General Plan (hereinafter referred to if constructed pursuant to the provisions of this Article IV as collectively the "*Constructed Infrastructure*" and as detailed in the General Plan on a project-by-project basis a "Construction Project" or the "*Construction Projects*") to be constructed pursuant to the Plans and Specifications.

(b) **Similar Requirements.** The Construction Projects shall be constructed in accordance with the requirements for construction projects of the Municipality similar to the Construction Projects unless heretofore agreed otherwise by the Municipality.

Section 4.2 **Contracts.** The Construction Projects shall be bid in one or more parts by and in the name of the District pursuant to the Public Bid Requirements, and contracts shall be entered into by the District (hereinafter referred to as collectively the "*Construction Project Construction Contracts*" and as individually a "*Construction Project Construction Contract*").

Section 4.3 **Convey Necessary Public Property.** Prior to bidding any contract for the construction of a Construction Project, the Owners shall convey to the District, without cost, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the construction, operation and maintenance of the public improvements comprising the Construction Projects. The type, size and terms of the Necessary Public Property required for the construction, operation or maintenance of the Construction Project shall be similar to the requirements for construction projects of the Municipality similar to the Construction Projects. In addition, such conveyance shall occur after receipt by the District Manager of the following with respect to such Necessary Public Property, in form and substance reasonably satisfactory to the District Manager:

(i) a special warranty deed or easement from the Owners for such Necessary Public Property executed by an authorized officer of the Owners,

(ii) such environmental assessments or other evidence satisfactory to the District Manager that such Necessary Public Property does not contain environmental contaminants which make such Necessary Public Property unsuitable for its intended use or to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use, a plan for remediation of such contaminants, if required by the District Manager and the sources of funds necessary to accomplish such purpose, and

(iii) such other documents, instruments, approvals or opinions as the District Board may reasonably request including title reports, insurance and opinions.

Section 4.4 **Limited Compensation.** Owners have not been and shall not be compensated for any costs of any Construction Project except as provided herein.

Section 4.5 **Approval of Report.** Construction of any Construction Project has not and shall not commence prior to the approval of the Report as required by, and for all purposes of, the Act and conveyance or dedication of a Necessary Public Property as provided in Section 4.3 hereof.

Section 4.6 **Financing; Limited Liability.** Any such construction or acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.2(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.2(b) hereof. Payment of the costs of any Construction Project is subject to the availability of proceeds of District Bonds as described in Section 5.2.

ARTICLE V

FINANCING OF PROJECTS

Section 5.1 **Acquisition Projects.**

(a) **Before Bond Sale.**

(i) To provide for any acquisition of an Acquisition Project or a Segment occurring before the sale and delivery of any Bonds, the Project Price or, if applicable, the Segment Price(s) for Segment(s) comprising an Acquisition Project shall be paid by Owners subject to payment and acquisition by the District pursuant to the terms of this Agreement and the Conveyance of the Acquisition Project or Segment.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, the amount of the Project Price for the Acquisition Project or the Segment Price of a Segment paid by the Owners prior to the sale and delivery of the Bonds shall, subject to the requirements of Section 3.3 hereof, be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District, or District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay any Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any amount of the Project Price or Segment Price paid by Owners in excess of the proceeds from the sale of the Bonds if the District thereafter finances such amount from future Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(iii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall not have any obligation to repay Owners for any payment made by Owners to pay any Project Price or Segment Price.

(b) **After Bond Sale.**

(i) Any acquisition of an Acquisition Project or any Segment occurring after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment shall, subject to the requirements of Section 3.3 hereof, be provided for by the payment of the Project Price or Segment Price from, and only from, the proceeds of the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment.

(ii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall have no obligation to pay such Project Price or Segment Price. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District or the District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District or that sufficient proceeds from the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, shall be available to pay such Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any deficiency between the proceeds from the sale of the Bonds and the amount of any Project Price or Segment Price paid by Owners if the District thereafter finances such amount from other or future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(c) **If Sufficient Bonds Not Issued.** If the Bonds are not issued or if the proceeds of the Bonds are insufficient to pay all of the Project Price or Segment Price, there shall be no recourse to the District or the Municipality and the District and the Municipality shall not have liability with respect to, the Project Price or Segment Price, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds, if any. Nothing contained in this Section 5.1 shall obligate the Municipality to pay for any Segment Price or Acquisition Infrastructure from any monies of the Municipality. The foregoing is not intended to limit the ability of the Owners to payment for any deficiency between the proceeds from the sale of the Bonds for such purpose and the amount of a Project Price or Segment Price, if the District thereafter finances such amount from future Bond proceeds.

Section 5.2 Construction Project.

(a) **Before Bond Sale.**

(i) To provide for amounts due pursuant to any Construction Project Construction Contract (including incidental costs relating thereto) (the "*Construction Costs*") after the biddings thereof but before the sale and delivery of any Bonds, such amounts shall be paid by Owners pursuant to the terms of this Agreement. Incidental costs related to a Construction Project Construction Contract shall include, without limitation, permits, staking costs, general conditions, engineering costs, and third-party construction management costs. Each payment of such Construction Costs by the Owners shall be evidenced by a written acknowledgement of the District Manager included as part of the written approval of the District Engineer of each pay request of the contractor for such Construction Project Construction Contract.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract and sufficient Bond proceeds are reserved to pay the remaining Construction Costs of a

Construction Project Construction Contract, the total amounts of the Construction Costs paid by Owners prior to the sale and delivery of the Bonds shall be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that sufficient proceeds from the sale of any Bonds shall be available to pay such amounts of the Construction Costs paid by Owners. The foregoing is not intended to limit the right of Owners to payment for any amount of the Construction Costs paid by Owners in excess of the proceeds from the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract if the District thereafter finances such amount from future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(iii) Until the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall not have any obligation to repay Owners for any payment of a Construction Cost paid by Owners and after the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract such obligation shall be limited to the amount of the proceeds of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract available for such purpose.

(b) **After Bond Sale.**

(i) Any Construction Cost amounts due pursuant to any Construction Project Construction Contract after the sale and delivery of any of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract shall be provided for by the payment of such Construction Cost amounts from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract.

(ii) Until the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall have no obligation to pay such Construction Cost amounts. Neither the District nor the Municipality shall be liable to Owners for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that the Bonds can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay such Construction Cost amounts.

(c) **If Sufficient Bonds Not Issued**. If the Bonds are not issued or if the proceeds of the sale of the Bonds are insufficient to pay any or all of the amounts described in

Subsections (a) or (b), there shall be no recourse to the District or the Municipality and the District and the Municipality shall have no liability with respect to any Construction Project Construction Contract, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds. Nothing contained in this Section 5.2 shall obligate the Municipality to pay for any Construction Cost from any monies of the Municipality.

ARTICLE VI

MATTERS RELATING TO THE BONDS AND OTHER OBLIGATIONS OF THE DISTRICT

Section 6.1 Bonds Generally.

(a) **Submission of Report; Approval of Bonds.** Upon the submission of a Report, and upon a date established by the District Manager, the District Board shall, in its sole, unfettered discretion, take all such reasonable action necessary for the District to consider the approval or rejection of the Report. If the Report is approved, the District Board may take all reasonable action necessary to issue and sell the Bonds pursuant to the terms and conditions as may be established by the District Board in connection with its approval of the Report (the "*Approval*"), and the provisions of the CFD Guidelines and the Act.

(b) **Sales of Bonds; Amount.** The Bonds may be sold in one or several series, in an amount sufficient (i) to pay the Acquisition Price or the Segment Prices for the Acquisition Infrastructure and all Construction Costs relating to any Construction Project Construction Contract for the Constructed Infrastructure, in each case as established pursuant hereto and in the Approval (hereinafter referred to collectively as the "*Work*") which shall be based on the estimated costs and expenses indicated in the Report or the Approval (hereinafter referred to as the "*Estimate*"), (ii) to pay all other amounts indicated in any Report submitted as required by this Agreement, (iii) to pay all relevant issuance costs related to the applicable series of the Bonds, (iv) to pay capitalized interest for a period not in excess of that permitted by the Act and described in the Report or Approval, and (v) to the extent permitted by law, to fund a debt service reserve fund in an amount not in excess of that permitted by the Act and described in the Report or Approval (collectively, the "*Financeable Amount*").

(c) **Assessment Bonds.**

(i) Assessment Bonds shall be special assessment lien bonds payable from amounts collected from, among other sources, the hereinafter described special assessment (referred to as originally levied and as thereafter may be reallocated as described herein as the "*Assessments*").

(ii) The Assessments shall be based on the Financeable Amount indicated in the Report or the Approval. None of the Acquisition Project Construction Contracts or the Construction Project Construction Contracts applicable to the Work shall be required to be bid or awarded as a prerequisite to the levying of the Assessments.

(iii) The Assessments shall be levied pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable or such other procedures as the District provides.

(iv) In the event of nonpayment of the Assessment, the procedures for collection thereof and sale of the applicable portion of the Property may be established by the

District, or the District may adopt the procedures prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended, as nearly as practicable, except that, under all procedures, neither the District nor the Municipality is required to purchase any of the Property at the sale if there is no other purchaser.

(v) To prepay, from property Owners payments, in whole or in part the applicable portion of the Assessment, on any interest payment date, the following shall be paid in cash to the District: (A) the interest on such portion to the next date Bonds may be redeemed plus (B) the unpaid principal amount of such portion rounded up to the next highest multiple of the lowest authorized denomination of the Bonds plus (C) any premium due on such redemption date with respect to such portion plus (D) any administrative or other fees charged by the District with respect thereto.

(vi) The Owners hereby acknowledges that lenders and Lienholders involved in financing future improvements on the Property (including mortgages for single family residences) may require that liens associated with the Assessment (or applicable portions thereof) be paid and released prior to accepting a lien with respect to any such financing.

(vii) This Agreement shall be construed to be an express consent by the Owners that (A) the District Board may designate the boundaries of an Assessment area; (B) the District may, with respect to the Property, incur costs and expenses necessary to complete the Work provided that the Work is a part of a Construction Project, and (C) the District may levy and collect the Assessments in amounts sufficient to pay all costs and expenses of the Financeable Amount, including the Work.

Section 6.2 Requirements for Assessment Bonds.

(a) **CFD Guidelines Apply.** The terms and provisions of the Assessment Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by this Agreement or the Approval.

(b) **Appraisal; Coverage Ratio.** At the time of sale of the Assessment Bonds, an appraisal dated not earlier than six (6) months prior to the date of sale of the Assessment Bonds, in form and substance satisfactory to the District, in its sole and absolute discretion, and prepared by an MAI appraiser (the "*Appraisal*") must show that the wholesale (bulk) value of each assessed parcel or lot in any assessment area securing the Assessment Bonds (as improved by the public infrastructure described in the relevant Report) less five percent (5%), is worth at least six times (in the case of a public sale of Assessment Bonds) and four times (in the case of a sale of the Assessment Bonds to qualified institutional buyers [as defined in Rule 144A as amended], accredited investors [as defined in Rule 501(a), Regulation A, as amended]) or sophisticated municipal market participants, as much as the principal amount of the Assessment Bonds allocated to each assessed parcel.

(c) **Financial Assurance.** At the time of sale of the Assessment Bonds, and to the extent not already provided by the contractors pursuant to the Public Bid Requirements, Owners shall provide or cause to be provided financial assurances in the form of escrowed cash,

bonds, letter of credit or other similar assurances, accessible by the District and in each case in form acceptable to the District Manager, for amounts necessary to pay all costs and expenses associated with providing all the public infrastructure purposes described in the Report as well as any unpaid costs and expenses of any public infrastructure purposes not paid or payable from the proceeds of the sale of the Assessment Bonds because such proceeds are insufficient in amount for such purposes. The foregoing is not intended to limit the right of Owners to reimbursement for any amount advanced in excess of the proceeds from the sale of the Assessment Bonds if the District is able to finance such amount from other or future Assessment Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future reimbursement.

(d) **Reserve Fund.** Unless reduced by the District Board in the Approval, the amount of the Assessment Bonds and the "sale proceeds" thereof shall be sized to include an amount sufficient to fund a reserve to secure payment of debt service on the Assessment Bonds. Payment from such reserve shall not effect a reduction in the amount of the Assessment, and any amount collected with respect to the Assessment thereafter shall be deposited to such reserve to the extent the Assessment is so paid therefrom.

Section 6.3 Requirements for General Obligation Bonds.

(a) **CFD Guidelines Apply.** Proceeds of G.O. Bonds may be used for any purpose permitted by the Act. The terms and provisions of the G.O. Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by, or inconsistent with, this Agreement or the Approval.

(b) **Tax Levy for Bonds.** The District may annually levy and collect an ad valorem tax upon all taxable property in the District which shall be sufficient after giving prudent consideration to other funds available to the District to pay when due the principal of, interest on and premium, if any, on the G.O. Debt (as hereinafter defined) incurred by the District to finance the construction or acquisition of public infrastructure.

(c) **Limited on Tax Levy For Bonds.** No indebtedness (indebtedness shall not include maintenance, administrative or operation expenses) secured by a pledge of ad valorem taxes, including, but not limited to, G.O. Bonds (collectively hereinafter referred to as "*G.O. Debt*"), shall be incurred unless ninety-five percent (95%) of the amount of ad valorem taxes estimated to be collected at a tax rate of not greater than three dollars ($3.00) per one hundred dollars ($100.00) of the secondary assessed value of the taxable property within the District, is sufficient to pay the highest combined debt service requirements for the proposed G.O. Debt and any other G.O. Debt outstanding. The secondary assessed value of the taxable property shall, for purposes of this paragraph, be equal to the value at the time of the issuance of the proposed G.O. Debt as shown in the records of the County Assessor. Notwithstanding the foregoing or any other provision of this Agreement, G.O. Debt may be authorized by the District Board in its sole discretion, for situations where a tax rate greater than three dollars ($3.00) per one hundred dollars ($100.00) of secondary assessed value of taxable property would be necessary to pay the highest combined debt service of the proposed and outstanding G.O. Debt, if other sources of revenue or additional security acceptable to the District Board are pledged to

pay debt service on the G.O. Debt in an amount that, when combined with the taxes collected at three dollars ($3.00) tax rate or less, provides a sufficient amount to pay the highest combined debt service of the proposed and outstanding G.O. Debt.

Section 6.4 **General Requirements.** The following requirements are hereby established and required with respect to any financing by the District.

(a) **Limited Offering of Bonds; Transfer Restrictions.** The District may impose offering and transfer restrictions with respect to any issue of Bonds. Such restrictions may include but are not limited to the following: Except as permitted below, the Bonds (Assessment Bonds or G.O. Bonds) shall be sold only to accredited investors (as defined in Rule 501(a), Regulation D as amended), qualified institutional buyers (as defined in Rule 144A, as amended) or sophisticated municipal market participants. Secondary transfers of the Bonds will be permitted upon the execution by the bondholder of a certificate, in a form satisfactory to the District, which contains at a minimum, the following certifications:

(i) the purchaser of the Bond is either an accredited investor, a qualified institutional buyer or a sophisticated municipal market participant;

(ii) the purchaser of the Bond represents that it is knowledgeable in such investments, and has independently evaluated the factors associated with its investment decision and has not relied on the District or the Municipality for any due diligence or disclosure;

(iii) the purchaser is purchasing the Bond for its own account and not with a view towards distribution; and

(iv) the purchaser of the Bond acknowledges that further transfers of such investment shall require a similar certification;

The transfer restrictions may terminate upon: with respect to G.O. Bonds, the rating of the G.O. Bonds at "A" or higher, and, with respect to Assessment Bonds, the rating of the Assessment Bonds at "A" or higher or the appraised value as required by Section 6.2(b) of the real property subject to assessment results in a value to lien ratio greater than 6 to 1 (including in the amount of the lien overlapping special assessment liens).

(b) **Disclosure of Limited Liability.** Any disclosure document prepared in connection with the offer or sale of Bonds must clearly indicate that neither the Municipality nor the State of Arizona or any political subdivision of either (other than the District) shall be liable for the payment or repayment of any obligation, liability, bond or indebtedness of the District, and neither the credit nor the taxing power of the Municipality, the State of Arizona, or any political subdivision of either (other than the District) shall be pledged therefor.

(c) **Disclosure to Purchasers.** A disclosure document must be provided by Owners or Owners' successor to each potential purchaser of a residential lot within the District disclosing the existence of an Assessment or tax (assuming such Assessment or tax remains at the time of sale to the potential purchaser). Each potential purchaser must acknowledge in

writing that the purchaser received and understood the disclosure document. The District shall maintain records of the written acknowledgments. To provide evidence satisfactory to the District Board that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, a disclosure pamphlet substantially in the form of *Exhibit "E"* hereto (the "*Pamphlet*") shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Board and Owners. Owners agree to require each homebuilder to perform the obligations set forth in Section 9.2 of this Agreement.

(d) **Continuing Disclosure Undertaking.** Each Obligated Person (as defined in Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "*Rule*")) shall execute and deliver, and thereafter comply with and carry out all the provisions of, a "*Continuing Disclosure Undertaking*" with respect to the Bonds which shall be in a form satisfactory to the District and the purchaser of the Bonds for such purchaser to comply with the requirements of the Rule.

ARTICLE VII

ACCEPTANCE BY THE MUNICIPALITY; MAINTENANCE; APPLICABILITY OF THE INTERGOVERNMENTAL AGREEMENT ACT

Section 7.1 **Acceptance of Improvements.** Upon satisfaction of the terms for acceptance set forth in this Agreement, and simultaneously with the payment of the related Project Price, Segment Price or Construction Costs of a Construction Project, the Acquisition Project or Segment of Acquisition Infrastructure or the Construction Project, as the case may be, shall be accepted by the Municipality, subject to the conditions pursuant to which facilities such as the Acquisition Project, Segment or Construction Project, as the case may be, are typically accepted by the Municipality and shall be made available for use by the general public.

Section 7.2 **District Expenses.**

(a) **District Administrative Expenses.** "*District Administrative Expenses*" shall include all the operating and administrative costs and expenses of the District, including but not limited to, District Consulting Costs, Municipality Services (as hereafter defined) and that portion of Municipality Overhead related to operating and administrative functions of the District. District Administrative Expenses will not include any costs or expenses paid by the District from revenues or taxes collected to pay the Debt Service (as such term is defined in the Act) on any Bonds of the District. District Administrative Expenses shall include Municipality Services and Municipality Overhead (as hereafter defined).

(b) **District Maintenance Expenses.** "*District Maintenance Expenses*" shall include all maintenance and operational costs and expenses, including a Replacement Reserve Amount, of any Segment, Construction Project or other public improvement financed by the District. District Maintenance Expenses shall include Municipality Services and that portion of Municipality Overhead related to the maintenance functions of the District.

"*Replacement Reserve Amount*" shall mean an amount calculated using reasonable accounting practices based on the useful life of the various assets established by the Internal Revenue Code. The Replacement Reserve Amount shall include and be limited to a replacement or depreciation reserve for the following improvements financed by the District: (i) water system improvements, other than transmission lines, (ii) sewer treatment plants and facilities, including improvements, other than collection lines, relating to the disposal of solids, and (iii) any other depreciable capital public improvements, provided the Municipality has established and funded similar replacement or depreciation reserves for substantially all like kind capital public improvements not financed by the District.

With respect to District Maintenance Expenses relating to the water system and sewer system utility enterprises, such applicable District Maintenance Expenses shall be reduced by the amount of water or sewer system revenues received from the consumers located in the District. To the extent that the Municipality or the District establish rates for water or sewer services within the District that are less than rates charged elsewhere in the Municipality, the amount of revenues deemed received from consumers located in the District shall be computed

as though the rates charged to such consumers were the same as the rates charged elsewhere in the Municipality.

(c) **Enhanced Maintenance Expenses.** "*Enhanced Maintenance Expenses*" shall mean all District Maintenance Expenses attributable to any Acquisition Project, Segment, Construction Project or other public improvement financed by the District or part thereof, other than water improvements or sewer treatment facilities, that are in excess of the maintenance and operational expenses normally incurred by the Municipality in connection with maintaining or operating a similar public service or improvement (the "*Standard Municipality Expense*"). The Standard Municipality Expense will be established by the Municipality using actual historical costs and expenses and the Municipality's management/accounting practices. By example and not as a limitation, the Municipality will establish its Standard Municipality Expense related to right-of-way landscaping and if the Owners install enhanced landscaping, other than at the request of the Municipality, the costs and expenses in excess of the Standard Municipality Expense incurred to maintain the landscaping shall constitute Enhanced Maintenance Expenses.

In establishing the Standard Municipality Expenses, the Municipality shall annually review its actual costs, excluding the actual costs in the District or any other community facilities district providing enhanced services or public improvements. Enhanced Maintenance Expenses shall not include maintenance and operation expenses attributable to enhanced public service levels or public improvements if such enhanced public service levels or public improvements were imposed on the Owners by the Municipality and the Owners would have not otherwise provided such enhancements.

(d) **Charges of Municipality.** District Administrative Expenses and District Maintenance Expenses shall include a charge by the Municipality to the District for: (i) the reasonable cost of Municipality services provided directly to the District ("*Municipality Services*"), and (ii) Municipality overhead expenses allocated to the District ("*Municipality Overhead*"). Any charge of Municipality Services shall be the cost of those services provided to the District by the Municipality calculated using sound management/accounting principals. Any charge of Municipality Overhead to the District shall be made by the Municipality pursuant to sound management/accounting practices consistently applied by the Municipality in allocating costs, expenses and funded depreciation reserves to its service areas, departments or special projects. Owners shall have the right to review and comment to the Municipality upon the allocation practices and methodologies used in allocating Municipality Services or Municipality Overhead and have the right, at Owners expense and during normal business hours, to review the Municipality's records to verify the costs and expenses of the Municipality.

Section 7.3 O&M Tax.

(a) **Amount of O&M Tax.** The District Board shall levy and collect a maintenance and operation ad valorem tax not to exceed thirty cents ($.30) per one hundred dollars ($100.00) of assessed valuation on all taxable property within the District ("*O&M Tax*"). To the extent the proceeds from the O&M Tax exceed the expenses and costs described in this Article VII, such O&M Tax shall be reduced to provide a proper matching of proceeds to expenses.

(b) **Use of Proceeds of O&M Tax.** The proceeds of the O&M Tax may be used by the District for any lawful maintenance, operational or administrative purpose as provided in the Act. While the Owners are obligated to pay any amounts pursuant to Section 7.4 of this Agreement, the O&M Tax shall be applied only to the following expenses and in the following priority: (i) payment of District Administrative Expenses; (ii) payment of Enhanced Maintenance Expenses; (iii) payment of District Maintenance Expenses, other than District Maintenance Expenses described in Section 7.4(a)(i) below; and (iv) District Maintenance Expenses described in Section 7.4(a)(i) below.

Section 7.4 Owners or HOA Maintenance Obligation.

(a) **Landscaping.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners, or a homeowners association, if such homeowners association is, to the satisfaction of the District, legally obligated to pay and is comprised of more than one thousand (1000) homes ("*HOA*") shall maintain, at its expense, all landscaping located within any park (except as otherwise expressly agreed with respect to a public park), right-of-way or public easement.

(b) **District Administrative and Maintenance Expenses.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners (or an HOA if, to the satisfaction of the District or Municipality, the HOA is legally obligated and is financially capable of bearing the costs) agree to pay the following expenses to the extent all or part of such expenses are not paid by the O&M Tax: (i) the District Administrative Expenses; (ii) the Enhanced Maintenance Expenses; and (iii) the District Maintenance Expenses, other than Enhanced Maintenance Expenses.

Further, notwithstanding the foregoing, the Owners shall not be obligated to pay the amounts owing pursuant to Section 7.4(b) for any public improvements financed by the District in response to a Report submitted by the District or a third party other than the Owners, provided however, Owners as a member of a group of either taxpayers or assessed parcel owners who, as a result of a uniformly applied tax or assessment methodology is liable for payments relating to improvements financed in response to a Report submitted by the District, shall have all rights and obligations established by the proceedings, including the right to protest and the obligation to pay amounts owed.

(c) **Maintenance Threshold.** The District or Municipality, with the participation of the Owners engineer, shall establish at the time of the submission of the Report boundaries of the served or benefited area (the "*Benefit Area*") for each Acquisition Project, Segment or Construction Project. Notwithstanding paragraph 7.4(b)(iii) above, the Owners or HOA, as applicable, shall not be obligated to pay the District Maintenance Expenses (other than Enhanced Maintenance Expenses) after the date ninety-five percent (95%) of the area benefited by the particular Acquisition Project, Segment, Construction Project or other public improvement financed by the District has been developed, based on the development

entitlements in effect from time to time within such benefited area (the "*Maintenance Threshold*"). While the Owners obligations under Section 7.4(b) are in effect, District Maintenance Expenses shall not include expenses related to street maintenance of streets within a Benefit Area that has satisfied the Maintenance Threshold.

Section 7.5 **Intergovernmental Agreement Act.** Notwithstanding any other provision of this Agreement to the contrary, the provisions of Article V, Article VII, Sections 8.1, 9.3 through 9.19, inclusive, are the only provisions that are effective for, from and against the Municipality for purposes of the Intergovernmental Agreement Act and as the Intergovernmental Agreement Act is intended to be applied for purposes of this Agreement.

ARTICLE VIII

INDEMNIFICATION AND INSURANCE

Section 8.1 **Indemnification.**

(a) **Generally.** The Owners or such other financially acceptable entity determined by the District Manager (1) shall indemnify and hold harmless the Municipality and the District and each council member, director, trustee, partner, member, officer, official, independent contractor or employee thereof and each person, if any, who controls the Municipality and/or the District within the meaning of the Securities Act of 1933, as amended (hereinafter the Securities Act of 1933 and the Securities Exchange Act of 1934 are referred to as the "*Securities Acts*"), (any such person being herein sometimes called an "*Indemnified Party*") for, from and against any and all losses, claims, damages or liabilities, joint or several, relating to: (i) the formation, activities or administration of the District; (ii) the levy and collection of any tax or assessment; (iii) the offer or sale of any Bonds; (iv) the claims of any contractor, vendor, subcontractor or supplier under any Acquisition Project Construction Contract or Construction Project Construction Contractor, or (v) or the carrying out of the provisions of this Agreement, including particularly but not by way of limitation (A) any Acquisition Project, Acquisition Project Construction Contract, and Construction Project, (B) any claim, loss, lawsuit, administrative action or other challenge to which any such Indemnified Party may become subject, under the Securities Acts or any other statute or regulation at law or in equity or otherwise, including but not limited to, losses, claims, damages or liabilities (or actions in respect thereof) arising out of or based upon any untrue statement or alleged untrue statement of a material fact set forth in any offering document relating to the Bonds, or any amendment or supplement thereto, or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or which is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect, or (C) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Owners (which consent shall not be unreasonably withheld); and (2) shall, subject to the Owners rights to defend in (c) below, reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action.

(b) **Limitation.** This Section shall not be applicable to matters involving any gross negligence or willful misconduct of any Indemnified Party.

(c) **Procedure.** Promptly after the receipt of notice of a written threat of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the Owners, an Indemnified Party shall notify the Owners in writing of the commencement thereof and provide a copy of the written threat received by such Indemnified Party. Failure of the Indemnified Party to give such notice shall reduce the liability of the Owners by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Owners, but the omission to notify the Owners of any such action shall

not relieve the Owners from any liability that it may have to such Indemnified Party otherwise than under this section. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Owners of the commencement thereof, the Owners may, or if so requested by such Indemnified Party shall, participate therein or defend the Indemnified Party therein, with counsel satisfactory to such Indemnified Party and Owners (it being understood that, except as hereinafter provided, the Owners shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Owners to such Indemnified Party of an election so to assume the defense thereof, the Owners shall not be liable to such Indemnified Party under this section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof; provided, however, that unless and until the Owners defend any such action at the request of such Indemnified Party, the Owners shall have the right to participate at their own expense in the defense of any such action. If the Owners shall not have employed counsel to defend any such action or if an Indemnified Party shall have reasonably concluded that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Owners (in which case the Owners shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, the legal and other expenses, including the expense of separate counsel, incurred by such Indemnified Party shall be borne by the Owners.

ARTICLE IX

MISCELLANEOUS

Section 9.1 **Tax Covenant.** None of the Municipality, the District nor the Owners shall knowingly take, or cause to be taken, any action which would cause interest on any Bond to be includable in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

Section 9.2 **Pamphlet.**

(a) **Preparation of Pamphlet.** To provide evidence satisfactory to the District Manager that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, the Pamphlet shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Manager and the Owners.

(b) **Distribution of Pamphlet; Disclosure Statement.** The Owners shall require that each homebuilder to whom the Owners have sold land shall:

(i) provide the Pamphlet to any prospective purchaser of land;

(ii) cause any purchaser of land to sign a disclosure statement upon entering into a contract for purchasing such land, such disclosure statement to acknowledge receipt of a copy of the Pamphlet and to disclose the effect of the special assessments on the District of the Bonds in a form reasonably acceptable to the District Manager;

(iii) provide a copy of each fully executed disclosure statement to be filed with the District Manager; and

(iv) provide such information and documents, including audited financial statements to the District, but only to the extent necessary for the District's compliance with Rule 15c2-12 of the Securities Exchange Act of 1934.

Section 9.3 **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective legal representatives, successors and assigns; provided, however, that none of the parties hereto shall be entitled to assign its right hereunder or under any document contemplated hereby without the prior written consent of the Lienholders to this Agreement, which consent shall not be unreasonably withheld or delayed.

Section 9.4 **Further Assurances.** Each party hereto shall, promptly upon the request of any other, have acknowledged and delivered to the other any and all further

instruments and assurances reasonably requested or appropriate to evidence or give effect to the provisions of this Agreement.

Section 9.5 **Entire Understanding; Amendment.** This Agreement, by and among the Municipality, the District and the Owners set forth the entire understanding of the parties as to the matters set forth herein as of the date this Agreement is executed and cannot be altered or otherwise amended except pursuant to an instrument in writing signed by each of the parties hereto. This Agreement is intended to reflect the mutual intent of the parties with respect to the subject matter hereof, and no rule of strict construction shall be applied against any party.

Section 9.6 **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Arizona.

Section 9.7 **Waiver.** The waiver by any party hereto of any right granted to it under this Agreement shall not be deemed to be a waiver of any other right granted in this Agreement nor shall the same be deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived under or by this Agreement.

Section 9.8 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, but all of which taken together shall constitute one of the same instrument.

Section 9.9 **Release and Discharge.** This Agreement supercedes all previous written or oral agreements or understandings regarding the subject matter of this Agreement. The Owners knowingly and voluntarily forever releases and discharges the Municipality and all of its past and present elected officials, officers, directors, agents, employees, successors, assigns, attorneys, and representatives from all legal and equitable claims, causes of action, debts, accounts, and damages, known or unknown, asserted or unasserted, and of every nature and extent whatsoever, that the Owners have against the Municipality, and arising from actions, omissions, delays or other events that occurred prior to the date of this Agreement.

Section 9.10 **Cancellation; Covenant.** Pursuant to and for purposes of Section 38-511, Arizona Revised Statutes, as amended, the Municipality and the District may, within three years after its execution, cancel this Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, is, at any time while this Agreement is in effect, an employee or agent of the Owners in any capacity or a consultant to any other party of this Agreement with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, from the Owners arising as the result of this Agreement. The Owners have not taken and shall not take any action which would cause any person described in the preceding sentence to be or become an employee or agent of the Owners in any capacity or a consultant to any party to this Agreement with respect to the subject matter of this Agreement.

Section 9.11 **Term of Agreement.** The term of this Agreement shall be as of the date of the execution and delivery hereof by each of the parties hereto and shall expire upon the earlier of: (i) the agreement of the District, the Municipality and the Owners to the termination hereof; (ii) the dissolution of the District (which the parties hereto shall, to the extent permitted by applicable law, cause to occur an soon as practicable after the later of the issuance of the Bonds and the payment in full or provision for payment in full of the Bonds) or: (iii) June 1, 2050.

Section 9.12 **Notices.** All notices, certificates or other communications hereunder (including in the Exhibits hereto) shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid addressed as follows:

If to the Municipality:

Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: Town Manager

If to the District:

Festival Ranch Community Facilities District
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: District Manager

With Copy to:

Gust Rosenfeld, P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327
Attention: Scott W. Ruby, District Attorney

If to the Owner:

10,000 West, L.L.C.
8777 N. Gainey Center Drive, Suite 205
Scottsdale, Arizona 85258
Attention: Dick Frye, Vice President

PULTE HOME CORPORATION
15111 North Pima Road
Scottsdale, AZ 85260
Attention: Steve Kunzweiler, Manager of Planning & Entitlements

Any of the foregoing, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 9.13 **Severability.** If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 9.14 **Headings and Titles.** The headings or titles of the several Articles and Sections hereof and in the Exhibits hereto, and any table of contents appended to copies hereof and thereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Exhibits," "Articles," "Sections," and other subdivisions are to the corresponding Exhibits, Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Exhibit, Article, Section or subdivision hereof.

Section 9.15 **Obligations Imposed by Law.** This Agreement does not relieve any party hereto of any obligation or responsibility imposed upon it by law.

Section 9.16 **Record with County Recorder.** No later than ten (10) days after this Agreement is executed and delivered by each of the parties hereto, the Owners shall on behalf of the Municipality and the District record a copy of this Agreement with the County Recorder of Maricopa County, Arizona.

Section 9.17 **Survival of Agreements.** Unless otherwise expressly provided, the representations, covenants, indemnities and other agreements contained herein shall be deemed to be material and continuing, shall not be merged and shall survive any conveyance or transfer provided herein.

Section 9.18 **Force Majeure.** If any party hereto shall be unable to observe or perform any covenant or condition herein by reason of "force majeure," then the failure to observe or perform such covenant or condition shall not constitute a default hereunder so long as such party shall use its best efforts to remedy with all reasonable dispatch the event or condition causing such inability and such event or condition can be cured within a reasonable amount of time. "Force majeure," as used here, means any condition or event not reasonably within the control of such party, including, without limitation, acts of God; strikes, lockouts, or other disturbances of employer/employee relations; acts of public enemies; orders or restraints of any kind of the government of the United States or any State thereof or any of their departments, agencies, or officials, or of any civil or military authority; insurrection; civil disturbances; riots;

epidemics; landslides; lightning; earthquakes; subsidence; fires; hurricanes; storms; droughts; floods; arrests; restraints of government and of people; explosions; and partial or entire failure of utilities. Failure to settle strikes, lockouts and other disturbances of employer/employee relations or to settle legal or administrative proceedings by acceding to the demands of the opposing party or parties, in either case when such course is in the judgment of the party hereto unfavorable to such party, shall not constitute failure to use its best effort to remedy such a condition or event.

Section 9.19 **Consent.** Whenever the consent or approval of any party hereto, or of any agency therefor, shall be required under the provisions hereof, such consent or approval shall not be unreasonably withheld, conditioned or delayed.

Section 9.20 **Lienholders.** The Lienholders join in the execution of this Agreement for the sole purpose of binding their respective interests in lands within the District and consenting to all matters agreed to herein by the Owners, and the Lienholders do not, by joining in the execution of this Agreement, obligate themselves to any of the affirmative obligations set forth herein on the part of the Owners.

IN WITNESS WHEREOF, the officers of the Municipality and of the District have duly affixed their signatures and attestations, and the officers of the Owners their signatures, all as of the day and year first written above.

TOWN OF BUCKEYE, ARIZONA

By _____
Dustin Hull, Mayor

ATTEST:

_____
Town Clerk

Pursuant to A.R.S. Section 11-952(D), this Agreement has been reviewed by the undersigned attorney for the Municipality who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the Municipality.

_____
Scott W. Ruby, Town Attorney

FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

By _____
Chairman, District Board

ATTEST:

_____
District Clerk

Pursuant to A.R.S. Section 11-952(D), this Agreement has been reviewed by the undersigned attorney for the District, who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the District.

District Counsel

State of Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of April, 2005, by Dustin Hull, as Mayor of the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona.

Notary Public

My commission expires:

March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

State of Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of April, 2005, by DUSTIN HULL, as Chairman of the District Board of Festival Ranch Community Facilities District, an Arizona community facilities district.

Notary Public

My commission expires:

March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

10,000 WEST, LLC, a limited liability company

By Philip A. Edlund

Its Secretary

PULTE HOME CORPORATION, a Michigan corporation

By

Its Attorney in Fact

STATE OF AZ
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 23 day of March, 2005, by Philip A. Edlund, Secretary of 10,000 West, LLC, a limited liability company, on behalf of the company.

Charlene Sarich
Notary Public

My commission expires:

9-13-07

OFFICIAL SEAL
CHARLENE SARICH
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires Sept. 13, 2007

STATE OF AZ
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 4 day of APRIL, 2005, by MIKE BRILZ, ATTORNEY IN FACT of Pulte Home Corporation, a Michigan corporation, on behalf of the corporation.

Jackie Wilmoth
Notary Public

My commission expires:

JUNE 15, 2007

OFFICIAL SEAL
JACKIE WILMOTH
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires June 15, 2007

LIENHOLDER
CONSENT AND AGREEMENT

Reference is made to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District, dated as of April 21, 2005, by and among the Town of Buckeye, Arizona, the Festival Ranch Community Facilities District, 10,000 West, L.L.C. and Pulte Home Corporation to which this Consent and Agreement is attached (the "*Development Agreement*"). All capitalized terms used and not otherwise defined in this Consent and Agreement shall have the meanings set forth in this Development Agreement. The undersigned 10,000 West, L.L.C., an Arizona limited liability company ("*Beneficiary*"), is the beneficiary under a Performance Deed of Trust dated May 17, 2004 and recorded in the offices of the Maricopa County Recorder on May 18, 2004 as Instrument No. 2004-0549496 (the "*Deed of Trust*"), covering property proposed to be included in this proposed Festival Ranch Community Facilities District (the "*District*"). First American Title Insurance Company, a California corporation is the Trustee under said Deed of Trust (the "*Trustee*"). The undersigned, each as one of the "*Other Parties*" having an interest in the real property within the District to the Development Agreement, acknowledges that the Development Agreement shall bind the real property in which the undersigned has an interest that is located within the District and authorizes the recordation of the Development Agreement with respect to such real property. In no event, however, shall anything in this Consent and Agreement constitute personal assumption by the undersigned of the obligations of the Owner under the Development Agreement.

[SIGNATURE PAGES TO FOLLOW]

10,000 WEST LLC,
an Arizona limited liability company

By: **Lyle Anderson Holding, Inc.,**
a Delaware corporation,
as Manager

By: Patrick R. Whelan

Its: President

FIRST AMERICAN TITLE INSURANCE COMPANY,
A California Corporation, as Trustee

By

Its REGIONAL COUNSEL

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this day, personally appeared before me Patrick R. Whelan, as President of Lyle Anderson Holding, Inc., a Delaware corporation, as Manager of 10,000 West, L.L.C., an Arizona limited liability company, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 21, 2005

Elise V. Peters
Notary Public

OFFICIAL SEAL
ELISE V. PETERS
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Commission Expires September 18, 2008

My commission expires:
Sept. 18, 2008

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 23, 2005

Heather Garber
Notary Public

My commission expires:

June 17, 2005

OFFICIAL SEAL
HEATHER GARBER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

BANK OF SCOTLAND, a banking organization
established by Act of the Scottish Parliament,
as Beneficiary

By _____ RUSSELL OLIVER

Its DIRECTOR.

For and on behalf of the Governor and Company
of the Bank of Scotland

FIRST AMERICAN TITLE INSURANCE COMPANY,
A California Corporation, as Trustee

By _____

Its REGIONAL COUNSEL

ENGLAND.
~~SCOTLAND~~
United Kingdom

The foregoing instrument was acknowledged before me this 25 day of FEBRUARY, 2005, by RUSSELL OLIVER, DIRECTOR. of the Bank of Scotland, a banking organization established by Act of the Scottish Parliament, for and on behalf of the Governor and Company of the Bank of Scotland.

_____
Notary Public

Anthony Janion Gibbs,
Notary Public
Solicitor & Partner with
Cobbetts
Ship Canal House, King Street,
Manchester M2 4WB

My commission ~~expires~~:
as for life.

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, known to me to be the person whose name is above subscribed, and after being first duly sworn, acknowledged upon her/his oath that she/he executed the foregoing for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal on March 23, 2005

Heather Garber
Notary Public

My commission expires:
June 17, 2005

OFFICIAL SEAL
HEATHER GARBER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Jun. 17, 2005

ATTACHMENTS

EXHIBIT A -- Legal Description Of Property To Be Included In The District
EXHIBIT B -- Form of Notice Inviting Bids
EXHIBIT C -- Form Of Certificate Of Engineers For Conveyance Of Segment Of Project
EXHIBIT D -- Form Of Conveyance Of Segment Of Project
EXHIBIT E -- Form Of Disclosure Pamphlet

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

December 9, 2004

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South 00°26'24" West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South 00°23'56" West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South 00°23'04" West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South 00°24'50" West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North 89°35'08" West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North 89°35'25" West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North 89°42'22" West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North 00°19'01" East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 10°31'05" West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of 05°06'05", a distance of 496.37 feet;

Thence South 84°32'16" West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 05°28'11" West;

Thence Westerly, along said curve, through a central angle of 18°10'52", a distance of 1,769.07 feet;

Thence North 77°17'35" West, a distance of 734.70 feet;

Thence South 18°15'19" West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South 40°58'02" West, a distance of 464.78 feet;
Thence South 74°21'22" West, a distance of 761.00 feet;
Thence South 41°37'56" West, a distance of 588.43 feet;

Thence South 03°22'04" East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North 89°31'12" West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North 00°27'37" East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North 89°37'25" West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North 00°30'30" East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 44°33'22" East, a distance of 3,419.52 feet;
Thence North 56°59'46" East, a distance of 496.13 feet;
Thence North 80°26'29" East, a distance of 3,220.32 feet;
Thence North 85°39'45" East, a distance of 497.23 feet;
Thence South 89°08'59" East, a distance of 293.06 feet;
Thence South 00°51'01" West, a distance of 74.97 feet;
Thence South 89°07'56" East, a distance of 300.00 feet;
Thence North 01°19'16" East, a distance of 75.03 feet;

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
Thence North 00°22'19" East, a distance of 200.50 feet;
Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

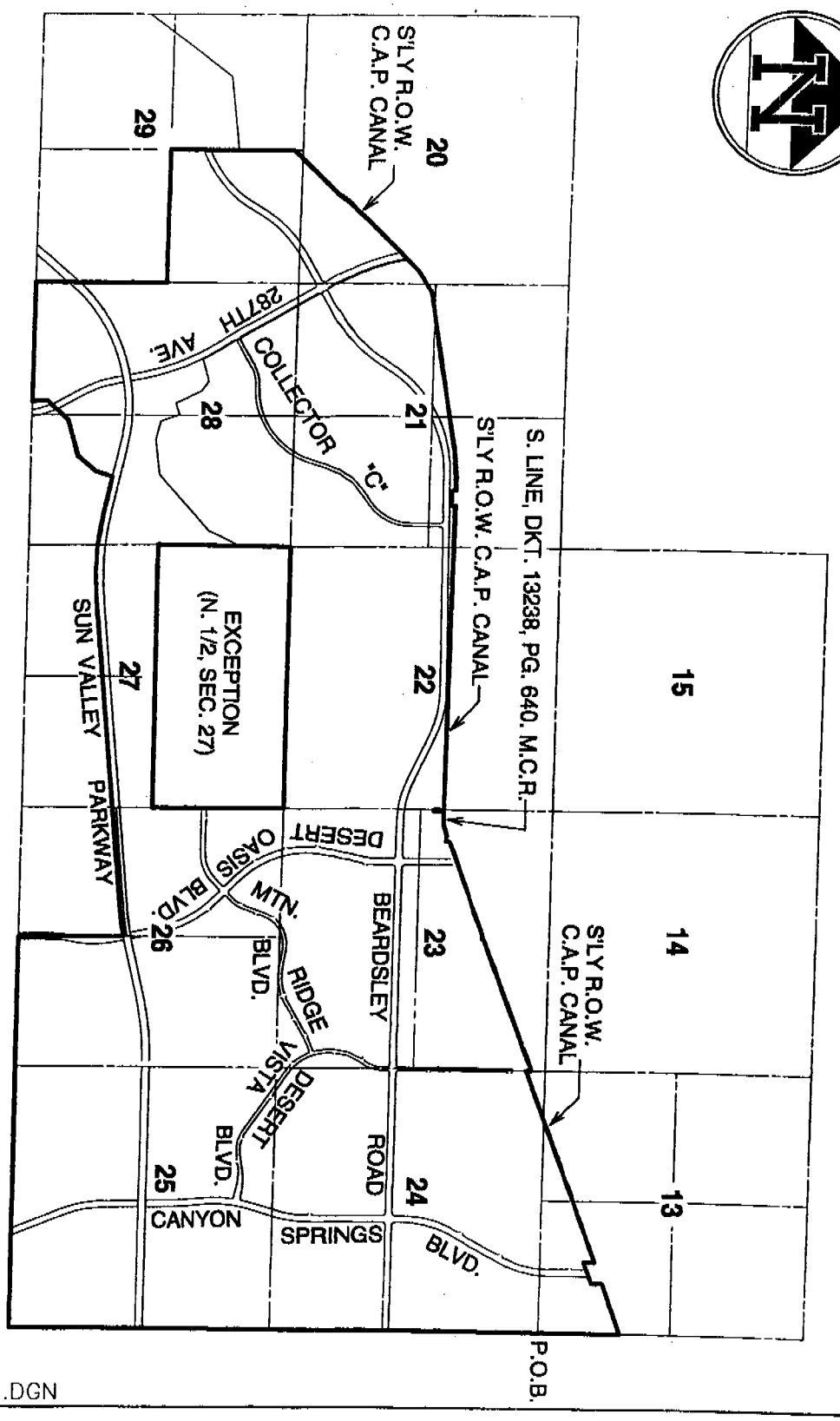
Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.



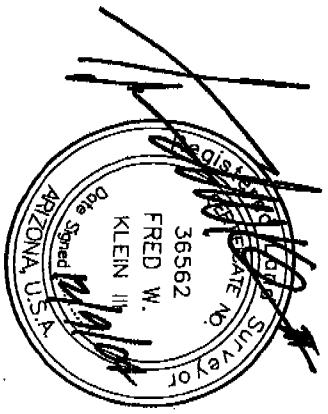


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EXHIBIT	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO 680001
4550 NORTH 12TH ST. PHOENIX, ARIZONA 85014 TEL. (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

EXHIBIT B

FORM OF NOTICE INVITING BIDS TO BE USED SHALL BE SUBSTANTIALLY THE FORM OF NOTICE USED BY THE TOWN OF BUCKEYE FOR WORK BID PURSUANT TO THE ARIZONA REVISED STATUTES AS MAY BE MODIFIED BY THE DISTRICT

Sealed bids will be received by _____ until 10:00 a.m. MST, on _____ at _____. At this time, the bids will be publicly opened and read aloud and award will be made to the lowest responsible bidder. Each bid shall be accompanied by a cashier's check or a bid bond acceptable to _____ for a sum of not less than ten percent (10%) of the amount of the bid, made payable to _____.

No bid will be considered unless it is submitted on the provided bid form. _____ reserves the right to reject all or any part of any bid.

Contact _____, Construction Coordinator, at _____ or _____, the District Engineer, for additional information.

Plans, specifications and bid forms may be obtained for the sum of $_____ from the Construction Coordinator, _____, or by calling _____. This fee is non-refundable. Construction documents will not be available before _____.

For those interested in purchasing plans and specifications by mail, there will be an additional advance charge of $_____ to cover postage and handling. Therefore, a check made payable to _____ in the amount of $_____ should accompany the request. Please allow four to five days for delivery.

The infrastructure which is the subject of the bids is being bid and constructed pursuant to the terms of Development, Financing Participation and Intergovernmental Agreement No. 1 between _____ and _____ Community Facilities District. The successful contractor will not have recourse, directly or indirectly, to the Town of Buckeye or _____ Community Facilities District for any costs under any construction contract or any liability, claim or expense arising therefrom.

A pre-bid conference will be held at _____, _____, at 10:00 a.m. MST. The work consists of construction of:

All bids received in response to this Notice Inviting Bids shall be in conformance with the applicable Arizona State Law.

EXHIBIT C

FORM OF CERTIFICATE OF ENGINEERS FOR CONVEYANCE OF ACQUISITION PROJECT OR SEGMENT OF PROJECT

CERTIFICATE OF ENGINEERS FOR CONVEYANCE OF SEGMENT OF PROJECT

(insert description of Project/Segment)

STATE OF ARIZONA)
COUNTY OF MARICOPA)
FESTIVAL RANCH)
COMMUNITY FACILITIES DISTRICT)
_____)

We the undersigned, being Professional Engineers in the State of Arizona and, respectively, the duly appointed District Engineer for Festival Ranch Community Facilities District (the "*District*"), and the engineer employed by _____ (the "*Owner*"), each hereby certify for purposes of the District Development, Financing Participation and Intergovernmental Agreement No. 1 Festival Ranch Community Facilities District, dated as of _____, 20___ (the "*Agreement*"), by and among the District, the Town of Buckeye, Arizona (the "*Municipality*") and the Owners that:

1. The Acquisition Project or Segment indicated above has been performed in every detail pursuant to the Plans and Specifications (as such term and all of the other initially capitalized terms in this Certificate are defined in the Agreement) and the Contract (as modified by any change orders permitted by the Agreement) for such Segment.

2. The Project Price or Segment Price as publicly bid and including the cost of approved change orders for such Acquisition Project or Segment is $_____.

3. The Owners provided for compliance with the requirements for public bidding for such Acquisition Project or Segment as required by the Agreement (including, particularly but not by way of limitation, Title 34, Chapter 2, Article 1, Arizona Revised Statutes, as amended) or such other applicable law prescribing public bidding requirements in connection with award of the Contract for such Acquisition Project or Segment.

4. The Owners filed all construction plans, specifications, contract documents, and supporting engineering data for the construction or installation of such Acquisition Project or Segment with the Municipality.

5. The Owners obtained good and sufficient performance and payment bonds in connection with such Contract as were required by the Agreement.

DATED AND SEALED THIS _____ DAY OF _____, _____.

By _____
District Engineer

[P.E. SEAL]

By _____
Engineer for the Owner

[P.E. SEAL]

Confirmed for purposes of Sections 1.5, 2.3, 3.2 of the Development Agreement by

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT

_____
District Manager

EXHIBIT D

FORM OF CONVEYANCE OF ACQUISITION PROJECT OR SEGMENT OF PROJECT

(Insert description of Project/Segment)

STATE OF ARIZONA)
COUNTY OF MARICOPA)
FESTIVAL RANCH)
COMMUNITY FACILITIES DISTRICT)
_____)

KNOW ALL MEN BY THESE PRESENTS THAT:

_____, an Arizona _____ (the "*Owner*"), for good and valuable consideration received by the Owners from Festival Ranch Community Facilities District, a community facilities district formed by the Town of Buckeye, Arizona (the "*Municipality*"), and duly organized and validly existing pursuant to the laws of the State of Arizona (the "*District*"), receipt of which is hereby acknowledged **[, and the promise of the District to hereafter pay the amounts described in the hereinafter described Development Agreement*]**, does by these presents grant, bargain, sell and convey to the **[Municipality]**, its successors and assigns, all right, title and interest in and to the following described property, being the subject of a District Development, Financing Participation and Intergovernmental Agreement No. 1 Festival Ranch Community Facilities District, dated as of _____, 20___, by and among the Owners, the Municipality and the District and more completely described in such Development Agreement:

[Insert description of Project/Segment]

together with any and all benefits, including warranties and performance and payment bonds, under the applicable Contract (as such term is described in such Development Agreement) or relating thereto, all of which are or shall be located within public rights-of-way, public utility or other public easements dedicated or to be dedicated by plat or otherwise free and clear of any and all liens, easements, restrictions, conditions, or encumbrances affecting the same **[, such subsequent dedications not affecting the promise of the District to hereafter pay the amount described in such Development Agreement*]**, but subject to all reservations in patents, and all easements, rights-of-way, encumbrances, liens, covenants, conditions, restrictions, obligations and liabilities or other matters as set forth on Schedule I hereto.

TO HAVE AND TO HOLD the above-described property, together with all and singular the rights and appurtenances hereunto in anywise belonging, including all necessary

*Insert with respect to any acquisition financed pursuant to Section 5.1(a) hereof including for any amounts remaining and eligible for reimbursement.

rights of ingress, egress, and regress, subject, however, to the above-described exception(s) and reservation(s), unto the [**Municipality**], its successors and assigns, forever; and the Owners does hereby bind itself, its successors and assigns to warrant and forever defend, all and singular, the above-described property, subject to such exception(s) and reservation(s), unto the [Municipality], its successors and assigns, against the acts of all others.

The Owners binds and obligates itself, its successors and assigns, to execute and deliver at the request of the District any other or additional instruments of transfer, bills of sale, conveyances, or other instruments or documents which may be necessary or desirable to evidence more completely or to perfect the transfer to the [**Municipality**] of the above-described property, subject to the exception(s) and reservation(s) hereinabove provided.

This conveyance is made pursuant to such Development Agreement, and the Owners hereby agrees that the amounts specified above and paid [**or promised to be paid**] to the Owners hereunder satisfy in full the obligations of the District under such Development Agreement for such Project or Segment and hereby releases the District from any further responsibility to make payment to the Owners under such Development Agreement.

The Owners, in addition to the other representations and warranties herein, specifically makes the following representations and warranties:

1. The Owners has the full legal right and authority to make the sale, transfer, and assignment herein provided.

2. The Owners is not a party to any written or oral contract which adversely affects this Conveyance.

3. The Owners is not subject to any bylaw, agreement, mortgage, lien, lease, instrument, order, judgment, decree, or other restriction of any kind or character which would prevent the execution of this Conveyance.

4. The Owners is not engaged in or threatened with any legal action or proceeding, nor is it under any investigation, which prevents the execution of this Conveyance.

5. The person executing this Conveyance on behalf of the Owners has full authority to do so, and no further official action need be taken by the Owners to validate this Conveyance.

6. The facilities conveyed hereunder are all located within property owned by the Owners, public rights-of-way, or public utility or other public easements dedicated or to be dedicated by plat or otherwise.

IN WITNESS WHEREOF, the Owners has caused this Conveyance to be executed and delivered this _____ day of _____, 20___.

_____

By _____
Title: _____

By _____
Title: _____

STATE OF ARIZONA)
COUNTY OF MARICOPA)

This instrument was acknowledged before me on _____, 20___, by _____, of _____, an Arizona _____, on behalf of said company.

_____
Notary Public

My Commission Expires: _____

[NOTARY SEAL]

SCHEDULE I
TO
CONVEYANCE OF SEGMENT OF PROJECT

(Insert all exceptions and reservations to the Conveyance)

EXHIBIT E

FORM OF DISCLOSURE PAMPHLET

FESTIVAL RANCH COMMUNITY
FACILITIES DISTRICT
DISCLOSURE STATEMENT
IMPORTANT – READ CAREFULLY

Buyer(s) _____
Parcel _____
Lot _____
Homebuilder _____

General CFD Provisions

The home you are purchasing is within the Festival Ranch Community Facilities District (the "*CFD*"), which was formed on _____. The CFD was created to finance the acquisition, construction and maintenance of public infrastructure benefiting _____. The cost of acquisition and construction of these improvements is paid for by general obligation and/or special assessment bonds issued by the CFD. The operation and maintenance expenses are paid from an ad valorem property tax levied against all property located within the CFD.

Ad Valorem Taxes of the CFD

General obligation bonds and the CFD operation and maintenance expenses are paid from ad valorem property taxes levied against all taxable property in the CFD. It is currently estimated that payment of the general obligation bonds and the CFD expenses will add approximately $_____ to the property tax rate; however, such tax rate increase could vary depending upon factors including the financing amount and terms, and the amount of the assessed valuation of taxable property within the CFD. Payment of general obligation bonds and expenses are included as part of your regular Maricopa County property tax statement and are in addition to taxes levied by the Town of Buckeye and other political subdivisions.

Special Assessments of the CFD

Special assessment bonds are paid from special assessment payments secured by a special assessment lien on each benefited lot. Special assessment liens pertaining to construction of the initial public infrastructure for _____ are estimated to range from $_____ to $_____ per benefited residential lot (current dollars). Special assessment liens vary depending upon the size of the lot, benefits estimated to be received by each lot, the public improvements to be financed, and the financing terms of each special assessment bond. Bills for the repayment of the special assessment bonds as well as the applicable administrative charges are sent out twice a year and are billed separately from your regular Maricopa County property tax bill. Failure to

timely pay any assessment installment will result in the acceleration of the entire assessment amount and the foreclosure sale of the benefited lot.

Example of Financings' Costs to Homeowner

Based on the developer's proposed financing plan for the CFD during the first _____ years, the following is an illustration of the estimated annual CFD taxes as they related to the repayment of CFD general obligation bonds and CFD Maintenance and Operation expenses as well as a special assessment lien of $_____ that is collected to pay the anticipated CFD special assessment bonds.

Home Sales Price	(A) Estimated General Obligation and Expense Payment (1)	(B) Estimated Special Assessment Payment (2)	(A) & (B) Estimated Total CFD Tax Payments	Estimated Special Assessment Lien Amount
$130,000	$	$	$	$
$150,000	$	$	$	$
$175,000	$	$	$	$
$220,000	$	$	$	$

Footnotes

(1) Represents the repayment of CFD general obligation bond indebtedness and CFD expenses based upon an estimated increase in the ad valorem property tax rate.

(2) Represents the repayment of special assessment bonds assuming a $_____ per lot special assessment lien. Special assessment bond terms assume a ____% interest rate, __-year amortization period, capitalized interest, 10% reserve fund and issuance expenses. To the extent that the bond terms vary from these assumptions, the payment amount will fluctuate. This figure does not include any administrative charges which may be charged by the District and/or third party administrators if any.

All of the taxes, assessments and charges described above are in addition to any taxes, fees and charges imposed by the Town of Buckeye, other political subdivisions and in addition to any assessments or fees imposed by any homeowners association.

Your signature below acknowledges that you have received and read this disclosure at the time you have signed our purchase contract.

[SIGNATURE PAGE TO FOLLOW]

_____
[name]

_____
[address]

_____
[name]

_____
[address]

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-0523799 04/22/2005 13:51
00671820022A-5-4-3--
ELECTRONIC RECORDING

When recorded, return to:

Mr. Scott W. Ruby
Gust Rosenfeld P.L.C.
201 East Washington Street, Suite 800
Phoenix, AZ 85004-2327

NOTICE OF FORMATION OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

STATE OF ARIZONA
COUNTY OF MARICOPA

Pursuant to Resolution No. 39-05, Ordering and Declaring Formation of Festival Ranch Community Facilities District (Town of Buckeye, Arizona), adopted by the Mayor and Council of the Town of Buckeye, Arizona, on April 19, 2005, a community facilities district was formed pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended, over all of the real property described by metes and bounds in *Exhibit A* attached hereto. For further information, please contact Scott W. Ruby at 602.257.7432.

DATED: April 20, 2005

Scott W. Ruby, Attorney for the District

ATTACHMENT:

Exhibit A - Legal Description of District

SWR:gmh 560040 04/20/05

December 9, 2004

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South 00°26'24" West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South 00°23'56" West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South 00°23'04" West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South 00°24'50" West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North 89°35'08" West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North 89°35'25" West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North 89°42'22" West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North 00°19'01" East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 10°31'05" West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of 05°06'05", a distance of 496.37 feet;

Thence South 84°32'16" West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 05°28'11" West;

Thence Westerly, along said curve, through a central angle of 18°10'52", a distance of 1,769.07 feet;

Thence North 77°17'35" West, a distance of 734.70 feet;

Thence South 18°15'19" West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South 40°58'02" West, a distance of 464.78 feet;
Thence South 74°21'22" West, a distance of 761.00 feet;
Thence South 41°37'56" West, a distance of 588.43 feet;

Thence South 03°22'04" East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North 89°31'12" West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North 00°27'37" East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North 89°37'25" West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North 00°30'30" East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 44°33'22" East, a distance of 3,419.52 feet;
Thence North 56°59'46" East, a distance of 496.13 feet;
Thence North 80°26'29" East, a distance of 3,220.32 feet;
Thence North 85°39'45" East, a distance of 497.23 feet;
Thence South 89°08'59" East, a distance of 293.06 feet;
Thence South 00°51'01" West, a distance of 74.97 feet;
Thence South 89°07'56" East, a distance of 300.00 feet;
Thence North 01°19'16" East, a distance of 75.03 feet;

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
Thence North 00°22'19" East, a distance of 200.50 feet;
Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,.

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.

FEASIBILITY REPORT

For The Issuance of

Not to Exceed
$1,450,000 Principal Amount

OF

FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT

(TOWN OF BUCKEYE, ARIZONA)

ASSESSMENT DISTRICT NO. 1
SPECIAL ASSESSMENT REVENUE BONDS,
SERIES 2005

September 6, 2005

TABLE OF CONTENTS

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SECTION ONE

INTRODUCTION; PURPOSE OF FEASIBILITY STUDY; AND GENERAL DESCRIPTION OF DISTRICT

INTRODUCTION

This Feasibility Report (the "Report") has been prepared for presentation to the Board of Directors of the Festival Ranch Community Facilities District (Buckeye, Arizona) (the "District") in connection with the proposed issuance by the District of its Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "Bonds") in a principal amount of not to exceed $1,450,000, pursuant to the Community Facilities Act of 1989, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes (the "Act").

PURPOSE OF FEASIBILITY REPORT

This Report has been prepared for consideration of the feasibility and benefits of the Public Infrastructure (as defined in A.R.S. 48-701) to be financed by the Bonds and of the plan for financing such Public Infrastructure in accordance with the provisions of A.R.S. 48-715. Pursuant to A.R.S. 48-715, this Report includes (i) a description of the Public Infrastructure to be financed [Section Two]; (ii) a map showing, in general, the area to be benefitted by the Public Infrastructure [Section Three]; (iii) an estimate of the cost to acquire, operate and maintain the Public Infrastructure and a timetable for the acquisition of the Public Infrastructure [Section Four]; and (iv) a plan for financing the Public Infrastructure [Section Five].

This Report has been prepared for the consideration of the Board of Directors of the District only. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Report does not attempt to address the quality of the Bonds as investments or the likelihood of repayment of the Bonds. In preparing this Report, financial advisors, appraisers, counsel, engineers, Town staff and other experts have been consulted as deemed appropriate.

GENERAL DESCRIPTION OF THE DISTRICT

Formation of the District was approved by the Town of Buckeye (the "Town") on April 19, 2005 upon the request of all of the landowners within the District. The District consists of approximately 4,015 acres within the approximately 10,354 acre master-planned community called Festival Ranch (the "Project"). The Project is located along Sun Valley Parkway generally between the 259th Avenue and the 291st Avenue alignments. Single-family residential units represent approximately 3,190 acres within the Project.

In addition to residential and commercial development, several community amenities are planned for construction within the District, including three golf courses and recreation centers.

The real property comprising the Assessment District No. 1 consists of 724 lots and approximately 153.2 acres.

The total District acreage and Assessment District No. 1 acreage can be categorized as follows:

Total Project		Approximate District Acres	Approximate Assessment District No. 1 Acres
Single Family Residential Units		3,190	153.2
3 Golf Courses		600	0
Commercial		150	0
Recreation Centers		75	0
	Total	4,015	153.2

The District was created to finance the construction or acquisition of public infrastructure within the District, including to finance the construction or acquisition of the Public Infrastructure. See Section Two for a description of the Public Infrastructure. A legal description of the District and of Assessment District No. 1 is included in Appendix 1. Maps of the District and Assessment District No. 1 are included in Section Three. The acquisition of the Public Infrastructure as defined in this Report is consistent with the Town of Buckeye's approved General Plan for the Project.

Ownership of the property within the Assessment District No. 1 is as follows:

Parcel	Landowner	Approximate Acreage in Assessment District No. 1
A-1 Phase 1	Pulte Home Corporation	4.6
B-1	Pulte Home Corporation	74.4
C-1	Pulte Home Corporation	36.9
D-1	Pulte Home Corporation	37.3
	Total	153.2

SECTION TWO

DESCRIPTION OF PUBLIC INFRASTRUCTURE

DESCRIPTION OF PUBLIC INFRASTRUCTURE

The Public Infrastructure, which will be publicly bid pursuant to state statute, to be financed by the Bonds of the District, with the balance to be financed by a subsequent bond issue or by Pulte Home Corporation ("Pulte Home"), consists of the following. It is expected that the Public Infrastructure listed below will be acquired from Pulte Home with estimated cost and construction timing as noted.

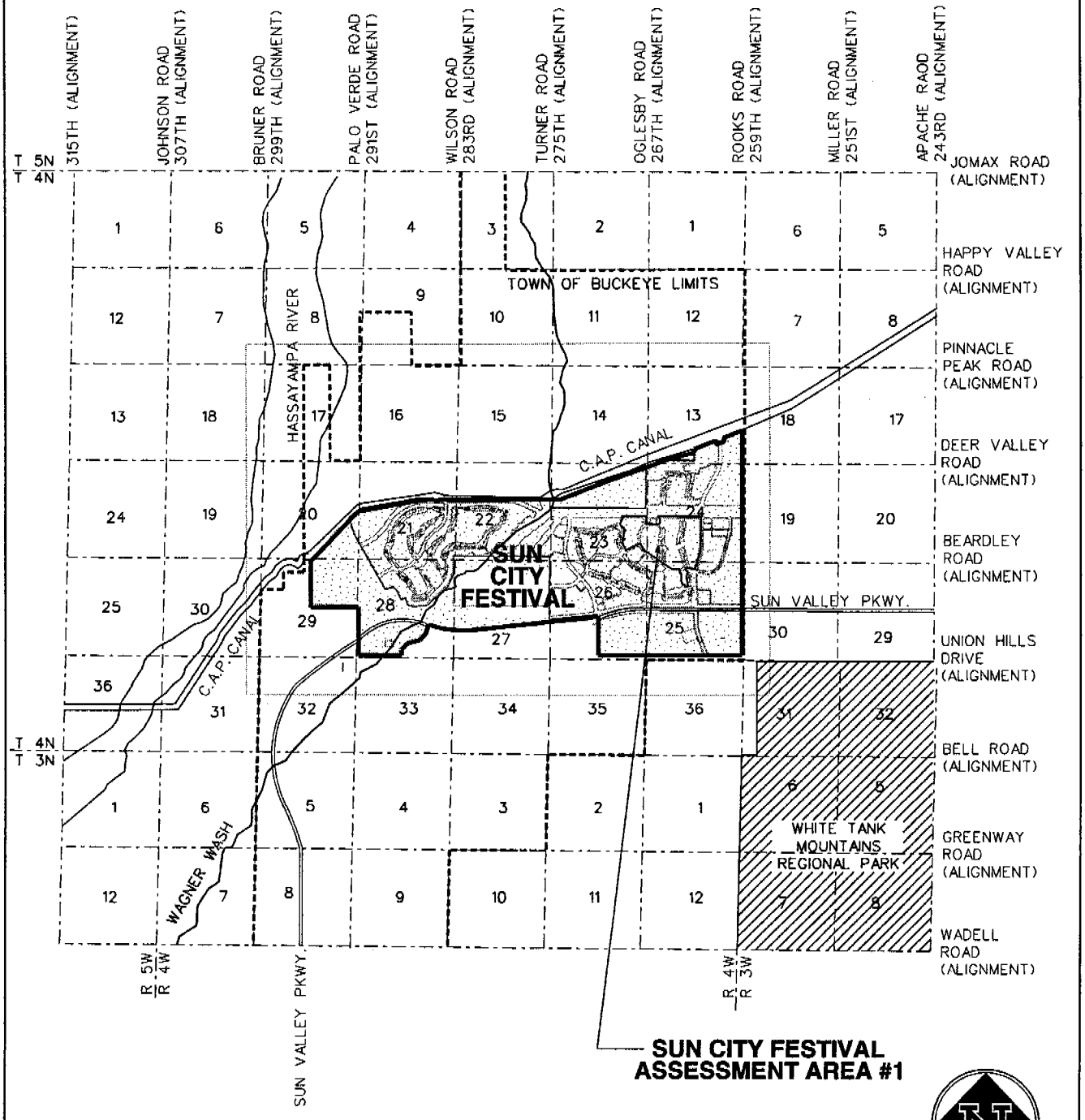
PARCEL	LOTS	DESCRIPTION	LINEAR FEET	EST. COST	COMPLETION
A-1 Phase 1	24	1. Wahalla Lane, 264th Avenue	1,159	$121,695	February 2006
B-1	408	2. Ross Ave., Potter Dr., Burnett Rd., Mohawk Ln., Runion Dr., Runion Ln., Yukon Dr., Yukon Ct., Tonopah Dr., Tonopah St., Pontiac Dr., Sierra Pinta Dr., Escuda Dr., 262nd Dr., 263rd Dr., 264th Ave., 264th Dr., 265th Ave., 265th Dr., Sierra Pinta Dr.	19,493	2,046,765	June 2006
C-1	143	3. Irma Ln., Burnett Rd., Mohawk Ln., Runion Dr., Tonopah Dr., Tonopah Ct., Yukon Ct., 267th Ave., 266th Ave.	6,763	710,115	December 2006
D-1	149	4. Ross Ave., Potter Dr., Irma Ln., Mohawk Ln., Runion Dr., 268th Dr., 268th Ave., 267th Dr., 267th Ln.	6,627	695,835	May 2007
TOTAL	**724**		**34,042**	**$3,574,410**	

SECTION THREE

MAP OF THE DISTRICT AND MAP OF ASSESSMENT DISTRICT NO. 1

SUN CITY FESTIVAL

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



VICINITY MAP

SCALE : NONE

Pulte Homes

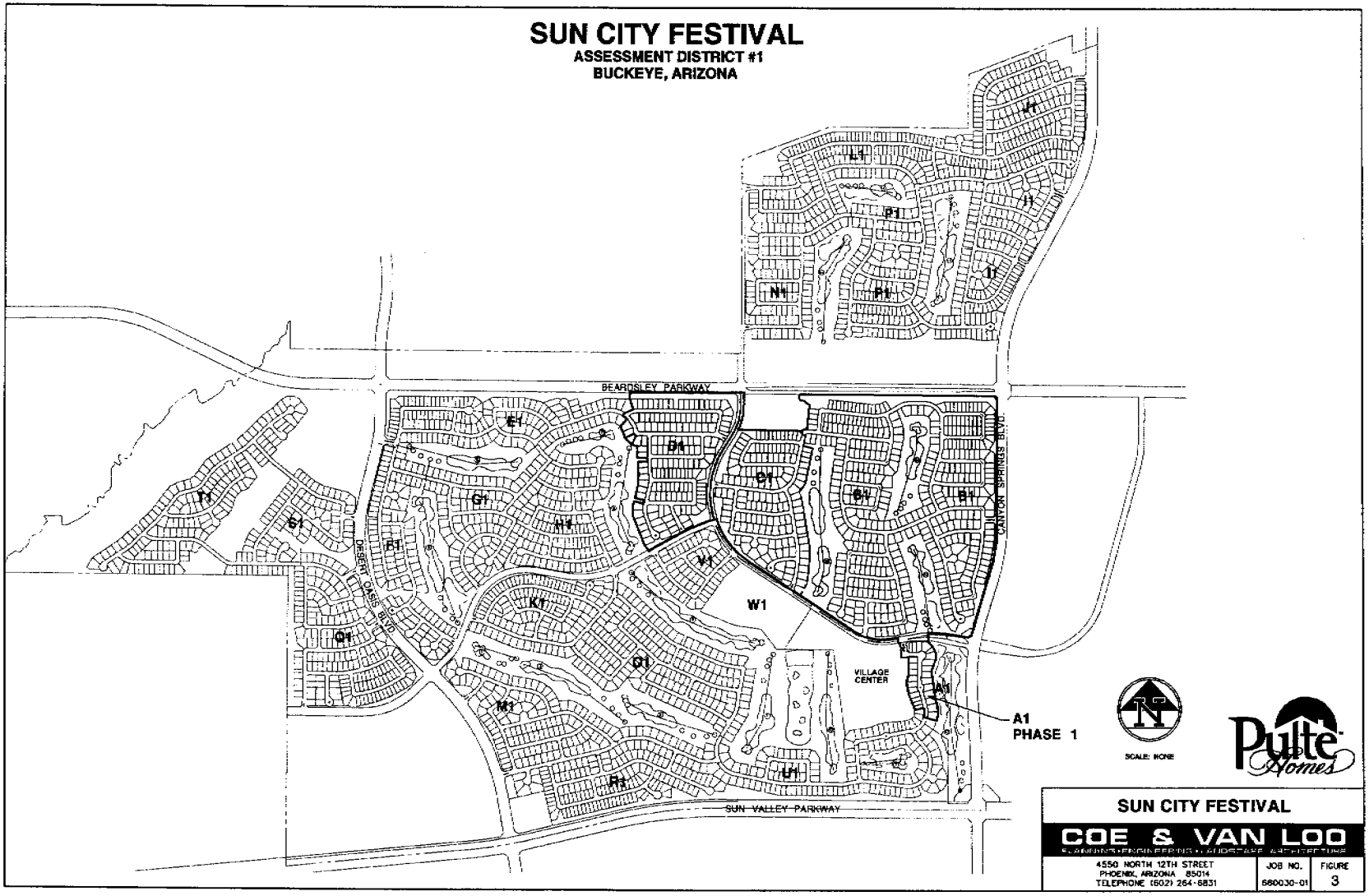
4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

JOB NO.	FIGURE
680030-01	2

SUN CITY FESTIVAL

ASSESSMENT DISTRICT #1
BUCKEYE, ARIZONA



Pulte Homes

SUN CITY FESTIVAL

COE & VAN LOO
PLANNING • ENGINEERING • AUDIO-VIDEO ARCHITECTURE

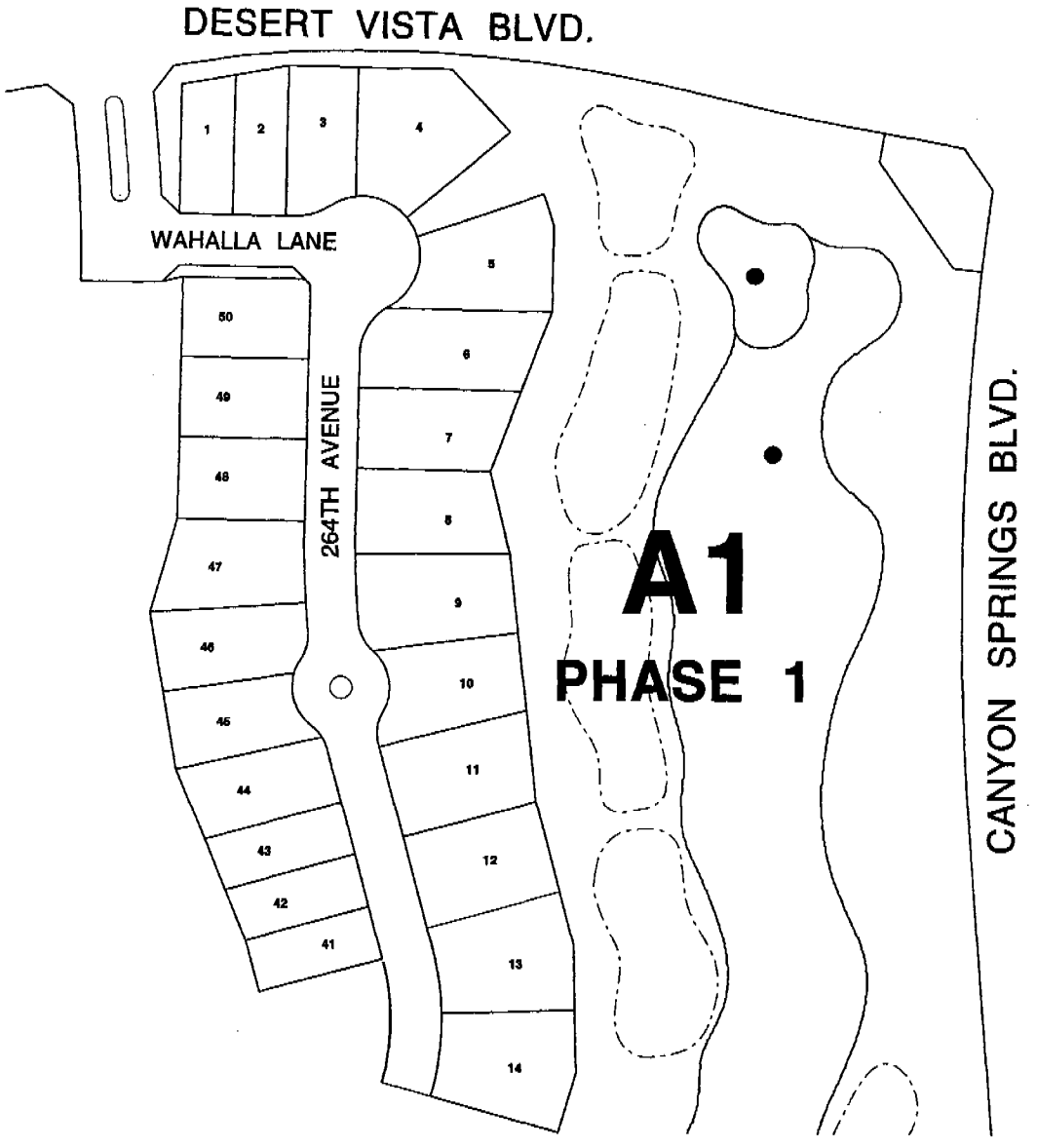
4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

JOB NO.	FIGURE
560030-01	3

.../scfcommunitydistrict2.dgn Feb. 14, 2005 10:26:34

SUN CITY FESTIVAL

BUCKEYE, ARIZONA



SCALE: NONE

Pulte Homes

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

JOB NO. 680030-01

FIGURE 4

SUN CITY FESTIVAL

BUCKEYE, ARIZONA

SCALE: NONE

Pulte Homes

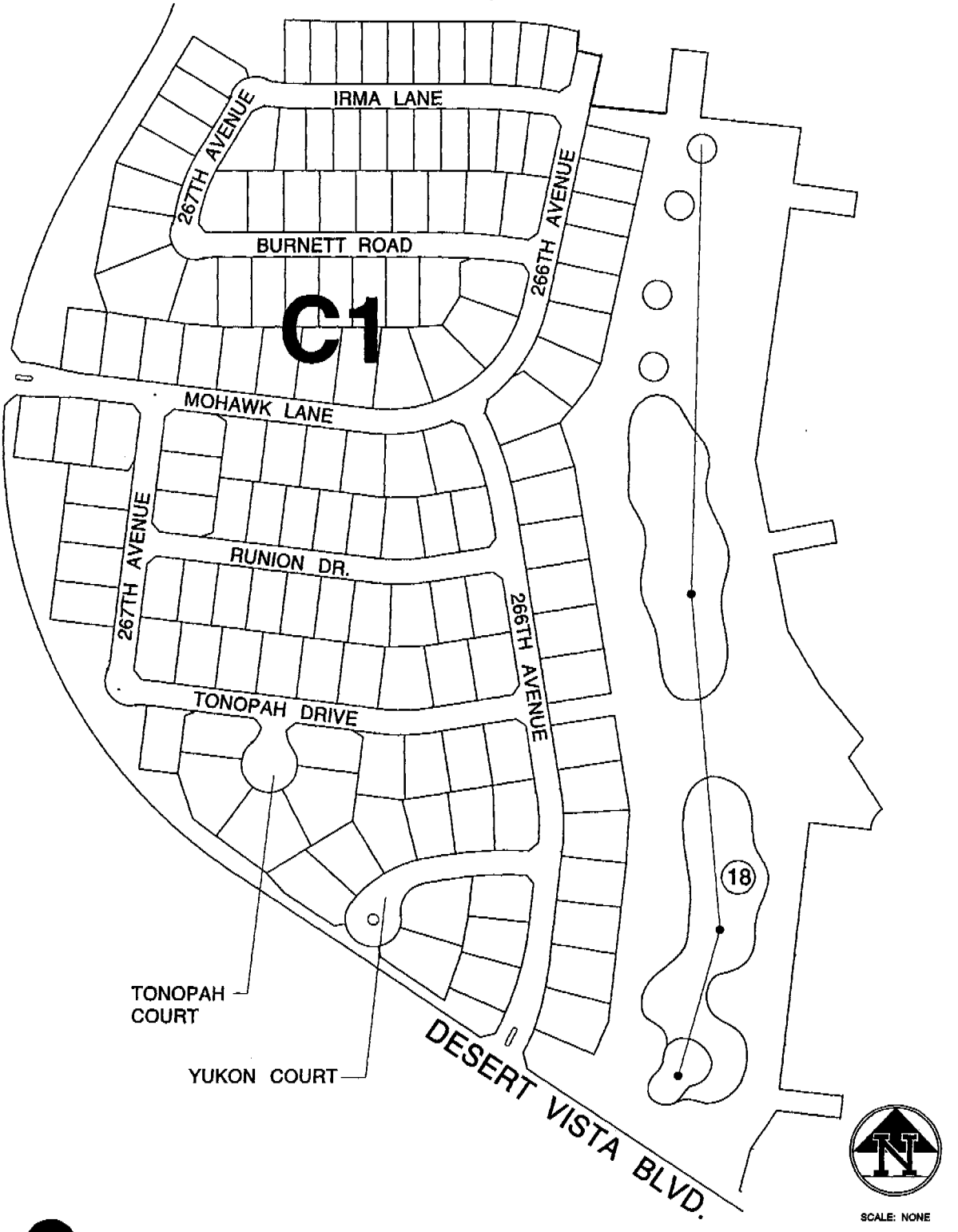
4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

JOB NO.	FIGURE
680030-01	5

SUN CITY FESTIVAL

BUCKEYE, ARIZONA



SCALE: NONE

Pulte Homes

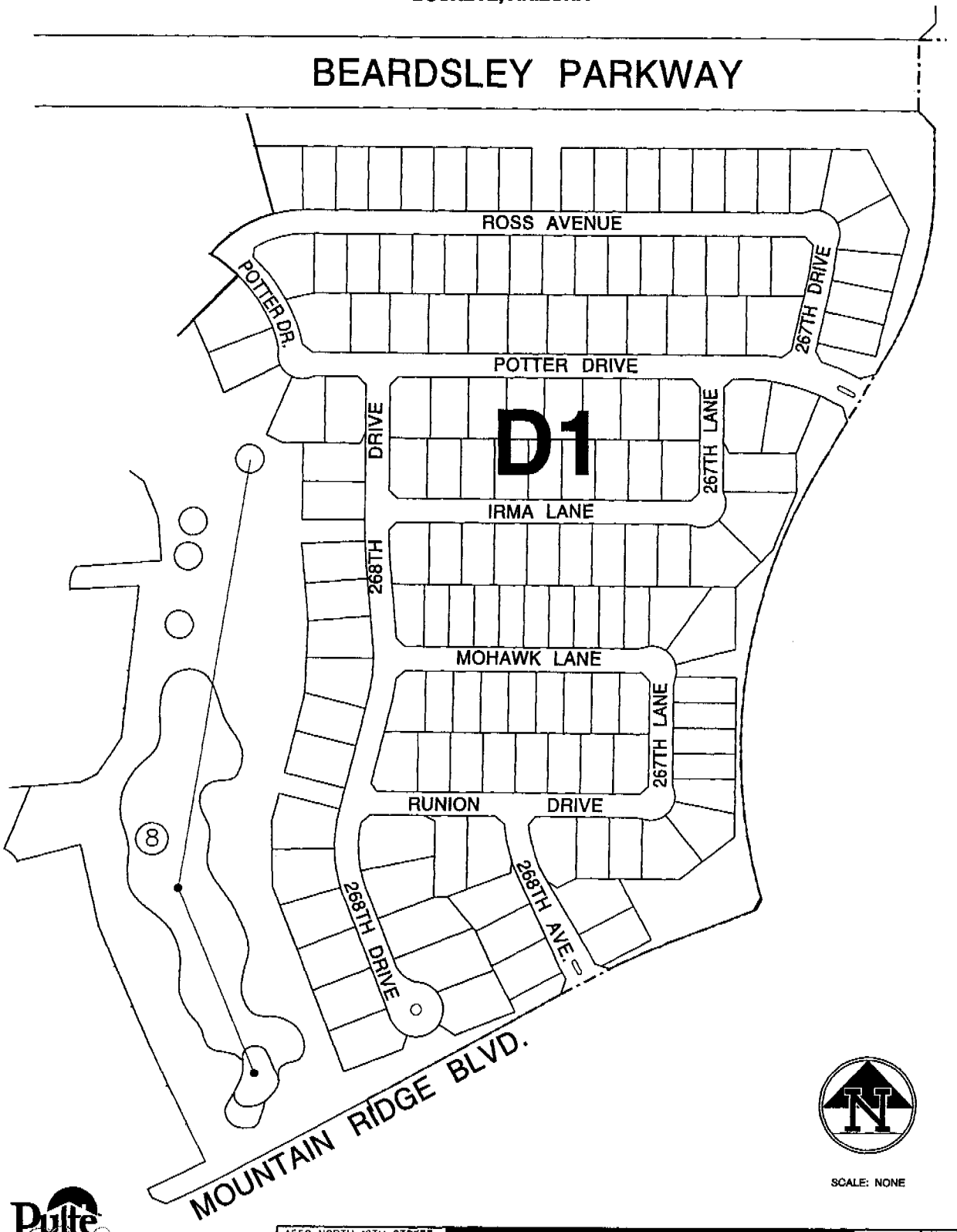
4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

JOB NO.	FIGURE
680030-01	6

SUN CITY FESTIVAL

BUCKEYE, ARIZONA



SCALE: NONE

Pulte Homes

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-8831

COE & VAN LOO
PLANNING · ENGINEERING · LANDSCAPE ARCHITECTURE

JOB NO. 680030-01

FIGURE 7

SECTION FOUR

ESTIMATE OF COST AND TIMETABLE FOR ACQUISITION OF PUBLIC INFRASTRUCTURE

ESTIMATE OF COST AND TIMETABLE FOR ACQUISITION OF PUBLIC INFRASTRUCTURE

The table in Section Two outlines the cost estimate and completion dates for the construction of the Public Infrastructure. Proceeds of the Bonds, after payment of the costs of issuance, will be used to finance the acquisition of all or a portion of the Public Infrastructure projects listed in Section Two.

Listed below is an estimated draw schedule of the proceeds of the Bonds for the acquisition of the Public Infrastructure.

Public Infrastructure Project	**Estimated Acquisition Price**	**Completion Date**	**Funds Draw Date**
1. Wahalla Lane, 264th Avenue	$121,695	February 2006	February 2007
2. Ross Ave., Potter Dr., Burnett Rd., Mohawk Ln., Runion Dr., Runion Ln., Yukon Dr., Yukon Ct., Tonopah Dr., Tonopah St., Pontiac Dr., Sierra Pinta Dr., Escuda Dr., 262nd Dr., 263rd Dr., 264th Ave., 264th Dr., 265th Ave., 265th Dr., Sierra Pinta Dr.	2,046,765	June 2006	June 2007
3. Irma Ln., Burnett Rd., Mohawk Ln., Runion Dr., Tonopah Dr., Tonopah Ct., Yukon Ct., 267th Ave., 266th Ave.	710,115	December 2006	December 2007
4. Ross Ave., Potter Dr., Irma Ln., Mohawk Ln., Runion Dr., 268th Dr., 268th Ave., 267th Dr., 267th Ln.	695,835	May 2007	May 2008
Total	**$3,574,410**		

SECTION FIVE

PLAN OF FINANCE

PLAN OF FINANCE

Below is a financing plan that describes the process for financing a portion of the Public Infrastructure benefiting the property within Assessment District No. 1. This Plan of Finance is subject to modification to accommodate market conditions at the time of the actual sale of the hereinafter described bonds and to the extent necessary to comply with federal and State law.

(i) Formation and Authorization.

In response to a petition from the owners of 100% of the property within the District, the Town Council formed the District on April 19, 2005.

(ii) Proposed Debt.

The estimated debt service schedule for Assessment District No. 1 Bonds is attached in this section as Table One. It is anticipated that the Bonds will be sold in September 2005, with delivery of bond proceeds shortly thereafter. The Bonds will be unrated, but given the value to lien ratio demonstrated by the appraisal, the Bonds will not have transfer restrictions.

(iii) Sources and Uses of Funds.

The estimated sources and uses of funds related to the sale of the District Assessment Bonds (exclusive of accrued interest and original issue discount or premium, if any), will be:

SOURCES:	
Principal amount of Bonds	$1,450,000
Total	1,450,000
USES:	
Cost of Public Infrastructure	1,191,500
Costs of Issuance	100,000
Debt Service Reserve Fund	115,000
Underwriter's Discount	43,500
Total	$1,450,000

(iv) Use of Proceeds.

The proceeds of the Bonds will be applied by the District to finance all or a portion of the Public Infrastructure listed in Section Two of this Report.

(v) Per Lot Assessment Amount.

The per lot assessment amount is expected to be approximately $2,000 at the time of issuance of the Bonds. The Developer currently expects that at the time of sale of the home to the buyer, this amount will be assumed by the homebuyer and the assessment payments made over time.

(vi) Value to Lien Ratio.

Included as Appendix 2 is a summary of the appraisal relating to the parcels to be included in the first assessment bond issue, prepared by Burke Hansen, LLC on August 17, 2005. The appraisal demonstrates a value-to-lien ratio in excess of 17 to 1.

(vii) Homeowner's Obligation.

The approximate $2,000 per home assessment results in an annual assessment payment of approximately $160 per home.

(viii) Disclosure of Assessment Payments.

A.R.S. Section 32-2181 et seq. requires the disclosure of all property taxes and assessments to be paid by a homeowner in the Arizona Department of Real Estate Subdivision Public Report (the "Public Report"). Each homebuyer must be supplied a Public Report and, prior to any home sale, the homebuyer must acknowledge by signature that they have read and accepted the Public Report.

In addition, Pulte Home will require the homebuyer to sign an additional form that highlights and discloses the additional assessment payments as a result of District financing.

(ix) Operation and Maintenance Estimated Revenues and Expenditures.

All infrastructure financed by the District will be dedicated to the Town. The obligations pertaining to the operation and maintenance of the Public Infrastructure have been negotiated between the Town, the District and Pulte Home and are set forth in the various development agreements among the parties. The costs associated with the operation and maintenance of the Public Infrastructure, as well as the administrative costs, of the District will be provided for from several sources of funds: Homeowner's Association fees, the levy of a $.30 tax in the District, monthly service rates and charges for water and sewer services and developer contributions.

Pursuant to the Development Agreement, the master Homeowner's Association ("HOA") is responsible for the operational and maintenance costs of landscaping for the roadways, trails, and open space within the District. All homeowners are required to participate in the HOA. Monthly fees for the HOA are anticipated to be approximately $85 per homeowner, subject to final approval and budget estimates.

Shown below are the estimated expenses for operation and maintenance of the District assuming the estimated absorption schedule for the Project.

Annual O & M Budget:

	O & M	Electrical	Admin	Total
Arterial and Collector Roads	$35,000	-	-	$35,000
Bond Funded Sewer Lines	5,000	-	-	5,000
Bond Funded Water Lines	5,000	-	-	5,000
Water Systems, ie. Pumps, tanks etc.	15,000	45,000	-	60,000
Water Wells	15,000	135,000	-	150,000
	$ 75,000	$180,000	$50,000	**$305,000**

Shown below is an estimate of the secondary assessed valuation growth for the District through build-out, and estimated revenues generated from the $.30 per $100 of secondary assessed valuation operation and maintenance tax.

Fiscal Year	Estimated Secondary Assessed Valuation	Estimated O&M Funds Generated By $0.30 Tax
2006-2007	$1,800,000	$5,400
2007-2008	8,434,091	25,302
2008-2009	21,772,292	65,317
2009-2010	35,510,726	106,532
2010-2011	49,859,401	149,578
2011-2012	64,638,623	193,916
2012-2013	79,679,809	239,039
2013-2014	98,485,318	295,456
2014-2015	117,855,079	353,565

TABLE ONE **PRELIMINARY**

$1,450,000
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)
Assessment District No. 1
Special Assessment Revenue Bonds, Series 2005

Debt Service Schedule

Date	Principal	Interest*	Total Debt Service
07/01/2006	$ -	$ 65,733	$ 65,733
07/01/2007	-	87,000	87,000
07/01/2008	30,000	87,000	117,000
07/01/2009	30,000	85,200	115,200
07/01/2010	35,000	83,400	118,400
07/01/2011	35,000	81,300	116,300
07/01/2012	40,000	79,200	119,200
07/01/2013	40,000	76,800	116,800
07/01/2014	45,000	74,400	119,400
07/01/2015	45,000	71,700	116,700
07/01/2016	50,000	69,000	119,000
07/01/2017	50,000	66,000	116,000
07/01/2018	55,000	63,000	118,000
07/01/2019	60,000	59,700	119,700
07/01/2020	60,000	56,100	116,100
07/01/2021	65,000	52,500	117,500
07/01/2022	70,000	48,600	118,600
07/01/2023	75,000	44,400	119,400
07/01/2024	80,000	39,900	119,900
07/01/2025	85,000	35,100	120,100
07/01/2026	90,000	30,000	120,000
07/01/2027	95,000	24,600	119,600
07/01/2028	100,000	18,900	118,900
07/01/2029	105,000	12,900	117,900
07/01/2030	110,000	6,600	116,600
Total	$1,450,000	$1,419,033	$ 2,869,033

*Assumes a 6.00% average interest rate.

APPENDIX 1

LEGAL DESCRIPTIONS FOR THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT AND ASSESSMENT DISTRICT NO. 1

December 9, 2004

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South 00°26'24" West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South 00°23'56" West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South 00°23'04" West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South 00°24'50" West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North 89°35'08" West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North 89°35'25" West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North 89°42'22" West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North 00°19'01" East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 10°31'05" West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of 05°06'05", a distance of 496.37 feet;

Thence South 84°32'16" West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North 05°28'11" West;

Thence Westerly, along said curve, through a central angle of 18°10'52", a distance of 1,769.07 feet;

Thence North 77°17'35" West, a distance of 734.70 feet;

Thence South 18°15'19" West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South 40°58'02" West, a distance of 464.78 feet;
Thence South 74°21'22" West, a distance of 761.00 feet;
Thence South 41°37'56" West, a distance of 588.43 feet;

Thence South 03°22'04" East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North 89°31'12" West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North 00°27'37" East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North 89°37'25" West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North 00°30'30" East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 44°33'22" East, a distance of 3,419.52 feet;
Thence North 56°59'46" East, a distance of 496.13 feet;
Thence North 80°26'29" East, a distance of 3,220.32 feet;
Thence North 85°39'45" East, a distance of 497.23 feet;
Thence South 89°08'59" East, a distance of 293.06 feet;
Thence South 00°51'01" West, a distance of 74.97 feet;
Thence South 89°07'56" East, a distance of 300.00 feet;
Thence North 01°19'16" East, a distance of 75.03 feet;

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
Thence North 00°22'19" East, a distance of 200.50 feet;
Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

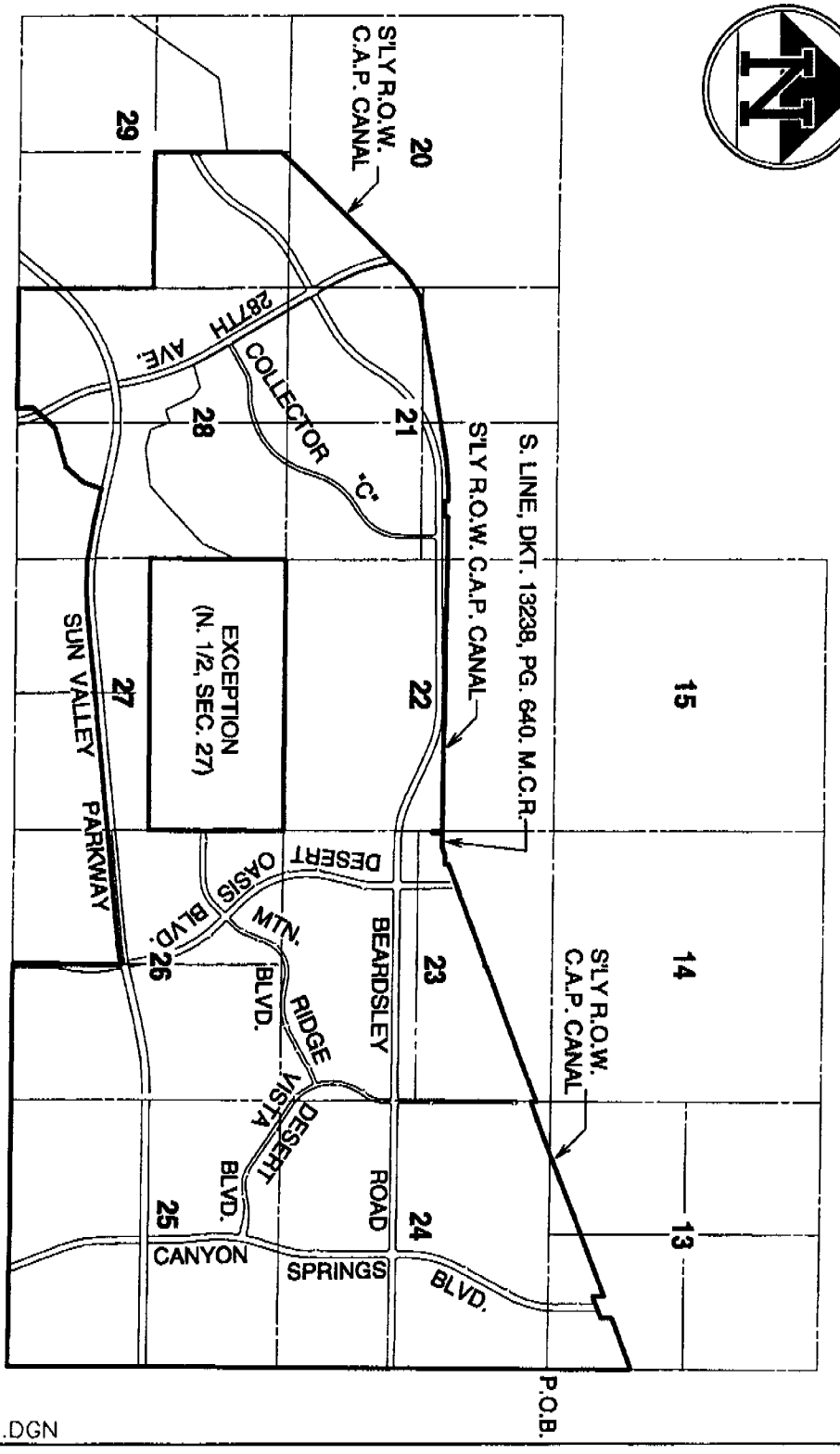
Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,

Containing 4,015.490 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 12/9/04
ARIZONA, U.S.A.



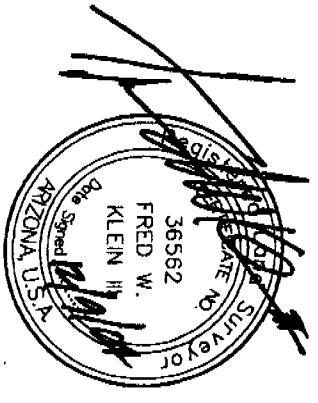


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EXHIBIT	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO 680001
4550 NORTH 12TH ST. PHOENIX, ARIZONA 85014 TEL. (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

Parcel No. 1:

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

Parcel No. 2:

Tract H of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 36.867 Acres, more or less.

Parcel No. 3:

Lots 1 through 14, inclusive, and 41 through 50, inclusive, of Sun City Festival - Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.

Containing 4.570 Acres, more or less.

Parcel No. 4:

That part of the Southwest Quarter of Section 23, Township 4 North, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the G.L.O. Brass Cap marking the East Quarter Corner of said Section 23, from which the G.L.O. Brass Cap marking the Southeast Corner of said Section 23 bears South 00°23'31" West, a distance of 2,640.13 feet;

Thence South 00°22'48" West, a distance of 405.00 feet to the intersection of the monument lines of Beardsley Parkway and Desert Vista Boulevard as depicted on the Final Plat of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Maricopa County Records;

Thence North 89°36'38" West, along the monument line of said Beardsley Parkway, a distance of 65.00 feet to the Westerly boundary of said Sun City Festival - Parcel B1;

Thence along the Westerly boundary of said Sun City Festival - Parcel B1 the following courses:

Thence South 00°22'48" West, departing the monument line of said Beardsley Parkway, a distance of 65.00 feet to the True Point of Beginning;

Thence South 44°36'55" East, a distance of 42.43 feet;

Thence South 00°22'48" West, a distance of 104.90 feet to the beginning of a tangent curve of 615.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 31°11'07", a distance of 334.74 feet;

Thence South 31°33'55" West, a distance of 220.80 feet to the beginning of a tangent curve of 1,000.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 47°27'29", a distance of 828.30 feet;

Thence South 26°31'40" West, a distance of 29.53 feet;

Thence South 68°56'54" West, a distance of 150.20 feet to the beginning of a tangent curve of 1,570.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 07°48'26", a distance of 213.93 feet;

Thence South 61°08'28" West, a distance of 428.06 feet;

Thence North 39°17'09" West, departing the Westerly boundary of said Sun City Festival - Parcel B1, a distance of 67.21 feet;

Thence North 21°29'42" West, a distance of 365.67 feet;
Thence North 01°00'05" West, a distance of 121.71 feet;
Thence North 14°13'53" East, a distance of 54.17 feet;
Thence South 75°46'07" East, a distance of 115.00 feet;
Thence North 14°13'53" East, a distance of 40.00 feet;
Thence North 75°46'07" West, a distance of 115.00 feet;

Thence North 14°13'53" East, a distance of 150.00 feet;
Thence North 02°27'10" East, a distance of 130.80 feet;
Thence North 04°47'46" West, a distance of 144.81 feet;

Thence North 88°01'26" East, a distance of 116.62 feet to a point on a 1,222.00 foot radius non-tangent curve, whose center bears North 88°01'26" East;

Thence Northerly, along said curve, through a central angle of 01°52'31", a distance of 40.00 feet;

Thence South 89°53'57" West, a distance of 115.05 feet;
Thence North 00°23'22" East, a distance of 140.83 feet;
Thence North 89°36'38" West, a distance of 36.43 feet;
Thence North 65°49'19" West, a distance of 33.70 feet;

Thence North 24°10'41" East, a distance of 115.00 feet to a point on a 45.00 foot radius non-tangent curve, whose center bears North 24°10'41" East;

Thence Northwesterly, along said curve, through a central angle of 39°50'11", a distance of 31.29 feet;

Thence South 64°00'52" West, a distance of 115.55 feet;
Thence North 21°13'46" West, a distance of 78.57 feet;
Thence North 23°45'20" West, a distance of 67.84 feet;

Thence North 44°12'05" East, a distance of 115.00 feet to a point on a 278.00 foot radius non-tangent curve, whose center bears South 44°12'05" West;

Thence Northwesterly, along said curve, through a central angle of 13°38'18", a distance of 66.18 feet;

Thence North 30°33'47" East, a distance of 44.00 feet;

Thence North 87°29'09" East, a distance of 25.14 feet to a point on a 222.00 foot radius non-tangent curve, whose center bears South 35°35'30" East;

Thence Northeasterly, along said curve, through a central angle of 20°36'21", a distance of 79.84 feet;

Thence North 14°59'09" West, a distance of 127.51 feet;
Thence North 00°23'22" East, a distance of 70.00 feet;

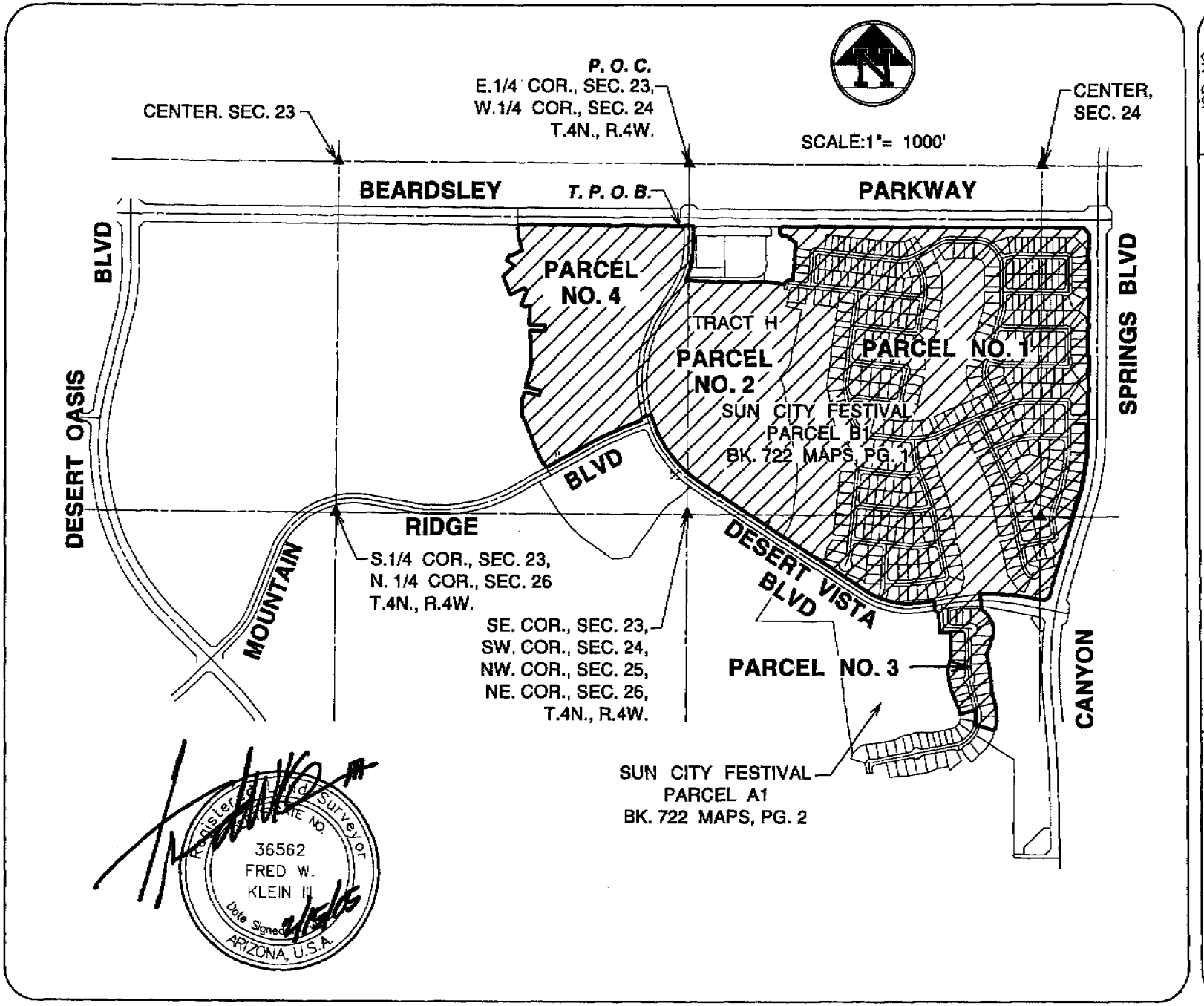
Legal Description for
Sun City Festival
Assessment District No. 1
February 14, 2005

Thence South 89°36'38" East, a distance of 1,219.94 feet to the True Point of Beginning.

Containing 37.282 Acres, more or less.

Parcels 1 through 4 total contain 153.115 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 2/15/05
ARIZONA, U.S.A.



JOB NO
68000801

SHEET
1 OF 1

SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

EXHIBIT

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4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

APPENDIX 2

SUMMARY OF
BURKE HANSEN, LLC APPRAISAL

Burke
Hansen,
LLC
REAL ESTATE APPRAISERS
& CONSULTANTS

August 17, 2005

Town of Buckeye/Festival Ranch Community Facilities District
Attn: Mr. Scott Ruby
Gust Rosenfeld P.L.C.
201 East Washington Street, Suite 800
Phoenix, Arizona

Subject: Market Value Appraisal of FOUR PLANNING AREAS **WITHIN SUN CITY FESTIVAL, A PROPOSED ACTIVE ADULT MASTER PLANNED COMMUNITY** In Buckeye, Arizona (Burke Hansen File No. 5571N)

Dear Mr. Ruby:

At your request, we have inspected the above-captioned properties in connection with preparing the attached complete appraisal, the purpose of which is to form an opinion of the wholesale (bulk) value of each of the four planning area referenced above which are specifically identified below.

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

Within this letter the term "subject" or "subject property" includes all four of the planning area listed above.

The wholesale value reflects the value of the subject property in the condition as of the date of valuation (August 12, 2005). At the time of inspection (August 12, 2005), all four parcels had been cleared and mass grading of each site was underway. The supporting infrastructure (sewer, water, utilities, roads, etc.) will be constructed over the next six to twelve months. The first home closings are projected to occur in September 2006.

Each of the four planning areas have been engineered and platted for residential development. The Town of Buckeye has approved final plats for each of the four parcels. Development of the four properties began in July 2005.

The values addressed in this appraisal are the "as is" value of each of the planning areas, .i.e., the value of the property in its condition as of the date of valuation. The value estimates for each parcel reflect a **wholesale (bulk) value** of final platted residential lots within each planning area. The wholesale value assumes the following:

- A sale to a single purchaser; or
- The discounted net present value reflecting the sale of various lots over a projected absorption period, taking into account the cost involved in marketing the respective lots.

The Modified Cost Approach or residual analysis was utilized to value the subject. The basis of the modified cost approach involves an opinion of the hypothetical "as if complete" market value of the subject property. The hypothetical "as if complete" market value is the value of the property upon completion of the proposed residential lots – a subdivision of finished residential lots. The "as if complete" value is estimated using the Income Approach, more specifically static analysis and yield analysis (discounted cash flow). Neither the Sales Comparison nor traditional Cost Approach were utilized to form an opinion of the "as if complete" value of the property due to the lack of bulk lot or raw land sales which have similar location and physical characteristics as the subject property. While there are sales of bulk finished lots in the marketplace, there are no sales of bulk lots within an age-restricted master planned community (which typically have very significant front-loaded infrastructure costs to accommodate this particular segment of the population).

The starting point for the Modified Cost Approach, which is utilized to form an opinion of the subject's "as is" value, is the "as if complete" value. The next step is to subtract all on and off-site development costs and market based profit. The final step is to add back any expended development cost and incurred profit.

The appraisal has been prepared at the request of Festival Ranch Community Facilities District on behalf of the Town of Buckeye, Arizona, Attn: Mr. Scott W. Ruby, 201 East Washington Street, Suite 800, Phoenix, Arizona, with the intent of complying with:

- The Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by The Appraisal Standards Board of the Appraisal Foundation; and
- The Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of The Appraisal Institute.

The definition of Market Value, which is in conformance with the Uniform Standards of Professional Appraisal Practice, effective January 1, 2005, adopted for purposes of this report is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specific date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The property rights addressed in this report represent the Fee Simple Estate, which is defined as follows:

"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation."

The subject property was inspected on numerous occasions in 2005 with the most recent occurring August 12, 2005. The wholesale value of each parcel, as of August 12, 2005, subject to the hypothetical conditions stated in the attached report, has been concluded:

WHOLESALE (BULK) MARKET VALUE

PLANNING AREA A-1
ONE MILLION ONE HUNDRED SEVENTY-SIX THOUSAND DOLLARS
($1,176,000)

PLANNING AREA B-1
FIFTEEN MILLION NINETY-SIX THOUSAND DOLLARS
($15,096,000)

PLANNING AREA C-1
FIVE MILLION ONE HUNDRED FORTY-EIGHT THOUSAND DOLLARS
($5,148,000)

PLANNING AREA D-1
FOUR MILLION NINE HUNDRED SEVENTEEN THOUSAND DOLLARS
($4,917,000)

The subject properties are being appraised in connection with the Festival Ranch Community Facilities District Special Assessment No. 1. As such, the client (Festival Ranch Community Facilities District) requires an administrative fee of 5% of the market value of each of the subject's four planning area be deducted from the wholesale (bulk) value of each parcel. This is a special assumption reflecting potential costs associated with a foreclosure and resale of the property by the District. The fee covers administrative and sales costs. *The inclusion of this fee does not represent an extraordinary assumption or hypothetical condition; rather it reflects a special instruction from the client.*

ESTIMATED WHOLESALE (BULK) MARKET VALUE LESS 5% CFD ADMINISTRATIVE FEE

PARCEL A-1		**PARCEL C-1**	
Wholesale (Bulk) Value	$1,176,000	Wholesale (Bulk) Value	$5,148,000
Less: Admin. Fee (5%)	($59,000)	Less: Admin. Fee (5%)	($257,000)
Wholesale (Bulk) Value Less Admin. Fee	$1,117,000	Wholesale (Bulk) Value Less Admin. Fee	$4,891,000
PARCEL B-1		**PARCEL D-1**	
Wholesale (Bulk) Value	$15,096,000	Wholesale (Bulk) Value	$4,917,000
Less: Admin. Fee (5%)	($755,000)	Less: Admin. Fee (5%)	($246,000)
Wholesale (Bulk) Value Less Admin. Fee	$14,341,000	Wholesale (Bulk) Value Less Admin. Fee	$4,671,000

Disclosure of the contents of this appraisal report is governed by the By-laws and Regulations of the Appraisal Institute. Neither all, nor any part, of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm of Burke Hansen, LLC, nor any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, or any other public means of communication, without prior written consent and approval of the undersigned.

We appreciate this opportunity to serve you and request you contact us if there are any questions.

Respectfully submitted,

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/06

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/07

CERTIFICATION

We certify to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of The Appraisal Foundation, and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- Frank Kleinman and Stephen Niebling have made personal inspections of the property that is the subject of this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Frank Kleinman has not completed the requirements of the continuing education program of the Appraisal Institute.
- No one provided significant professional assistance to the person(s) signing this report.

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/06

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/07

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of liens, easements, encroachments and other encumbrances unless otherwise stated, and all improvements (if any) are assumed to lie within property boundaries.

2. The property is appraised assuming responsible ownership and competent management.

3. Information furnished by others, upon which all or portions of this appraisal are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.

4. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that affect value. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such factors.

5. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local zoning, use, occupancy, environmental and similar regulations and laws, unless otherwise stated. The typical due diligence expected of an appraiser was performed in this assignment, but a comprehensive examination of laws and regulations affecting the subject property was not undertaken.

6. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns regarding these items since the appraisers have not made a comprehensive examination of laws and regulations affecting the subject property.

7. The appraisers have made no survey of the property and no responsibility is assumed in connection with such matters. Maps, plats and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purposes, nor should they be removed from, reproduced, or used apart from this report. Where site and improvement areas are shown, they represent the best information available.

8. Generally, no consideration has been given in this appraisal as to the value of any personal property located on the premises, or the cost of moving or relocating such personal property.

9. The allocation, if any, of the total valuation in this appraisal between land, buildings, and other classifications applies only under the stated program of utilization. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

10. Neither Burke Hansen, LLC nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements therefore have been made a reasonable time in advance.

11. One (or more) of the signatories of this appraisal report is either a designated member or associate member of the Appraisal Institute. The Bylaws and Regulations of the Appraisal Institute require each designated and associate member to control the use and distribution of each appraisal report signed by such designated or associate member. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising, media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

12. It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of an appraisal report is incomplete or altered should contact our office.

13. Neither all, nor any part of the content of this report, or copy thereof (including conclusions as to value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the appraisers are connected), shall be used for any purposes by anyone other than the intended users identified in the report, and no other parties shall have any right to use or rely upon this appraisal for any purpose without the previous written consent of the signatories of this appraisal report.

14. All opinions of value are based on the appraisers' analyses and conclusions as of the effective date of value. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's market value that may take place subsequent to the effective date of value.

15. The appraiser has personally inspected the subject property and found no obvious evidence of structural deficiencies except as stated in this report. However, no

responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes can be assumed without provision of specific professional or governmental inspections. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report. If concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

16. We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we are aware of any problems of this nature, they are disclosed in this report. However, nondisclosure should not be taken as an indication that such a problem does not exist. No chemical or scientific tests were performed by the appraisers on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the property does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report. It is imperative for the client to retain the services of a qualified, independent engineer to determine the existence and extent of any hazardous materials, as well as the cost associated with any required or desirable treatment or removal thereof.

17. The reader should note that the subject property may be subject to the requirements of the Americans With Disabilities ACT (ADA), a federal law codified at 42 USC Section 12101 et seq. Among other requirements of the ADA that could apply to this property, Title III of the ADA requires owners and tenants of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992 (the regulations under Title III of the ADA are codified at 28 CFR Part 36). The reader should note that the appraisers have not made a specific compliance survey and analysis of this property to determine if it is in conformity with the requirements of the ADA. Non-compliance could have a negative effect upon the value of the property.

18. Any prospective value opinion (if applicable) is considered to be an extraordinary assumption and will be predicated upon market conditions forecast to exist as of corresponding prospective date of value. As such, the appraiser cannot be held responsible for unforeseeable events that alter market conditions subsequent to the effective date of the appraisal.

EXECUTIVE SUMMARY

Description of the Property: The four planning areas within Special Assessment Area No. 1 comprise the initial development phase of Sun City Festival, a proposed active adult master planned community.

Location: North side of Sun Valley Parkway between the alignments of 259th and 291st avenues, Buckeye, Arizona

Property Size: 153.20± net acres (net land area is the aggregate land area of the 724 lots)
724 final platted and engineered residential lots

SUMMARY OF FESTIVAL RANCH SPECIAL ASSESSMENT AREA NO. 1

Planning Area	No. of Lots	Net* Acres	Lots/ Net Acre
A-1 (Model home complex)	24	4.60	5.2
B-1	408	74.40	5.5
C-1	143	36.90	3.9
D-1	149	37.30	4.0
Totals/Averages	724	153.20	4.7

*Net acreage reflects only land area of the 724 lots.

Property Rights Appraised: Fee Simple Estate

Zoning: All four planning area are zoned for single family residential development

Highest and Best Use: Development with residential subdivisions within an age-restricted master planned community

Date of Valuation: August 12, 2005 (Final date of property inspection)

Date of Appraisal: August 17, 2005

Wholesale (Bulk) Value Conclusions:	Planning Area A-1	$1,176,000	$49,000 per lot
	Planning Area B-1	$15,096,000	$37,000 per lot
	Planning Area C-1	$5,148,000	$36,000 per lot
	Planning Area D-1	$4,917,000	$33,000 per lot

Wholesale (Bulk) Value Conclusions Less 5% CFD Administrative Fee:

Wholesale Value Planning Area A-1	$1,176,000
Less: (5% CFD Admin. Fee)	($59,000)
Wholesale Value Less Admin. Fee	**$1,117,000**
Wholesale Value Planning Area B-1	$15,096,000
Less: (5% CFD Admin. Fee)	($755,000)
Wholesale Value Less Admin. Fee	**$14,341,000**
Wholesale Value Planning Area C-1	$5,148,000
Less: (5% CFD Admin. Fee)	($257,000)
Wholesale Value Less Admin. Fee	**$4,891,000**
Wholesale Value Planning Area D-1	$4,917,000
Less: (5% CFD Admin. Fee)	($246,000)
Wholesale Value Less Admin. Fee	**$4,671,000**

AFFIDAVIT OF PUBLICATION

THE ARIZONA REPUBLIC

NOTICE OF PUBLIC HEARING
TO THE GENERAL PUBLIC AND THE MEMBERS OF THE BOARDS OF DIRECTORS OF SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AND THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA):
NOTICE IS HEREBY GIVEN that the Boards of Directors of the Sundance Community Facilities District (Town of Buckeye, Arizona) ("Sundance") and the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) ("Festival") will meet on September 6, 2005, at 6:00 p.m. in the Town Council Chambers, 100 N. Apache, Suite A, Buckeye, Arizona 85326, to conduct public hearings as follows: relative to Sundance: (1) conduct a public hearing to consider, review and approve a feasibility report relative to proposed infrastructure projects to be financed by the issuance of not to exceed $6,000,000 of general obligation bonds of the District; (2) consider, review and approve a feasibility report relative to proposed public infrastructure projects to be financed by the issuance of Assessment District No. 4 special assessment revenue bonds of the District; and, relative to Festival, consider, review and approve a feasibility report relative to proposed public infrastructure projects to be financed by the issuance of not to exceed $1,450,000 Assessment District No. 1 special assessment revenue bonds of the District. A copy of each of the feasibility reports may be reviewed at the office of the District Clerk, 100 N. Apache, Suite A, Buckeye, Arizona 85326.
05542-August 24, 2005

STATE OF ARIZONA
COUNTY OF MARICOPA } SS.

Diana Chavez, being first duly sworn, upon oath deposes and says: That she is a legal advertising representative of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic/West Zone

August 24, 2005

Sworn to before me this
24TH day of
August A.D. 2005

OFFICIAL SEAL
MARILYN GREENWOOD
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Comm. Expires May 23, 2007

Notary Public

SUNDANCE COMMUNITY FACILITIES DISTRICT and
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
TOWN OF BUCKEYE, ARIZONA
SEPTEMBER 6, 2005
AGENDA

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
6:00 P.M.

Accessibility for all persons with disabilities will be provided upon request. Please telephone you accommodation request (623-386-4691) 72 hours in advance if you need a sign language interpreter or alternate materials for a visual or hearing impairment.

Members of the Sundance Community Facilities District Board and the Festival Ranch Community Facilities District Board will attend either in person or by telephone conference call or video presentations.

1. Call to order of Sundance Community Facilities District and Festival Ranch Community Facilities District..

2. Note attendance.

3. MINUTES:
Minutes of the most recent prior meetings presented to each Board for their review and approval.
(a) Sundance CFD June 21, 2005
(b) Sundance / Festival Joint CFD Meeting June 30, 2005
Board Action: Discussion and possible motion

4. APPROVE OR RATIFY EXPENDITURES-None

5. BUSINESS:

A. Board of the **Sundance Community Facilities District** will conduct a Public Hearing on the feasibility reports submitted in connection with the proposed issuance of general obligation bonds and assessment bonds by the District and the projects financed with such proceeds.
(1) Open public hearing
(2) Staff overview
(3) Receive public comment
(4) Close public hearing
Board Action: None

B. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 05-05 APPROVING THE FEASIBILITY REPORT RELATING TO THE ISSUANCE OF GENERAL OBLIGATION BONDS BY THE

DISTRICT TO FINANCE THE ACQUISITION OF PUBLIC INFRASTRUCTURE AND IMPROVEMENTS.

Board Action: Discussion and possible motion

C. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 06-05 AUTHORIZING THE ISSUANCE OF ITS DISTRICT GENERAL OBLIGATION BONDS, SERIES 2005, IN THE PRINCIPAL AMOUNT OF $6,000,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS AND CERTAIN OTHER DOCUMENTS SECURING THE PAYMENT OF THE BONDS; AWARDING THE BONDS TO THE PURCHASER THEREOF; RATIFYING AND APPROVING A PRELIMINARY LIMITED OFFERING MEMORANDUM RELATING TO THE BONDS; APPROVING A FINAL LIMITED OFFERING MEMORANDUM RELATING TO THE BONDS; AND LEVYING AN AD VALOREM TAX ON TAXABLE PROPERTY IN THE DISTRICT

Board Action: Discussion and possible motion

DE. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 07-05 RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS DESCRIBED IN THE FEASIBILITY REPORT; FORMING ASSESSMENT DISTRICT NO. 4; DETERMINING THAT ASSESSMENT DISTRICT NO. 4, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF AND DECLARING THE IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE COSTS OF SAID IMPROVEMENTS WILL BE ASSESSED UPON THE LOTS AND PARCELS COMPRISING ASSESSMENT DISTRICT NO. 4; PROVIDING THAT THE PROPOSED IMPROVEMENTS WILL BE PERFORMED AND DISTRICT SPECIAL ASSESSMENT REVENUE BONDS WILL BE ISSUED UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO

Board Action: Discussion and possible motion

E. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 08-05 APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE ASSESSMENT DISTRICT NO. 4, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, TO FINANCE SAID IMPROVEMENTS AND

APPROVING THE SALE OF BONDS TO SOPHISTICATED MUNICIPAL MARKET PARTICIPANTS.

Board Action: Discussion and possible motion

F. Board of **Festival Ranch Community Facilities District** will conduct a Public Hearing on the feasibility report submitted in connection with the proposed issuance of special assessment bonds by the District
   (1) Open public hearing
   (2) Staff overview
   (3) Receive public comment
   (4) Close public hearing

Board Action: None

G. Board of the **Festival Ranch Community Facilities District** will consider, for possible action, adoption of Resolution No.06-05: DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS; FORMING A SPECIAL ASSESSMENT DISTRICT NO. 1; DETERMINING THAT ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF AND DECLARING THE IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE COSTS OF SAID IMPROVEMENTS WILL BE ASSESSED UPON THE LOTS AND PARCELS COMPRISING ASSESSMENT DISTRICT NO. 1; PROVIDING THAT THE PROPOSED IMPROVEMENTS WILL BE PERFORMED AND DISTRICT ASSESSMENT REVENUE BONDS ISSUED UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO.

Board Action: Discussion and possible motion

H. Board of the **Festival Ranch Community Facilities District** will consider, for possible action, adoption of Resolution No. 07-05: ORDERING THE PUBLIC INFRASTRUCTURE PROJECTS PERFORMED TO BE FINANCED BY SPECIAL ASSESSMENT REVENUE BONDS.

Board Action: Discussion and possible motion

I. Board of the **Festival Ranch Community Facilities District** will consider, for possible action, adoption of Resolution No. 08-05 APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, TO FINANCE SAID IMPROVEMENTS.

Board Action: Discussion and possible motion

6. ADJOURNMENT

Board Action: Motion to adjourn

SUNDANCE COMMUNITY FACILITIES DISTRICT and
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
TOWN OF BUCKEYE, ARIZONA
SEPTEMBER 6, 2005
MINUTES

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
6:00 P.M.

1. Call to order

Chairman Hull called the meeting to order at 6:02 p.m.

2. Note attendance

Boardmembers Present:	Boardmember Meek, Boardmember Beard, Vice Chairman Urwiller, Boardmember May, Boardmember Doster, and Boardmember Garza (joined the meeting at 6:04 p.m.)
Boardmembers Absent:	None
Departments Present:	District Manager Carroll Reynolds, District Attorney Scott Ruby, District Clerk Linda Garrison, Deputy Clerk Lucinda Aja, District Engineer Woody Scoutten, Fire Chief Scott Rounds, Fire Marshall Bob Costello, Parks and Rec Director Jeanine Guy, Information Technology Director Dee Hathaway, and Finance Director Ron Brown.

3. MINUTES:

Minutes of the June 21, 2005 Sundance CFDMeeting, and June 30, 2005 Sundance and Festival Joint CFD Meeting were reviewed by the Board. Motion made by Boardmember May and seconded by Boardmember Doster to approve the June 21st and June 30th Minutes as presented. Motion passed unanimously.

4. APPROVE OR RATIFY EXPENDITURES

None

5. BUSINESS:

A. Board of the **Sundance Community Facilities District** conducted a Public Hearing opened at 6:14 p.m. to discuss the feasibility reports submitted in connection with the proposed issuance of general obligation bonds and assessment bonds by the District and the projects financed with such proceeds. Residents of Sundance stated that they had heard that only some families were charged assessments and asked the Board why this would happen. The Board stated that the only way someone would have not been charged the assessment is if the property was purchased before the assessment was in place. There being no other comments the hearing was closed at 6:33 p.m. Charles Bentonsway is a homeowner that does not believe he was charged an assessment. Mike Glover was also an owner that feels like he was not charged. District Manager Carroll

Reynolds told the Board that Kim Sandstrom, who's position is funded by developers will be able to look this information up. James Noble asked what the total amount of the assessment is ($3,700.00). John Burn asked if this amount could go up in the future. District Attorney Scott Ruby answered that the tax levy may go up a small amount in the future.

B. Sundance Community Facilities District- Resolution No. 05-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to adopt Resolution No. 05-05 APPROVING THE FEASIBILITY REPORT RELATING TO THE ISSUANCE OF GENERAL OBLIGATION BONDS BY THE DISTRICT TO FINANCE THE ACQUISITION OF PUBLIC INFRASTRUCTURE AND IMPROVEMENTS. Motion passed unanimously.

C. Sundance Community Facilities District- Resolution No. 06-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to adopt Resolution No. 06-05 AUTHORIZING THE ISSUANCE OF ITS DISTRICT GENERAL OBLIGATION BONDS, SERIES 2005, IN THE PRINCIPAL AMOUNT OF $6,000,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS AND CERTAIN OTHER DOCUMENTS SECURING THE PAYMENT OF THE BONDS; AWARDING THE BONDS TO THE PURCHASER THEREOF; RATIFYING AND APPROVING A PRELIMINARY LIMITED OFFERING MEMORANDUM RELATING TO THE BONDS; APPROVING A FINAL LIMITED OFFERING MEMORANDUM RELATING TO THE BONDS; AND LEVYING AN AD VALOREM TAX ON TAXABLE PROPERTY IN THE DISTRICT. Motion passed unanimously.

DE. Sundance Community Facilities District- Resolution No. 07-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to table Resolution No. 07-05 RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS DESCRIBED IN THE FEASIBILITY REPORT; FORMING ASSESSMENT DISTRICT NO. 4; DETERMINING THAT ASSESSMENT DISTRICT NO. 4, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF AND DECLARING THE IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE COSTS OF SAID IMPROVEMENTS WILL BE ASSESSED UPON THE LOTS AND PARCELS COMPRISING ASSESSMENT DISTRICT NO. 4; PROVIDING THAT THE PROPOSED IMPROVEMENTS WILL BE PERFORMED AND DISTRICT SPECIAL ASSESSMENT REVENUE BONDS WILL BE ISSUED UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO. Motion passed unanimously.

E. Sundance Community Facilities District - Resolution No. 08-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to adopt Resolution No. 08-05 APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE ASSESSMENT DISTRICT NO. 4, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, TO FINANCE SAID IMPROVEMENTS AND APPROVING THE SALE OF BONDS TO SOPHISTICATED MUNICIPAL MARKET PARTICIPANTS. Motion passed unanimously.

F. **Festival Ranch Community Facilities District**
Chairman Hull opened the public hearing at 6:04 p.m. to hear citizen input about the feasibility report submitted in connection with the proposed issuance of special assessment bonds by the District. After some discussion the public hearing was closed at 6:30 p.m.

G. Festival Ranch Community Facilities District- Resolution No.06-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to adopt Resolution No.06-05: DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS; FORMING A SPECIAL ASSESSMENT DISTRICT NO. 1; DETERMINING THAT ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF AND DECLARING THE IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE COSTS OF SAID IMPROVEMENTS WILL BE ASSESSED UPON THE LOTS AND PARCELS COMPRISING ASSESSMENT DISTRICT NO. 1; PROVIDING THAT THE PROPOSED IMPROVEMENTS WILL BE PERFORMED AND DISTRICT ASSESSMENT REVENUE BONDS ISSUED UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO. Motion passed unanimously.

H. Festival Ranch Community Facilities District- Resolution No. 07-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to adopt Resolution No. 07-05: ORDERING THE PUBLIC INFRASTRUCTURE PROJECTS PERFORMED TO BE FINANCED BY SPECIAL ASSESSMENT REVENUE BONDS. Motion passed unanimously.

I. Festival Ranch Community Facilities District- Resolution No. 08-05
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to adopt Resolution No. 08-05 APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, TO FINANCE SAID IMPROVEMENTS. Motion passed unanimously.

6. ADJOURNMENT

There being no further business to come before the Board motion made by Boardmember May and seconded by Vice Chairman Urwiller to adjourn the meeting at 6:33 p.m. Motion passed unanimously.

Dustin Hull, Chairman

ATTEST:

Linda Garrison, Board Clerk

I hereby certify that the foregoing is a true and correct copy of joint meeting of the Joint Community Facilities District Meetings held on 6th day of September, 2005. I further certify that a quorum was present.

Linda Garrison, Board Clerk

RESOLUTION NO. 06-05 (Festival Assmt - Res. of Intention)

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS DESCRIBED IN THE FEASIBILITY REPORT; FORMING ASSESSMENT DISTRICT NO. 1; DETERMINING THAT ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF AND DECLARING THE IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE COSTS OF SAID IMPROVEMENTS WILL BE ASSESSED UPON THE LOTS AND PARCELS COMPRISING ASSESSMENT DISTRICT NO. 1; PROVIDING THAT THE PROPOSED IMPROVEMENTS WILL BE PERFORMED AND DISTRICT SPECIAL ASSESSMENT REVENUE BONDS WILL BE ISSUED UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO.

WHEREAS, pursuant to Section 48-715, Arizona Revised Statues, as amended, the governing body of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") has caused a report of the feasibility and benefits of the Project (as defined hereinafter) relating to certain public infrastructure provided for in the General Plan of the District and to be financed with the proceeds of the sale of special assessment revenue bonds of the District to be prepared (the "*Report*"), which Report includes, among other things, a description of certain public infrastructure to be acquired and constructed and all other information useful to understand the Project, an estimate of the cost to acquire, operate and maintain the Project, an estimated schedule for completion of the Project, a map or description of the area to be benefited by the Project and a plan for financing the Project, a copy of which is on file with Clerk of the District; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes ("*A.R.S.*"), as amended, a public hearing on the Report is being held on September 6, 2005, after provision for publication of notice thereof as provided by law and on such date Resolution No. 08-05 of this is to be adopted approving the Report;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) that:

Section 1. **Definitions**. In this resolution, the following terms shall have the following meanings:

"*Act*" shall mean Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended.

"*Assessment District*" shall mean the Festival Ranch Community Facilities District (Buckeye, Arizona) Assessment District No. 1, comprised of the real property contained within the boundaries described in *Exhibit A* attached hereto. For a more general description,

reference is hereby made to the Assessment District Map attached to this resolution as *Exhibit B*, which map is on file with the Superintendent of Streets and the Clerk.

"*Assessment District Map*" shall mean the map showing the Assessment District and attached hereto as *Exhibit B*.

"*Assessment District Engineer*" shall mean such engineer or firm of engineers as appointed by the District Manager.

"*Board*" or "*Board of Directors*" shall mean the Board of Directors of the District.

"*Bond Counsel*" shall mean Gust Rosenfeld P.L.C. and any successor thereto.

"*Bonds*" shall mean the District's Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005.

"*Clerk*" shall mean the Clerk of the District.

"*Development Agreement*" shall mean the Development, Financing Participation and Intergovernmental Agreement No. 1 (Festival Ranch Community Facilities District) dated as of April 21, 2005, by and among the Town of Buckeye, Arizona, the District, 10,000 West, LLC and Pulte Home Corporation; recorded April 22, 2005 at docket number 2005-0523800 in the office of the Maricopa County Recorder.

"*District*" shall mean the Festival Ranch Community Facilities District (Town of Buckeye, Arizona).

"*District Engineer*" shall mean such engineer or firm of engineers as appointed by the District Manager.

"*Estimate*" shall mean the estimate of costs and expenses of the Projects described in the Report and this resolution, showing the estimated costs and expenses of acquisition and construction of the Projects to be not less than $1,191,500, together with estimated Incidental Expenses of not to exceed $258,500 (which amount includes a Reserve Fund of not to exceed $115,000 and other costs of $143,500) for a total cost not less than $1,450,000, all as described on *Exhibit C*.

"*Incidental Expenses*" shall mean compensation paid to the Superintendent of Streets, District Engineer, Assessment District Engineer, costs of printing, advertising, posting, the expenses of making, administrating and collecting the assessments, appraiser's fees, any discount on the Bonds, any paying agent's fees, all legal and financial fees, all expenses and costs incurred in establishing the District, the Assessment District and incurred in connection with the drafting of the proceedings and in connection with the sale of bonds, the funding of a debt service reserve fund and any capitalized interest on the Bonds.

"*Plans*" shall mean the preliminary plans (including the conceptual plans), specifications and any other contract documents showing the location, type and character of the

Projects, filed with the Clerk prior to the adoption of this resolution or the resolution ordering the performance of the Projects. The term "Plans" shall include all final plans, specifications and contract documents developed in connection with the design of the Projects.

"*Projects*" shall mean the acquisition or construction of public infrastructure (as such term is defined in the Act) described in the Report including specifically, the acquisition and/or construction by the District of the public infrastructure described on *Exhibit D* hereto.

"*Report*" shall mean the Feasibility Report dated September 6, 2005 as approved by the Governing Board of this District on September 6, 2005, discussing the matters required by A.R.S. Section 48-715, as amended, as such matters relate to the Project.

"*Reserve Fund*" shall mean the debt service reserve fund funded with the proceeds from the sale of the Bonds, authorized pursuant to the Act.

"*Streets*" or "*streets to be improved*" shall mean the Projects listed on *Exhibit D* hereto and located on the streets listed therein and such other streets and public rights-of-way as are hereafter shown on the final Plans.

"*Superintendent of Streets*" shall mean such person or firm appointed as superintendent of streets by the District Manager.

"*Waiver*" shall mean the Festival Ranch Community Facilities District Waiver and Development Agreement dated as of September 6, 2005, by and between the District and Pulte Home Corporation.

Section 2. Resolution of Intent. This Board hereby identifies the public infrastructure comprising the Projects, the areas benefited, the expected method of financing and the system of providing revenues to operate and maintain the Projects, all as identified and provided for in the Report, for any and all purposes of the Act. This Board hereby declares its intent to proceed with the financing of the acquisition and construction of the Projects in substantially the manner presented in the Report and pursuant to the terms of the Development Agreement and Waiver.

Section 3. Declaration of Intention to Order the Projects. The public interest and convenience require and it is the intention of the Board to order the Projects to be acquired, constructed and performed as stated herein and contemplated by the Development Agreement and Waiver and in conformance with the final Plans. All items of the Projects shall be performed as prescribed by the final Plans and no assessment for any lot shall exceed its proportion of the Estimate.

Section 4. Determination of Need; Formation of Assessment District. The Assessment District is hereby formed, consisting of the property described on *Exhibit A* attached hereto. In the opinion of the Board, the Projects are of more than local or ordinary public benefit, and the Board hereby orders that all amounts due or to become due with respect to financing the costs and expenses of the Projects, together with all Incidental Expenses (the

"*Assessment*") shall be chargeable upon the respective lots, pieces and parcels of land within the Assessment District.

Section 5. **Exclusion of Certain Property**. Any public or private street or alley within the boundaries of the Assessment District is hereby omitted from the Assessment District. Any lot, the legal owner of which on this date is the United States, the state, a county, Town, school district or any political subdivision or institution of the state or county, which is included within the Assessment District shall be omitted from the assessments hereafter made except as otherwise agreed between the District and such owner.

Section 6. **Determination and Notice of Necessity to Issue Bonds**. The Board finds that the public convenience requires that special assessment lien bonds, designated *Festival Ranch Community Facilities District (Town of Buckeye, Arizona), Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005* shall be issued to finance the costs and expenses of the Projects and Incidental Expenses. The Board hereby determines that the Bonds shall be issued in the name of the District payable, however, solely and only out of a special fund collectible from special assessments levied and assessed upon the lots, pieces and parcels of land within the Assessment District in not to exceed twenty-five (25) annual principal installments from the assessments of $25.00 or over remaining unpaid as of the end of the cash collection period; however, if the special assessments are not collected or collection is delayed and consequently such special assessments are insufficient, then from the Reserve Fund.

The Bonds shall be issued in fully registered form as to principal and interest in the principal amounts of $100,000 when sold to sophisticated municipal market participants or $25,000 when sold to accredited investors or qualified institutional buyers who deliver an investor letter, or in $1,000 integral multiples in excess thereof. The Bonds shall mature on the first day of July in the years and in amounts to be set by the Board prior to their issuance; provided, however, the Bonds shall mature not later than July 1, 2030, or such later date (not exceeding 25 years from the date of initial issuance of the Bonds) as set forth in the bond purchase agreement. Principal installments of each Assessment shall be due on the first day of June immediately preceding the maturity date of any Bonds, installments of interest shall be due on the first day of June and December.

The Bonds shall bear interest at rate or rates of not to exceed ten percent (10%) per annum, payable on the first day of January and July of each year, commencing either January 1 or July 1, 2006 or such other date set forth in the bond purchase agreement. The Board reserves the right to call the Bonds for prior redemption, in whole or in part of such terms as may hereafter be established by this Board.

Section 7. **Bond Anticipation Notes**. The Board reserves the right to issue bond anticipation notes pursuant to § 48-618, Arizona Revised Statutes, as amended. The Board also reserves the right to retain any Bonds which may be issued and to sell the same for cash to pay the contractor the amounts due it in cash.

Section 8. **Establishment of Grade**. The grades and elevations for the Streets are hereby officially changed to correspond with the grades and elevations shown on the final Plans.

Section 9. **Statutory Authority**. The Projects and all proceedings pertaining thereto shall be acquired, constructed and performed under the provisions of the Act.

Section 10. **Delegation of Authority**. The District Engineer and the Superintendent of Streets are hereby authorized to cause the completion of the Plans, specification and any contract documents relating to the Projects and, in the case of acquisition of Projects, review and approve the Plans, review and approve the completed Projects and certify to the District the substantial completion of the Projects to be acquired.

Section 11. **Right to Reduce Scope of Work**. If, because of pending or threatened litigation concerning any one or more parcels subject to the Assessment, the District, the Developer and the District Engineer receive a written opinion of Bond Counsel stating that the Bonds cannot be issued against such parcel or parcels or the Assessment District is unable to obtain any right-of-way necessary for the acquisition or construction of the Projects, the District may then cause the acquisition or construction contract(s) to be modified to exclude from the applicable contract some or all of the Projects which will benefit the parcel or parcels in question, or which was located in the right-of-way which was not obtained. The filing of a certificate and request that no Bonds be issued against any parcel pursuant to § 48-540 and § 48-597, Arizona Revised Statutes, as amended, may be deemed to be threatened litigation.

Section 12. **Waiver and Assessment**. All of the owners of property and all other persons having an interest in property within the Assessment District have heretofore executed and delivered the District the Waiver wherein the parties thereto have (a) waived any and all requirements for notice and time for protests and objections relating to, among other things, the Projects and the extent of the Assessment District; (b) agreed to accept an Assessment; and (c) waived certain notice and procedural requirements. The Waiver is hereby accepted and approved and this Board is proceeding in reliance on the Waiver. Should any person having an interest in such land fail to execute and deliver the Waiver, the Board may cease the proceedings, and if necessary begin the proceedings anew. It is hereby determined that the allocation of the Assessment to the parcels within the Assessment District as established in the Report results in assessments to each parcel that are not less than the benefits received by each such parcel and such Assessment is hereby levied and assessed upon the parcels within the Assessment District in the manner set forth in the Waiver. The District Manager is hereby authorized to execute the Waiver on behalf of the District and the Clerk is authorized to record the Waiver with the Maricopa County Recorder. The Resolution Ordering the Projects may be adopted immediately, without posting or publishing notice of the adoption of this Resolution and without any period for protests or objections.

PASSED, ADOPTED AND APPROVED on September 6, 2005.

District Chairman

ATTEST:

District Clerk

APPROVED AS TO FORM:

District Attorney

Attachments: EXHIBIT A - Legal description of Assessment District
EXHIBIT B - Map of District
EXHIBIT C – Estimated Costs
EXHIBIT D - List of Projects

CERTIFICATE

I hereby certify that the above and foregoing Resolution was duly passed by the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) at a meeting held on September 6, 2005, and that a quorum was present thereat and that the vote thereon was 7 ayes and 0 nays; 0 did not vote or were absent.

District Clerk

SWR:gmh 596063 09/02/05

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

Parcel No. 1:

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

Parcel No. 2:

Tract H of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 36.867 Acres, more or less.

Parcel No. 3:

Lots 1 through 14, inclusive, and 41 through 50, inclusive, of Sun City Festival - Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.

Containing 4.570 Acres, more or less.

Parcel No. 4:

That part of the Southwest Quarter of Section 23, Township 4 North, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the G.L.O. Brass Cap marking the East Quarter Corner of said Section 23, from which the G.L.O. Brass Cap marking the Southeast Corner of said Section 23 bears South 00°23'31" West, a distance of 2,640.13 feet;

Thence South 00°22'48" West, a distance of 405.00 feet to the intersection of the monument lines of Beardsley Parkway and Desert Vista Boulevard as depicted on the Final Plat of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Maricopa County Records;

EXHIBIT A

Thence North 89°36'38" West, along the monument line of said Beardsley Parkway, a distance of 65.00 feet to the Westerly boundary of said Sun City Festival - Parcel B1;

Thence along the Westerly boundary of said Sun City Festival - Parcel B1 the following courses:

Thence South 00°22'48" West, departing the monument line of said Beardsley Parkway, a distance of 65.00 feet to the True Point of Beginning;

Thence South 44°36'55" East, a distance of 42.43 feet;

Thence South 00°22'48" West, a distance of 104.90 feet to the beginning of a tangent curve of 615.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 31°11'07", a distance of 334.74 feet;

Thence South 31°33'55" West, a distance of 220.80 feet to the beginning of a tangent curve of 1,000.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 47°27'29", a distance of 828.30 feet;

Thence South 26°31'40" West, a distance of 29.53 feet;

Thence South 68°56'54" West, a distance of 150.20 feet to the beginning of a tangent curve of 1,570.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 07°48'26", a distance of 213.93 feet;

Thence South 61°08'28" West, a distance of 428.06 feet;

Thence North 39°17'09" West, departing the Westerly boundary of said Sun City Festival - Parcel B1, a distance of 67.21 feet;

Thence North 21°29'42" West, a distance of 365.67 feet;
Thence North 01°00'05" West, a distance of 121.71 feet;
Thence North 14°13'53" East, a distance of 54.17 feet;
Thence South 75°46'07" East, a distance of 115.00 feet;
Thence North 14°13'53" East, a distance of 40.00 feet;
Thence North 75°46'07" West, a distance of 115.00 feet;

Thence North 14°13'53" East, a distance of 150.00 feet;
Thence North 02°27'10" East, a distance of 130.80 feet;
Thence North 04°47'46" West, a distance of 144.81 feet;

Thence North 88°01'26" East, a distance of 116.62 feet to a point on a 1,222.00 foot radius non-tangent curve, whose center bears North 88°01'26" East;

Thence Northerly, along said curve, through a central angle of 01°52'31", a distance of 40.00 feet;

Thence South 89°53'57" West, a distance of 115.05 feet;
Thence North 00°23'22" East, a distance of 140.83 feet;
Thence North 89°36'38" West, a distance of 36.43 feet;
Thence North 65°49'19" West, a distance of 33.70 feet;

Thence North 24°10'41" East, a distance of 115.00 feet to a point on a 45.00 foot radius non-tangent curve, whose center bears North 24°10'41" East;

Thence Northwesterly, along said curve, through a central angle of 39°50'11", a distance of 31.29 feet;

Thence South 64°00'52" West, a distance of 115.55 feet;
Thence North 21°13'46" West, a distance of 78.57 feet;
Thence North 23°45'20" West, a distance of 67.84 feet;

Thence North 44°12'05" East, a distance of 115.00 feet to a point on a 278.00 foot radius non-tangent curve, whose center bears South 44°12'05" West;

Thence Northwesterly, along said curve, through a central angle of 13°38'18", a distance of 66.18 feet;

Thence North 30°33'47" East, a distance of 44.00 feet;

Thence North 87°29'09" East, a distance of 25.14 feet to a point on a 222.00 foot radius non-tangent curve, whose center bears South 35°35'30" East;

Thence Northeasterly, along said curve, through a central angle of 20°36'21", a distance of 79.84 feet;

Thence North 14°59'09" West, a distance of 127.51 feet;
Thence North 00°23'22" East, a distance of 70.00 feet;

Legal Description for
Sun City Festival
Assessment District No. 1
February 14, 2005

Thence South 89°36'38" East, a distance of 1,219.94 feet to the True Point of Beginning.

Containing 37.282 Acres, more or less.

Parcels 1 through 4 total contain 153.115 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 2/15/05
ARIZONA, U.S.A.

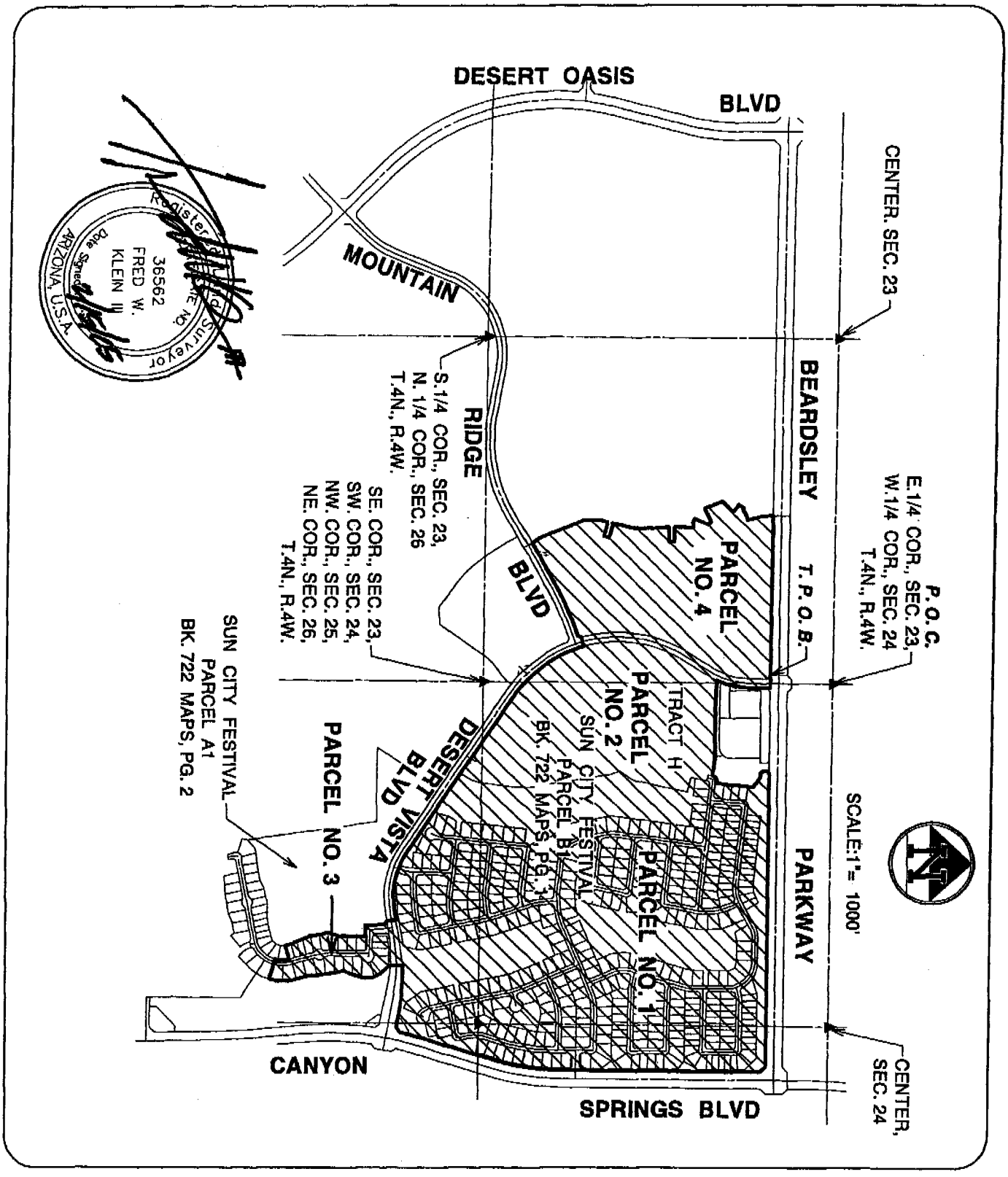


EXHIBIT N:\680001\LAND\EHASDIS2.DGN	SUN CITY FESTIVAL ASSESSMENT DISTRICT NO. 1	JOB NO 68000801
4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

EXHIBIT B

EXHIBIT C

Estimated Costs

Construction and Acquisition		$1,191,500
Incidental Expenses		
Costs of Issuance	$100,000	
Underwriter's Discount	43,500	
Reserve Fund	115,000	
Total Incidentals		$ 258,500
TOTAL COSTS		$1,450,000

EXHIBIT D

The Assessment District No. 1 shall finance the construction, installation or acquisition of public infrastructure (as such term is defined in the Act) described in the Report, including particularly the acquisition, installation or construction by the District of the following:

Parcel	Lots	Description	Estimated Acquisition Price
A-1 Phase 1	24	Wahalla Lane, 264th Avenue	$ 121,695
B-1	408	Ross Avenue, Potter Drive, Burnett Road, Mohawk Lane, Runion Drive, Runion Lane, Yukon Dr. Yukon Court, Tonopah Drive, Tonopah Street, Pontiac Drive, Sierra Pinta Drive, Escuda Drive, 262nd Drive, 263rd Drive, 264th Avenue, 264th Drive, 265th Avenue, 265th Drive, Sierra Pinta Drive.	2,046,765
C-1	143	Irma Lane, Burnett Road, Mohawk Lane, Runion Drive, Tonopah Drive, Tonopah Court, Yukon Court, 267th Avenue, 266th Avenue.	710,115
D-1	149	Ross Avenue, Potter Drive, Irma Lane, Mohawk Lane, Runion Drive, 268th Drive, 268th Avenue, 267th Drive, 267th Lane.	695,835
	TOTAL		$3,574,410

RESOLUTION NO. 07-05 (Festival Assmt – Res. Ordering Work)

RESOLUTION OF THE BOARD OF DIRECTORS OF THE FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) ORDERING THE PUBLIC INFRASTRUCTURE PROJECTS PERFORMED AS DESCRIBED IN RESOLUTION NO. 06-05.

WHEREAS, on September 6, 2005, the Board of Directors (the "*Board*") of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) passed and adopted Resolution No. 06-05 (the "*Resolution of Intention*"), declaring its intention to acquire and/or construct the Projects (as defined in the Resolution of Intention), together with all appurtenances and adjuncts necessary; determining that the District's assessment revenue bonds shall be issued to represent the costs and expenses thereof; declaring the Projects to be of more than local or ordinary public benefit; declaring that the costs and expenses thereof shall be assessed upon the Assessment District; and providing that the Projects shall be performed under the provisions of Title 48, Chapter 4, Article 6, Arizona Revised Statutes, and all amendments thereto; and

WHEREAS, the Waiver and Development Agreement (the "*Waiver*") has been signed by all property owners in the Assessment District and any other persons having an interest in the property within the Assessment District, waiving, among other things, all requirements for notice and time for protests against the Projects and objections to the extent of the Assessment District; and

WHEREAS, the Board has thereby acquired jurisdiction to order the acquisition, construction and performance of the Projects;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) as follows:

Section 1. **Definitions**. In this resolution, terms defined in the Resolution of Intention shall have the same meanings herein as therein.

Section 2. **Ordering the Performance of the Projects**. By virtue of the authority vested in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, and all amendments thereto, the Board hereby orders the acquisition, construction or performance of the Projects as described in the Resolution of Intention. The District Engineer shall cause to be prepared, where necessary, final Plans and contract documents for the Projects. When applicable, upon completion of the final Plans, the Superintendent of Streets shall invite sealed bids for construction of the Projects. The acquisition of any portion of the Projects may be performed upon the sale and delivery of the Bonds in an amount sufficient to pay the costs of acquisition.

Section 3. **Assessment and Collection**. The District Engineer and Superintendent of Streets are hereby authorized and directed to prepare and record assessment against the real property contained within the Assessment District. The assessment shall be allocated among the parcels and lots within the Assessment District as shown on the Assessment Diagram, in the manner established by the District Engineer. The treasurer of the District is hereby directed to make demand on the owners of the real property assessed for advance cash payment of the amount assessed.

PASSED, ADOPTED AND APPROVED by the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) on September 6, 2005.

Chairman

ATTEST:

Clerk

APPROVED AS TO FORM:

District Attorney

CERTIFICATE

I hereby certify that the above and foregoing Resolution No. 07-05 was duly passed by the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on September 6, 2005, and that a quorum was present thereat and that the vote thereon was 7 ayes and 0 nays. 0 did not vote or were absent.

Clerk

SWR:gmh 596077 09/02/05

RESOLUTION NO. 08-05 (Festival Assmt – Feasibility res.)

RESOLUTION APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE ASSESSMENT DISTRICT NO. 1, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, TO FINANCE SAID IMPROVEMENTS.

WHEREAS, pursuant to Section 48-715, Arizona Revised Statues, as amended, the governing body of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*") has caused a report of the feasibility and benefits of the Project (as defined hereinafter) relating to certain public infrastructure provided for in the General Plan of the District and to be financed with the proceeds of the sale of special assessment lien bonds of the District to be prepared, which report includes, among other things, a description of certain public infrastructure to be acquired and constructed and all other information useful to understand the Project, an estimate of the cost to acquire, operate and maintain the Project, an estimated schedule for completion of the Project, a map or description of the area to be benefited by the Project and a plan for financing the Project, a copy of which is on file with Clerk of the District; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes ("*A.R.S.*"), as amended, a public hearing on the Report was held on even date herewith, after provision for publication of notice thereof as provided by law;

WHEREAS, pursuant to the terms of the Development, Financing Participation and Intergovernmental Agreement No. 1 (the "*Development Agreement*") by and among the Town of Buckeye, the District, 10,000 West, L.L.C. and Pulte Home Corporation (the "*Developer*") and various other property owners within the District, dated as of April 21, 2005, provides that the District's unrated Bonds to be sold to: (i) accredited investors or qualified institutional buyers (as such terms are defined by the U.S. Securities laws and regulations) who deliver a letter certifying certain facts set forth in Section 6.4 of the Development Agreement (the "*Investor Letter*"); all transfers of the Bonds require the transferee to execute an Investor Letter; (ii) "sophisticated municipal market participants" ("*SMMP*") (as specifically defined by the Municipal Securities Rulemaking Board, which definition includes, among other factors, only institutions with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management) and require that the Investor Letter only be required to be executed in the initial sale to a SMMP.

NOW, THEREFORE, BE IT RESOLVED BY THE DISTRICT BOARD OF THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AS FOLLOWS:

Section 1. DEFINITIONS.

"*Act*" shall mean Title 48, Chapter 4, Article 6, A.R.S., as amended.

"*Board*" shall mean the board of directors of the District.

"*Clerk*" shall mean the Clerk of the District.

"*District*" shall mean the Festival Ranch Community Facilities District (Town of Buckeye, Arizona).

"*Project*" shall mean the public infrastructure (as such term is defined in the Act), described in the Report, including particularly, the projects described in *Exhibit A* attached hereto and incorporated by reference herein.

"*Report*" shall mean the Feasibility Report dated September 6, 2005, and on file with the Clerk, prior to the date and time hereof, discussing the matters required by Section 48-715 of the A.R.S., as amended, as such matters relate to the Project.

Section 2. RATIFICATION OF NOTICE OF HEARING. Published notice of the public hearing on the Report has been provided by the Clerk not less than ten (10) days in advance of the date of the public hearing on the Report. The form of notice of the public hearing attached hereto as *Exhibit B* is hereby ratified and approved in all respects.

Section 3. APPROVAL OF FEASIBILITY REPORT. Based on the review by this Board and the presentation of the Report at the public hearing on September 6, 2005, the Report is hereby adopted and approved in the form submitted to the Board. The Report has been filed with the Clerk prior to adoption of this resolution. Reference is hereby made to the Report so filed.

Section 4. RESOLUTION OF INTENT. This Board hereby identifies the public infrastructure of the Project, the areas benefited, the expected method of financing and the system of providing revenues to operate and maintain the Project, all as identified and provided for in the Report, for any and all purposes of the Act. This Board hereby declares its intent to proceed with the financing of the acquisition of the Project in substantially the manner presented in the Report. This Board declares its intent to issue Assessment District No. 1, Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*"), to finance the costs of the acquisition of the Project. District officers, employees, staff and agents are hereby authorized and directed to proceed with preparing all necessary documents and establishing financing terms and provisions for final review and approval by this Board.

Section 5. EFFECT. This resolution shall take effect and be in force from and after its passage, and after any publication and posting as may be by law required.

PASSED, ADOPTED AND APPROVED on September 6, 2005.

District Chairman

ATTEST:

District Clerk

APPROVED AS TO FORM:

District Attorney

Attachments:

Exhibit A Public Infrastructure
Exhibit B Notice of Public Hearing

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) at a meeting held on September 6, 2005, and that a quorum was present thereat and that the vote thereon was 7 ayes and 0 nays; 0 did not vote or were absent.

Clerk

SWR:gmh 596078 09/02/05

EXHIBIT A

ASSESSMENT DISTRICT NO. 1 PUBLIC INFRASTRUCTURE

Assessment District No. 1 shall finance the construction, installation or acquisition of public infrastructure (as such term is defined in the Act) described in the Report, including particularly the acquisition, installation or construction by the District of the following:

Parcel	Lots	Description
A-1 Phase 1	24	Wahalla Lane, 264th Avenue
B-1	408	Ross Avenue, Potter Drive, Burnett Road, Mohawk Lane, Runion Drive, Runion Lane, Yukon Dr. Yukon Court, Tonopah Drive, Tonopah Street, Pontiac Drive, Sierra Pinta Drive, Escuda Drive, 262nd Drive, 263rd Drive, 264th Avenue, 264th Drive, 265th Avenue, 265th Drive, Sierra Pinta Drive.
C-1	143	Irma Lane, Burnett Road, Mohawk Lane, Runion Drive, Tonopah Drive, Tonopah Court, Yukon Court, 267th Avenue, 266th Avenue.
D-1	149	Ross Avenue, Potter Drive, Irma Lane, Mohawk Lane, Runion Drive, 268th Drive, 268th Avenue, 267th Drive, 267th Lane.

EXHIBIT B

NOTICE OF PUBLIC HEARING

TO THE GENERAL PUBLIC AND THE MEMBERS OF THE BOARDS OF DIRECTORS OF SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AND THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA):

NOTICE IS HEREBY GIVEN that the Boards of Directors of the Sundance Community Facilities District (Town of Buckeye, Arizona) ("*Sundance*") and the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) ("*Festival*") will meet on September 6, 2005, at 6:00 p.m. in the Town Council Chambers, 100 N. Apache, Suite A, Buckeye, Arizona 85326, to conduct public hearings as follows: relative to Sundance: (1) conduct a public hearing to consider, review and approve a feasibility report relative to proposed infrastructure projects to be financed by the issuance of not to exceed $6,000,000 of general obligation bonds of the District; (2) consider, review and approve a feasibility report relative to proposed public infrastructure projects to be financed by the issuance of Assessment District No. 4 special assessment revenue bonds of the District; and, relative to Festival, consider, review and approve a feasibility report relative to proposed public infrastructure projects to be financed by the issuance of not to exceed $1,450,000 Assessment District No. 1 special assessment revenue bonds of the District. A copy of each of the feasibility reports may be reviewed at the office of the District Clerk, 100 N. Apache, Suite A, Buckeye, Arizona 85326.

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-1333865 09/12/2005 11:38
00671800089-25-1-1--
ELECTRONIC RECORDING

When recorded return to:
Mr. Scott W. Ruby
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
WAIVER AND DEVELOPMENT AGREEMENT
PERTAINING TO ASSESSMENT DISTRICT NO. 1

This Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement, dated September 6, 2005 (the "*Agreement*") by and among Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), and the undersigned owners of the land within the District (or holders of options to purchase land within the District) (collectively referred to as "*Interested Parties*").

WHEREAS, the Interested Parties intend to request the District to form assessment district number 1 (the "*Assessment District*") comprised of the property described and shown on *Exhibit A* attached hereto (the "*Property*") for the purpose of providing certain public infrastructure purposes (as defined in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Act*")) such public infrastructure purposes to be located on or off the Property; and

WHEREAS, the Interested Parties and all persons hereafter taking an interest in the Property shall be bound by the terms, waivers and agreements, set forth in this Agreement; and

WHEREAS, the proposed public infrastructure purposes to be provided by the Assessment District shall consist of:

A. Acquisition, installation and/or construction of the public infrastructure (as such term is defined in the Act) described on *Exhibit B* attached hereto and all incidental improvements related thereto;

B. All engineering, legal, financial and incidental costs and expenses incurred in completing the acquisition, installation and construction of the public infrastructure (as such term is defined in the Act) described in paragraph A above and the costs and expenses incurred in connection with the levy of the assessment and issuance and sale of the Assessment District bonds;

C. Capitalized interest on such Assessment District bonds, if any, for a period not to exceed the aggregate time for completion of all construction of and acquisition of the public infrastructure listed above, plus six months thereafter; and

D. A debt service reserve fund created for such Assessment District bonds.

Collectively, the construction and acquisition of such public infrastructure, described in paragraphs A through D above and the costs and expenses thereof shall hereinafter be referred to as the "*Work*".

WHEREAS, persons having only a lienholder's interest or other security interest in the Property ("*Lienholders*") as shown on the Consent and Agreement attached hereto consent to these terms and provisions of this Agreement and the recording thereof against the Property; and

NOW, THEREFORE, the Interested Parties and Lienholders hereto agree as follows:

1. **Development Agreement and Agreement Allocating Assessments**. This Agreement is a "development agreement" within the meaning of Arizona Revised Statutes Section 9-500.05 and the written agreement allocating the assessments is authorized pursuant to Arizona Revised Statutes Section 48-721, as amended.

2. **Reliance on Agreement**. This Agreement does not create a binding commitment on the part of the District to actually form the Assessment District, or, if formed, of the District or Assessment District to sell or deliver such Assessment District bonds, construct, install or acquire any or all of the Work, or if it does construct, install or acquire any of the Work, to construct, install or acquire it pursuant to any existing proposals. However, the District, and, if formed, the Assessment District, in going forward with the Work, is doing so in reliance upon this Agreement to have the Property included within the Assessment District and assessed for the costs thereof.

3. **Review and Approval of the Boundaries, Scope of Work and Assessment**.

(i) The Interested Parties have reviewed or have had the opportunity and right to review the boundaries of the Assessment District, the assessment diagram, the preliminary plans and specifications detailing the Work and the engineer's estimate of the costs of the Work (the "*Engineer's Estimate*"). The parties agree the costs of the Work shall be spread among the parcels comprising the Property within the Assessment District utilizing a methodology determined by the Assessment District engineer based on the expected benefit to the residential lots and commercial parcels to be developed on the Property (the "*Assessments*"). The Interested Parties agree that the Engineer's Estimate of the costs of Work is, and will not exceed, $1,450,000.00.

(ii) This Agreement shall be construed to be an express consent by the Interested Parties, Lienholders and all future owners of any portion of the Property that: (a) the District may form the Assessment District in accordance with the provisions hereof; (b) the

District and the Assessment District may incur costs and expenses necessary to complete the Work; (c) the District or the Assessment District may levy and collect an assessment on the Property sufficient to pay all costs and expenses of the Work (including Work benefitting the Property in the proposed Assessment District, which was constructed, installed or performed prior to the execution hereof) and the costs of levying the assessment and the issuance of the Assessment District bonds, but not in excess of the Engineer's Estimate.

4. **No Protest, Objection or Request for Hearings**. The Interested Parties and Lienholders hereby agree to allow the formation of the Assessment District and to allow the Assessment District to take all steps necessary to levy and confirm assessments against the Property (the "*Assessments*") and to issue such Assessment District bonds supported by the Assessments. The Interested Parties and Lienholders acknowledge and agree that pursuant to A.R.S. § 9-500.05 the provisions of A.R.S. § 32-2181 do not apply and that pursuant to this Agreement the parties waive their right to appear before the Board of Directors of the District on any hearing required at or prior to the confirmation of the Assessments and waive their right to: (a) protest and object to the extent of the Assessment District pursuant to A.R.S. § 48-579 and 580; (b) protest the award of contract pursuant to A.R.S. § 48-584 and (c) object to the Assessments pursuant to § 48-590.

5. **Approval of Proceedings**. The Interested Parties and Lienholders, with full knowledge of the provisions of Title 48, Chapter 4, Articles 2 and 6, of the Arizona Revised Statutes and their rights thereunder (or having obtained counsel to advise them of the provisions and their rights), expressly waive any and all irregularities, illegalities or deficiencies which may now or hereafter exist in the acts or proceedings resulting in the formation of the District, the Assessment District, the adoption of the resolution of intention and the resolution ordering the Work and the levying of the Assessments against the Property.

6. **Waiver**. The Interested Parties and Lienholders, with full knowledge of the provisions and their rights under the provisions of law hereafter referenced, expressly agree to waive the following:

(i) any defect in the proceedings and election establishing the District, as required by A.R.S. § 48-702 through § 48-708, inclusive, and agree that, to the extent of any defect, this Agreement shall constitute the petitions required by law to form and establish the District without conducting an election;

(ii) any and all notices and response time periods related to such notices provided by A.R.S. § 48-576 et seq., as amended, including but not limited to the following:

(a) mailing, posting and publication, as applicable, of any notice required in connection with: (A) the adoption of the resolution of intention, (B) the notice of proposed improvements, (C) the adoption of the resolution ordering the Work, (D) notice of passage of the resolution ordering the Work, (E) notice of award of contract and (F) any other steps necessary in connection with the Assessment District or the Work; and

(b) any and all notices pertaining to a hearing on the Assessments;

(iii) any and all objections and protests to the extent of the Assessment District;

(iv) any and all objections to the adoption by the District or the Assessment District of the plans and specifications, the Engineer's Estimate and the assessment diagram, all of which provide for and effectuate the completion of the Work;

(v) any and all protest rights against the Work and objections to the awarding of one or more acquisition or construction contracts for the Work;

(vi) any and all defenses they may now or subsequently have against Assessment District bonds; and

(vii) all demands for cash payment of the Assessments.

7. **Work as More Than Local and Ordinary Benefit**. The Interested Parties and Lienholders agree that the Work is of more than local or ordinary public benefit and that the Work constitutes a public infrastructure purpose and that the Property which is subject to the Assessments receives a benefit from the Work in an amount not less than the Engineer's Estimate.

8. **Public Bidding**. The public bidding requirements set forth in A.R.S. § 48-581 and 584 have been or will be complied with by the District with respect to the Work.

9. **Performance of the Work**. The District or the Assessment District may immediately upon issuance of such Assessment District bonds, acquire, bid, construct and perform all or part of the Work.

10. **Acceptance of Assessment**. The Interested Parties and Lienholders agree to accept Assessments in an amount not greater than the Engineer's Estimate against all of the land located within the boundaries of the Property; and that such Assessments shall be collected and foreclosed in accordance with Arizona Revised Statutes § 48-601 *et seq.*, as amended and in accordance with any other documents executed and delivered in connection with the delivery of the Assessment Bonds.

11. **Recording of Assessment**. The Interested Parties and Lienholders consent to the recordation of the Assessments against the Property.

12. **Assessments to go to Bond**. Except as any Interested Party otherwise notifies the Assessment District in writing prior to the recording of the Assessments of their intent to pay all or part of their Assessment in cash, Assessments will not be paid in cash. With respect to Assessments not paid in cash, the Interested Parties request that a certified list of unpaid Assessments be filed as soon as possible after the recording of the Assessments and that Assessment District bonds amortizing the payment of the Assessments over not less than fifteen (15) years be issued and sold as soon as possible.

13. **Acceptance of Partial Assessment**. The inability of the District or the Assessment District to assess all or any portion of the costs of the Work shall not reduce the obligation of the Interested Parties, so long as they own all or part of the Property to pay their proportionate share of the costs of the Work.

14. **Waiver of Collateral Document Provisions**. The Interested Parties expressly waive any and all provisions of any collateral security instruments relating to the Property which prohibit the formation of the Assessment District, completion of the Work and placing and recording of the Assessments against the Property.

15. **Dedication of Property Needed to Perform the Work**. The Interested Parties consent to the dedication, without cost, of the rights-of-way, easements and other property, as required by the District or Assessment District for construction of the Work. The Interested Parties agree to cooperate in effectuating any required dedication, including execution of any required document.

16. **Payment of Maintenance Costs**. The District or the Assessment District may levy a tax or assessment upon the Property, all as provided by law, to pay the operation and maintenance costs of the improvements.

17. **Indemnification Under Securities Act**. The Interested Parties, jointly and severally, hereby agree to indemnify and hold the District and the Town of Buckeye, Arizona (the "*Town*") and each director, council member, officer, agent, independent contractor or employee thereof and each person, if any, who controls the District and the Town, its officers, employees and agents, within the meaning of the Securities Act of 1933, as amended (the "*Securities Act*") (collectively the "*Indemnified Persons*") harmless for, from and against any and all losses, claims, damages or liabilities, including reasonable attorney's fees arising from any challenge to the formation, activities or administration of the District, or any losses, claims, damages or liabilities, including reasonable attorney's fees related to which any of the Indemnified Persons may become subject, under any statute regulation at law or in equity or otherwise, insofar as such losses, claims, damages or liabilities, including attorney's fees (or actions in respect thereof) arise out of or are based upon any untrue statement or any alleged untrue statement or material fact set forth in any official statement applicable to the Assessment District's bonds or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or which is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect. This Section 17 shall survive the termination hereof.

18. **General Indemnification of District and Directors**. The Interested Parties, jointly and severally, hereby agree to indemnify the District and each director, officer, agent, employee, independent contractor, and the Town, its officers, employees, agents, independent contractors and council members (collectively, the "*Indemnified Parties*") and shall hold the Indemnified Parties harmless from, for and against any and all claims and reasonable costs incurred, including but not limited to reasonable attorneys' fees and other administrative or out of pocket costs actually and directly incurred by the Indemnified Parties in connection with or

as the result of acts of the District or the District Board which are (i) within the scope of the District or District Board's authority under the Securities Act, or (ii) undertaken by the District or District Board in a properly advertised public meeting. This Section 18 shall survive the termination hereof.

19. **Disclosure Document**. The Interested Parties hereto agree that any potential purchaser of any real property subject hereto, including each potential purchaser of a residential lot within the District, shall receive a concise disclosure document that discloses the existence, the estimated payment amount and the payment terms of any portion of the Assessment applicable to the real property to be purchased. Each potential purchaser shall acknowledge in writing that the purchaser received and understood the concise disclosure document and has agreed to the terms, waivers and agreements contained in this Agreement. The District agrees to maintain records of the written acknowledgments. The provisions of this Agreement shall not apply to the sale of any real property which is not subject to the Assessment.

20. **Encumbrance of the Property**. The provisions, terms and restrictions of this Agreement shall run with and bind the Property as equitable servitudes and also as covenants running with the land.

21. **Recording**. This Agreement may be recorded in the office of the County Recorder of Maricopa County, Arizona.

22. **Continuing Disclosure**. So long as any Interested Party is the owner of a portion of the Property that is liable for 20% or more of the debt service on any Assessment District bonds, such Interested Party, solely with respect to their assessed property, will, if requested by the District, provide any and all information needed to comply with the information reporting requirements contemplated by Rule 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934.

23. **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the Interested Parties hereto, their future grantees, respective heirs, successors and assigns. There shall be no third party beneficiaries of this Agreement, except that solely for the purposes of receiving the benefits of the provisions of sections 17 and 18 of this Agreement, the Interested Parties hereto agree that the Town is a third party beneficiary of the terms and provisions of Sections 17 and 18 of this Agreement.

24. **Authority**. The Interested Parties individually warrant, with respect to their own status only, that they have the requisite authority to bind the entity on whose behalf they are signing and, to the best of their knowledge, no other consents are required.

25. **Counterparts**. For convenience, this Agreement may be executed in one or more counterparts and each executed counterpart shall for all purposes be deemed an original and shall have the same force and effect as an original, but all of which together shall constitute in the aggregate but one and the same instrument. This Agreement will constitute the entire agreement between the parties, and supercedes all previous written or oral agreements or understandings regarding the subject matter of this Agreement. Interested Parties knowingly and voluntarily

forever releases and discharges the Town/District and all of its past and present elected officials, officers, directors, agents, employees, successors, assigns, attorneys, and representatives from all legal and equitable claims, causes of action, debts, accounts, and damages, known or unknown, asserted or unasserted, and of every nature and extent whatsoever, that the Interested Parties has against the Town/District, and arising from actions, omissions, delays or other events that occurred prior to the date of this Agreement.

26. **Failure to Sell Bonds**. In the event the District fails or is otherwise unable to sell and/or deliver Assessment District bonds in an amount sufficient to allow the District to pay the amounts need to pay the costs of the Work and upon written request of the owner of the real property within the Assessment District, the District agrees to adopt proceedings that dissolves and terminates any Assessment District or assessment lien, established by the district, encumbering the Property.

27. **Lienholders Consent**. The Interested Parties represent that the only Lienholder is 10,000 West, L.L.C., an Arizona limited liability company.

[SIGNATURE PAGES TO FOLLOW]

OWNER:

PULTE HOME CORPORATION, a Michigan corporation

By _____
SAMUEL Q. COLGAN
Its: AUTHORIZED AGENT

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 31ST day of August, 2005, by Samuel Colgan the Authorized Agent of Pulte Home Corporation, a Michigan corporation, on behalf of the corporation.

My commission expires:

10/29/2008

_____
Notary Public

LISA J. WELTY
Notary Public - Arizona
Maricopa County
Expires 10/29/08

ACCEPTED:

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____

Its: Mayor

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 6th day of September, 2005, by Dustin Hull the Mayor of Festival Ranch Community Facilities District (Town of Buckeye, Arizona).

My commission expires:

March 31, 2009

_____
Notary Public

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

LIENHOLDER

CONSENT AND AGREEMENT

Reference is made to that certain Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement, dated as of September 6, 2005, initially by and among the Festival Ranch Community Facilities District, and the Interested Parties (as defined therein), to which this Lienholder Consent and Agreement is attached (the "*Agreement*"). All capitalized terms used and not otherwise defined in this Lienholder Consent Agreement shall have the meanings set forth in the Agreement. The undersigned, as one of the Lienholders having an interest in real property within the Assessment District, hereby consents to the Agreement, acknowledges that the Agreement shall bind all the Property in which the undersigned has an interest within the District, and authorizes the recordation of the Agreement with respect to all such Property. In no event, however, shall anything in this Lienholder Consent and Agreement constitute a personal assumption by the undersigned of the obligations of any party under the Agreement.

DATED: August 30, 2005

LIENHOLDER:

10,000 WEST, L.L.C., an Arizona limited liability company

By: Lyle Anderson Holding, Inc., a Delaware corporation, Its Manager

By Patrick R. Whelan

Its President

Date 8-30-05

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 30th day of August, 2005, by Patrick R. Whelan, the President of Lyle Anderson Holding, Inc., a Delaware corporation, the Manager of 10,000 West, L.L.C., an Arizona limited liability company.

My commission expires:

Sept. 18, 2008

Elise V. Peters
Notary Public

OFFICIAL SEAL
ELISE V. PETERS
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Commission Expires September 18, 2008

ACCEPTED:

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By Dustin Hull
Its: Mayor
Date Sept 6, 2005

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 6th day of September, 2005, by Dustin Hull the Mayor of Festival Ranch Community Facilities District (Town of Buckeye, Arizona).

My commission expires:
March 31, 2005

Linda Garrison
Notary Public

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

EXHIBIT A

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

Parcel No. 1:

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

Parcel No. 2:

Tract H of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 36.867 Acres, more or less.

Parcel No. 3:

Lots 1 through 14, inclusive, and 41 through 50, inclusive, of Sun City Festival - Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.

Containing 4.570 Acres, more or less.

Parcel No. 4:

That part of the Southwest Quarter of Section 23, Township 4 North, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the G.L.O. Brass Cap marking the East Quarter Corner of said Section 23, from which the G.L.O. Brass Cap marking the Southeast Corner of said Section 23 bears South 00°23'31" West, a distance of 2,640.13 feet;

Thence South 00°22'48" West, a distance of 405.00 feet to the intersection of the monument lines of Beardsley Parkway and Desert Vista Boulevard as depicted on the Final Plat of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Maricopa County Records;

Thence North 89°36'38" West, along the monument line of said Beardsley Parkway, a distance of 65.00 feet to the Westerly boundary of said Sun City Festival - Parcel B1;

Thence along the Westerly boundary of said Sun City Festival - Parcel B1 the following courses:

Thence South 00°22'48" West, departing the monument line of said Beardsley Parkway, a distance of 65.00 feet to the True Point of Beginning;

Thence South 44°36'55" East, a distance of 42.43 feet;

Thence South 00°22'48" West, a distance of 104.90 feet to the beginning of a tangent curve of 615.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 31°11'07", a distance of 334.74 feet;

Thence South 31°33'55" West, a distance of 220.80 feet to the beginning of a tangent curve of 1,000.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 47°27'29", a distance of 828.30 feet;

Thence South 26°31'40" West, a distance of 29.53 feet;

Thence South 68°56'54" West, a distance of 150.20 feet to the beginning of a tangent curve of 1,570.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 07°48'26", a distance of 213.93 feet;

Thence South 61°08'28" West, a distance of 428.06 feet;

Thence North 39°17'09" West, departing the Westerly boundary of said Sun City Festival - Parcel B1, a distance of 67.21 feet;

Thence North 21°29'42" West, a distance of 365.67 feet;
Thence North 01°00'05" West, a distance of 121.71 feet;
Thence North 14°13'53" East, a distance of 54.17 feet;
Thence South 75°46'07" East, a distance of 115.00 feet;
Thence North 14°13'53" East, a distance of 40.00 feet;
Thence North 75°46'07" West, a distance of 115.00 feet;

Thence North 14°13'53" East, a distance of 150.00 feet;
Thence North 02°27'10" East, a distance of 130.80 feet;
Thence North 04°47'46" West, a distance of 144.81 feet;

Thence North 88°01'26" East, a distance of 116.62 feet to a point on a 1,222.00 foot radius non-tangent curve, whose center bears North 88°01'26" East;

Thence Northerly, along said curve, through a central angle of 01°52'31", a distance of 40.00 feet;

Thence South 89°53'57" West, a distance of 115.05 feet;
Thence North 00°23'22" East, a distance of 140.83 feet;
Thence North 89°36'38" West, a distance of 36.43 feet;
Thence North 65°49'19" West, a distance of 33.70 feet;

Thence North 24°10'41" East, a distance of 115.00 feet to a point on a 45.00 foot radius non-tangent curve, whose center bears North 24°10'41" East;

Thence Northwesterly, along said curve, through a central angle of 39°50'11", a distance of 31.29 feet;

Thence South 64°00'52" West, a distance of 115.55 feet;
Thence North 21°13'46" West, a distance of 78.57 feet;
Thence North 23°45'20" West, a distance of 67.84 feet;

Thence North 44°12'05" East, a distance of 115.00 feet to a point on a 278.00 foot radius non-tangent curve, whose center bears South 44°12'05" West;

Thence Northwesterly, along said curve, through a central angle of 13°38'18", a distance of 66.18 feet;

Thence North 30°33'47" East, a distance of 44.00 feet;

Thence North 87°29'09" East, a distance of 25.14 feet to a point on a 222.00 foot radius non-tangent curve, whose center bears South 35°35'30" East;

Thence Northeasterly, along said curve, through a central angle of 20°36'21", a distance of 79.84 feet;

Thence North 14°59'09" West, a distance of 127.51 feet;
Thence North 00°23'22" East, a distance of 70.00 feet;

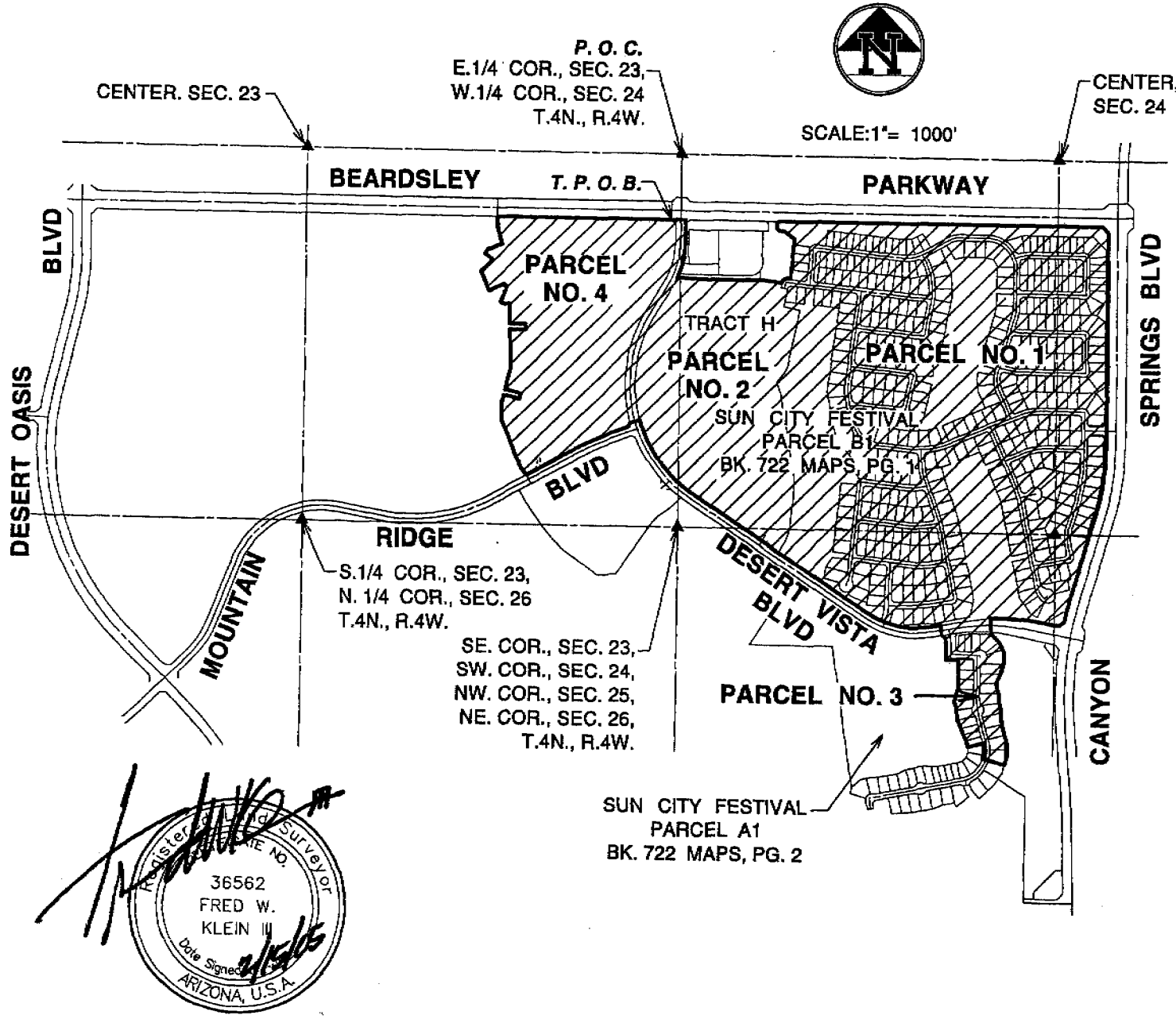
Legal Description for
Sun City Festival
Assessment District No. 1
February 14, 2005

Thence South 89°36'38" East, a distance of 1,219.94 feet to the True Point of Beginning.

Containing 37.282 Acres, more or less.

Parcels 1 through 4 total contain 153.115 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 2/15/05
ARIZONA, U.S.A.



JOB NO
68000801

SHEET
1 OF 1

SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

EXHIBIT

N:\680001\LAND\EHASDI\S2.DGN

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

EXHIBIT B

PUBLIC INFRASTRUCTURE

"Public Infrastructure" means, for purposes of this Agreement, the following:

Parcel	Lots	Description
A-1 Phase 1	24	Wahalla Lane, 264th Avenue
B-1	408	Ross Avenue, Potter Drive, Burnett Road, Mohawk Lane, Runion Drive, Runion Lane, Yukon Dr. Yukon Court, Tonopah Drive, Tonopah Street, Pontiac Drive, Sierra Pinta Drive, Escuda Drive, 262nd Drive, 263rd Drive, 264th Avenue, 264th Drive, 265th Avenue, 265th Drive, Sierra Pinta Drive.
C-1	143	Irma Lane, Burnett Road, Mohawk Lane, Runion Drive, Tonopah Drive, Tonopah Court, Yukon Court, 267th Avenue, 266th Avenue.
D-1	149	Ross Avenue, Potter Drive, Irma Lane, Mohawk Lane, Runion Drive, 268th Drive, 268th Avenue, 267th Drive, 267th Lane.

EXHIBIT A

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

Parcel No. 1:

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

Parcel No. 2:

Tract H of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 36.867 Acres, more or less.

Parcel No. 3:

Lots 1 through 14, inclusive, and 41 through 50, inclusive, of Sun City Festival - Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.

Containing 4.570 Acres, more or less.

Parcel No. 4:

That part of the Southwest Quarter of Section 23, Township 4 North, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the G.L.O. Brass Cap marking the East Quarter Corner of said Section 23, from which the G.L.O. Brass Cap marking the Southeast Corner of said Section 23 bears South 00°23'31" West, a distance of 2,640.13 feet;

Thence South 00°22'48" West, a distance of 405.00 feet to the intersection of the monument lines of Beardsley Parkway and Desert Vista Boulevard as depicted on the Final Plat of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Maricopa County Records;

Thence North 89°36'38" West, along the monument line of said Beardsley Parkway, a distance of 65.00 feet to the Westerly boundary of said Sun City Festival - Parcel B1;

Thence along the Westerly boundary of said Sun City Festival - Parcel B1 the following courses:

Thence South 00°22'48" West, departing the monument line of said Beardsley Parkway, a distance of 65.00 feet to the True Point of Beginning;

Thence South 44°36'55" East, a distance of 42.43 feet;

Thence South 00°22'48" West, a distance of 104.90 feet to the beginning of a tangent curve of 615.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 31°11'07", a distance of 334.74 feet;

Thence South 31°33'55" West, a distance of 220.80 feet to the beginning of a tangent curve of 1,000.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 47°27'29", a distance of 828.30 feet;

Thence South 26°31'40" West, a distance of 29.53 feet;

Thence South 68°56'54" West, a distance of 150.20 feet to the beginning of a tangent curve of 1,570.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 07°48'26", a distance of 213.93 feet;

Thence South 61°08'28" West, a distance of 428.06 feet;

Thence North 39°17'09" West, departing the Westerly boundary of said Sun City Festival - Parcel B1, a distance of 67.21 feet;

Thence North 21°29'42" West, a distance of 365.67 feet;
Thence North 01°00'05" West, a distance of 121.71 feet;
Thence North 14°13'53" East, a distance of 54.17 feet;
Thence South 75°46'07" East, a distance of 115.00 feet;
Thence North 14°13'53" East, a distance of 40.00 feet;
Thence North 75°46'07" West, a distance of 115.00 feet;

Thence North 14°13'53" East, a distance of 150.00 feet;
Thence North 02°27'10" East, a distance of 130.80 feet;
Thence North 04°47'46" West, a distance of 144.81 feet;

Thence North 88°01'26" East, a distance of 116.62 feet to a point on a 1,222.00 foot radius non-tangent curve, whose center bears North 88°01'26" East;

Thence Northerly, along said curve, through a central angle of 01°52'31", a distance of 40.00 feet;

Thence South 89°53'57" West, a distance of 115.05 feet;
Thence North 00°23'22" East, a distance of 140.83 feet;
Thence North 89°36'38" West, a distance of 36.43 feet;
Thence North 65°49'19" West, a distance of 33.70 feet;

Thence North 24°10'41" East, a distance of 115.00 feet to a point on a 45.00 foot radius non-tangent curve, whose center bears North 24°10'41" East;

Thence Northwesterly, along said curve, through a central angle of 39°50'11", a distance of 31.29 feet;

Thence South 64°00'52" West, a distance of 115.55 feet;
Thence North 21°13'46" West, a distance of 78.57 feet;
Thence North 23°45'20" West, a distance of 67.84 feet;

Thence North 44°12'05" East, a distance of 115.00 feet to a point on a 278.00 foot radius non-tangent curve, whose center bears South 44°12'05" West;

Thence Northwesterly, along said curve, through a central angle of 13°38'18", a distance of 66.18 feet;

Thence North 30°33'47" East, a distance of 44.00 feet;

Thence North 87°29'09" East, a distance of 25.14 feet to a point on a 222.00 foot radius non-tangent curve, whose center bears South 35°35'30" East;

Thence Northeasterly, along said curve, through a central angle of 20°36'21", a distance of 79.84 feet;

Thence North 14°59'09" West, a distance of 127.51 feet;
Thence North 00°23'22" East, a distance of 70.00 feet;

Legal Description for
Sun City Festival
Assessment District No. 1
February 14, 2005

Thence South 89°36'38" East, a distance of 1,219.94 feet to the True Point of Beginning.

Containing 37.282 Acres, more or less.

Parcels 1 through 4 total contain 153.115 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 2/15/05
ARIZONA, U.S.A.

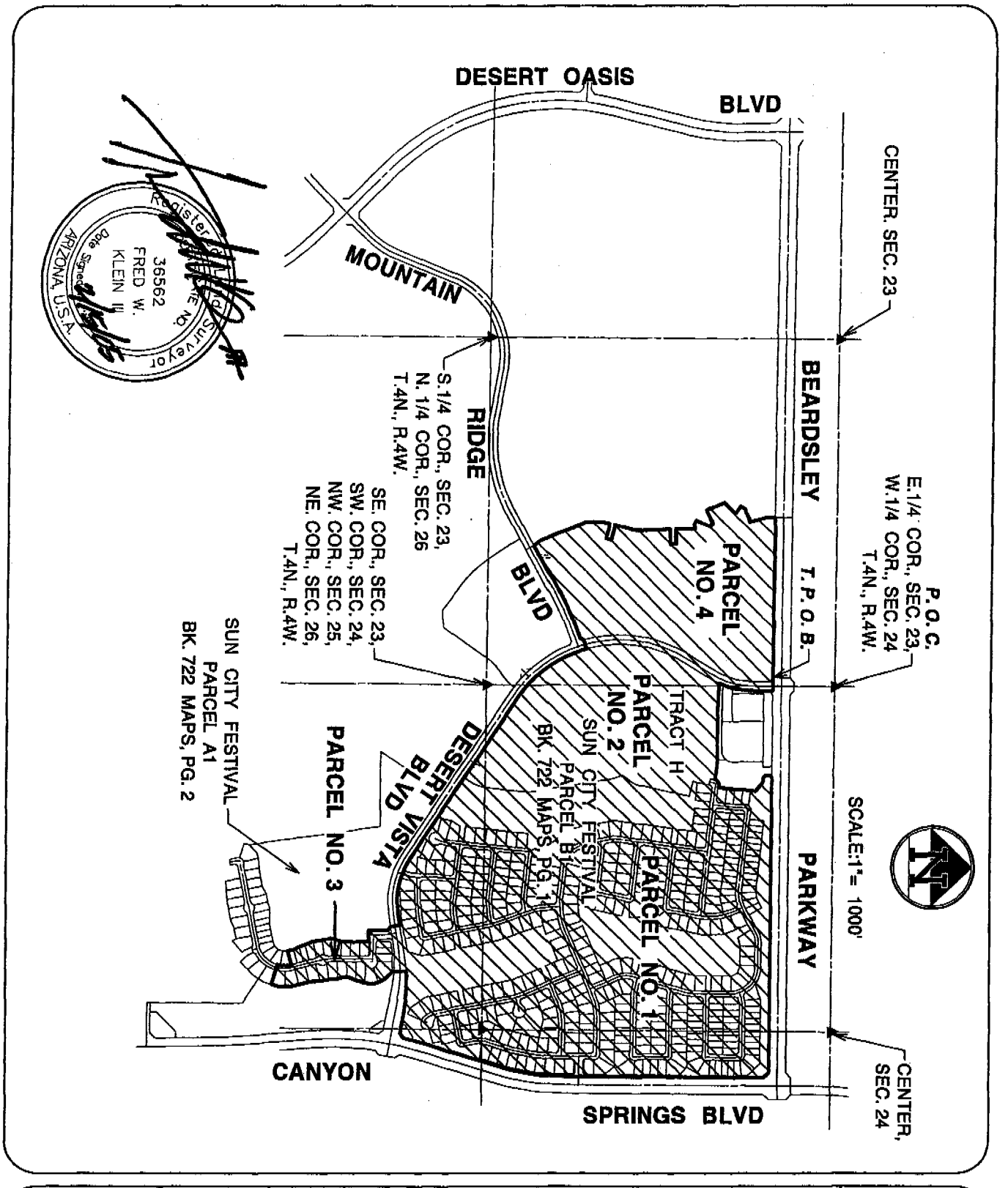


EXHIBIT	SUN CITY FESTIVAL ASSESSMENT DISTRICT NO. 1	JOB NO
N:\680001\LAND\EHASDIS2.DGN		68000801
4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

EXHIBIT B

PUBLIC INFRASTRUCTURE

"Public Infrastructure" means, for purposes of this Agreement, the following:

Parcel	Lots	Description
A-1 Phase 1	24	Wahalla Lane, 264th Avenue
B-1	408	Ross Avenue, Potter Drive, Burnett Road, Mohawk Lane, Runion Drive, Runion Lane, Yukon Dr. Yukon Court, Tonopah Drive, Tonopah Street, Pontiac Drive, Sierra Pinta Drive, Escuda Drive, 262nd Drive, 263rd Drive, 264th Avenue, 264th Drive, 265th Avenue, 265th Drive, Sierra Pinta Drive.
C-1	143	Irma Lane, Burnett Road, Mohawk Lane, Runion Drive, Tonopah Drive, Tonopah Court, Yukon Court, 267th Avenue, 266th Avenue.
D-1	149	Ross Avenue, Potter Drive, Irma Lane, Mohawk Lane, Runion Drive, 268th Drive, 268th Avenue, 267th Drive, 267th Lane.

JOINT MEETING OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT;
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT;
WESTPARK COMMUNITY FACILITIES DISTRICT; AND
WATSON ROAD COMMUNITY FACILITIES DISTRICT.
TOWN OF BUCKEYE, ARIZONA

OCTOBER 18, 2005

AGENDA

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
Immediately following the October 18, 2005 Regular Council Meeting.

Accessibility for all persons with disabilities will be provided upon request. Please telephone your accommodation request (623 386-4691) 72 hours in advance if you need a sign language interpreter or alternate materials for a visual or hearing impairment. (TDD 623 386-4421)

Members of the Community Facilities District Board will attend either in person or by telephone conference call or video presentations.

1. Call to Order of the Joint Community Facilities District Meeting.
Board Action: None.

2. Roll Call
Board Action: None.

3. Approval of Minutes – Festival Ranch Community Facilities District – October 4, 2005
Verrado District 1 CFD – October 4, 2005
Westpark CFD – October 4, 2005
Board Action: Discussion and possible motion.

4. FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(a) Board will consider, for possible action, adoption of Resolution 09-05 APPROVING THE LEVYING OF AN ASSESSMENT AND ASSESSMENT DIAGRAM FOR THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA).
Board Action: Discussion and possible motion

(b) Board to consider for possible action, adoption of Resolution 10-05 AUTHORIZING THE ISSUANCE OF ITS ASSESSMENT DISTRICT NO. 1 SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $1,450,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS, A CONTINUING DISCLOSURE UNDERTAKING, A DISSEMINATION AGENCY AGREEMENT AND CERTAIN OTHER DOCUMENTS SECURING THE PAYMENT OF OR RELATING TO THE BONDS; AWARDING THE BONDS TO THE PURCHASER STATEMENT RELATING TO THE BONDS; APPROVING THE PREPARATION AND USE OF A FINAL OFFICIAL STATEMENT RELATING TO THE BONDS; AND TAKING OTHER ACTIONS SECURING THE PAYMENT OF AND RELATING TO THE BONDS.
Board Action: Discussion and possible motion

5. VERRADO DISTRICT 1 CFD

(a) Board to consider for possible action, adoption of Resolution 04-05 amending a typographical error in the legal description pertaining to Verrado District 1 Community Facilities (Town of Buckeye, Arizona).

Board Action: Discussion and possible motion

6. WATSON ROAD COMMUNITY FACILITIES DISTRICT

(a) Board to consider for possible action Resolution 01-05, a resolution of the District Board of Watson Road Community Facilities District (Town of Buckeye, Arizona) appointing District Officers; approving the General Plan; taking certain other actions with regard to organization of the District and ordering and calling a Special Bond and Operation and Maintenance Ad Valorem Tax Election for the District and entering into a Waiver and Development Agreement.

Board Action: Discussion and possible motion

(b) Board to consider and if advisable, to approve the CM at Risk Construction Services Agreement, GMP #3 from Garney Construction related to the 3.0 MGD expansion of the Town of Buckeye Waste Water Treatment Plant; to approve supplements to GMP #3 relating to payment terms and the source of funding for Phase 1 of GMP #3 and accept assignment from the Town of Buckeye of the CM at Risk Construction Services Agreement, GMP #3, including the supplements to GMP #3 relating to payment terms and the source of funding for Phase 1 of GMP #3.

Board Action: Discussion and possible motion

7. WEST PARK COMMUNITY FACILITIES DISTRICT

(a) Board will conduct a Public Hearing on a feasibility report submitted in connection with the proposed issuance of General Obligations Bonds by the District (TO BE CONTINUED TO NOVEMBER 1, 2005).

Board Action: Discussion and possible motion

8. Adjournment.

Board Action: Motion to adjourn.

JOINT MEETING OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT;
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT;
WESTPARK COMMUNITY FACILITIES DISTRICT; AND
WATSON ROAD COMMUNITY FACILITIES DISTRICT.
TOWN OF BUCKEYE, ARIZONA
OCTOBER 18, 2005
MINUTES

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
Immediately following the October 18, 2005 Regular Council Meeting.

1. Call to Order of the Joint Community Facilities District Meeting.
Chairman Hull called the meeting to order at 7:38 p.m.

2. Roll Call

Members Present: Boardmember Beard, Vice Chairman Urwiller, Chairman Hull, Boardmember May, Boardmember Doster, and Boardmember Garza.

Members Absent: Boardmember Meck and Boardmember Doster

Departments Present: Town Manager Carroll Reynolds, Town Attorney Scott Ruby, Town Clerk Linda Garrison, Deputy Clerk Lucinda Aja, Police Chief Dan Saben, Information Technology Director Dee Hathaway, Finance Department Manager Iris Wallace, Airport Director Jason Hardison, Community Development Director Bob Bushfield, Fire Chief Scott Rounds, Town Engineer Woody Scoutten, Public Works Director Joe Guidice, and Community Development Director Bob Bushfield.

3. Approval of Minutes
Motion made by Vice Chairman Urwiller and seconded by Baordmember May to approve the minutes of:

Festival Ranch Community Facilities District – October 4, 2005
Verrado District 1 CFD – October 4, 2005
Westpark CFD – October 4, 2005

Motion passed unanimously.

4. FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
Motion made by Vice Chairman Urwiller and seconded by Boardmember May to approve:

(a) Resolution 09-05 APPROVING THE LEVYING OF AN ASSESSMENT AND ASSESSMENT DIAGRAM FOR THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA).

and,

(b) Resolution 10-05 AUTHORIZING THE ISSUANCE OF ITS ASSESSMENT DISTRICT NO. 1 SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $1,450,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS, A CONTINUING DISCLOSURE UNDERTAKING, A DISSEMINATION AGENCY AGREEMENT AND CERTAIN OTHER DOCUMENTS SECURING THE PAYMENT OF OR RELATING TO THE BONDS; AWARDING THE BONDS TO THE PURCHASER STATEMENT RELATING TO THE BONDS; APPROVING THE PREPARATION AND USE OF A FINAL OFFICIAL STATEMENT RELATING TO THE BONDS; AND TAKING OTHER ACTIONS SECURING THE PAYMENT OF AND RELATING TO THE BONDS.

Motion passed unanimously.

5. VERRADO DISTRICT 1 CFD
Motion made by Boardmember May and seconded by Boardmember Beard to adopt Resolution 04-05 amending a typographical error in the legal description pertaining to Verrado District 1 Community Facilities (Town of Buckeye, Arizona). Motion passed unanimously.

6. WATSON ROAD COMMUNITY FACILITIES DISTRICT
Motion made by Vice Chairman Urwiller and seconded by Boardmember Beard to approve:

(a) Resolution 01-05, a resolution of the District Board of Watson Road Community Facilities District (Town of Buckeye, Arizona) appointing District Officers; approving the General Plan; taking certain other actions with regard to organization of the District and ordering and calling a Special Bond and Operation and Maintenance Ad Valorem Tax Election for the District and entering into a Waiver and Development Agreement.
Board Action:

and,

(b) CM at Risk Construction Services Agreement, GMP #3 from Garney Construction related to the 3.0 MGD expansion of the Town of Buckeye Waste Water Treatment Plant; to approve supplements to GMP #3 relating to payment terms and the source of funding for Phase 1 of GMP #3 and accept assignment from the Town of Buckeye of the CM at Risk Construction Services Agreement, GMP #3, including the supplements to GMP #3 relating to payment terms and the source of funding for Phase 1 of GMP #3

as the documents are substantially submitted. Motion passed unanimously.

7. WEST PARK COMMUNITY FACILITIES DISTRICT
Motion made by Vice Chairman Urwiller and seconded by Boardmember Beard to table a Public Hearing on a feasibility report submitted in connection with the proposed issuance of General Obligations Bonds by the District (TO BE CONTINUED TO NOVEMBER 1, 2005). Motion passed unanimously.

8. Adjournment.
Motion made by Boardmember May and seconded by Baordmember Beard to adjourn the meeting at 7:46 p.m. Motion passed unanimously.

Dustin Hull, Chairman

ATTEST:

Linda Garrison, Board Clerk

I hereby certify that the foregoing is a true and correct copy of the joint meeting of :

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT;
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT;
WESTPARK COMMUNITY FACILITIES DISTRICT; AND
WATSON ROAD COMMUNITY FACILITIES DISTRICT

Meeting held on the 18th day of October, 2005. I further certify that a quorum was present.

Linda Garrison, Board Clerk

RESOLUTION NO. 09-05

RESOLUTION OF THE BOARD OF DIRECTORS OF FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) APPROVING THE LEVYING OF AN ASSESSMENT AND ASSESSMENT DIAGRAM FOR THE FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA).

WHEREAS, the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), initiated (i) the establishment of an assessment district within the boundaries of the District (the "*Assessment District*"); (ii) the acquisition and construction of certain public infrastructure improvements and purposes (the "*Projects*"), and (iii) the financing of said Projects and necessary Incidental Expenses (as defined in the Resolution of Intention) with the District's assessment revenue bonds, by the adoption of its Resolution No. 06-05 (the "*Resolution of Intention*") on September 6, 2005; and

WHEREAS, the District acquired jurisdiction to order the design, acquisition and construction of such Projects by the Board of Directors adoption of Resolution No. 07-05 (the "*Resolution Ordering the Work*"); and

WHEREAS, pursuant to a Waiver and Development Agreement, the owners of all of the real property within the Assessment District consented to: (i) the inclusion of all of the real property in the Assessment District, subject to later deletions of real property relating to undevelopable and publicly owned land and other modifications; and (ii) the levy of an assessment, as provided by law, in an amount not to exceed $1,448,000 for the purpose of financing the Projects and Incidental Expenses; and

WHEREAS, the Town will serve as District Engineer and has caused to be prepared an estimate of all costs anticipated to be incurred in connection with the acquisition and construction of the Projects and the costs of certain Incidental Expenses related thereto;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AS FOLLOWS:

Section 1. The estimate of costs and expenses for the Projects and Incidental Expenses is as set forth hereafter, and the Estimate (as defined in the Resolution of Intention) on file with the District is as follows:

Project	Costs
Construction Projects	$1,191,500
Total Incidental costs	141,500
Debt Service Reserve Fund	115,000
Capitalized Interest	0
GRAND TOTAL	$1,448,000

Section 2. The District Engineer and the Superintendent of Streets are hereby directed to prepare and levy an assessment against the real property in the Assessment District for an amount not greater than the grand total of costs set forth in Section 1 hereof; provided; however, the amount of the assessment may be reduced as actual costs are established and substituted for the estimated costs. The Superintendent of Streets is hereby directed to record in its offices the assessment and record with the Maricopa County Recorder a Notice of Assessment.

Section 3. Those certain duplicate assessment diagrams of the area to be assessed, prepared by the District Engineer and heretofore filed with the Clerk of the District, are hereby approved and the Clerk is hereby directed to certify the fact of such approval on the face of each of such diagrams including the date hereof as the date of such approval and to deliver a copy of the diagrams to the Superintendent of Streets.

Section 4. The Treasurer of the District is hereby directed to bill and collect each installment payment on assessments as the same becomes due and owing.

Section 5. All acts of the Clerk, the District Engineer, the Superintendent of Streets and any person acting for such officials in furtherance of this resolution are hereby ratified and confirmed.

PASSED AND ADOPTED by the Board of Directors of Festival Ranch Community Facilities District (Town of Buckeye, Arizona) on October 18, 2005.

Chairman

ATTEST:

Clerk

APPROVED AS TO FORM

Bond Counsel

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on October 18, 2005, and that a quorum was present thereat and that the vote thereon was _____ ayes and _____ nays; _____ did not vote or were absent.

Clerk

WARRANT

As, Superintendent of Streets of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), by virtue of the authority vested in me as said Superintendent of Streets, I hereby authorize and empower the Treasurer of the District, his agents or assigns, to prepare and record in the office of the Superintendent of Streets a Treasurer's Return and Certificate of Unpaid Assessments without making a demand for cash payment of the assessments based upon the waiver by all the owners of assessed property within the District of their right to receive a demand for cash payment as set forth in the District's Waiver and Development Agreement. The District's Assessment District No. 1 Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*") will be issued in the form and manner prescribed by Title 48, Chapter 4, Article 6, Arizona Revised Statutes, and amendments and supplements thereto, to represent the cost and expenses of the work prescribed in the assessment, and notice is hereby given that the Bonds will be paid out of a special fund, collected in not to exceed fifteen (15) annual installments from the assessments of twenty-five dollars or more remaining unpaid at the date of the Bonds.

DATED: October 18, 2005

Superintendent of Streets, Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

Authorized Representative

COUNTERSIGNED BY:

Chairman, Governing Board, Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

SWR:gmh 602368 10/11/05

ASSESSMENT

IN THE MATTER OF THE FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) PERTAINING TO THE ACQUISITION AND/OR CONSTRUCTION OF CERTAIN PUBLIC IMPROVEMENTS AND INFRASTRUCTURE WITHIN THE DISTRICT AND FINANCED BY THE ISSUANCE OF THE DISTRICT'S SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005.

Pursuant to the provisions of Title 48, Chapter 4, Article 6, Arizona Revised Statutes, and amendments and supplements thereto (the "*Act*") and pursuant to the Resolution of Intention No. 06-05, adopted by the Governing Board of the District on September 6, 2005 (the "*Resolution*"), the Town, acting in its capacity as Superintendent of Streets of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "*District*"), hereby assesses the costs of the public infrastructure purposes described hereafter, and apportions such costs as shown herein, upon the lots and parcels of land as described in the Resolution and this assessment and as shown on the Assessment Diagram and as described on *Exhibit A* (copies of which are attached hereto). The assessed costs shall be paid to the Treasurer of the District, its agents or assigns, to finance the acquisition and construction of public infrastructure (as such term is defined in the Act) described in the feasibility report, as amended, for this project (the "*Report*"), including, but not limited to, the acquisition of certain parcels of real property for public rights-of-way and easements, the reimbursement of the costs of constructing or acquiring certain public infrastructure, the payment of costs related to the design of such improvements and the costs incurred in connection with the sale of the District's Special Assessment Revenue Bonds, Series 2005 (the "*Bonds*") described in the Resolution (collectively, the "*Projects*"), all of the above work or improvement to be done and financed in accordance with the Report on file in the offices of the Clerk and Superintendent of Streets.

The assessment of the costs of the Projects, the apportionment of said costs and the allocation of said costs to each lot, portion of lot, or parcel of land shown on the Assessment Diagram, is hereby assessed, apportioned and allocated pursuant to Sections 48-721(A) and 48-589, Arizona Revised Statutes, as amended, the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Waiver and Development Agreement (the "*Waiver Agreement*") by and among the District and all of the persons having an interest in the assessed parcels. The respective assessed amounts set forth below (which assessments shall bear interest at such rate necessary to pay the interest owing on the Bonds (as defined hereafter), and the costs of administering the collection of the assessments), do not exceed the benefits to be received and the assessed amounts are within the estimated costs and expenses of the Projects approved on October 18, 2005, by the Governing Body in Resolution No. 09-05, which resolution approved and authorized the levying of a total assessment in an amount not to exceed $1,448,000. Opposite the description of each lot or parcel of land is set out the names of the owners of property as known and as shown on the most recently certified assessment roll for State and local taxes (the "*Owners*").

Pursuant to Section 48-721(A), Arizona Revised Statutes, as amended, this assessment is based on estimated costs of the Projects as known on the date hereof and may be amended upward or downward by the Superintendent of Streets to reflect actual costs; however, in no event shall the aggregate amount of the assessment levied against the real property described in the Resolution exceed $1,448,000, unless approved by the owners of the assessed real property. The actual amount of any assessment is available from the Superintendent of Streets. In the Waiver Agreement, the Owners waived their rights to receive a demand for cash payment, consented to the

recording of the assessment against the real property described in the Resolution and requested that all assessments go to bond. This assessment pertains to and will secure the payment of all the principal and interest of the Bonds.

THE COST OF THIS WORK ASSESSABLE AGAINST THE PARCELS TO BE BENEFITTED, INCLUDING THE ADDITION OF CAPITALIZED INTEREST AND DEBT SERVICE RESERVE FUND, IS $1,448,000, AND IS MORE PARTICULARLY BROKEN DOWN AS FOLLOWS:

SUMMARY OF COSTS

Total Project Costs	$1,191,500
Total Incidental Costs	141,500
Capitalized Interest	0
Debt Service Reserve Fund	115,000
GRAND TOTAL	$ 1,448,000

The Debt Service Reserve Fund may be reduced if the interest on the Bonds when issued is different from the estimated interest rate.

DATED: October 18, 2005

RECORDED THIS 18th DAY OF OCTOBER, 2005, IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA).

Superintendent of Streets

On behalf of the Superintendent of Streets of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona), I hereby certify that all charges stated are correct and that the computations and calculations of this Assessment are correct.

Superintendent of Streets

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1

ASSESSMENT BONDS

Assessment No. 1-1 through 1-408

Owner: Pulte Home Corporation
15333 N. Pima Road
Scottsdale, Arizona 85260

Base Assessment per lot:	$2,000.00
Amount Paid in Cash:	0.00
Assessment Amount per lot Certified to Bond (includes Base Assessment less any cash payment):	$2,000.00

Property Legal Description: Lots 1 through 408, inclusive, Sun City Festival – Parcel B1, recorded in Book 722 of maps, page 1, records of the Maricopa County Recorder.

Total for Assessment Nos. 1-1 through 1-408.	$816,000.00

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1

ASSESSMENT BONDS

Assessment No. 2

Owner: Pulte Home Corporation
15333 N. Pima Road
Scottsdale, Arizona 85260

Base Assessment:	$298,000.00
Amount Paid in Cash:	0.00
Assessment Amount Certified to Bond (includes Base Assessment less any cash payment):	$298,000.00

Property Legal Description: Tract H, Sun City Festival – Parcel B1, recorded in Book 722 of maps, page 1, records of the Maricopa County Recorder.

Upon recording of a subdivision plat, this amount will be divided equally among lots within this property. It is anticipated that the property will be subdivided into 149 residential lots, with an assessment of $2,000.00 per lot.

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1

ASSESSMENT BONDS

Assessment No. 3-1 through 3-24

Owner: Pulte Home Corporation
15333 N. Pima Road
Scottsdale, Arizona 85260

Base Assessment per lot:	$2,000.00
Amount Paid in Cash:	0.00
Assessment Amount per lot Certified to Bond (includes Base Assessment less any cash payment):	$2,000.00

Property Legal Description: Lots 1 through 14, and lots 41 through 50, both inclusive, Sun City Festival – Parcel A1, recorded in Book 722 of maps, page 2, records of the Maricopa County Recorder.

Total for Assessment Nos. 3-1-through 3-24.	$48,000.00

FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
ASSESSMENT DISTRICT NO. 1

ASSESSMENT BONDS

Assessment No. 4

Owner: Pulte Home Corporation
15333 N. Pima Road
Scottsdale, Arizona 85260

Base Assessment:	$286,000.00
Amount Paid in Cash:	0.00
Assessment Amount Certified to Bond (includes Base Assessment less any cash payment):	$286,000.00

Property Legal Description: See attached Parcel 4 legal description.

Upon recording of a subdivision plat, this amount will be divided equally among lots within this property. It is anticipated that the property will be subdivided into 143 residential lots, with an assessment of $2,000.00 per lot.

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

~~Parcel No. 1:~~

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

Parcel No. 2:

Tract H of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 36.867 Acres, more or less.

Parcel No. 3:

Lots 1 through 14, inclusive, and 41 through 50, inclusive, of Sun City Festival - Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.

~~Containing 4.570 Acres, more or less.~~

Parcel No. 4:

That part of the Southwest Quarter of Section 23, Township 4 North, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the G.L.O. Brass Cap marking the East Quarter Corner of said Section 23, from which the G.L.O. Brass Cap marking the Southeast Corner of said Section 23 bears South 00°23'31" West, a distance of 2,640.13 feet;

Thence South 00°22'48" West, a distance of 405.00 feet to the intersection of the monument lines of Beardsley Parkway and Desert Vista Boulevard as depicted on the Final Plat of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Maricopa County Records;

EXHIBIT A

Thence North 89°36'38" West, along the monument line of said Beardsley Parkway, a distance of 65.00 feet to the Westerly boundary of said Sun City Festival - Parcel B1;

Thence along the Westerly boundary of said Sun City Festival - Parcel B1 the following courses:

Thence South 00°22'48" West, departing the monument line of said Beardsley Parkway, a distance of 65.00 feet to the True Point of Beginning;

Thence South 44°36'55" East, a distance of 42.43 feet;

Thence South 00°22'48" West, a distance of 104.90 feet to the beginning of a tangent curve of 615.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 31°11'07", a distance of 334.74 feet;

Thence South 31°33'55" West, a distance of 220.80 feet to the beginning of a tangent curve of 1,000.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 47°27'29", a distance of 828.30 feet;

Thence South 26°31'40" West, a distance of 29.53 feet;

Thence South 68°56'54" West, a distance of 150.20 feet to the beginning of a tangent curve of 1,570.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 07°48'26", a distance of 213.93 feet;

Thence South 61°08'28" West, a distance of 428.06 feet;

Thence North 39°17'09" West, departing the Westerly boundary of said Sun City Festival - Parcel B1, a distance of 67.21 feet;

Thence North 21°29'42" West, a distance of 365.67 feet;
Thence North 01°00'05" West, a distance of 121.71 feet;
Thence North 14°13'53" East, a distance of 54.17 feet;
Thence South 75°46'07" East, a distance of 115.00 feet;
Thence North 14°13'53" East, a distance of 40.00 feet;
Thence North 75°46'07" West, a distance of 115.00 feet;

Thence North 14°13'53" East, a distance of 150.00 feet;
Thence North 02°27'10" East, a distance of 130.80 feet;
Thence North 04°47'46" West, a distance of 144.81 feet;

Thence North 88°01'26" East, a distance of 116.62 feet to a point on a 1,222.00 foot radius non-tangent curve, whose center bears North 88°01'26" East;

Thence Northerly, along said curve, through a central angle of 01°52'31", a distance of 40.00 feet;

Thence South 89°53'57" West, a distance of 115.05 feet;
Thence North 00°23'22" East, a distance of 140.83 feet;
Thence North 89°36'38" West, a distance of 36.43 feet;
Thence North 65°49'19" West, a distance of 33.70 feet;

Thence North 24°10'41" East, a distance of 115.00 feet to a point on a 45.00 foot radius non-tangent curve, whose center bears North 24°10'41" East;

Thence Northwesterly, along said curve, through a central angle of 39°50'11", a distance of 31.29 feet;

Thence South 64°00'52" West, a distance of 115.55 feet;
Thence North 21°13'46" West, a distance of 78.57 feet;
Thence North 23°45'20" West, a distance of 67.84 feet;

Thence North 44°12'05" East, a distance of 115.00 feet to a point on a 278.00 foot radius non-tangent curve, whose center bears South 44°12'05" West;

Thence Northwesterly, along said curve, through a central angle of 13°38'18", a distance of 66.18 feet;

Thence North 30°33'47" East, a distance of 44.00 feet;

Thence North 87°29'09" East, a distance of 25.14 feet to a point on a 222.00 foot radius non-tangent curve, whose center bears South 35°35'30" East;

Thence Northeasterly, along said curve, through a central angle of 20°36'21", a distance of 79.84 feet;

Thence North 14°59'09" West, a distance of 127.51 feet;
Thence North 00°23'22" East, a distance of 70.00 feet;

Legal Description for
Sun City Festival
Assessment District No. 1
February 14, 2005

Thence South 89°36'38" East, a distance of 1,219.94 feet to the True Point of Beginning.

Containing 37.282 Acres, more or less.

Parcels 1 through 4 total contain 153.115 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 2/15/05
ARIZONA, U.S.A.

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

Parcel No. 1:

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

Parcel No. 2:

Tract H of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 36.867 Acres, more or less.

Parcel No. 3:

Lots 1 through 14, inclusive, and 41 through 50, inclusive, of Sun City Festival - Parcel A1, recorded in Book 722 of Maps, Page 2, Records of Maricopa County, Arizona.

Containing 4.570 Acres, more or less.

Parcel No. 4:

That part of the Southwest Quarter of Section 23, Township 4 North, Range 4 West of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the G.L.O. Brass Cap marking the East Quarter Corner of said Section 23, from which the G.L.O. Brass Cap marking the Southeast Corner of said Section 23 bears South 00°23'31" West, a distance of 2,640.13 feet;

Thence South 00°22'48" West, a distance of 405.00 feet to the intersection of the monument lines of Beardsley Parkway and Desert Vista Boulevard as depicted on the Final Plat of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Maricopa County Records;

EXHIBIT A

Thence North 89°36'38" West, along the monument line of said Beardsley Parkway, a distance of 65.00 feet to the Westerly boundary of said Sun City Festival - Parcel B1;

Thence along the Westerly boundary of said Sun City Festival - Parcel B1 the following courses:

Thence South 00°22'48" West, departing the monument line of said Beardsley Parkway, a distance of 65.00 feet to the True Point of Beginning;

Thence South 44°36'55" East, a distance of 42.43 feet;

Thence South 00°22'48" West, a distance of 104.90 feet to the beginning of a tangent curve of 615.00 foot radius, concave Northwesterly;

Thence Southwesterly, along said curve, through a central angle of 31°11'07", a distance of 334.74 feet;

Thence South 31°33'55" West, a distance of 220.80 feet to the beginning of a tangent curve of 1,000.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 47°27'29", a distance of 828.30 feet;

Thence South 26°31'40" West, a distance of 29.53 feet;

Thence South 68°56'54" West, a distance of 150.20 feet to the beginning of a tangent curve of 1,570.00 foot radius, concave Southeasterly;

Thence Southwesterly, along said curve, through a central angle of 07°48'26", a distance of 213.93 feet;

Thence South 61°08'28" West, a distance of 428.06 feet;

Thence North 39°17'09" West, departing the Westerly boundary of said Sun City Festival - Parcel B1, a distance of 67.21 feet;

Thence North 21°29'42" West, a distance of 365.67 feet;
Thence North 01°00'05" West, a distance of 121.71 feet;
Thence North 14°13'53" East, a distance of 54.17 feet;
Thence South 75°46'07" East, a distance of 115.00 feet;
Thence North 14°13'53" East, a distance of 40.00 feet;
Thence North 75°46'07" West, a distance of 115.00 feet;

Thence North 14°13'53" East, a distance of 150.00 feet;
Thence North 02°27'10" East, a distance of 130.80 feet;
Thence North 04°47'46" West, a distance of 144.81 feet;

Thence North 88°01'26" East, a distance of 116.62 feet to a point on a 1,222.00 foot radius non-tangent curve, whose center bears North 88°01'26" East;

Thence Northerly, along said curve, through a central angle of 01°52'31", a distance of 40.00 feet;

Thence South 89°53'57" West, a distance of 115.05 feet;
Thence North 00°23'22" East, a distance of 140.83 feet;
Thence North 89°36'38" West, a distance of 36.43 feet;
Thence North 65°49'19" West, a distance of 33.70 feet;

Thence North 24°10'41" East, a distance of 115.00 feet to a point on a 45.00 foot radius non-tangent curve, whose center bears North 24°10'41" East;

Thence Northwesterly, along said curve, through a central angle of 39°50'11", a distance of 31.29 feet;

Thence South 64°00'52" West, a distance of 115.55 feet;
Thence North 21°13'46" West, a distance of 78.57 feet;
Thence North 23°45'20" West, a distance of 67.84 feet;

Thence North 44°12'05" East, a distance of 115.00 feet to a point on a 278.00 foot radius non-tangent curve, whose center bears South 44°12'05" West;

Thence Northwesterly, along said curve, through a central angle of 13°38'18", a distance of 66.18 feet;

Thence North 30°33'47" East, a distance of 44.00 feet;

Thence North 87°29'09" East, a distance of 25.14 feet to a point on a 222.00 foot radius non-tangent curve, whose center bears South 35°35'30" East;

Thence Northeasterly, along said curve, through a central angle of 20°36'21", a distance of 79.84 feet;

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Legal Description for
Sun City Festival
Assessment District No. 1
February 14, 2005

Thence South 89°36'38" East, a distance of 1,219.94 feet to the True Point of Beginning.

Containing 37.282 Acres, more or less.

Parcels 1 through 4 total contain 153.115 Acres, more or less.

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
36562
FRED W.
KLEIN III
Date Signed 2/15/05
ARIZONA, U.S.A.

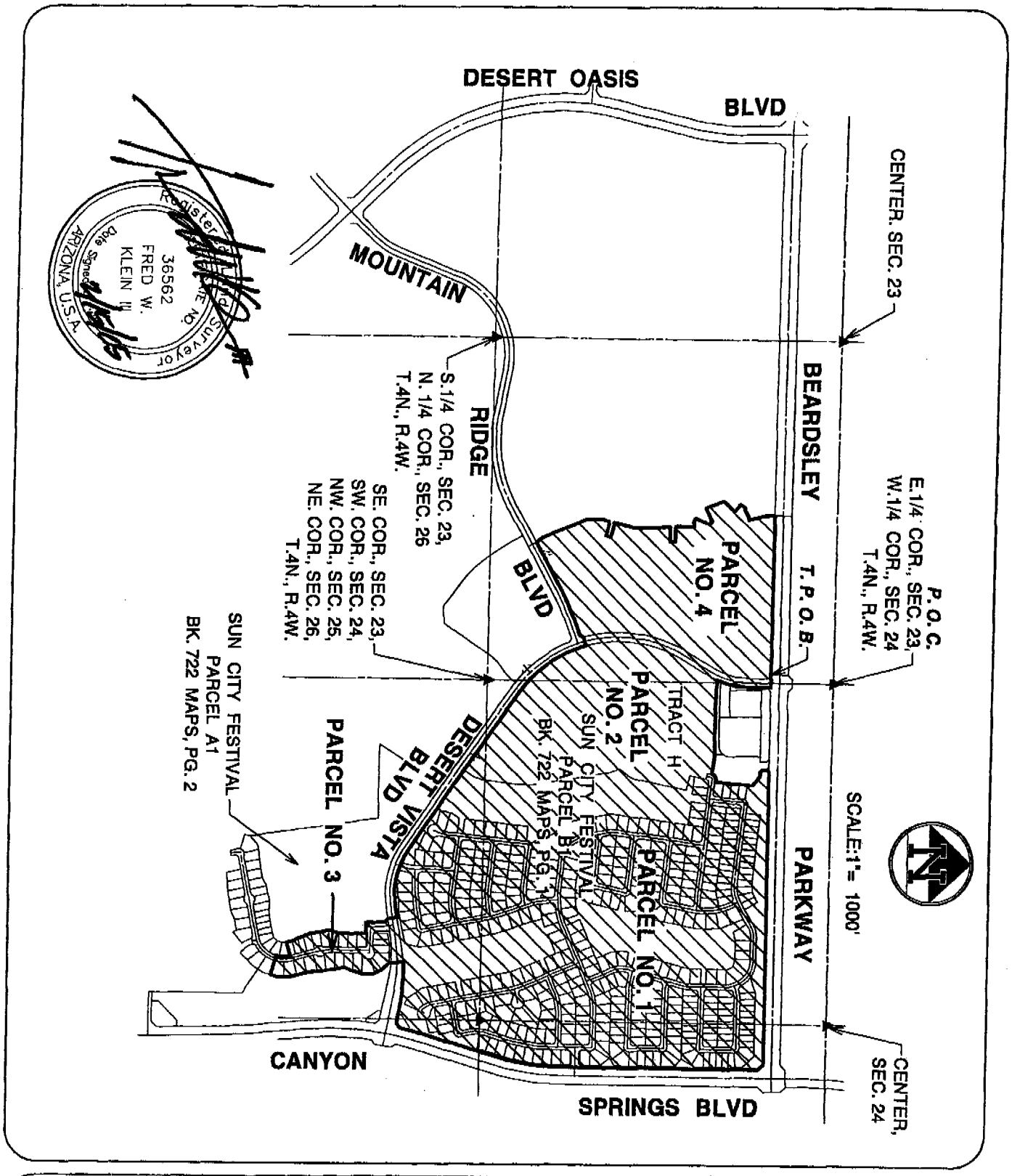

EXHIBIT	SUN CITY FESTIVAL ASSESSMENT DISTRICT NO. 1	JOB NO
N:\680001\LAND\EHASDIS2.DGN		68000801
4550 NORTH 12TH STREET PHOENIX, ARIZONA 85014 TELEPHONE (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

TREASURER'S RETURN AND CERTIFICATE OF UNPAID ASSESSMENTS

TO: Superintendent of Streets of
Festival Ranch Community Facilities District
(Town of Buckeye, Arizona)

Ron Brown, being duly sworn, says that he is the Finance Director of the Town of Buckeye, Arizona, and *ex officio* Treasurer of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), named in the annexed assessment, diagram, and warrant as the person empowered to collect the several assessments mentioned in such assessment; that said assessment for the total cost of certain work described therein (subject to amendment to reflect actual costs) was levied upon certain lots, portions of lots, or parcels of land, for the sum of One million, four hundred forty-eight thousand and 00/100 Dollars ($1,448,000.00), which amount includes interest to be capitalized, a debt service reserve fund and original issue discount. Said assessments are payable to the Treasurer and were authorized and approved in Resolution No. 09-05 of the governing board of the District. The warrant on which this return is endorsed and the diagram hereto attached were recorded in the office of said Superintendent of Streets; that after said assessment, diagram and warrant were recorded, a duplicate of said diagram was filed with the District Clerk, the said assessment, diagram and warrant were delivered by the Superintendent of Streets to affiant as Treasurer; that, pursuant to the Waiver Agreement described in the assessment, the requirement to make demands for cash payment was waived by all the owners of all the assessed real property; and that the total of said assessments remains unpaid as described as follows:

A. Cash received	$0.00
B. Amount remaining unpaid of less than $25 per assessment	$0.00
C. Amount remaining unpaid of more than $25 per assessment	$1,448,000.00
D. Total to bond	$1,448,000.00

The amount of each assessment remaining unpaid and a proportionate allocation of the reserve fund and the original issue discount is shown under the heading "Assessment Amount to Bond" on the attached assessment and all amounts paid are so marked on the attached assessment.

DATED: October 18, 2005

FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

Ronald Brown

Treasurer

SWR:gmh 602370 10/11/05

SUBSCRIBED AND SWORN to before me, a Notary Public, this 18th day of October, 2005.

Notary Public

My Commission expires:
March 31, 2009

OFFICIAL SEAL
LINDA A. GARRISON
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Comm. Expires March 31, 2009

RETURN AND CERTIFICATE RECORDED ON OCTOBER 18, 2005.

Superintendent of Streets, Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

SWR:gmh 602370 10/11/05

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
2005-1670424 11/03/2005 16:39
00671800089A-5-1-1--
ELECTRONIC RECORDING

When recorded return to:

Scott W. Ruby, Esq.
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327

NOTICE OF RECORDING OF ASSESSMENT
FOR THE
FESTIVAL RANCH COMMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
IN THE
OFFICE OF SUPERINTENDENT OF STREETS

TO WHOM IT MAY CONCERN:

Please take notice that on October 18, 2005, the Superintendent of Streets of the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) recorded, in its office, the assessment pertaining to the Festival Ranch Community Facilities District (Town of Buckeye, Arizona) Special Assessment Revenue Bonds, Series 2005, which assessment encumbers and liens the real property described on *Exhibit A* hereto. Pursuant to Arizona Revised Statues Section 48-721B, as amended, the assessment constitutes a first lien on the property assessed (described on *Exhibit A* hereto) subject only to general taxes and prior special assessments.

Information pertaining to the amount of the assessment, method of payment or prepayment and reallocation of the assessment may be addressed to the Superintendent of Streets, Festival Ranch Community Facilities District, 100 N. Apache, Suite A, Buckeye, Arizona, 85326, or to Gust Rosenfeld P.L.C., 201 E. Washington Street, Suite 800, Phoenix, Arizona 85004-2327, Attention: Mr. Scott W. Ruby.

DATED: October 18, 2005

Superintendent of Streets, Festival Ranch Community Facilities District (Town of Buckeye, Arizona)

Attachment:
Exhibit A: Legal Description of Assessed Property

Record in the Office of the Maricopa County Recorder

SWR:gmh 602362 10/11/05

February 14, 2005

LEGAL DESCRIPTION FOR
SUN CITY FESTIVAL
ASSESSMENT DISTRICT NO. 1

Parcel No. 1:

Lots 1 through 408, inclusive, of Sun City Festival - Parcel B1, recorded in Book 722 of Maps, Page 1, Records of Maricopa County, Arizona.

Containing 74.396 Acres, more or less.

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