$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

Closing: October 17, 2006

CLOSING INDEX

BOND DOCUMENTS

The following are to be delivered as a condition precedent to the issuance and delivery of the above-referenced bonds (the "*Bonds*") of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"):

FINANCING DOCUMENTS

1. Feasibility Study for the issuance of not to exceed $19,750,000 of the District's general obligation bonds.

2. Affidavit of publication of the Notice of Hearing on the report of the feasibility and benefits of certain projects to be financed with proceeds of the sale of District general obligation bonds.

3. (a) Agenda, Minutes of meeting of September 19, 2006
   (b) District Board Resolution No. 03-06, approving the feasibility report and other matters.
   (c) District Board Resolution No. 04-06, authorizing the issuance and sale of the Bonds to RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, as the purchaser of the Bonds (the "*Purchaser*") in accordance with the Purchase Contract.

4. Indenture of Trust and Security Agreement, dated as of October 1, 2006 from the District to Wells Fargo Bank, N.A., as Trustee (the "*Trustee*")

5. UCC-1 financing statement.

6. Standby Contribution Agreement, dated as of October 1, 2006, by and among the District, the Trustee and DMB White Tank, LLC (the "*Owner*").

7. Purchase Contract between the District Board and the Purchaser.

8. First Amendment Dated as of July 1, 2006 to Standby Contribution Agreement dated as of April 1, 2003 by and among the District, Owner and Trustee.

9. County Assessor's Certificate.

10. District Closing Certificate and Certificate as to Tax Matters.

11. Issuer Request for Disbursement of Costs of Issuance.

12. Closing Certificate of Town of Buckeye, Arizona.

13. Closing Certificate of the Owner.

14. Owner's Certificate of Market Value.

15. Owner's Indemnity Letter.

16. Acknowledgement and Request for Authentication and Delivery of Bonds.

17. Certificate Regarding Indebtedness.

18. Trustee's Certificate of Completion and Authentication.

19. Receipt of Trustee.

20. Settlement, Delivery and Closing Procedures; Debt Retirement Schedule.

21. Certificate of the Underwriter Regarding Initial Offering Prices and Yield.

22. Receipt for Bonds.

23. Specimen bond.

24. Copy of Blanket Letter of Representations.

25. Internal Revenue Service Form 8038-G; certificate of mailing.

26. Report to the Arizona Department of Revenue; certificate of mailing.

27. Purchasers' Certificates of Sophisticated Municipal Market Professionals.

28. Limited Offering Memorandum dated October 5, 2006.

29. Preliminary Limited Offering Memorandum dated September 27, 2006.

OPINIONS

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

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

32. Opinion of Counsel to Underwriter.

33. Opinion of Counsel to Owner.

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

Verrado District 1 Community Facilities District (3 CD's)
Clerk, Town of Buckeye (1 paper, 1 CD)
Finance Director, Town of Buckeye (CD)
DMB White Tank, LLC (Developer) (CD)
Greenburg Traurig, LLP (counsel to the Owner) (CD)
Gust Rosenfeld P.L.C. (CD)
Wells Fargo Bank, N.A. (CD)
RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets (CD)
Greenburg Traurig, LLP (underwriter counsel) (CD)
Peacock, Hislop Staley & Given, Inc. (CD)

FEASIBILITY STUDY

For The Issuance of
Not to Exceed
$19,750,000 Principal Amount

of

VERRADO COMMUNITY FACILITIES
DISTRICT NO. 1
(TOWN OF BUCKEYE, ARIZONA)

DISTRICT GENERAL OBLIGATION BONDS

Series 2006

September 19, 2006

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SECTION ONE

INTRODUCTION; PURPOSE OF FEASIBILITY STUDY; GENERAL DESCRIPTION OF DISTRICT, DEVELOPER AND PROJECT

INTRODUCTION

This Feasibility Study has been prepared for presentation to the Board of Directors (the "**Board**") of Verrado Community Facilities District No. 1 (Town of Buckeye, Arizona) (the "**District**") in connection with the proposed issuance by the District of its District General Obligation Bonds, Series 2006 (the "**Series 2006 Bonds**") in an aggregate principal amount not to exceed $19,750,000, pursuant to the Community Facilities Act of 1989, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes (the "**Act**").

PURPOSE OF FEASIBILITY STUDY

This Feasibility Study 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 Series 2006 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 Feasibility Study includes (i) a description of the public infrastructure to be constructed or acquired (**Section Two**); (ii) a map showing, in general, the location of the public infrastructure to which this Feasibility Study relates (**Section Three**); (iii) estimates of the cost to construct and acquire such public infrastructure and estimated schedules for completion of such public infrastructure (**Section Four**); and (v) estimates of District revenues and a plan for financing the public infrastructure (**Section Five**).

This Feasibility Study has been prepared for the Board's exclusive consideration. It is not intended or anticipated that this Feasibility Study will be relied upon by other persons, including, but not limited to, purchasers of the Series 2006 Bonds. This Feasibility Study does not attempt to address the quality of the Series 2006 Bonds as investments or the likelihood of repayment of the Series 2006 Bonds. In preparing this Feasibility Study, financial advisors, appraisers, counsel, engineers, Town of Buckeye (the "**Town**") staff and other experts have been consulted as deemed appropriate.

GENERAL DESCRIPTION OF DISTRICT, DEVELOPER AND PROJECT

The District was created to finance and construct or acquire a portion of the public infrastructure (the "**Public Infrastructure**") that is part of the project known as Verrado, which is a master-planned residential and commercial development (the "**Verrado Project**"). The Verrado Project is bounded by the Northern Avenue alignment on the north, by approximately what would be the 235th Avenue alignment on the west, approximately ¼ mile south of McDowell Road at the southernmost point, and Jackrabbit Trail on the east, all within the Town of Buckeye, Arizona. The boundaries of Verrado Project encompass approximately 8,800 acres.

Formation of the District was approved by the Town on June 19, 2001 upon the request of all the landowners within the District. The District Boundaries are coincident with the boundaries of Verrado and comprise approximately 8,800 acres. A legal description of the land within the District is included as Appendix A to this Feasibility Study.

Simultaneous with the formation of the District, formation of the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**Western Overlay District**") was also approved by the Town. The Western Overlay District, as its boundaries were thereafter adjusted, comprises approximately 4,926 acres and is wholly contained within the District.

The Developer is DMB White Tank, LLC, an Arizona limited liability company (the "Developer"), the sole member and manager of which is DMB Communities, LLC, an Arizona limited liability company ("Communities"), the member of which is DMB Realco LLC, an Arizona limited liability company ("Realco") and the manager of which is DMB Associates, Inc., an Arizona corporation ("Associates").

In addition to public infrastructure financed by the District and the Verrado Western Overlay District in the amount of $24,000,000 and $13,000,000, respectively, as of May 31, 2006, the Developer has invested approximately $268,778,000 in the Verrado Project and estimates that an additional $63,358,000 will be required to complete Phases I & II. The funds invested to date consist of approximately $36,914,000 in land and acquisition costs, approximately $118,110,000 in Offsite and Backbone Infrastructure costs, approximately $46,249,000 in Amenity Improvements and approximately $67,505,000 in planning, entitlements, engineering and administrative and other costs.

As of May 31, 2006, the Developer has closed on 3,144 residential subdivision lots within the District, representing approximately $175,395,127 in land sale revenue. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately $280,000 to $800,000. Custom homes are expected to sell for higher prices.

In addition, the Developer has completed construction of a two and three-level mixed use development within the District, which consists of approximately 32,000 square feet of neighborhood retail center and 45 apartment units. Tenants have been occupying both the retail and residential space since January 2004.

SECTION TWO

DESCRIPTION
OF
PUBLIC INFRASTRUCTURE

DESCRIPTION OF PUBLIC INFRASTRUCTURE

The Public Infrastructure that will be acquired with the proceeds of the Series 2006 Bonds shall consist of public infrastructure located in the Town. All of the Public Infrastructure will result in a beneficial use to land within the geographical limits of the District. Such use is principally to such land and, in any case, at a minimum, is proportional. The Public Infrastructure includes the construction of the following improvements:

A. The following items were approved in the Feasibility Study, amended and restated as of March 4, 2003 and approved by the District Board (the "2003 Report"). Construction costs have been updated in this report to reflect current development costs.

1. The 0.25 mile south segment of the Freeway Interchange within the Town of Buckeye.

2. Addendum No. 2 to Construction Manager At Risk Contract (Funding of Excess Contract Amount): In accordance with Addendum No. 2 to Construction Manager at Risk Contract, dated February 1, 2004, by and among District 1, the Developer, as Owner, DMB Contract Administrative Services, Inc., as Contract Administrator, and Sundt Construction, Inc., as Contractor, entered into in order to provide for an increase in the Contract Amount (not exceeding the maximum estimated cost of the Verrado Project as approved in the 2003 Report) and for payment of that portion of such Contract Amount in excess of the amount of funds available from the Series 2003 Bonds that were deposited into the Series 2003 Acquisition and Construction Fund (the "Construction Fund"), the Developer deposited funds into the Construction Fund to pay such excess Contract Amount ("Owner Advance") , which Owner Advance is subject to reimbursement.

3. Roadway, Sidewalk, Street Light and Storm Drain Improvements consisting of the following:

   (a) Four (4) lanes of Indian School Rd., a 1.6 mile arterial roadway from Jackrabbit Trail to Verrado Way including culvert crossings as indicated at Acacia Wash.

   (b) Four (4) lanes of Verrado Way, a 0.3 mile arterial roadway from Sunrise Wash to Indian School Rd.

   (c) Two (2) southbound lanes of Verrado Way, a 2.1 mile arterial roadway from Golf Crossing to the Freeway Interchange, including culvert crossings as indicated at Bulldozer Wash.

   (d) A 1.5 mile network of two-lane collector/local residential roadways throughout Phase 1B North and 1B South including culvert crossing as indicated. The roadways are identified as Sunrise Lane (Verrado Way to Indian School Rd.), Acacia Way (Lost Creek Dr. to Western Dr.) and Western Dr. (Acacia to Clanton). Culvert Crossings are included at Sunrise Lane, Park Street, and Acacia Way.

4. Dry Utility Trench and Conduit construction as required for the 5.6 mile network of arterial and collector/local residential roadway and landscape improvements.

5. Roadway Landscaping for the 5.6 mile network of arterial and collector/local residential roadway and roadway landscaping for 0.4 miles of roadway consisting of Village St. (Main St. to Sunrise Ln.), Sentinel Dr. (Village St. to School Hill Rd.) and School Hill Rd. (Sunrise Ln. to Main St.).

6. Drainage control improvements consisting of embankment, channelization, bank protection, grade control structures and landscaping for approximately 1.0 miles of Bulldozer Wash and 0.9 miles of Acacia Wash (Thomas Road to McDowell Road.) Retention basin improvement at Phase 1A Elementary school including grading, storm drain and erosion protection. 1.0 miles of linear park and multi-use path and trail system adjacent to Sunrise wash in Phase 1B North between Verrado Way and Park Street and along portions of Acacia Wash and Lost Creek Wash as indicated.

7. District Park Improvements for 3.1 acres consisting of Walton Park (Park #17) and 0.7ac. Village Green (Park #15) in Phase 1A.

B. Items to be approved pursuant to this study:

1. Roadway, sidewalk, street light and storm drain improvements for a 4.9 mile network of two and four-lane collector/local residential and arterial roadways to provide vehicle access and circulation throughout Phase 1B south, Phase 2 East, and Phase 2 West development area.

   Infrastructure roadway improvements to be constructed with Phase 1B South, including two lanes of Acacia Way (Western to Thomas Road), Western Dr. (Clanton Street to Acacia Way), Point Ridge Rd. (Acacia Way to Acacia Wash) and Thomas Road (Verrado Way to Acacia Wash).

   Infrastructure roadway improvements to be constructed with Phase 2 East, including two lanes of Western Drive (Clanton Street to Verrado Way), Point Ridge Rd. (Acacia Way to Verrado Way) and Clanton Street (Thomas Road to Western Drive)

   Infrastructure roadway improvements to be constructed with Phase 2 West, including two lanes of Western Drive (Verrado Way to Heritage Street), Point Ridge Road (Verrado Way to Heritage), Heritage Street (Nelson to Western), Thomas Road (Verrado to Park Meadows), Delaney Drive (Verrado to Heritage) and Park Meadows Drive (Verrado Way to Heritage).

2. Dry utility trench & conduit, as necessary for the 4.9-mile network of arterial and collector/local residential roadways and landscape improvements for Phase 1B South, Phase 2 East and Phase 2 West.

3. Roadway landscaping for the 4.9-mile network of arterial and collector/local residential roadways for Phase 1B south, Phase 2 East and Phase 2 West.

4. A Culvert crossing @ Thomas Road and Acacia Wash.

5. Five (5) traffic signals along Indian School Road at Jackrabbit Trail, Pioneer Drive, Acacia Way, Sunrise Lane and Verrado Way and one (1) traffic signal along Verrado Way at Thomas Road.

6. Drainage improvements consisting of embankment, channelization, bank protection, grade control structures, and landscaping for approximately 0.9 miles of Phase 2 West western channel.

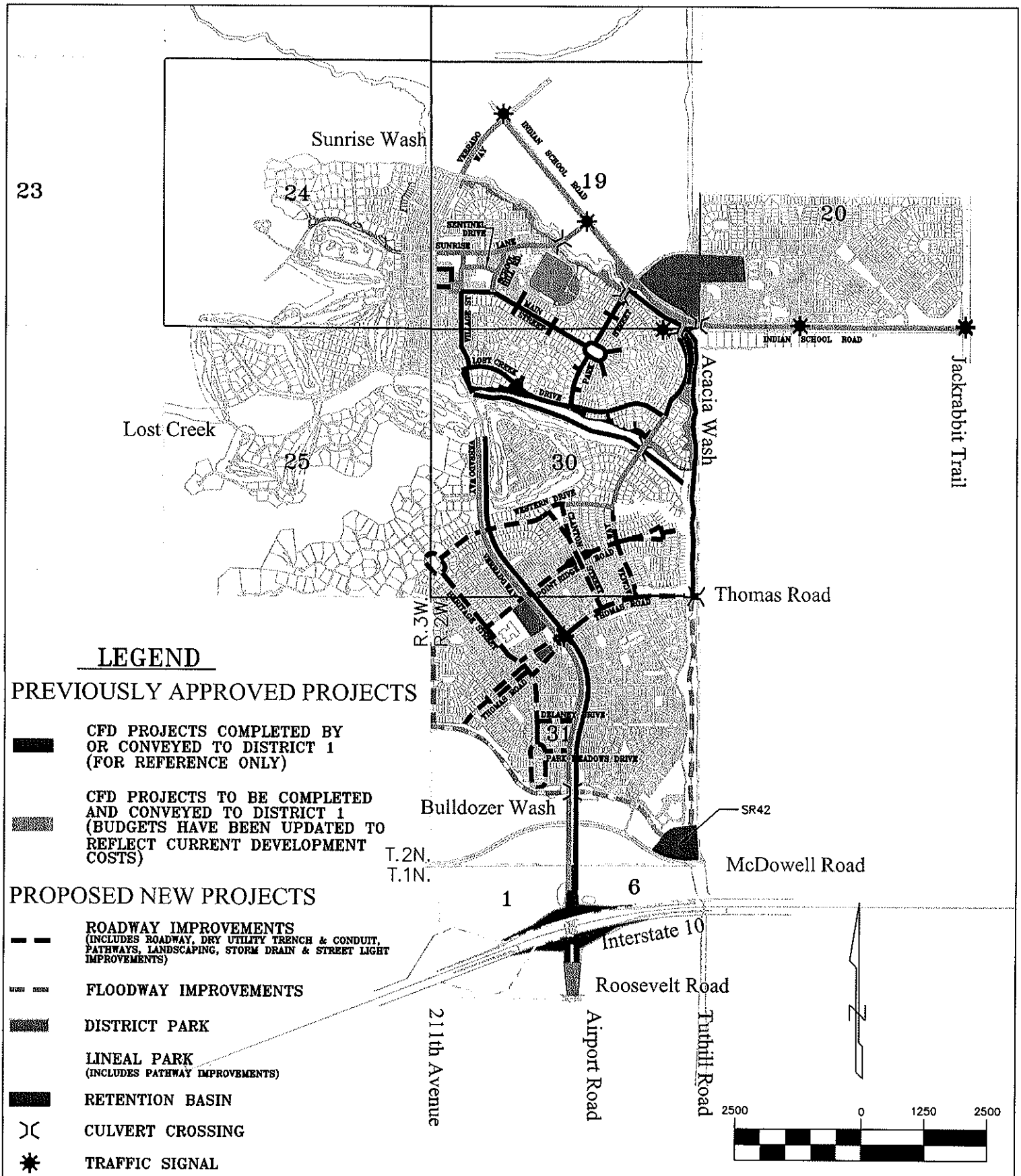
7. 30 acre-foot retention basin at the Sports Complex to be developed with Phase 3 East.

8. 38.5 acres of District/Regional park improvements for the Phase 2 West District Park and Village Green, including landscaping, sidewalks, lighting and building, recreation and parking improvements, as well as the improvements for the Phase 3 East Sports Complex, including ball fields, landscaping, structural amenities and parking.

9. A 0.4 mile lineal park and multi-use path and trail system adjacent to Acacia Wash between Lost Creek Drive and Thomas Road.

SECTION THREE

MAP SHOWING LOCATION OF PUBLIC INFRASTRUCTURE AND AREA TO BE BENEFITED



LEGEND

PREVIOUSLY APPROVED PROJECTS

- CFD PROJECTS COMPLETED BY OR CONVEYED TO DISTRICT 1 (FOR REFERENCE ONLY)
- CFD PROJECTS TO BE COMPLETED AND CONVEYED TO DISTRICT 1 (BUDGETS HAVE BEEN UPDATED TO REFLECT CURRENT DEVELOPMENT COSTS)

PROPOSED NEW PROJECTS

- ROADWAY IMPROVEMENTS (INCLUDES ROADWAY, DRY UTILITY TRENCH & CONDUIT, PATHWAYS, LANDSCAPING, STORM DRAIN & STREET LIGHT IMPROVEMENTS)
- FLOODWAY IMPROVEMENTS
- DISTRICT PARK
- LINEAL PARK (INCLUDES PATHWAY IMPROVEMENTS)
- RETENTION BASIN
- CULVERT CROSSING
- TRAFFIC SIGNAL

AMENDED INFRASTRUCTURE EXHIBIT FOR DISTRICT 1

1 inch = 2500ft.

DMB

VERRADO

BUCKEYE, ARIZONA

WOOD/PATEL

CIVIL ENGINEERS · HYDROLOGISTS · LAND SURVEYORS · CONSTRUCTION MANAGERS

06/30/06

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SECTION FOUR

ESTIMATE OF COSTS AND TIMETABLE FOR PUBLIC INFRASTRUCTURE

The construction of the Public Infrastructure has been or will be publicly bid pursuant to State law and Town policies. Upon acquisition by the District, the Public Infrastructure will be dedicated or otherwise transferred to the Town. Proceeds of the sale of the Series 2006 Bonds, after payment of the costs of issuance, will be used to finance the acquisition of the Public Infrastructure. Listed below are descriptions and estimated costs of acquisition and completion dates of the Public Infrastructure.

Estimated Cost of Public Infrastructure and Timetable

ITEM	DESCRIPTION	QTY	UNIT	COST (1)	ANTICIPATED COMPLETION DATE (2)
A	**Projects Approved By Feasibility Study Dated 3/4/03:**				
	1. Traffic Interchange	1	each	$466,533	Complete
	2. CMAR Contract Addendum #2 (Funding of additional infrastructure costs)	-	-	634,480	Complete
	3. Roadway, Sidewalk, Street Light & Storm Drain Improvements	5.6	miles	16,035,702	6/08 (80% Complete) (3)
	4. Dry Utility Trench and Conduit	5.6	miles	725,106	6/08 (80% Complete) (3)
	5. Roadway Landscaping	6.0	miles	5,477,280	6/08 (80% Complete) (3)
	6. Drainage Improvements	1.9	miles	2,802,165	9/07
	7. Linear Parks	1.0	miles	1,820,619	11/06
	8. District Parks	3.1	acres	1,146,500	Complete
	SUBTOTAL			**$29,108,385**	
B	**Projects Approved Herein:**				
	1. Roadway, Sidewalk, Street Light and Storm Drain Improvements	4.9	miles	$9,296,008	10/06
	2. Dry Utility Trench & Conduit, as necessary for roadway and landscape improvements	4.9	miles	1,251,787	10/06
	3. Roadway Landscaping	4.9	miles	2,219,539	10/06
	4. Culvert Crossings	1	each	1,280,800	6/09
	5. Traffic Signals	6	each	1,500,000	12/08
	6. Drainage Improvements	0.9	miles	1,000,000	10/06
	7. Retention Basins	30.0	ac-ft	115,648	12/07
	8. District Parks	38.5	acres	8,540,000	12/08
	9. Lineal Park	0.4	miles	1,820,619	10/06
	SUBTOTAL			**$27,024,400**	
	TOTAL			**$56,132,785**	

(1) Costs are actual where project has been completed.

(2) Completion dates are approximate and subject to change.

(3) Previously approved roadway improvements are 80% complete. Remaining infrastructure to complete includes Verrado Way (from Sunrise Wash to Indian School Rd.) and Indian School Road (from Verrado Way to Jackrabbit Trail).

The operation and maintenance of the Public Infrastructure will be performed by the Town. The District levies a tax of $0.30 per $100 of secondary assessed value annually to pay for such operation and maintenance.

SECTION FIVE

PLAN OF FINANCE

PLAN OF FINANCE

The Public Infrastructure will be acquired by the District by way of a Plan of Finance described below. This Plan of Finance is subject to modification to accommodate market conditions at the time of the actual sale of the Series 2006 Bonds and to the extent necessary to comply with Federal and State law.

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 June 19, 2001. Pursuant to an election held on August 7, 2001, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed $100,000,000 in order to finance, among other things, the costs of public infrastructure within the District, including incidental costs and the costs of issuing bonds.

Existing and Proposed Debt

The District issued its $24,000,000 General Obligation Bonds, Series 2003 in April 2003 (the "Series 2003 Bonds"). It is anticipated that approximately $18,450,000 of general obligation bonds will be issued in October 2006. The amount stated on the cover of this report is a not-to-exceed amount. The final bond sizing will be determined by the actual secondary assessed value certified within the District as of August 15, 2006. The bond sizing, if acceptable by the District, maybe increased by taking into account certificates of occupancy issued by the Town within the boundaries of the District as of the sale date of the bonds. The Series 2006 Bonds will have a final maturity of twenty-five (25) years, and will be structured with principal amortized to produce, along with the Series 2003 Bonds, approximately level debt service. Refer to Table One in this section for estimated revenue versus debt service schedule and Table Two for estimated absorption, revenue and debt service through buildout. The Series 2006 Bonds will be unrated and will be sold through a limited offering ("non public" offering pursuant to A.R.S. 48-722) to qualified institutional buyers or accredited investors who deliver a signed investor letter.

The Series 2006 Bonds will be structured such that the target debt service tax rate is not expected to exceed $3.00 per $100 of secondary assessed value for the Series 2006 bonds and the Series 2003 Bonds.

Sources and Uses of Funds

The estimated Sources and Uses of Funds relating to the issuance of the Series 2006 Bonds are as follows:

Sources

Par Amount of Series 2006 Bonds	$18,450,000
Total	$18,450,000

Uses

Deposit to Acquisition and Construction Fund	$17,773,750
Costs of Issuance (Including Underwriter's Discount)	676,250
Total	$18,450,000

Use of Proceeds

The District will apply the proceeds from the sale of the Series 2006 Bonds to the acquisition of a portion of the Public Infrastructure listed in Section Two and costs related thereto and to pay the costs of issuing the Series 2006 Bonds.

Standby Contribution Agreement

The $3.00 tax levy, given the existing tax base, is not currently sufficient to provide for the existing and proposed debt service of the Series 2003 Bonds and the Series 2006 Bonds. (Please see Table One of this section). As a result, the Developer will enter into a standby contribution agreement (the "2006 Contribution Agreement") whereby at closing with respect to the Series 2006 Bonds and on or before March 15 of each fiscal year thereafter, the Developer will make a payment to the District in amounts necessary to maintain the tax rate at $3.00 for the debt service given the then existing tax base and the debt service requirements of the Series 2006 Bonds. The 2006 Contribution Agreement will be in effect for the life of the Series 2006 Bonds and is only subject to release if certain conditions are met, principally that the $3.00 tax rate for debt service can provide for annual maximum debt service of the Series 2006 Bonds and all outstanding bonds of the District.

The Developer has previously entered into a similar standby contribution agreement with respect to the debt service on the Series 2003 Bonds (the "2003 Contribution Agreement"). The obligations of the Developer under the 2003 Contribution Agreement (but not under the 2006 Contribution Agreement) are secured by a guaranty from ABD Investments Limited Partnership (the "2003 Guarantor"). For the purpose of determining the obligations of the Developer under the 2003 Contribution Agreement, all tax revenues will be applied first to the debt service on the Series 2006 Bonds.

District Assessed Valuation

Shown below are the Full Cash Values and Secondary Assessed Values for the District.

Fiscal Year	Full Cash Value	Secondary Assessed Value
2006-07	$302,706,083	$42,195,614
2005-06	155,488,350	24,018,923
2004-05	59,027,407	9,444,137
2003-04	11,281,713	1,833,458

Source: Maricopa County Assessor's Office

Homeowner Obligation

Based on an average home price of $432,966 at the total $3.30 ($3.00 for debt service plus $0.30 for operations and maintenance) tax levy, a homeowner's tax bill for the District equals approximately $1,172 annually, or $97 per month.

TABLE ONE

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

General Obligation Bonds
Estimated Debt Service and Revenue Projections

		$24,000,000 Series 2003 Dated: April 16, 2005			$18,450,000 Series 2006 Dated: October 25, 2006						
Fiscal Year	Net Secondary Assessed Valuation (1)	Principal	Actual Interest	Total Debt Service (2)	Principal	Estimated Interest (3)	Total Estimated Debt Service	Total Combined Debt Service	Combined Debt Tax Rate	District Revenues at $3.00 Tax Rate & 95% Collections	Net Total Payment Under Standby Contribution Agreement (4)
2006	$24,018,923		$1,522,250	$1,522,250				$1,522,250	$3.00	$684,539	$837,711
2007	42,195,614		1,522,250	1,522,250		$799,500	$799,500	2,321,750	3.00	1,202,575	1,119,175
2008	51,651,034	$600,000	1,522,250	2,122,250	$365,000	1,107,000	1,472,000	3,594,250	3.00	1,472,054	2,122,196
2009	108,110,259	700,000	1,486,250	2,186,250	385,000	1,085,100	1,470,100	3,656,350	3.00	3,081,142	575,208
2010	146,469,421	700,000	1,444,250	2,144,250	410,000	1,062,000	1,472,000	3,616,250	2.47	4,174,379	0
2011	157,803,625	800,000	1,402,250	2,202,250	430,000	1,037,400	1,467,400	3,669,650	2.33	4,497,403	
2012	164,301,867	800,000	1,354,250	2,154,250	460,000	1,011,600	1,471,600	3,625,850	2.21	4,682,603	
2013	172,455,405	800,000	1,306,250	2,106,250	485,000	984,000	1,469,000	3,575,250	2.07	4,914,979	
2014	179,342,962	1,100,000	1,258,250	2,358,250	515,000	954,900	1,469,900	3,828,150	2.13	5,111,274	
2015	187,729,292	1,100,000	1,190,600	2,290,600	545,000	924,000	1,469,000	3,759,600	2.00	5,350,285	
2016	193,497,920	1,100,000	1,122,950	2,222,950	580,000	891,300	1,471,300	3,694,250	1.91	5,514,691	
2017	199,977,805	1,200,000	1,055,300	2,255,300	615,000	856,500	1,471,500	3,726,800	1.86	5,699,367	
2018	198,926,722	1,100,000	981,500	2,081,500	650,000	819,600	1,469,600	3,551,100	1.79	5,669,412	
2019	204,894,523	1,200,000	910,000	2,110,000	690,000	780,600	1,470,600	3,580,600	1.75	5,839,494	
2020	204,894,523	1,300,000	832,000	2,132,000	730,000	739,200	1,469,200	3,601,200	1.76	5,839,494	
2021	204,894,523	1,400,000	747,500	2,147,500	775,000	695,400	1,470,400	3,617,900	1.77	5,839,494	
2022	204,894,523	1,500,000	656,500	2,156,500	820,000	648,900	1,468,900	3,625,400	1.77	5,839,494	
2023	204,894,523	1,600,000	559,000	2,159,000	870,000	599,700	1,469,700	3,628,700	1.77	5,839,494	
2024	204,894,523	1,600,000	455,000	2,055,000	920,000	547,500	1,467,500	3,522,500	1.72	5,839,494	
2025	204,894,523	1,700,000	351,000	2,051,000	975,000	492,300	1,467,300	3,518,300	1.72	5,839,494	
2026	204,894,523	1,800,000	240,500	2,040,500	1,035,000	433,800	1,468,800	3,509,300	1.71	5,839,494	
2027	204,894,523	1,900,000	123,500	2,023,500	1,100,000	371,700	1,471,700	3,495,200	1.71	5,839,494	
2028	204,894,523				1,165,000	305,700	1,470,700	1,470,700	0.72	5,839,494	
2029	204,894,523				1,235,000	235,800	1,470,800	1,470,800	0.72	5,839,494	
2030	204,894,523				1,310,000	161,700	1,471,700	1,471,700	0.72	5,839,494	
2031	204,894,523				1,385,000	83,100	1,468,100	1,468,100	0.72	5,839,494	
		$24,000,000	$22,043,600	$46,043,600	$18,450,000	$17,628,300	$36,078,300	$82,121,900			$4,654,289

(1) Fiscal year 2005/06 and 2006/07 secondary assessed valuation are actual, as provided by the Maricopa County Assessor's office. 2007/08 is an estimate based on the difference between the estimated 775 certificates of occupancy and the number of parcels (484) recorded by the county assessor's office for 2006/07 computed using an average new home price of $432,966, full cash value ratio of 65%, and assume 3% growth rate on the existing 2006/07 SAV Value. Fiscal year 2008/09 and thereafter are estimates provided by the developer.

(2) Debt service on the Series 2003 bonds will be paid from the Standby Contribution Agreement which is gauranteed by ABD LLC.

(3) Interest is estimated at 6.0%.

(4) Represents net debt service on the Series 2003 bonds that will be supported by the Standby Contribution Agreement which is guaranteed by ABD LLC. Beginning in fiscal year 2009/10, the tax revenues will be sufficient to support the debt service on both Series of Bonds.

Table Two
District 1 CFD's
Projected Absorption, Revenue and Debt Service Schedule (Total Project Through Build Out)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
District 1														
Cumulative Absorption based on Closed and Built Units [1,2]														
Residential Absorption (Lots)	-	-	-	116	514	865	1,332	2,424	3,643	4,745	5,576	7,012	8,360	8,964
Non-Residential Absorption (Acres)	-	-	-	14	14	14	14	16	31	102	171	213	256	299
Cumulative Full Cash Values (000's) [3]														
Vacant Land Full Cash Values	10,912	10,962	58,951	112,167	169,276	243,470	250,774	229,043	235,914	209,392	215,674	186,025	191,606	162,284
Residential Full Cash Values	-	-	-	32,991	118,771	335,999	512,050	877,715	1,487,179	1,892,294	2,186,911	2,636,403	3,075,263	3,386,911
Non-Residential Full Cash Values	-	-	48	11,092	13,324	13,329	13,657	19,809	38,449	90,497	137,511	168,531	199,550	231,226
Total Full Cash Values	**10,912**	**10,962**	**58,999**	**156,250**	**301,370**	**592,798**	**768,489**	**1,072,538**	**1,491,170**	**1,577,771**	**1,622,949**	**1,618,884**	**1,650,049**	**1,646,311**
Assessed Value [4]	**1,746**	**1,754**	**9,444**	**24,019**	**42,196**	**75,821**	**93,438**	**126,970**	**192,104**	**239,358**	**278,710**	**324,801**	**374,359**	**406,590**
Assessed Value Per $100	**17**	**18**	**94**	**240**	**422**	**758**	**934**	**1,270**	**1,921**	**2,394**	**2,787**	**3,248**	**3,744**	**4,066**
Inflation Adj. Assessed Value Per $100 [5]	**17**	**18**	**94**	**240**	**422**	**758**	**962**	**1,347**	**2,099**	**2,694**	**3,231**	**3,878**	**4,604**	**5,151**
CFD Tax Revenue Received (000's) [6]														
$'s Per $100														
District 1 - Tax Revenue $ 3.00	52	53	283	721	1,266	2,275	2,887	4,041	6,298	8,082	9,693	11,635	13,812	15,452
District 1 - O&M Revenue $ 0.30	5	5	28	72	127	227	289	404	630	808	969	1,163	1,381	1,545
Bond Issuance Net Proceeds (000's) [7]														
Par Amount														
Bond Proceeds #1 $ 24,000	-	21,998	-	-	-	-	-	-	-	-	-	-	-	-
Bond Proceeds #2 $ 18,450	-	-	-	-	-	-	-	-	17,776	-	-	-	-	-
Debt Service Requirement (000's) [8]														
Annual Debt Service - Bond #1	-	-	-	(1,522)	(1,522)	(1,522)	(2,122)	(2,186)	(2,144)	(2,202)	(2,154)	(2,106)	(2,358)	(2,291)
Annual Debt Service - Bond #2	-	-	-	-	-	(800)	(1,472)	(1,470)	(1,472)	(1,467)	(1,472)	(1,469)	(1,470)	(1,469)
Combined Annual Debt Service	-	-	-	(1,522)	(1,522)	(2,322)	(3,594)	(3,656)	(3,616)	(3,670)	(3,626)	(3,575)	(3,828)	(3,760)
Combined Breakeven Tax Rate	**$ -**	**$ -**	**$ -**	**$ 6.34**	**$ 3.61**	**$ 3.06**	**$ 3.73**	**$ 2.71**	**$ 1.72**	**$ 1.36**	**$ 1.12**	**$ 0.92**	**$ 0.83**	**$ 0.73**

Notes:

1. Projected absorption is based on various internal project analysis conducted by the Developer's project team based on, among other things, market analysis performed by recognized industry experts.
2. Cumulative Absorption for Residential represents Occupied Residential homes as of Third Quarter of the preceding year. Cumulative Absorption for Non-Residential represents # of Acres sold as of the Third Quarter of the preceding year.
3. Vacant Land, Residential, and Non-Residential full cash values represent the cumulative full cash values as of the Third Quarter of the preceding year.
4. Assessed Values: 16% of Vacant Land Values, 10% of Full Cash Values for Residential (82% of Full Market Values), and 25% of Full Market Values for Non-Residential (discounted at 50%). The assessment ratio for non-residential is being reduced, starting at 25%, by one half of one percent annually through 2014, resulting in an assessment ratio of 20% from and after December 31, 2014.
5. Assumes a 3% annual inflation rate applied to full market values starting in all years after 2007-08.
6. District 1 tax rate of $3 per $100 of assessed values.
7. Net Proceeds represents Gross Proceeds reduced for costs of issuance. These costs include Underwriters Discounts, Issuance Costs, and Capitalized Interest.
8. Debt Service requirements are based the $24 million Series 2003 and the estimated $18.450 million Series 2006 bonds (no capitalized interest, average coupon of 6.0%, and a life of 25 years).

Table Two
District 1 CFD's
Projected Absorption, Revenue and Debt Service Schedule (Total Project Through Build Out)

		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
District 1													
Cumulative Absorption based on Closed and I													
Residential Absorption (Lots)		9,641	10,257	10,640	10,869	11,013	11,071	11,086	11,102	11,117	11,132	11,132	11,132
Non-Residential Absorption (Acres)		338	397	553	553	553	553	553	553	553	553	553	553
Cumulative Full Cash Values (000's) [3]													
Vacant Land Full Cash Values		167,152	-	-	-	-	-	-	-	-	-	-	-
Residential Full Cash Values		3,713,318	4,002,172	4,201,045	4,347,107	4,452,183	4,515,432	4,531,942	4,548,451	4,564,960	4,581,470	4,581,470	4,581,470
Non-Residential Full Cash Values		262,214	285,534	303,590	303,590	303,590	303,590	303,590	303,590	303,590	303,590	303,590	303,590
Total Full Cash Values		**1,673,596**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**	**1,519,359**
Assessed Value [4]		**444,272**	**457,324**	**480,822**	**495,429**	**505,936**	**512,261**	**513,912**	**515,563**	**517,214**	**518,865**	**518,865**	**518,865**
Assessed Value Per $100		**4,443**	**4,573**	**4,808**	**4,954**	**5,059**	**5,123**	**5,139**	**5,156**	**5,172**	**5,189**	**5,189**	**5,189**
Inflation Adj. Assessed Value Per $100 [5]		**5,797**	**6,146**	**6,656**	**7,064**	**7,430**	**7,748**	**8,007**	**8,273**	**8,549**	**8,833**	**9,098**	**9,371**
CFD Tax Revenue Received (000's) [6]													
	$'s Per $100												
District 1 - Tax Revenue	$ 3.00	17,390	18,438	19,967	21,191	22,290	23,245	24,020	24,820	25,646	26,500	27,295	28,114
District 1 - O&M Revenue	$ 0.30	1,739	1,844	1,997	2,119	2,229	2,325	2,402	2,482	2,565	2,650	2,729	2,811
Bond Issuance Net Proceeds (000's) [7]													
	Par Amount												
Bond Proceeds #1	$ 24,000	-	-	-	-	-	-	-	-	-	-	-	-
Bond Proceeds #2	$ 18,450	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Requirement (000's) [8]													
Annual Debt Service - Bond #1		(2,223)	(2,255)	(2,082)	(2,110)	(2,132)	(2,148)	(2,157)	(2,159)	(2,055)	(2,051)	(2,041)	(2,024)
Annual Debt Service - Bond #2		(1,471)	(1,472)	(1,470)	(1,471)	(1,469)	(1,470)	(1,469)	(1,470)	(1,468)	(1,467)	(1,469)	(1,472)
Combined Annual Debt Service		(3,694)	(3,727)	(3,551)	(3,581)	(3,601)	(3,618)	(3,625)	(3,629)	(3,523)	(3,518)	(3,509)	(3,495)
Combined Breakeven Tax Rate		**$ 0.64**	**$ 0.61**	**$ 0.53**	**$ 0.51**	**$ 0.48**	**$ 0.47**	**$ 0.45**	**$ 0.44**	**$ 0.41**	**$ 0.40**	**$ 0.39**	**$ 0.37**

Notes:

1. Projected absorption is based on various internal project analysis conducted by the Developer's project team based on, among other things, market analysis performed by recognized industry experts.
2. Cumulative Absorption for Residential represents Occupied Residential homes as of Third Quarter of the preceding year. Cumulative Absorption for Non-Residential represents # of Acres sold as of the Third Quarter of the preceding year.
3. Vacant Land, Residential, and Non-Residential full cash values represent the cumulative full cash values as of the Third Quarter of the preceding year.
4. Assessed Values: 16% of Vacant Land Values, 10% of Full Cash Values for Residential (82% of Full Market Values), and 25% of Full Market Values for Non-Residential (discounted at 50%). The assessment ratio for non-residential is being reduced, starting at 25%, by one half of one percent annually through 2014, resulting in an assessment ratio of 20% from and after December 31, 2014.
5. Assumes a 3% annual inflation rate applied to full market values starting in all years after 2007-08.
6. District 1 tax rate of $3 per $100 of assessed values.
7. Net Proceeds represents Gross Proceeds reduced for costs of issuance. These costs include Underwriters Discounts, Issuance Costs, and Capitalized Interest.
8. Debt Service requirements are based the $24 million Series 2003 and the estimated $18,450 million Series 2006 bonds (no capitalized interest, average coupon of 6.0%, and a life of 25 years).

APPENDIX A

Legal Description For
Verrado Community Facilities
District No. 1
(Town of Buckeye, Arizona)

EXHIBIT A

WOOD/PATEL

CIVIL ENGINEERS • HYDROLOGISTS • LAND SURVEYORS

Darrel E. Wood, P.E., R.L.S.
Ashok C. Patel, P.E., R.L.S.
James S. Campbell, P.E.
Gordon W. R. Wark, P.E.
Thomas R. Gerrings, R.L.S.
Bruce Friedhoff, P.E.
Scott A. Nelson, R.L.S.
Richard L. Hines, P.E.
Timothy A. Hurst, P.E.
Michael J. Sexton, R.L.S.
Jack K. Moody, P.E.
Lodis J. Klund, P.E.
Curtis L. Brown, P.E.
R. Scott Rasmussen, P.E.
Paul M. Haas, P.E.
Shimin Zou, Ph.D., P.E.
Michael T. Young, P.E.
Shawn D. Gustafson, P.E.
John Bulka, P.E.
Robert J. Hedrick, P.E.
Jason Engelhardt, P.E.
Joseph C. Dacosta, P.E.
Maher Hazine, P.E.

Revised August 30, 2000
Revised August 28, 2000
Revised September 13, 1999
Revised June 14, 1999
June 7, 1999
WP #97678.03
Page 1 of 20
See Exhibit "A"

PARCEL DESCRIPTION
Caterpillar
Proposed Formation Exhibit for
Community Facilities District (CFD)
"District 1"

PARCEL "A"

PARCEL NO. 1:

The South half of Section 20, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 3:

Lots 1, 2, 3 and 4, the East half of the West half, and the East half of Section 7, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 4:

That portion of Section 19, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southwest corner of said Section 19, said point being a G.L.O. brass cap which bears South 01 degrees 16 minutes 12 seconds East along the West line of said Section 19, a distance of 12.38 feet from the Southeast corner of Section 24, Township 2 North, Range 3 West;

THENCE North 00 degrees 05 minutes 12 seconds West, continuing along said West line, a distance of 1662.38 feet;
THENCE North 89 degrees 34 minutes 51 seconds East, a distance of 1787.58 feet;
THENCE North 49 degrees 16 minutes 47 seconds East, a distance of 1245.15 feet;
THENCE South 40 degrees 43 minutes 13 seconds East, a distance of 2304.31 feet to a point of curvature of a tangent curve concave to the West;
THENCE Southerly along the arc of said curve to the right, having a radius of 1000.00 feet, a central angle of 40 degrees 17 minutes 40 seconds, and an arc length of 703.27 feet to a point of tangency;
THENCE South 00 degrees 25 minutes 33 seconds East, a distance of 63.42 feet to a point on the South line of the Southeast quarter of said Section 19;
THENCE South 89 degrees 34 minutes 27 seconds West along said South line, a distance of 1832.76 feet to the South quarter corner of said Section 19;
THENCE South 89 degrees 34 minutes 51 seconds West along the South line of the Southwest quarter of said Section 19, a distance of 2641.88 feet to the TRUE POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 5:

That portion of Section 19, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 19, said point being a ½ inch ACP stamped LS 19324;
THENCE South 00 degrees 08 minutes 44 seconds East along the East line of Section 24, Township 2 North, Range 3 West, a distance of 856.96 feet to the TRUE POINT OF BEGINNING, said point being on the arc of a non-tangent curve concave to the Northwest, a radial line of said curve through said point having a bearing of South 22 degrees 42 minutes 19 seconds East;
THENCE Northeasterly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 03 degrees 02 minutes 28 seconds, and an arc length of 79.62 feet to a point of tangency;
THENCE North 64 degrees 15 minutes 13 seconds East, a distance of 1571.18 feet to a point of curvature of a tangent curve concave to the South;

THENCE Easterly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 25 degrees 33 minutes 20 seconds, and an arc length of 669.05 feet to a point on the North line of said Section 19;
THENCE North 89 degrees 48 minutes 33 seconds East along said North line, a distance of 150.00 feet;
THENCE South 04 degrees 07 minutes 50 seconds West, a distance of 1265.21 feet to a point of curvature of a tangent curve concave to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 2000.00 feet, a central angle of 44 degrees 51 minutes 03 seconds, and an arc length of 1565.59 feet to a point of tangency;
THENCE South 40 degrees 43 minutes 13 seconds East, a distance of 100.00 feet;
THENCE South 49 degrees 16 minutes 47 seconds West, a distance of 1245.15 feet;
THENCE South 89 degrees 34 minutes 51 seconds West, a distance of 1787.47 feet to a point on the West line of the Southwest quarter of said Section 19;
THENCE North 00 degrees 05 minutes 12 seconds West along said West line, a distance of 969.93 feet to the West quarter corner of said Section 19;
THENCE North 00 degrees 56 minutes 58 seconds West along said West line, a distance of19.93 feet to the East quarter corner of Section 24, Township 2 North, Range 2 West;
THENCE North 00 degrees 08 minutes 44-seconds West along the East line of said Section 24, a distance of 1757.45 feet to the TRUE POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 6:

Sections 18 and 19, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPT that portion of said Section 19 described as follows:

BEGINNING at the Southwest corner of said Section 19, said point being a G.L.O. brass cap which bears South 01 degrees 16 minutes 12 seconds East along the West line of said Section 19, a distance of 12.38 feet from the Southeast corner of Section 24, Township 2 North, Range 3 West;
THENCE North 00 degrees 05 minutes 12 seconds West, continuing along said West line, a distance of 1662.38 feet;

THENCE North 89 degrees 34 minutes 51 seconds East, a distance of 1787.58 feet;
THENCE North 49 degrees 16 minutes 47 seconds East, a distance of 1245.15 feet;
THENCE South 40 degrees 43 minutes 13 seconds East, a distance of 2304.31 feet to a point of curvature of a tangent curve concave to the West;
THENCE Southerly along the arc of said curve to the right, having a radius of 1000.00 feet, a central angle of 40.degrees 17 minutes 40 seconds, and an arc length of 703.27 feet to a point of tangency;
THENCE South 00 degrees 25 minutes 33 seconds East, a distance of 63.42 feet to a point on the South line of the Southeast quarter of said Section 19;
THENCE South 89 degrees 34 minutes 27 seconds West along said South line, a distance of 1832.76 feet to the South quarter corner of said Section 19;
THENCE South 89 degrees 34 minutes 51 seconds West along the South line of the Southwest quarter of said Section 19, a distance of 2641-86 feet to the TRUE POINT OF BEGINNING;

EXCEPT that portion of said Section 19 described as follows:

COMMENCING at the Northwest corner of said Section 19, said point being a ½ inch ACP stamped LS 19324;
THENCE South 00 degrees 08 minutes 44 seconds East along the East line of Section 24, Township 2 North, Range 3 West, a distance of 856.96 feet to the TRUE POINT OF BEGINNING, said point being on the arc of a non-tangent curve concave to the Northwest, a radial line of said curve through said point having a bearing of South 22 degrees 42 minutes 19 seconds East;
THENCE Northeasterly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 03 degrees 02 minutes 28 seconds, and an arc length of 79.62 feet to a point of tangency;
THENCE North 64 degrees 15 minutes 13 seconds East, a .distance of 1571.18 feet to a point of curvature of a tangent curve concave to the South;
THENCE Easterly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 25 degrees 33 minutes 20 seconds, and an arc length of 669.05 feet to a point on the North line of said Section 19;
THENCE North 89 degrees 48 minutes 33 seconds East along said North line, a distance of 150.00 feet;
THENCE South 04 degrees 07 minutes 50 seconds West, a distance of 1265.21 feet to a point of curvature of a tangent curve concave to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 2000.00 feet, a central angle of 44 degrees 51 minutes 03 seconds, and an arc length of 1565.59 feet to a point of tangency;
THENCE South 40 degrees 43 minutes 13 seconds East, a distance of 100.00 feet;
THENCE South 49 degrees 16 minutes 47 seconds West, a distance of 1245.15 feet;

THENCE South 89 degrees 34 minutes 51 seconds West, a distance of 1787.47 feet to a point on the West line of the Southwest quarter of said Section 19;
THENCE North 00 degrees 05 minutes 12 seconds West along said West line, a distance of 969.93 feet to the West quarter corner of said Section 19;
THENCE North 00 degrees 56 minutes 58 seconds West along said West line, a distance of 19.93 feet to the East quarter corner of Section 24, Township 2 North, Range 2 West;
THENCE North 00 degrees 08 minutes 44 seconds West along the East line of said Section 24, a distance of 1757.45 feet to the TRUE POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 7:

That portion of Sections 30 and 31, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southwest corner of said Section 30, said point being a G.L.O. brass cap;
THENCE North 03 degrees 46 minutes 34 seconds East, a distance of 1315.07 feet;
THENCE South 86 degrees 13 minutes 26 seconds East, a distance of 334.04 feet to a point of curvature of a tangent curve concave to the North;
THENCE Easterly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 23 degrees 46 minutes 34 seconds, and an arc length of 622.46 feet to a point of tangency;
THENCE North 70 degrees 00 minutes 00 seconds East, a distance of 1795.40 feet;
THENCE South 20 degrees 00 minutes 00 seconds East, a distance of 42.78 feet to a point of curvature of a tangent curve concave to the West;
THENCE Southerly along the arc of said curve to the right, having a radius of 1000.00 feet, a central angle of 19 degrees 47 minutes 00 seconds, and an arc length of 345.28 feet to a point of tangency;
THENCE South 00 degrees 13 minutes 00 seconds East, a distance of 1584.28 feet to a point on the South line of said Section 30;
THENCE continuing South 00 degrees 13 minutes 00 seconds East, a distance of 776.75 feet;
THENCE South 78 degrees 35 minutes 03 seconds West, a distance of 2856.28 feet to a point on the West line of the Northwest quarter corner of said Section 31;

THENCE North 00 degrees 07 minutes 44 seconds West along said West line, a distance of 1313.31 feet to the Northwest corner of said Section 31, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 05.

PARCEL NO. 8:

That portion of Sections 30 and 31, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of said Section 30, said point being a 3-1/2 inch aluminum cap;
THENCE South 00 degrees 13 minutes 21 seconds East along the East line of said Section 31, a distance of 300.00 feet;
THENCE South 78 degrees 35 minutes 03 seconds West, a distance of 2537.96 feet;
THENCE North 00 degrees 13 minutes 00 seconds West, a distance of 776.75 feet to a point on the North line of said Section 31;
THENCE continuing North 00 degrees 13 minutes 00 seconds West, a distance of 1584.28 feet to a point of curvature of a tangent curve concave to the West;
THENCE Northerly along the arc of said curve to the left, having a radius of 1000.00 feet, a central angle of 19 degrees 47 minutes 00 seconds, and an arc length of 345.28 feet to a point of tangency;
THENCE North 20 degrees 00 minutes 00 seconds West, a distance of 42.78 feet;
THENCE North 70 degrees 00 minutes 00 seconds East, a distance of 1728.96 feet to a point of curvature of a tangent curve concave to the South;
THENCE Easterly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 19 degrees 28 minutes 58 seconds, and an arc length of 510.06 feet to a point of tangency;
THENCE North 89 degrees 28 minutes 58 seconds East, a distance of 441.06 feet to the East quarter corner of said Section 30;
THENCE South 00 degrees 96 minutes 50 seconds East along the East line of said Section 30, a distance of 2622.84 feet to the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal

or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 9:

A parcel of land lying within Section 31, Township 2 North, Range 2 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the southeast corner of said Section 31, said point being the POINT OF BEGINNING of the herein described parcel;
THENCE along the south line of said Section 31, South 89°57'41" West, a distance of 2487.65 feet, to the northwest corner of Section 6, Township 1 North, Range 2 West, said point also being the northeast corner of Section 1, Township 1 North, Range 3 West;
THENCE leaving said south line, North 00°14'20" West, a distance of 4485.83 feet;
THENCE North 78°35'03" East, a distance of 2537.96 feet, to a point on the east line of said Section 31;
THENCE along said east line, South 00°13'21" East, a distance of 2345.41 feet, to the east quarter corner of said Section 31;
THENCE continuing along said east line, South 00°12'22" East, a distance of 2641.08 feet, to the POINT OF BEGINNING.

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 10:

A parcel of land lying within Section 31, Township 2 North, Range 2 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the northwest corner of said Section 31;
THENCE along the west line of said Section 31, South 00°07'44" East, a distance of 1313.31 feet, to the POINT OF BEGINNING;
THENCE leaving said west line, North 78°35'03" East, a distance of 2856.28 feet;
THENCE South 00°14'20" East, a distance of 4485.83 feet, to a point on the south line of said Section 31, said point also being the northeast corner of Section 1, Township 1 North, Range 3 West, and the northwest corner of Section 6, Township 1 North, Range 2 West;

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THENCE along the south line of said Section 31, South 89°16'01" West, a distance of 2634.48 feet, to the north quarter of said Section 1;
THENCE continuing along said south line, South 89°35'34" West, a distance of 174.95 feet, to the southwest corner of said Section 31;
THENCE along the west line of said Section 31, North 00°08'13" West, a distance of 2642.08 feet, to the west quarter corner of said Section 31;
THENCE continuing along said west line, North 00°07'44" West, a distance of 1313.32 feet, to the POINT OF BEGINNING.

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 11:

That portion of Section 30, Township 2 North, Range 2 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 30, said point being a 3-1/4 inch aluminum cap;
THENCE South 00 degrees 06 minutes 35 seconds East along said East line of said Section 30, a distance of 2622.91 feet to the East quarter corner of said Section 30;
THENCE South 89 degrees 25 minutes 58 seconds West, a distance of 441.06 feet to a point of curvature of a tangent curve concave to the South;
THENCE Westerly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 19 degrees 28 minutes 58 seconds, and an arc length of 510.06 feet to a point of tangency;
THENCE South 70 degrees 00 minutes 00 seconds West, a distance of 1728.96 feet;
THENCE North 20 degrees 00 minutes 00 seconds West, a distance of 50.00 feet to a point of curvature of a tangent curve concave to the East;
THENCE Northerly along the arc of said curve to the right, having a radius of 1000.00 feet, a central angle of 19 degrees 54 minutes 00 seconds, and an arc length of 347.32 feet to a point of tangency;
THENCE North 00 degrees 06 minutes 00 seconds West, a distance of 2901.73 feet to the North line of said Section 30;

THENCE North 89 degrees 34 minutes 27 seconds East along said North line of said Section 30, a distance of 2642.76 feet to the Northeast corner of said Section 30, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to .'-b e peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 12:

That portion of Section 30, Township 2 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Northwest corner of said Section 30, said point being a G.L.O. brass cap;
THENCE North 89 degrees 34 minutes 51 seconds East, a distance of 2641.88 feet along the North line of said Section 30;
THENCE South 00 degrees 06 minutes 00 seconds East, a distance of 2901.73 feet to a point of curvature of a tangent curve concave to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 1000. n feet, a central angle of 19 degrees 54 minutes 00 seconds, and an arc length of 347.32 feet to a point of tangency;
THENCE South 20 degrees 00 minutes 00 seconds East, a distance of 50.00 feet;
THENCE South 70 degrees 00 minutes 00 seconds West, a distance of 1795.40 feet to a point of curvature of a tangent curve concave to the North;
THENCE Westerly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 23 degrees 46 minutes 34 seconds, and an arc length of 622.46 feet to a point of tangency;
THENCE North 86 degrees 13 minutes 26 seconds West, a distance of 334.04 feet to a point on the arc of a non-tangent curve concave to the East, a radial line of said curve through said point having a bearing of North 86 degrees 13 minutes 26 seconds West;
THENCE Northerly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 14 degrees 13 minutes 14 seconds, and an arc length of 372.29 feet to a point of tangency;
THENCE North 17 degrees 59 minutes 46 seconds East, a distance of 835.53 feet to a point of curvature of a tangent curve concave to the West;

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THENCE Northerly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 37 degrees 50 minutes 47 seconds, and an arc length of 990.81 feet to a point of tangency;
THENCE North 19 degrees 50 minutes 56 seconds West, a distance of 794.67 feet to a point of curvature of a tangent curve concave to the East;
THENCE Northerly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 15 degrees 36 minutes 40 seconds, and an arc length of 408.70 feet to a point of tangency;
THENCE North 04 degrees 14 minutes 18 seconds West, a distance of 672.77 feet to the POINT OF BEGINNING:

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 13:

That portion of Section 25, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

BEGINNING at the Southeast corner of said Section 25, said point being a G.L.O. brass cap;
THENCE North 89 degrees 52 minutes 15 seconds West along the South line of said Section 25, a distance of 2635.19 feet to the South quarter corner of said Section 25;
THENCE North 89 degrees 41 minutes 17 seconds West along said South line, a distance of 2641.10 feet to the Southwest corner of said Section 30;
THENCE North 00 degrees 04 minutes 18 seconds West along the West line of said Section 25, a distance of 1000.00 feet;
THENCE North 75 degrees 41 minutes 52 seconds East, a distance of 5874.45 feet;
THENCE South 17 degrees 59 minutes 48 seconds West, a distance of 835.53 feet to a point of curvature of a tangent curve concave to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 14 degrees 13 minutes 14 seconds, and an arc length of 372.29 feet to a point of tangency;
THENCE South 03 degrees 46 minutes 34 seconds West, a distance of 1315.07 feet to the Southeast corner of Section 25, said point also being the POINT OF BEGINNING;

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EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 14:

That portion of Sections 23 and 24, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southwest corner of said Section 23, said point being a G.L.O. brass cap;
THENCE North 00 degrees 05 minutes 59 seconds West along the West line of said Section 23, a distance of 600.00 feet;
THENCE North 67 degrees 14 minutes 01 seconds East, a distance of 5728.70 feet to a point on the East line of the Southeast quarter of said Section 23;
THENCE continuing North 67 degrees 14 minutes 01 seconds East, a distance of 1068.51 feet to a point on the arc of a non-tangent curve concave to the Northeast, a radial line of said curve through said point having a bearing of South 75 degrees 26 minutes 44 seconds West;
THENCE Southeasterly along the arc of said curve to the left, having a radius of 4400.00 feet, a central angle of 31 degrees 16 minutes 47 seconds, and an arc length of 2402.11 feet to a non-tangent line, a radial line of said curve through said point having a bearing of South 44 degrees 09 minutes 57 seconds West;
THENCE South 44 degrees 09 minutes 57 seconds West, a distance of 1689.79 feet to a point on the South line of the Southwest quarter corner of said Section 24;
THENCE North 89 degrees 44 minutes 36 seconds West along said South line of said Section 24, a distance of 1000.00 feet to the Southwest corner of said Section 24;
THENCE North 89 degrees 42 minutes 50 seconds West along the South line of said Section 23, a distance of 2641.62 feet to the South quarter corner of said Section 23;
THENCE North 89 degrees 40 minutes 59 seconds West along the South line of said Section 23, a distance of 2640.87 feet to the Southwest corner of said Section 23, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

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PARCEL NO. 15:

That portion of Section 23, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Northwest corner of said Section 23, said point being a G.L.O. brass cap;
THENCE South 89 degrees 47 minutes 21 seconds East along the North line of said Section 23, a distance of 1857.42 feet;
THENCE South 53 degrees 00 minutes 55 seconds East, a distance of 2857.55 feet;
THENCE South 00 degrees 01 minutes 18 seconds East, a distance of 1216.34 feet;
THENCE South 67 degrees 14 minutes 01 seconds West, a distance of 4481.73 feet to a point on the West line of the Southeast quarter corner of Section 23;
THENCE North 00 degrees 05 minutes 59 seconds West along said West line, a distance of 2043.82 feet to the West quarter corner of said Section 23;
THENCE North 00 degrees 05 minutes 41 seconds West along said West line, a distance of 2632.79 feet to the Northwest corner of Section 23, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 16:

That portion of Sections 23 and 24, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Northwest corner of said Section 24, said point bearing South 00 degrees 01 minutes 18 seconds East, a distance of 6.60 feet from a G.L.O. brass cap witness corner;
THENCE South 89 degrees 44 minutes 26 seconds East along the North line of said Section 24, a distance of 810.49 feet;
THENCE South 02 degrees 00 minutes 00 seconds East, a distance of 1065.56 feet to a point of curvature of a tangent curve concave to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 4400.00 feet, a central angle of 12 degrees 33 minutes 16 seconds, and an arc length of 964.11 feet to a non-tangent line, a radial line of said curve through said point having a bearing of South 75 degrees

26 minutes 44 seconds West;
THENCE South 67 degrees 14 minutes 01 seconds West, a distance of 1068.51 feet to a point on the West line of the Southwest quarter corner of said Section 24;
THENCE continuing South 67 degrees 14 minutes 01 seconds West, a distance of 1246.97 feet;
THENCE North 00 degrees 01 minutes 18 seconds West, a distance of 1216.34 feet;
THENCE North 53 degrees 00 minutes 55 seconds West, a distance of 2857.55 feet to a point on the North line of the Northwest corner of said Section 23;
THENCE South 89 degrees 47 minutes 21 seconds East, a distance of 788.00 feet to the North quarter corner of said Section 23;
THENCE South 89 degrees 39 minutes 30 seconds East along the North line of said Section 23, a distance of 2644.01 feet to the Northeast corner of Section 23, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 17:

That portion of Section 24, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, lying Northerly of the following described property:

BEGINNING at the Southeast corner of said Section 24, said point being a G.L.O. brass cap;
THENCE South 01 degrees 16 minutes 12 seconds West, a distance of 12.38 feet to a point on the arc of a non-tangent curve concave to the North, a radial line of said curve through said point having a bearing of South 00 degrees 25 minutes 09 seconds East;
THENCE Westerly along the arc of said curve to the right, having a radius of 4400.00 feet, a central angle of 05 degrees 01 minutes 39 seconds, and an arc length of 386.07 feet to a point on the South line of said Section 24;
THENCE continuing Northwesterly along the arc of said curve to the right, having a radius 4400.00 feet, a central angle of 70 degrees 50 minutes 15 seconds, and an arc length of 5439.92 feet to a non-tangent line, a radial line of said curve through said point having a bearing of South 75 degrees 26 minutes 44 seconds West;
THENCE North 75 degrees 23 minutes 57 seconds East, a distance of 4425.12 feet to a point on the East line of the Northeast quarter of said Section 24;

THENCE South 00 degrees 08 minutes 44 seconds East along said East line, a distance of 1757.45 feet to the East quarter corner of said Section 24, which bears North 00 degrees 56 minutes 58 seconds West along the East line of the Southeast quarter of said Section 24, a distance of 19.93 feet from the West quarter corner of Section 19, Township 2 North, Range 2 West;
THENCE South 00 degrees 05 minutes 59 seconds East along said East line, a distance of 2639.86 feet to the Southeast corner of said Section 24, said point also being the POINT OF BEGINNING;

EXCEPT the following described property:

BEGINNING at the Northwest corner of said Section 24, said point bearing South 00 degrees 01 minutes 18 seconds East, a distance of 6.60 feet from a G.L.O. brass cap witness corner;
THENCE South 89 degrees 44 minutes 26 seconds East along the North line of said Section 24, a distance of 810.49 feet;
THENCE South 02 degrees 00 minutes 00 seconds East, a distance of 1065.56 feet to a point of curvature of a tangent curve concave to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 4400.00 feet, a central angle of 12 degrees 33 minutes 16 seconds, and an arc length of 964.11 feet to a non-tangent line, a radial line of said curve through said point having a bearing of South 75 degrees 26 minutes 44 seconds West;
THENCE South 67 degrees 14 minutes 01 seconds West, a distance of 1068.51 feet to a point on the West line of the Southwest quarter corner of said Section 24;
THENCE continuing South 67 degrees 14 minutes 01 seconds West, a distance of 1246.97 feet;
THENCE North 00 degrees 01 minutes 18, seconds West, a distance of 1216.34 feet;
THENCE North 53 degrees 00 minutes 55 seconds West, a distance of 2857.55 feet to a point on the North line of the Northwest corner of said Section 23;
THENCE South 89 degrees 47 minutes 21 seconds East, a distance of 788.00 feet to the North quarter corner of said Section 23;
THENCE South 89 degrees 39 minutes 30 seconds East along the North line of said Section 23, a distance of 2644.01 feet to the Northeast corner of Section 23, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

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PARCEL NO. 18:

That portion of Sections 24 and 25, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Northwest corner of said Section 30, said point being a G.L.O. brass cap;
THENCE South 04 degrees 14 minutes 18 seconds East, a distance of 672.77 feet to a point of curvature of a tangent curve to the East;
THENCE Southerly along the arc of said curve to the left, having a radius of 1500.00 feet, a central angle of 15 degrees 36 minutes 40 seconds, and an arc length of 408.70 feet to a point of tangency;
THENCE South 19 degrees 50 minutes 58 seconds East, a distance of 794.67 feet to a point of curvature of a tangent curve concave to the West;
THENCE Southerly along the arc of said curve to the right, having a radius of 1500.00 feet, a central angle of 37 degrees 50 minutes 47 seconds, and an arc length of 990.81 feet to a non-tangent line, a radial line of said curve ' through said point having a bearing of South 72 degrees 100 minutes 12 seconds East;
THENCE South 75 degrees 41 minutes 52 seconds West, a distance of 5874.45 feet to a point on the West line of the Southwest quarter corner of said Section 25;
THENCE North 00 degrees 04 minutes 18 seconds West along said West line, a distance of 1639.32 feet to the West quarter corner of said Section 25;
THENCE North 00 degrees 01 minutes 21 seconds West along said West line, a distance of 2637.50 feet to the Northwest corner of said Section 25;
THENCE South 89 degrees 44 minutes 36 seconds East along the North line of said Section 25, a distance of 1000.00 feet;
THENCE North 44 degrees 09 minutes 57 seconds East, a distance of 1689.79 feet to a point on the arc of a non-tangent curve concave to the Northeast, a radial line of said curve through said point having a bearing of South 44 degrees 09 minutes 57 seconds West;
THENCE Southeasterly along the arc of said curve to the left, having a radius of 4400.00 feet, a central angle of 39 degrees 33 minutes 28 seconds, and an arc length of 3037.82 feet to a point of curvature of a curve concave to the North, said point being a point on the South line of the Southeast quarter of said Section 24;
THENCE continuing Southeasterly along the arc of said curve to the left, having a radius of 4400.00 feet, a central angle of 05 degrees 01 minutes 39 seconds, and an arc length of 386.07 feet to the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal

or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 19:

That portion of Sections 24 and 25, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

BEGINNING at the Southeast corner of said Section 24, said point being a G.L.O. brass cap;
THENCE South 01 degrees 16 minutes 12 seconds West, a distance of 12.38 feet to a point on the arc of a non-tangent curve concave to the North, a radial line of said curve through said point having a bearing of South 00 degrees 25 minutes 09 seconds East;
THENCE Westerly along the arc of said curve to the right, having a radius of 4400.00 feet, a central angle of 05 degrees 01 minutes 39 seconds, and an arc length of 386.07 feet to a point on the South line of said Section 24;
THENCE continuing Northwesterly along the arc of said curve to the right, having a radius of 4400.00 feet, a central angle of 70 degrees 50 minutes 15 seconds, and an arc length of 5439.92 feet to a non-tangent line, a radial line of said curve through said point having a bearing of South 75 degrees 26 minutes 44 seconds West;
THENCE North 75 degrees 23 minutes 57 seconds East, a distance of 4425.12 feet to a point on the East line of the Northeast quarter of said Section 24;
THENCE South 00 degrees 08 minutes 44 seconds East along said East line, a distance of 1757.45 feet to the East quarter corner of said Section 24, which bears North 00 degrees 56 minutes 58 seconds West along the East line of the Southeast quarter of said Section 24, a distance of 19.93 feet from the West quarter corner of Section 19, Township 2 North, Range 2 West;
THENCE South 00 degrees 05 minutes 59 seconds East along said East line, a distance of 2639.86 feet to the Southeast corner of said Section 24, said point also being the POINT OF BEGINNING;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

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PARCEL NO. 20:

Lots 1, 2, 3 and 4, the South half of the North half, and the South half of Section 3, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

PARCEL NO. 21:

Sections 10, 11, 12 and 13, Township 2 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

EXCEPTING THEREFROM all uranium, thorium, or any other material which is or may be determined by the laws of the State, the United States, or competent judicial decision of Federal or State of Arizona Court to be peculiarly essential to the production of fissionable materials, whether or not of commercial value, as reserved in the Patent to said land recorded June 30, 1978 in Docket 13003, page 205.

Containing 8639.41 acres, or 376,332,700 square feet of land, more or less.

All parcels subject to existing rights-of-way and easements.

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PARCEL "B1"

A parcel of land lying within Section 6, Township 1 North, Range 2 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the northwest corner of said Section 6, said point also being the POINT OF BEGINNING of the herein described parcel;

THENCE along the north line of Section 6 per the Results of Survey as recorded in Book 499, page 48, Maricopa County Records, North 89 degrees 57 minutes 39 seconds East, a distance of 2437.60 feet to the northwest corner of Parcel No. 3 of a Quit-Claim Deed as recorded in Docket 10822, page 9, Maricopa County Records;
THENCE leaving said north line, along the westerly line of said Parcel No. 3, South 14 degrees 06 minutes 52 seconds East, a distance of 206.19 feet, to the southeast corner of said Parcel No. 3 and to a point on the east line of Section 6 per said Results of Survey;
THENCE leaving said westerly line, along said east line, South 00 degrees 04 minutes 51 seconds East, a distance of 491.44 feet, to a point on the northerly right-of-way line of Interstate 10 and the beginning of a non-tangent curve;
THENCE leaving said east line, along said right-of-way line, westerly along said curve, having a radius of 11602.57 feet, concave southerly, whose radius bears South 02 degrees 39 minutes 27 seconds East, through a central angle of 12 degrees 26 minutes 54 seconds, a distance of 2520.84 feet, to a point on the west line of Section 6 per said Results of Survey, and a point of intersection with a non-tangent line;
THENCE leaving said northerly right-of-way line, along said west line, North 00 degrees 09 minutes 05 seconds West, a distance of 1078.18 feet, to the POINT OF BEGINNING.

Containing 47.7687 acres, or 2,080,805 square feet of land, more or less.

All parcels subject to existing rights-of-way and easements.

SWR:gmh 360027 10/5/00

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PARCEL "B2"

PARCEL NO. 1:

The West 1240.84 feet of the following described parcel:

Lots 1 and 2, and the South half of the Northeast quarter of Section 1, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, lying North of the land conveyed to the State of Arizona by and through the Department of Transportation in Docket 11015, page 374 and in Docket 11052, page 724.

PARCEL NO. 2:

Lots 1 and 2, and the South half of the Northeast quarter of Section 1, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, lying North of the land conveyed to the State of Arizona by and through the Department of Transportation in Docket 11015, page 374 and in Docket 11052, page 724;

EXCEPT the West 1240.84 feet.

PARCEL NO. 3:

The Northeast quarter of Section 1, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, lying South of the land conveyed to the State of Arizona by and through the Department of Transportation in Docket 11015, page 374 and in Docket 11052, page 724.

Containing 111.87 acres, or 1,118,680 square feet of land, more or less.

All parcels subject to existing rights-of-way and easements.

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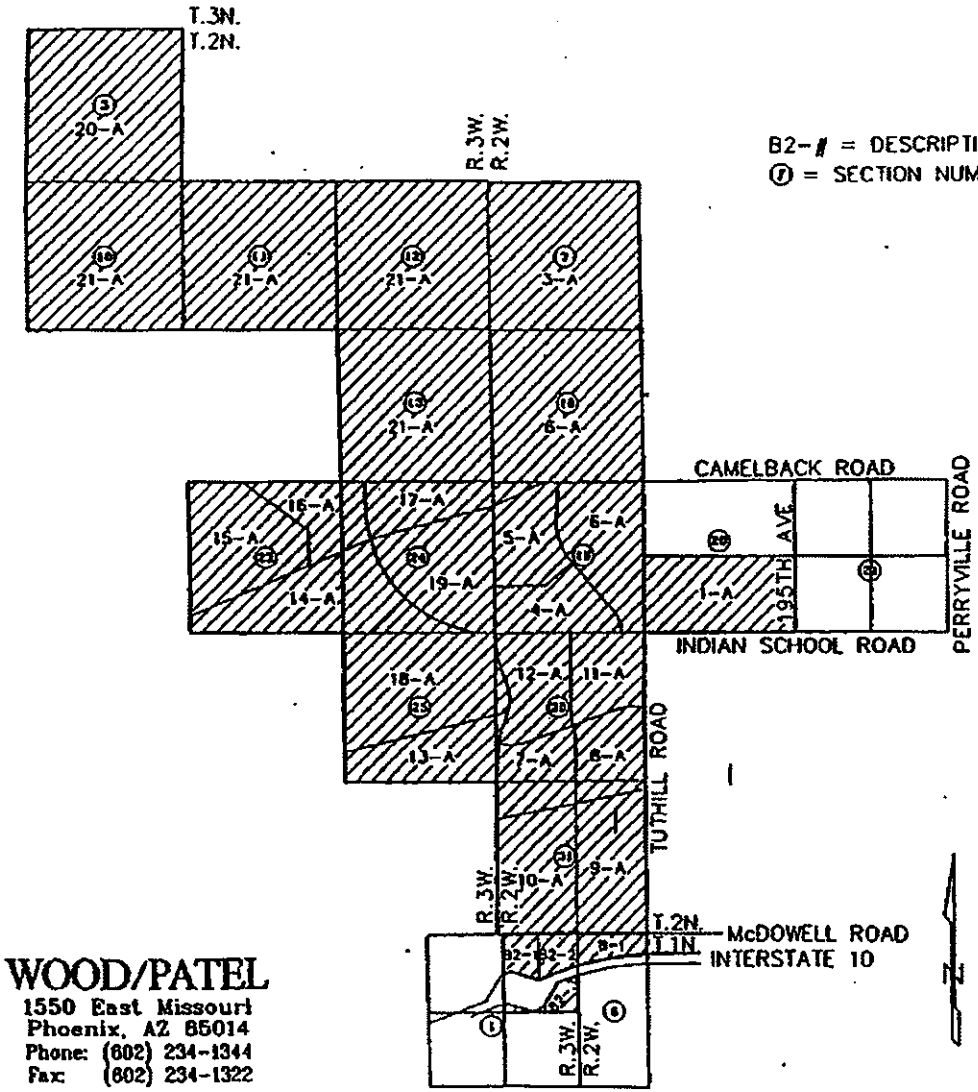

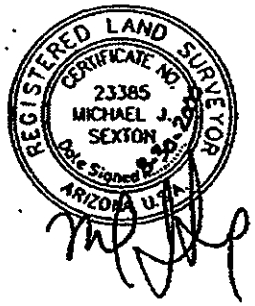

EXHIBIT "A"

CATERPILLAR
PROPOSED FORMATION EXHIBIT FOR
COMMUNITY FACILITIES DISTRICT (CFD)
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1550 East Missouri
Phoenix, AZ 85014
Phone: (602) 234-1344
Fax: (602) 234-1322

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STATE OF ARIZONA
COUNTY OF MARICOPA } SS.

Ondrea Sheppard, being first duly sworn, upon oath deposes and says: That she is the marketing/sales lead 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

September 1, 2006

NOTICE OF PUBLIC HEARING TO THE GENERAL PUBLIC AN THE MEMBERS OF THE BOARD OF DIRECTORS OF VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA):
NOTICE IS HEREBY GIVEN th the Board of Directors of th Verrado District 1 Commun ty Facilities District (Town Buckeye, Arizona) will me on September 19, 2006, con mencing at 6:00 p.m., in th Town Council Chambers, 1 North Apache, Suite A, Buc eye, Arizona 85326, to co duct a public hearing on, an to consider and review a fe sibility report relative to proposed project to be nanced by the issuance general obligation bonds the District. A copy of t feasibility report may be r viewed at the office of t District Clerk, 100 Nor Apache, Suite A, Buckeye, A zona 85326.
Published: September 1, 200

Ondrea Sheppard

Sworn to before me this
11 TH day of
October A.D. 2006

OFFICIAL SEAL
MARILYN GREENWOOD
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Comm. Expires May 23, 2007

Marilyn Greenwood
Notary Public

JOINT MEETING OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
SUNDANCE COMMUNITY FACILITIES DISTRICT
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
WESTPARK COMMUNITY FACILITIES DISTRICT
WATSON ROAD COMMUNITY FACILITIES DISTRICT

TOWN OF BUCKEYE, ARIZONA

SEPTEMBER 19, 2006

AGENDA

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
Immediately following the 7:00 p.m. 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/Roll Call.
Board Action: None.

2. Approval of Minutes
Festival Ranch Community Facilities District
Sundance Community Facilities District
Verrado Distinct 1 Community Facilities District
Westpark Community Facilities District
Watson Road Community Facilities District
Board Action: Possible motion to approve.

3. Ratify/Approval of Expenditures
Board Action: Discussion and possible motion.

4. FESTIVAL RANCH COMMUNITY FACILITY DISTRICT
4A. Festival Ranch Community Facilities District-Resolution No. 06-06
The Festival Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 06-06 (Festival), approving the Modification of Assessments for Parcel No. A1 of Special Assessment District No. 1.
Board Action: Discussion and possible motion.

4B. Festival Ranch Community Facilities District-Resolution No. 07-06
The Festival Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 07-06 (Festival), approving the Modification of Assessments for Parcel No. B1 of special Assessment District No. 1.
Board Action: Discussion and possible motion.

4C. Festival Ranch Community Facilities District-Resolution No. 08-06
The Festival Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 08-06 (Festival), approving the Modification of Assessments for Parcel No. C1 of Special Assessment District No. 1.

Board Action: Discussion and possible motion.

4D. Festival Ranch Community Facilities District-Resolution No. 09-06
The Festival Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 09-06 (Festival), approving the Modification of Assessments for Parcel No. D1 of special Assessment District No. 1.
Board Action: Discussion and possible motion.

4E. Festival Ranch Community Facilities District-Resolution No. 05-06
The Festival Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 05-06 (Festival), authorizing the issuance of its District General Obligation Bonds Series 2006; approving the form and authorizing the execution and delivery of a bond registrar, transfer agent and paying agent contract, 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 the Final Limited Offering Memorandum relating to the Bonds; and levying an Ad Valorem Tax on taxable property in the District; and appointing a registrar; transfer agent and paying agent for the bonds.
Board Action: Discussion and possible motion.

5. VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
5A. PUBLIC HEARING Verrado District 1 Community Facilities District
The Verrado District 1 Community Facilities District Board will conduct a Public Hearing on the Feasibility Report submitted in connection with the proposed issuance of General Obligation Bonds by the District and the projects financed with such proceeds:
(1) Open Public Hearing
(2) Staff Overview
(3) Received public comment
(4) Close Public hearing

5B. Verrado District 1 Community Facilities District-Resolution No. 03-06
The Verrado District 1 Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 03-06 (Verrado Dist. 1), 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.

5C. Verrado District 1 Community Facilities District-Resolution No. 04-06
The Verrado District 1 Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 04-06 (Verrado Dist. 1) authorizing the issuance of its District General Obligation Bonds, Series 2006; 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 the preliminary limited 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.

6. WESTPARK COMMUNITY FACILITY DISTRICT
6A. Westpark Community Facility District- Resolution No. 05-06
The Westpark Community Facilities District Board will consider, for possible action, the adoption of Resolution No. 05-06 (Westpark) authorizing the issuance of its District General Obligation Bonds Series 2006; 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 Standby Contribution Agreement, a Depository Agreement 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.

7. WATSON ROAD COMMUNITY FACILITIES DISTRICT
7A. Watson Road Community Facilities District-Sewer Main Project
The Watson Road Community Facilities District Board will consider, for possible action, the approval of Change Order No. 1 in the amount of $501,734.84 payable to S.J.L. Construction of Arizona, LLC. And changing the contract completion date from February 19, 2007 to March 16, 2007.
Board Action: Discussion and possible motion.

7B. Watson Road Community Facilities District-Sewer Main Project
The Watson Road Community Facilities District Board will consider, for possible action, the approval of the Participation Agreement Letter with the Buckeye Water Conservation and Drainage District (BWCDD) to construct , maintain, and/or repair non BWCDD facilities (sanitary sere main and appurtenances) within the BWCDD right-of-way and authorize the Chairman to execute same; approve payment of funds for required deposit.
Board Action: Discussion and possible motion.

7C. Watson Road Community Facilities District-Sewer Main Project
The Watson Road Community Facilities District Board will consider, for possible action, the approval of the Participation Agreement Letter with the Roosevelt Irrigation District (RID) to construct, maintain, and/or repair of non-RID facilities (sanitary sewer main and appurtenances) within the RID right-of-way and authorize the Chairman to execute the same; approve payment of funds for required deposit.
Board Action: Discussion and possible motion.

8. SUNDANCE COMMUNITY FACILITIES DISTRICT
8A. The Sundance Community Facilities District Board will consider, for possible action, to approve the Conveyance and Acceptance Agreement and related Service Agreement, for the Water Supply Line for Well #7, in substantially the form as presented.
Board Action: Discussion and possible motion.

9. Adjournment.
Board Action: Motion to adjourn.

JOINT MEETING OF
FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
SUNDANCE COMMUNITY FACILITIES DISTRICT
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
WESTPARK COMMUNITY FACILITIES DISTRICT
WATSON ROAD COMMUNITY FACILITIES DISTRICT

TOWN OF BUCKEYE, ARIZONA
SEPTEMBER 19, 2006
MINUTES

Town Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
Immediately following the 7:00 p.m. Regular Council Meeting

1. Call to Order/Roll Call.
Chairman Bryant called the meeting to order at 8:38 p.m.

Members Present:	Boardmember Hardesty, Vice Chairman Beard, Chairman Bryant, Boardmember May, and Boardmember Doster.
Members Absent:	Boardmember Garza and Boardmember Rioux
Staff Present:	Distict Manager Jeanine Guy, District Attorney Scott Ruby, District Clerk Linda Garrison, District Deputy Clerk Lucinda Aja, and District Finance Director Doug Allen.

2. Approval of Minutes
A motion was made by Boardmember May and seconded by Vice Chairman Beard to approve the minutes of:
Festival Ranch Community Facilities District
Sundance Community Facilities District
Verrado Distinct 1 Community Facilities District
Westpark Community Facilities District
Watson Road Community Facilities District
Motion passed unanimously.

3. Ratify/Approval of Expenditures
A motion was made by Boardmember May and seconded by Vice Chairman Beard to approve the expenditures as presented. Motion passed unanimously.

4. FESTIVAL RANCH COMMUNITY FACILITY DISTRICT
4A. Festival Ranch Community Facilities District-Resolution No. 06-06
A motion was made by Vice Chairman Beard and seconded by Boardmember May to adopt Resolution No. 06-06 (Festival), approving the Modification of Assessments for Parcel No. A1 of Special Assessment District No. 1. Motion passed unanimously.

4B. Festival Ranch Community Facilities District-Resolution No. 07-06
A motion was made by Vice Chairman Beard and seconded by Boardmember May to adopt Resolution No. 07-06 (Festival), approving the Modification of Assessments for Parcel No. B1 of special Assessment District No. 1. Motion passed unanimously.

4C. Festival Ranch Community Facilities District-Resolution No. 08-06
A motion was made by Vice Chairman Beard and seconded by Boardmember May to adopt Resolution No. 08-06 (Festival), approving the Modification of Assessments for Parcel No. C1 of Special Assessment District No. 1. Motion passed unanimously.

4D. Festival Ranch Community Facilities District-Resolution No. 09-06
A motion was made by Vice Chairman Beard and seconded by Boardmember May to adopt Resolution No. 09-06 (Festival), approving the Modification of Assessments for Parcel No. D1 of special Assessment District No. 1. Motion passed unanimously.

4E. Festival Ranch Community Facilities District-Resolution No. 05-06
A motion was made by Vice Chairman Beard and seconded by Boardmember May to adopt Resolution No. 05-06 (Festival), authorizing the issuance of its District General Obligation Bonds Series 2006; approving the form and authorizing the execution and delivery of a bond registrar, transfer agent and paying agent contract, 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 the Final Limited Offering Memorandum relating to the Bonds; and levying an Ad Valorem Tax on taxable property in the District; and appointing a registrar; transfer agent and paying agent for the bonds. Motion passed unanimously.

5. VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
5A. PUBLIC HEARING Verrado District 1 Community Facilities District
The Verrado District 1 Community Facilities District Board opened a Public Hearing at 8:53 p.m. to hear citizen input on the proposed District. There being no public comment the hearing was closed at 8:53 p.m. regarding the Feasibility Report submitted in connection with the proposed issuance of General Obligation Bonds by the District and the projects financed with such proceeds.

5B. Verrado District 1 Community Facilities District-Resolution No. 03-06
A motion was made by Vice Chairman Beard and seconded by Boardmember May to adopt Resolution No. 03-06 (Verrado Dist. 1), 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.

5C. Verrado District 1 Community Facilities District-Resolution No. 04-06
A motion was made by Vice Chairman Beard and seconded by Boardmember Hardesty to adopt Resolution No. 04-06 (Verrado Dist. 1) authorizing the issuance of its District General Obligation Bonds, Series 2006; 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 the preliminary limited 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.

6. WESTPARK COMMUNITY FACILITY DISTRICT
6A. Westpark Community Facility District- Resolution No. 05-06
A motion was made by Vice Chairman Beard and seconded by Boardmember Hardesty to adopt Resolution No. 05-06 (Westpark) authorizing the issuance of its District General Obligation Bonds Series 2006; 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 Standby Contribution Agreement, a Depository Agreement 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.

7. WATSON ROAD COMMUNITY FACILITIES DISTRICT

7A. Watson Road Community Facilities District-Sewer Main Project

A motion was made by Boardmember May and seconded by Boardmember Doster to approve the Change Order No. 1 in the amount of $501,734.84 payable to S.J.L. Construction of Arizona, LLC. And changing the contract completion date from February 19, 2007 to March 16, 2007. Motion passed unanimously.

7B. Watson Road Community Facilities District-Sewer Main Project

A motion was made by Vice Chairman Beard and seconded by Boardmember May to approve the Participation Agreement Letter with the Buckeye Water Conservation and Drainage District (BWCDD) to construct , maintain, and/or repair non BWCDD facilities (sanitary sere main and appurtenances) within the BWCDD right-of-way and authorize the Chairman to execute same; approve payment of funds for required deposit. Motion passed unanimously.

7C. Watson Road Community Facilities District-Sewer Main Project

A motion was made by Boardmember May and seconded by Vice Chairman Beard to approve the Participation Agreement Letter with the Roosevelt Irrigation District (RID) to construct, maintain, and/or repair of non-RID facilities (sanitary sewer main and appurtenances) within the RID right-of-way and authorize the Chairman to execute the same; approve payment of funds for required deposit. Motion passed unanimously.

8. SUNDANCE COMMUNITY FACILITIES DISTRICT

8A. The Sundance Community Facilities District Conveyance and Acceptance Agreement- Well #7

A motion was made by Boardmember May and seconded by Vice Chairman Beard to approve the Conveyance and Acceptance Agreement and related Service Agreement, for the Water Supply Line for Well #7, in substantially the form as presented. Motion passed unanimously.

9. Adjournment.

There being no further business to come before the Board a motion was made by Boardmember May and seconded by Vice Chairman Beard to adjourn the meeting at 9:06 p.m. Motion passed unanimously.

_____

Bobby Bryant, Chairman

ATTEST:

_____

Linda Garrison, District Clerk

I hereby certify that the foregoing is a true and correct copy of the joint meeting held meeting held on the 19th day of September, 2006. I further certify that a quorum was present.

_____

Linda Garrison, District Clerk

RESOLUTION NO. 03-06 (VERRADO DISTRICT 1)

RESOLUTION OF THE BOARD OF DIRECTORS OF VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), APPROVING THE FEASIBILITY AND BENEFITS STUDY RELATING TO THE ACQUISITION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING THE DISTRICT; DECLARING ITS INTENTION TO ACQUIRE AND FINANCE CERTAIN IMPROVEMENTS AS DESCRIBED IN THE FEASIBILITY STUDY RELATING TO SUCH IMPROVEMENTS; DETERMINING THAT NOT TO EXCEED $19,750,000 GENERAL OBLIGATION BONDS WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF 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 ("*A.R.S.*"), as amended, the Board of Directors of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), has caused a study of the feasibility and benefits of the Project (as such term and all other initially capitalized terms are defined hereinafter) to be prepared (the "2006 Feasibility Study"), 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 general obligation bonds of the District, which study includes, among other things, a description of certain public infrastructure to be acquired and all other information useful to understand 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 Projects 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, A.R.S., as amended, a public hearing on the 2006 Feasibility Study was held on the date hereof, after provision for publication of notice thereof as provided by law;

BE IT RESOLVED BY THE DISTRICT BOARD OF THE VERRADO DISTRICT 1 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, A.R.S., as amended.

"*Board*" shall mean this board of directors of the District.

"*Bonds*" shall mean the District's General Obligation Bonds, Series 2006.

"*Clerk*" shall mean the Clerk of the District.

"*District*" shall mean the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona).

"*General Plan*" shall mean the General Plan dated June 14, 2001 for the District.

"*Project*" shall mean the acquisition of public infrastructure (as such term is defined in the Act) described in the 2006 Feasibility Study, including particularly the acquisition and/or construction by the District of the improvements described on *Exhibit A* hereto.

"*2003 Feasibility Study*" shall mean the feasibility and benefits study amended and restated as of March 4, 2003 and approved by the Board.

"*2006 Feasibility Study*" shall mean the feasibility and benefits study pertaining to the Project on file with the Clerk prior to the date and time of this resolution, discussing the matters required by Section 48-715, A.R.S., as amended.

Section 2. Approval of 2006 Feasibility Study. Based on the review by the Board and the presentation of the 2006 Feasibility Study at the public hearing on September 19, 2006, the 2006 Feasibility Study is hereby adopted and approved in the form submitted to the Board. The 2006 Feasibility Study has been filed with the Clerk prior to adoption of this resolution. The publication by the Clerk of the notice of the hearing on the 2006 Feasibility Study is hereby ratified and approved.

Section 3. Resolution of Intent. This Board hereby identifies the public infrastructure of the Project, the areas benefited, the expected methods of financing and the system of providing revenues to operate and maintain the Project, all as identified and provided for in the 2006 Feasibility Study, for any and all purposes of the Act. Any portion of the costs of the Project not financed by the proceeds of the Bonds shall remain eligible to be financed through the sale of future bonds of the District.

Section 4. Preliminary Approval to Issue and Sell Bonds. The Board hereby declares its intent to proceed with the financing of the Project in substantially the manner of one of the financing structure presented in the 2006 Feasibility Study and hereby declares its intent to issue not to exceed $19,750,000 principal amount of Bonds to finance the costs of the Project. The preparation and distribution of a Preliminary Official Statement pertaining to the issuance of the Bonds is hereby authorized and the District Manager is authorized to deem final the Preliminary Official Statement.

PASSED, ADOPTED AND APPROVED on September 19, 2006.

Bobby Bryant
Chairman

Linda Yannini
Clerk

Attachments: Exhibit A - Description of Improvements

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on September 19, 2006, and that a quorum was present thereat and that the vote thereon was 5 ayes and 0 nays; 2 did not vote or were absent.

Linda Garnes
Clerk

EXHIBIT A

"Project" shall mean the construction or acquisition of public infrastructure (as such term is defined in the Act) described in the 2006 Feasibility Study, including particularly the construction or acquisition by the District of the following:

A. The following items were approved in the 2003 Feasibility Study. Construction costs have been updated in the 2006 Feasibility Study to reflect current development costs.

1. The 0.25 mile south segment of the Freeway Interchange within the Town of Buckeye.

2. Addendum No. 2 to Construction Manager At Risk Contract (Funding of Excess Contract Amount): In accordance with Addendum No. 2 to Construction Manager at Risk Contract, dated February 1, 2004, by and among District 1, the Developer, as Owner, DMB Contract Administrative Services, Inc., as Contract Administrator, and Sundt Construction, Inc., as Contractor, entered into in order to provide for an increase in the Contract Amount (not exceeding the maximum estimated cost of the Project as approved in the 2003 Report) and for payment of that portion of such Contract Amount in excess of the amount of funds available from the Series 2003 Bonds that were deposited into the Series 2003 Acquisition and Construction Fund (the "Construction Fund"), the Developer deposited funds into the Construction Fund to pay such excess Contract Amount ("Owner Advance"), which Owner Advance is subject to reimbursement.

3. Roadway, Sidewalk, Street Light and Storm Drain Improvements consisting of the following:

   (a) Four (4) lanes of Indian School Rd., a 1.6 mile arterial roadway from Jackrabbit Trail to Verrado Way, including culvert crossings as indicated at Acacia Wash.

   (b) Four (4) lanes of Verrado Way, a 0.3 mile arterial roadway from Sunrise Wash to Indian School Rd.

   (c) Two (2) southbound lanes of Verrado Way, a 2.1 mile arterial roadway from Golf Crossing to the Freeway Interchange, including culvert crossings as indicated at Bulldozer Wash.

   (d) A 1.5 mile network of two-lane collector/local residential roadways throughout Phase 1B North and 1B South including culvert crossing as indicated. The roadways are identified as Sunrise Lane (Verrado Way to Indian School Rd.), Acacia Way (Lost Creek Dr. to Western Dr.) and Western Dr. (Acacia to Clanton). Culvert Crossings are included at Sunrise Lane, Park Street, and Acacia Way.

4. Dry Utility Trench and Conduit construction as required for the 5.6 mile network of arterial and collector/local residential roadway and landscape improvements.

5. Roadway Landscaping for the 5.6 mile network of arterial and collector/local residential roadway and roadway landscaping for 0.4 miles of roadway consisting of Village St. (Main St. to Sunrise Ln.), Sentinel Dr. (Village St. to School Hill Rd.) and School Hill Rd. (Sunrise Ln. to Main St.).

6. Drainage control improvements consisting of embankment, channelization, bank protection, grade control structures and landscaping for approximately 1.0 miles of

Bulldozer Wash and 0.9 miles of Acacia Wash (Thomas Road to McDowell Road). Retention basin improvement at Phase 1A Elementary school including grading, storm drain and erosion protection. 1.0 miles of linear park and multi-use path and trail system adjacent to Sunrise Wash in Phase 1B North between Verrado Way and Park Street and along portions of Acacia Wash and Lost Creek Wash as indicated.

7. District Park Improvements for 3.1 acres consisting of Walton Park (Park #17) and 0.7 acres Village Green (Park #15) in Phase 1A.

B. The following items are to be approved pursuant to the 2006 Feasibility Study:

1. Roadway, sidewalk, street light and storm drain improvements for a 4.9 mile network of two and four-lane collector/local residential and arterial roadways to provide vehicle access and circulation throughout Phase 1B South, Phase 2 East, and Phase 2 West development area.

   Infrastructure roadway improvements to be constructed with Phase 1B South, including two lanes of Acacia Way (Western to Thomas Road), Western Dr. (Clanton Street to Acacia Way), Point Ridge Rd. (Acacia Way to Acacia Wash) and Thomas Road (Verrado Way to Acacia Wash).

   Infrastructure roadway improvements to be constructed with Phase 2 East, including two lanes of Western Drive (Clanton Street to Verrado Way), Point Ridge Rd. (Acacia Way to Verrado Way) and Clanton Street (Thomas Road to Western Drive).

   Infrastructure roadway improvements to be constructed with Phase 2 West, including two lanes of Western Drive (Verrado Way to Heritage Street), Point Ridge Road (Verrado Way to Heritage), Heritage Street (Nelson to Western), Thomas Road (Verrado to Park Meadows), Delaney Drive (Verrado to Heritage) and Park Meadows Drive (Verrado Way to Heritage).

2. Dry utility trench & conduit, as necessary for the 4.9 mile network of arterial and collector/local residential roadways and landscape improvements for Phase 1B South, Phase 2 East and Phase 2 West.

3. Roadway landscaping for the 4.9 mile network of arterial and collector/local residential roadways for Phase 1B south, Phase 2 East and Phase 2 West.

4. A Culvert crossing at Thomas Road and Acacia Wash.

5. Five (5) traffic signals along Indian School Road at Jackrabbit Trail, Pioneer Drive, Acacia Way, Sunrise Lane and Verrado Way and one (1) traffic signal along Verrado Way at Thomas Road.

6. Drainage improvements consisting of embankment, channelization, bank protection, grade control structures, and landscaping for approximately 0.9 miles of Phase 2 West western channel.

7. 30 acre-foot retention basin at the Sports Complex to be developed with Phase 3 East.

8. 38.5 acres of District/Regional park improvements for the Phase 2 West District Park and Village Green, including landscaping, sidewalks, lighting and building, recreation and parking improvements, as well as the improvements for the Phase 3 East Sports Complex, including ball fields, landscaping, structural amenities and parking.

9. A 0.4 mile lineal park and multi-use path and trail system adjacent to Acacia Wash between Lost Creek Drive and Thomas Road.

RESOLUTION NO. 04-06 (VERRADO DISTRICT 1)

A RESOLUTION OF THE BOARD OF DIRECTORS OF VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AUTHORIZING THE ISSUANCE OF ITS DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006; 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 STANDBY CONTRIBUTION AGREEMENT, A FIRST AMENDMENT TO STANDBY CONTRIBUTION AGREEMENT, 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.

BE IT RESOLVED by the Board of Directors ("*District Board*") of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*") as follows:

1. **Findings**.

(a) Pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Enabling Act*") and a resolution adopted by the District Board, an election was ordered and called to submit to the qualified electors of the District or to those persons who are otherwise qualified to vote (the "*Election*") the question of authorizing the District Board to issue the general obligation bonds of the District to provide moneys for certain public infrastructure purposes consistent with the General Plan of the District.

(b) The District Board canvassed the Election and resolved that such bonds were authorized to be issued.

(c) Pursuant to the Enabling Act, the District Board has caused a feasibility study dated as of August 1, 2006 of the feasibility and benefits of the projects relating to certain public infrastructure provided for in the General Plan of the District and to be financed with proceeds of the sale of a portion of such bonds, such study having been prepared by or on behalf of the District and including a description of certain public infrastructure to be acquired and all other information useful to understand the projects, a map showing, in general, the location of the projects, the costs of constructing the projects, an estimate of the cost to acquire, operate and maintain the projects, a map or description of the area to be benefited by the projects, and a plan for financing the projects (collectively, the study and the study as amended and restated is referred to as the "*Feasibility Study*"). A public hearing on the Feasibility Study was held September 19, 2006, after provision of publication of notice of the hearing as provided by law, and, pursuant to the Enabling Act and by resolution adopted on September 19, 2006, the Feasibility Study was ratified and approved in all respects.

(d) The District Board has determined to authorize the issuance of the general obligation bonds described herein (the "*Bonds*") to provide funds for any and all of the public

infrastructure purposes provided for in the Enabling Act, the Development, Financing Participation and Intergovernmental Agreement No. 1 by and among the District, the Town of Buckeye, Arizona (the "*Town*") and DMB White Tank, LLC, an Arizona limited liability company (the "*Company*") (the "*Development Agreement*") and the Feasibility Study, to the extent authorized in the Election, and upon issuance of the Bonds the District Board (1) shall enter in its minutes a record of the Bonds sold and their numbers and dates and (2) shall levy and cause an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described herein, to pay Debt Service (as such term is defined in the Indenture referred to below) when due.

(e) The District has previously issued its General Obligation Bonds, Series 2003 (the "2003 Bonds") in the original principal amount of $24,000,000, all of which remains outstanding. Timely payment of any debt service not paid from the revenues of a $3.00 tax levy is secured with respect to the 2003 Bonds by a Standby Contribution Agreement dated as of April 1, 2003 (the "2003 Agreement"), by and among the District, the Company and Wells Fargo Bank, N.A., as trustee (the "2003 Trustee"). The obligations of the Company are further secured by a Guaranty dated as of April 1, 2003 (the "2003 Guaranty") made by ABD Investments Limited Partnership, an Arizona limited partnership (the "2003 Guarantor") for the benefit of the District and the 2003 Trustee. Pursuant to a First Amendment to Standby Contribution Agreement dated as of August 1, 2006 (the "First Amendment to 2003 Agreement"), by and among the District, the 2003 Trustee and the Company and consented to by the 2003 Guarantor and the owners of a majority of the principal amount of the 2003 Bonds, for the purpose of determining the amount due under the 2003 Agreement and secured by the Guaranty, the tax revenues may be allocated first to the Bonds before being applied to the 2003 Bonds.

(f) Pursuant to the Enabling Act, the District has also determined to enter into an Indenture of Trust and Security Agreement, dated as of September 1, 2006 or such other date as set forth in the Purchase Contract for the sale of the Bonds (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.

(g) There have been presented in connection herewith (1) the proposed form of the Indenture (2) the proposed form of the Purchase Contract relating to the Bonds (the "*Purchase Contract*"), by and between the District and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "*Underwriter*"), (3) the proposed form of Standby Contribution Agreement dated as of September 1, 2006 or such other date as set forth in the Purchase Contract (the "*2006 Standby Contribution Agreement*"), by and among the District, the Trustee and Company, (4) the Preliminary Limited Offering Memorandum relating to the Bonds (the "*Preliminary Limited Offering Memorandum*"), and which, with such completions and changes as may be necessary will constitute the form of the Final Limited Offering Memorandum for the Bonds (the "*Final Limited Offering Memorandum*"), (5) the proposed form of the First Amendment to 2003 Agreement, and (6) the proposed forms of indemnity letters required by the

Purchase Contract. (The documents described in Clauses (1) through (6), inclusive are referred to, collectively, as the "*Bond Documents*".)

(h) The District Board hereby finds and determines that (1) the amount of indebtedness evidenced by the Bonds does not exceed the estimated cost of the public infrastructure improvements plus all costs connected with the public infrastructure purposes and issuance and sale of the Bonds to be financed therewith as indicated in the Feasibility Study and (2) the total aggregate outstanding amount of the Bonds and bonds previously issued does not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is acquired by the District with proceeds of the Bonds all as provided in the Enabling Act.

(i) The District Board hereby finds and determines further that the Bonds are not being sold in a public offering for purposes of the Enabling Act and all other purposes.

2. **Approval of Issuance and Sale of Bonds**. The Bonds are hereby authorized to be issued as a series of general obligation bonds of the District to be designated "*Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006*". The Bonds shall be issued in an aggregate principal amount of not to exceed $19,750,000, shall be in fully registered form only, shall be dated as of their date of initial issuance and delivery and shall bear interest at rates and mature on the dates and in the amounts as may be approved by the Chairman or the District Manager and set forth in the Purchase Contract. The average interest rate on the Bonds shall not exceed the rate authorized in the ballot approved at the Election and the final maturity of the Bonds shall be no later than July 15, 2031. The Bonds shall be subject to redemption prior to maturity as may be approved by the Chairman or the District Manager and set forth in the Purchase Contract and shall bear such other terms and provisions as set forth in the Indenture. The Bonds shall be sold to the Underwriter pursuant to the Purchase Contract. As a condition to the execution and delivery of the Bonds, there shall be executed and delivered the Bond Documents in substantially the same form as presented herewith with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the Chairman or the District Manager.

3. **Forms, Terms and Provisions and Execution and Delivery of Bonds**. The forms, terms and provisions of the Bonds provided for in the Indenture, be and they hereby 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, if appropriate, each is hereby authorized to execute and deliver them.

4. **Forms, Terms and Provisions and Execution and Delivery of Bond Documents.** The forms, terms and provisions of the Bond Documents in substantially the forms of the Bond Documents (including the exhibits thereto) presented at the meeting at which this Resolution is adopted, are hereby approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the officers authorized to execute the Bond Documents, which approval will be conclusively demonstrated by the execution thereof, and the Chairman (or any other member of the District Board in the event the Chairman is absent or such signature cannot be obtained), the District Manager and the District Clerk or any of such officers are hereby authorized to execute the Bond Documents, as may be required.

5. **Authorization to Execute and Deliver Order to Trustee**. The District Manager 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.

6. **Other Actions Necessary**. The Chairman (or any other member of the District Board in the event the Chairman is absent or unable to take the desired action), the District Manager, the District Clerk and the officers of the District shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents and the Final Limited Offering Memorandum, including without limitation, the execution and delivery of the closing and other documents required to be delivered in connection with the sale and delivery of the Bonds.

7. **Distribution of Disclosure Documents**. The Preliminary Limited Offering Memorandum is hereby deemed final for all purposes of SEC Rule 15c(2)(12), its distribution by the Underwriter is hereby authorized and approved, and the District Manager or any member of the District Board is hereby authorized and directed to complete, execute and deliver the Final Limited Offering Memorandum in substantially the form presented at the meeting at which this Resolution was adopted, with such completions and changes as may be acceptable to such District Manager or member of the District Board, and the distribution and use of the Final Limited Offering Memorandum by the Underwriter is hereby approved.

8. **Tax Levy**.

(a) For each year while any Bond is outstanding, the District Board shall annually levy and thereafter forward to Maricopa County for collection an ad valorem tax, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any moneys from any sources authorized in the Enabling Act and provided for under the Bond Documents, to pay Debt Service when due.

(b) Moneys derived from the levy of the tax provided for in this Section when collected and allocated to the Bonds constitute funds to pay Debt Service and shall be deposited in the Bond Fund for the Bonds and shall be kept separately from other funds of the District.

(c) The District Board shall make annual statements and estimates of the amount to be raised to pay Debt Service on the Bonds and such other costs of the District as are permitted under "public infrastructure purposes" as provided in the Enabling Act. The District Board shall file the annual statements and estimates with the Clerk of the Municipality and shall publish a notice of the filing of the estimate. The District Board, on or before the date set by law for certifying the annual budget of the Town, shall fix, levy and assess the amounts to be raised by ad valorem taxes of the District and shall cause certified copies of the order to be delivered to the Board of Supervisors of Maricopa County, Arizona, and to the Department of Revenue of the State. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this 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 as incurring a charge upon the general credit of the Town nor shall the breach of any agreement contained herein, in the Bond Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit of the Town.

10. **Appointment of Trustee and Clerk**. Wells Fargo Bank, N.A. is hereby confirmed as Trustee, Registrar and Paying Agent for the purpose of the Indenture. The District Clerk shall be the person serving as Clerk of the Town, currently Linda Garrison, and such person is hereby appointed District Clerk. The District Manager shall continue to be the person serving as Town Manager.

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.

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 hereof.

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

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

PASSED by the District Board of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) on September 19, 2006.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

Bobby Byatt
Chairman, District Board

ATTEST:

Linda Garrison
District Clerk

APPROVED AS TO FORM:

Scott W. R
Gust Rosenfeld P.L.C.
Bond Counsel

CERTIFICATE

I hereby certify that the above and foregoing Resolution No. 04-06 was duly passed by the Board of Directors of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on September 19, 2006, and that a quorum was present thereat and that the vote thereon was 5 ayes and 0 nays; 2 did not vote or were absent.

Linda Garrison
District Clerk

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

and

WELLS FARGO BANK, N.A.
as Trustee

INDENTURE OF TRUST

AND

SECURITY AGREEMENT

DATED AS OF OCTOBER 1, 2006

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

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THIS INDENTURE OF TRUST AND SECURITY AGREEMENT, dated as of October 1, 2006 (this "*Indenture*"), from Verrado District 1 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 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*"),

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 "*Enabling Act*"), the district board of the Issuer (the *"Board"*) caused a general obligation bond election to be held on August 7, 2001 the "*Election*"), submitting to those persons who were then qualified to vote pursuant to the Enabling Act the question of authorizing the Board to issue general obligation 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 District filed with the Town Clerk of the Town of Buckeye, Arizona (the "*Municipality*") on June 19, 2001 (the "*General Plan*"); and

WHEREAS, pursuant to the Enabling Act, the Board has caused a Report of the feasibility and benefits of the projects relating to certain public infrastructure provided for in the General Plan of the District and to be financed with proceeds of the sale of a portion of such bonds, to be prepared by or on behalf of the District, including a description of certain public infrastructure to be acquired or constructed and all other information useful to understand the projects, a map showing, in general, the location of the projects, an estimate of the cost to construct, acquire, operate and maintain the projects, a map or description of the area to be benefited by the projects, a schedule for completion of the projects, and a plan for financing the projects (the "*Report*"); and

WHEREAS, the issuance of not to exceed $50,000,000 general obligation bonds was approved at the Election, and pursuant to a Resolution of the Board adopted on September 19, 2006 (the "*Bond Resolution*"), the Board (1) has authorized the issuance of not to exceed $18,600,000 aggregate principal amount of the District's general obligation bonds described herein (the "*Bonds*" or "*Series 2006 Bonds")* to provide funds for any and all of the public infrastructure purposes provided for in the Enabling Act and in the Report to the extent authorized in the Election and (2) has entered in its minutes a record of the Bonds sold and their numbers and dates and levied and caused an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the Issuer sufficient, together with moneys from the sources described herein, to pay Debt Service (as such term is hereinafter defined) when due; and

WHEREAS, pursuant to the Enabling Act and Section 9-500.05, Arizona Revised Statutes, as amended, the Municipality, the Issuer, DMB White Tank, LLC, an Arizona limited liability company (the "*Developer*"), and Caterpillar Foundation, an Illinois not-for-profit corporation (the Developer and Caterpillar each have an interest in real property within the boundaries of the Issuer) have entered into an Issuer Development, Financing Participation and Intergovernmental Agreement (Verrado District 1 Community Facilities District), dated as of June 19, 2001 (the "*Development Agreement*"), as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for the construction and acquisition of "public infrastructure" (as such term is defined in the Enabling Act), the financing of public infrastructure and the acceptance and maintenance of public infrastructure; and

WHEREAS, with regard to the property which makes up the real property included within the boundaries of the Issuer, the Municipality, the Issuer and the Developer have specified some of such matters in the Development Agreement, particularly matters relating to the acquisition and construction of certain public infrastructure by the Issuer and the acceptance thereof by the Municipality, all pursuant to the Enabling Act; 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, pursuant to the Enabling Act, the Developer has also entered into a Standby Contribution Agreement, dated as of even date herewith (the "*Standby Contribution Agreement*"), by and among the Issuer, the Developer and the Trustee under which Standby Contribution Agreement the Developer shall make certain contributions to the Bond Fund established hereunder; and

WHEREAS, by the Bond Resolution, the Board has 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 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 Owners thereof, the Issuer by these presents does grant, bargain, sell, remise, 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 the Standby Contribution Agreement.

GRANTING CLAUSE THIRD

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 Issuer or by anyone on its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), 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 Issuer or the person so acting on its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;

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, remised, 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 Owners 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 trusts hereinafter set forth, and the Issuer hereby covenants and agrees to and with the Trustee, for the equal and proportionate benefit of all Owners of the Outstanding Secured Bonds except as herein otherwise expressly provided, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions. For all purposes of this Indenture, 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.

"*Act*" when used with respect to any Owner or Owners has the meaning stated in Section 1.02.

"Acquisition and Construction Fund" means the Series 2006 Acquisition and Construction Fund of the Issuer so defined in Section 5.03.

"*Annual Debt Service Requirement*" means for any Fiscal Year, the Debt Service to be paid in such Fiscal Year with respect to the Bonds and any Parity Bonds for payment of principal of and interest on the Bonds and such Parity Bonds during such Fiscal Year, treating any Debt Service due on July 15 of any Fiscal Year as if due in the prior Fiscal Year.

"*Authorized Denomination*" means $100,000 and integral multiples of $5,000 in excess thereof; provided, however, that "Authorized Denomination" means $5,000 and integral multiples thereof upon compliance with the terms of Section 3.04F hereof.

"*Beneficial Owner*" means the purchaser of a beneficial ownership interest in the Bonds, as recorded by entries in the books and records of the Securities Depository and its Participants.

"*Board*" means the 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 Series 2006 Bond Fund of the Issuer so defined in Section 5.01.

"*Bond Purchase Agreement*" means the Purchase Contract, dated October 5, 2006, between the Issuer and the Underwriter.

"*Bond Register*" means the register maintained for the registration of the Bonds pursuant to Section 3.04A.

"*Bond Resolution*" means the Board Resolution adopted on September 19, 2006 which, among other things provided for the issuance of the Bonds.

"*Bonds*" means all bonds authenticated and delivered hereunder, being the Issuer's $18,600,000 District General Obligation Bonds, Series 2006.

"*Book-Entry Bonds*" means the Bonds which are registered pursuant to the Book-Entry-Only System.

"*Book-Entry-Only System*" means the system of registering all of the Bonds in the name of the Securities Depository or its designee and reflecting the interests of the Beneficial Owners on the books of the Securities Depository and its Participants as described in Section 3.04B.

"*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.

"*CEDE*" means CEDE & Co., as nominee of DTC, and any successor nominee of DTC.

"*Closing Date*" means the date of the authentication and delivery of the Bonds to the Securities Depository or its agent, for the benefit of the initial purchasers thereof in exchange for the purchase price thereof.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the regulations and rulings promulgated pursuant thereto.

"*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 as described in the Report.

"*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 and the Standby Contribution Agreement, 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, bond insurance and other credit enhancement 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, and charges and fees in connection with the foregoing as well as costs relating to the Election.

"*Debt Service*" means, with respect to the Bonds or Parity Bonds, collectively, (i) the principal of and interest and premium, if any, thereon when due either at Stated Maturity or redemption in advance of Stated Maturity; (ii) fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds or Parity Bonds; and (iii) amounts due with regard to Rebate with respect to the Bonds or Parity Bonds; and (iv) fees and costs incurred in connection with complying with any undertaking to provide continuing secondary market disclosure if entered into by the Issuer with respect to the Bonds or Parity Bonds.

"*Defaulted Interest*" has the meaning stated in Section 3.02B(ii).

"*Developer*" means DMB White Tank, LLC, an Arizona limited liability company.

"*Development Agreement*" means that certain Development, Financing Participation and Intergovernmental Agreement (Verrado District 1 Community Facilities District) dated as of June 19, 2001, as amended and supplemented.

"*Direct Participant*" means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository.

"*District Clerk*" means the City Clerk of the Municipality acting in the capacity of District Clerk.

"*District Manager*" means the Town Manager of the Municipality acting in the capacity of District Manager.

"*DTC*" means The Depository Trust Company, a limited purpose trust company, organized under the laws of the State of New York, and its successors and assigns, as the depository for the Book-Entry Bonds.

"*Election*" means the election of the Issuer held on August 7, 2001, to authorize the issuance of general obligation bonds by the District, including the Bonds.

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

"*Final Discharge Date*" means, with respect to the Bonds, the date on which the discharge of the last of the Bonds to be discharged occurs, if so discharged by payment, or the date on which there is established a fund sufficient to pay the principal of, premium, if any, and interest on such last Bond to be discharged.

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

"*Form 8038-T*" means the form designated as such by the Internal Revenue Service and any form which may hereafter be designated to replace such form pertaining to bonds of the category for federal income tax purposes into which the Bonds qualify.

"*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 Code, provision for the payment of the principal of and 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 and 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 6.02, 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 6.02, only if such obligations are non-callable prior to the Maturity of the Bonds or (3) REFCORP STRIPS as defined in "Permitted Investments". Governmental Obligation also includes for purposes other than Section 6.02, a "no load," open-end management investment company or trust (mutual fund), registered with the federal 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, 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.

"*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 a person on whose behalf a Direct Participant directly or indirectly holds an interest in the Bonds through the Book-Entry-Only System.

"*Interest Payment Date*" means each January 15 and July 15 commencing January 15, 2007.

"*Issuer*" means Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), a community facilities district formed by the Municipality and duly organized and validly existing, pursuant to the laws of the State.

"*Issuer Representative*" means the Chairman or Vice Chairman of the Board, or the District Manager or District Clerk, or any person designated in writing by any of the foregoing to act as Issuer Representative.

"*Issuer Request*" means a written request signed in the name of the Issuer by an Issuer Representative and delivered to the Trustee.

"*Maturity*" when used with respect to any Bond means 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 Requirement for the then current or any succeeding Fiscal Year.

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

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

"*Officer's Certificate*" means a certificate signed by the District Manager and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion of counsel who may (except as otherwise expressly provided in this Indenture) 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 federal income tax law, shall be a Bond Counsel 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., doing business under the name RBC Capital Markets.

"*Outstanding*" when used with respect to Bonds means, 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 Owners of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed in advance of their Stated Maturity, notice of such redemption has been duly given pursuant to this 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 this Indenture;

(4) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in 3.05; 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 6.02.

"*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 3.05 but whose ownership and enforceability by the Owner 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.

"*Owner*" when used with respect to any Book-Entry Bond means Cede & Co. (DTC's partnership nominee) or, with respect to any other Bond, means the Person in whose name such Bond is registered in the Bond Register.

"*Parity Bonds*" means other general obligation bonds of the Issuer, including the 2003 Bonds, which are payable from ad valorem property tax collections on parity with the Bonds.

"*Participants*" means, collectively, the Direct Participants and Indirect Participants of the Securities Depository.

"*Paying Agent*" means any 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, company, 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 which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested herein:

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:

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 registered with the federal 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, including funds which the trustee or its affiliates provides investment advisory services.

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 having 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 unless 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. 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.

H. 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. *Repos 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 repo contract must include the following:*

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

      (1) Direct U.S. government, or

      (2) Federal agencies backed by the full faith and credit of the U.S. government.

   b. *The term of the repo may be up to 180 days*

   c. The collateral must be delivered to the Issuer, the Trustee (if the Trustee is not 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 repo plus accrued interest. If the value of securities held as collateral falls 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. Repo meets guidelines under state law for legal investment of public funds.

I. Governmental Obligations.

J. "*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.

(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.

"*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 3.05 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.

"*Principal Payment Date*" means the date on which principal of the Bonds is due either at Stated Maturity or redemption in advance of Stated Maturity.

"Qualified Investor" means a qualified institutional buyer, as such term is defined in Rule 144A of the Securities Act of 1933, as amended, or an accredited investor as defined in Rule 501 of Regulation D of the United States Securities Exchange Commission, who executes the Certificate of Qualified Investor set forth in Section 2.02 hereof.

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

"*Rebate Fund*" means the name fund of the Issuer established pursuant to Section 10.06.

"*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 hereof.

"*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 terms thereof and this Indenture.

"*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.

"*Responsible Officer*" means the chairman or vice chairman of the board of directors of the relevant entity, 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.

"*Representation Letter*" means the letter agreement between the Issuer and the Securities Depository specifying or referring to the procedures applicable to bonds of the Issuer, including the Bonds, in the Book-Entry-Only System.

"*Securities Depository*" means DTC as securities depository for the Bonds until a successor securities depository is appointed pursuant to Section 3.04C and thereafter shall mean such successor securities depository.

"*Series 2006 Developer Payment Account*" means a special account of the Issuer so defined in Section 5.01.

"*Series 2006 Developer Reserve Account*" means a special account of the Issuer so defined in Section 5.01.

"*Series 2006 Tax Account*" means a special account of the Issuer so defined in Section 5.01.

"*Sinking Fund Installment*" means, with respect to the Bonds, the mandatory sinking fund redemption payments due on the Bonds pursuant to Section 4.02.

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

"*SMMP*" means a "Sophisticated Municipal Market Professional", as such term is defined by the Municipal Securities Rulemaking Board ("MSRB") and without limiting the definition used by the MSRB, generally means a corporation, partnership, trust or other institution, other than a natural person, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management and whom the Broker Dealer who is involved in the sale of the Bonds or beneficial interest therein has reasonable grounds to believe: (i) has timely access to available material facts pertaining to the Bonds, (ii) is capable of independently evaluating the investment risk and market value of the Bonds, and (iii) is making independent decisions about its ownership of the Bonds.

"*Special Record Date*" means such date set by the Trustee pursuant to Section 3.02B(ii).

"*Standby Contribution Agreement*" means that certain Standby Contribution Agreement, dated as of October 1, 2006 by and among the Issuer, the Developer and the Trustee.

"*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.

"*Tax Certificate*" means the District Closing Certificate and Certificate as to Tax Matters executed and delivered by the Issuer and delivered to the Trustee concurrently with the original issuance of the Bonds to set forth certain facts, expectations and agreements of the Issuer relative to the exemption from gross income for Federal income tax purposes of interest on the Bonds.

"*Tax Contribution Request*" means the written request submitted by Trustee for payment by Developer so defined in Section 5.02.

"*Trustee*" means Wells Fargo Bank, N.A. until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

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

"*Underwriter*" means RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets, as the underwriter of the Bonds pursuant to the Bond Purchase Agreement.

"*Written Request*" means, with reference to the Issuer, a request in writing signed by an Issuer Representative.

Section 1.02. Acts of Owners.

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Owners may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Owners 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 Owners 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 of this Indenture and conclusive in favor of the Issuer and (subject to Section 8.01) the Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Owner 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 Owner may also be proved in any other manner which the Trustee deems sufficient.

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

D. Any request, demand, authorization, direction, notice, consent, waiver, or other action by the Owner of any Bond shall bind every future Owner of the same Bond and the Owner 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 1.03. Notices, etc.

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, or Act of Owners or other document provided or

permitted by this Indenture by any Owner, 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 it at 22nd Floor, 100 W. Washington Street, Phoenix, Arizona 85003, Attention: Corporate Trust Services (MAC #S4101-22E) 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 c/o Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), 100 N. Apache, Suite A, Buckeye, Arizona 85326, Attention: District Manager, or at any other address previously furnished in writing to such Person by the Issuer.

B. Where this Indenture provides for notice to Owners 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 Owner affected by such event, at the address of such Owner 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 Owner shall affect the sufficiency of such notice with respect to other Owners.

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 Owners 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 1.04. 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 an 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, an officer or 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 under this Indenture, they may, but need not, be consolidated and form one instrument.

D. Wherever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided 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 1.05. 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 1.06. Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 1.07. Severability Clause. In case any provision in this Indenture 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 1.08. Benefits of Indenture. Nothing herein or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successor hereunder, and the Owners of Outstanding Secured Bonds, any benefit or any legal or equitable right, remedy, or claim under this Indenture.

Section 1.09. Governing Law. This Indenture shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

Section 1.10. Notice of Section 38-511, Arizona Revised Statutes, As Amended. 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.

Section 1.11. Business Days. If the specified date for any payment, submission, certification, determination or other action shall be other than a Business Day, then such payment, submission, certification, determination or other action may be made or done on the next succeeding day which is a Business Day without, in the case of any payment, additional interest (except in the event of a moratorium) and with the same force and effect as if made or done on the specified date.

ARTICLE II

FORM OF BONDS

Section 2.01. 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 by this Indenture, 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 or produced in any other manner, all as determined by the officers executing such bonds as evidenced by their execution thereof.

Section 2.02. ***Form of Bonds.*** The Bonds shall be in the following form:

[FORM OF FACE OF BOND]

REGISTERED
No. R-_____

REGISTERED
$_____

UNLESS THE PROVISIONS OF THE HEREINAFTER DESCRIBED INDENTURE PROVIDE OTHERWISE, BENEFICIAL OWNERSHIP INTERESTS IN THE HEREINAFTER DESCRIBED BONDS ARE ONLY TRANSFERABLE IN CONNECTION WITH A SALE TO OR THROUGH A BROKER/DEALER (1) OF A PRINCIPAL AMOUNT OF $100,000 OR MORE AND (2) TO EITHER (A) SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS PURSUANT TO THE RULES AND REGULATIONS PROMULGATED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD APPLICABLE TO SALES TO "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS"OR (B) TO QUALIFIED INVESTORS EXECUTING THE REQUIRED INVESTOR LETTER AS ATTACHED HERETO.

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.

THIS BOND IS ONLY TRANSFERABLE UPON COMPLIANCE
WITH THE RESTRICTED TERMS PROVIDED HEREIN

UNITED STATES OF AMERICA
STATE OF ARIZONA

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

Interest Rate	Maturity Date	Original Dated Date	CUSIP No.
	July 15, ____	October 17, 2006	92511Q

REGISTERED OWNER: **CEDE & CO.**

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

Verrado District 1 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 (the "*Issuer*"), for value received, hereby promises to pay to the "Registered Owner" specified above or registered assigns (the "*Owner*"), on the "Maturity Date" specified above unless earlier redeemed as provided herein, 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 Dated 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 such Principal Amount is paid or the payment thereof is duly provided for at Maturity (as such term is defined in the hereinafter described "*Indenture*"), semiannually on each January 15 and July 15 commencing January 15, 2007 (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 The Depository Trust Company (the "*Depository*") on the date due (or in accordance with then existing arrangements between the Issuer and the Depository).

If the specified date for any such payment shall be 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 designated corporate trust office of the Paying Agent is located then such payment may be made on the next succeeding day which is not one of the foregoing days 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.

This Bond is one of a duly authorized issue of bonds of the Issuer having the designation specified in its title (the "*Bonds*"), issued and to be issued in one series under, and all equally and ratably secured, with the limitations described herein, by an Indenture of Trust and Security Agreement, dated as of October 1, 2006 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, N.A., as trustee (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 Owners 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 Owner of this Bond hereby consents. The Bonds are authorized to be issued by a Resolution of the District Board of the Issuer adopted on September 19, 2006 (the "*Bond Resolution*"), for the purposes therein described and in strict conformity with Title 48, Chapter 4, Article 16, Arizona Revised Statutes, as amended (the "*Enabling Act*").

The Bonds are payable, equally and ratably with such other obligations of the Issuer payable from such sources as may be outstanding from time to time and to the extent provided in the Indenture, from the proceeds of an *ad valorem* tax, unlimited as to rate or amount, to be levied and

collected at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the Issuer sufficient together with any other moneys from sources available pursuant to the Enabling Act (including amounts available from the Standby Contribution Agreement as described below) to pay debt service on the Bonds when due. DMB White Tank, LLC, an Arizona limited liability company (the "*Developer*"), the developer of the land within the boundaries of the Issuer, has entered into a Standby Contribution Agreement dated as of October 1, 2006 (the "*Standby Contribution Agreement*") with the Issuer pursuant to which the Developer will make payments to the Trustee to supplement tax revenues. The Standby Contribution Agreement may be released prior to the maturity of the Bonds by the Issuer upon satisfaction of certain conditions set forth in the Indenture.

Notwithstanding any provisions 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 (as such term is defined in the Indenture) sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in the denominations of $100,000 and integral multiples of $5,000 thereof.

Special Mandatory Redemption Relating to a Default under the Standby Contribution Agreement. The Bonds are subject to special mandatory redemption at any time in the event of a default under the terms of the Standby Contribution Agreement upon payment of the Redemption Price by the Developer 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 Redemption Date, but without premium. The Redemption Date shall be the first day of the first calendar month after payment of the Redemption Price to the Trustee for which notice of the redemption can be given not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date.

Optional Redemption. The Bonds maturing after July 15, 2016, are subject to redemption, at the option of the Issuer, on any date on or after July 15, 2016 as a whole or in part, upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date, without premium.

Mandatory Redemption. The Bonds maturing on July 15, 2014, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date but without premium.

Redemption Date		Principal Amount
2008		$415,000
2009		435,000
2010		455,000
2011		480,000
2012		500,000
2013		525,000
2014	(maturity)	550,000

The Bonds maturing on July 15, 2018, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date but without premium.

Redemption Date		Principal Amount
2015		$580,000
2016		605,000
2017		635,000
2018	(maturity)	505,000

The Bonds maturing on July 15, 2031, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date but without premium.

Redemption Date	Principal Amount
2018	$ 165,000
2019	705,000
2020	740,000
2021	780,000
2022	825,000
2023	865,000
2024	915,000
2025	960,000
2026	1,015,000
2027	1,070,000
2028	1,125,000
2029	1,185,000
2030	1,250,000

2031 (maturity) 1,315,000

Whenever Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a pro rata basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount which is an Authorized Denomination.

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 less than all the Outstanding Bonds are to be redeemed, the particular Bonds of a maturity to be redeemed shall be determined by the Depository pursuant to its procedures.

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 the Depository or a nominee thereof, this Bond may be transferred in whole but not in part only to the Depository or a nominee thereof or to a successor Depository 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 an Owner with respect to: (1) the Bonds; (2) the accuracy of any records maintained by the Depository or any Direct Participant or Indirect Participant; (3) the timely or untimely payment by the Depository 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 Owners; (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 the Depository as Owner.

The Owner of this Bond has no right to enforce the provisions of the Bond Resolution or the Indenture, or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an Event of Default described in the Indenture or to institute, appear in, or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the Indenture.

The liability of the Issuer and obligations of the Issuer pursuant to the Indenture with respect to all or any portion of the Bonds may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Indenture.

No covenant or agreement contained in the Bonds, the Indenture or in the Bond Resolution shall be deemed to be the covenant or agreement of any elected or appointed official, officer, agent, servant or employee of the Issuer in his or her individual capacity or of any officer, director, agent, servant or employee of the Trustee or Owner in his or her individual capacity, and neither the members of the governing body of the Issuer nor any official executing the Bonds,

including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Terms used, but not defined, herein have the meanings set forth in the Indenture. Copies of the Bond Resolution and Indenture are on file at the designated office of the Trustee, and reference is made to those instruments for the provisions relating, among other things, to the terms and source of payment and security for the Bonds, the limited liability of the Issuer, the custody and application of the proceeds of the Bonds, the rights and remedies of the Owners of the Bonds, amendments, and the rights, duties and obligations of the Issuer and the Trustee, to all of which the Owner hereof, by acceptance of this Bond, assents.

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 Owners of the Bonds under the Bond Resolution, the Indenture and the Standby Contribution Agreement at any time by the Issuer with the consent of the Owners of a majority in principal amount of the Bonds at the time Outstanding (as such term is defined in the Indenture) affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Owners of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Owners 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 Owner of this Bond or any Predecessor Bond (as such term is defined in the Indenture) evidencing the same debt shall be conclusive and binding upon such Owner 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.

Notwithstanding any other provision of this Bond to the contrary, but except as otherwise provided in the Indenture, this Bond, including any beneficial ownership interest therein, is nontransferable except through a Broker-Dealer to (a) institutions determined by the Broker-Dealer to be sophisticated municipal market professionals pursuant to the rules and regulations of the Municipal Securities Rulemaking Board or (b) qualified investors executing the investor letter attached hereto.

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.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF BUCKEYE, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) 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 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 in order to render the same a legal, valid, and binding general obligation of the Issuer have been performed, exist and have been done, in regular and due time, form, and manner, as required by law, and that issuance

of the bonds does not exceed any constitutional or statutory limitation. 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 and the federal laws of the United States of America.

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

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
District Chairman

ATTEST:

_____
District Clerk

Dated _____

[The following certificate shall be required only to the extent required by Section 3.04F of the Indenture.]

[FORM OF INVESTOR LETTER (SMMP)]

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

WELLS FARGO BANK, N.A., as Trustee

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)
General Obligation Bonds, Series 2006

Please be advised that the undersigned is an authorized officer of the purchaser of a beneficial ownership interest, or is the authorized investment advisor to the purchaser of a beneficial ownership interest (in either case, the purchaser is hereinafter referred to as the "*Purchaser*"), in the captioned bonds (hereinafter referred to as the *"Bonds"*) in the aggregate principal amount of $_____. **The undersigned hereby agrees to only offer and sell such interest to or through a broker, dealer or broker-dealer in an amount of not less than $100,000 of principal amount.**

In regard to the foregoing, the undersigned hereby certifies, acknowledges, warrants and represents that:

(1) The Purchaser either (a)(i) is a "*qualified institutional buyer*," as such term is defined in Rule 144A of the Securities Act of 1933, as amended, (ii) with total assets of at least $100,000,000 invested in municipal securities in the aggregate in its portfolio and/or under management, (b) is a dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934 acting in a riskless principal transaction on behalf of a purchaser qualifying with clause (a) of this subparagraph (1), or (c) is RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets.

(2) Such purchase of an interest in the Bonds is for the account of the Purchaser for the purpose of investment and not with a present intent for distribution or resale.

(3) An opportunity was available to obtain and the Purchaser has obtained all information which was regarded as necessary to evaluate and has evaluated the merits and risks of investment in the Bonds, and after such evaluation, the Purchaser understood and knew that investment in the Bonds involved certain risks, including, but not limited to, those related to limited security and source for payment of the Bonds, the concentration of ownership of land subject to tax levy for payment of the Bonds in a limited number of owners of property within the addressee District and the possible transfer of such land by such owners, failure or inability of such owners as developers to complete proposed development of such land, and possible bankruptcy and foreclosure delays.

(4) The Purchaser is experienced in transactions such as those relating to the Bonds, is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds and did not rely on the addressee District or the Town, or any official, officer, director, council member, advisor, employee or agent of either in making its decision to invest in the Bonds.

_____
[PURCHASER]

By: _____
Printed Name: _____
Name: _____

[FORM OF INVESTOR LETTERS (NON-SMMP)]

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

Wells Fargo Bank, National Association, as Trustee

Re: Verrado District 1 Community Facilities District General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is a Qualified Investor (as hereafter defined) and is purchasing, either directly or as beneficial owner in case the bonds are held by a securities depository, one of the captioned bonds (hereinafter referred to as the "Bonds"), such Bond, or beneficial interest therein, being in the original aggregate principal amount of $_____,

bearing the number _____. Such purchase is for the account of the undersigned, for the purpose of investment and not with a present intent for distribution or resale.

2. In the event that the undersigned transfers such Bond or any part thereof, the undersigned shall comply with all provisions of the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (hereinafter referred to as the "Indenture") from the addressee District (hereinafter referred to as the "District") to the addressee Trustee (or any successor thereto as provided in such Indenture, hereinafter referred to as the "Trustee") as described in the Bonds. The undersigned understands that, unless the transfer restrictions terminate pursuant to the Indenture, a transferee shall be a Qualified Investor, and must sign a letter in the form of this letter and provide such letter to the Trustee before any transfer of any Bond to such transferee will be registered.

3. The undersigned acknowledges that it is one of the following:

(i) a bank as defined in Section 3(a)(2) of the Securities Act of 1933, or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act of 1933; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; plan established and maintained by a state, its political subdivision, or any agency or instrumentality of a state or its political subdivision, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self directed plan, with investment decisions made solely by persons that are accredited investors;

(ii) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iii) an organization described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of $5,000,000;

(iv) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000 and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth;

(v) a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with the person's spouse in excess of $300,000 in each of those years and who reasonably expects reaching the same income level the current year and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth; or

(vi) an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (i), (ii), (iii), (iv) or (v) above.

Collectively, the purchasers meeting one or more of the criteria set forth above shall be referred to as a "Qualified Investor."

4. The undersigned assumes all responsibility for complying with any applicable federal and state securities laws with respect to any transfer of the Bond or an interest therein, and agrees to hold the District and the Town of Buckeye, Arizona (hereinafter referred to as the "*Town*") harmless for, from and against any and all liabilities claims, damages or losses resulting directly or indirectly from such failure to comply.

5. The undersigned acknowledges that the undersigned has had an opportunity to obtain and has obtained all information necessary and has independently evaluated the factors associated with its investment decision and after such evaluation, the undersigned understood and knew that investment in the Bonds involved certain risks, including but not limited to, limited security and source for payment of the Bonds, the status of development and its impact on taxation for payment of the Bonds, the possible transfer of land by the owners of land in the District, failure or inability of owners to complete proposed development of such land, bankruptcy and foreclosure delays and the probable lack of any secondary market for the Bonds. The undersigned acknowledges that it is experienced in transactions such as those relating to the Bonds and that the undersigned is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds. The undersigned is not relying on the District or the Town in making its decision to purchase the Bonds and agrees that the Town is not obligated in any manner for the issuance or payment of the Bonds.

6. The undersigned understands that the Bonds (i) are not being registered under the Securities Act of 1933, as amended, in reliance upon certain exemptions set forth in that Act, (ii) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) will not be listed on any stock or other securities exchange, (iv) will not carry any bond rating from any rating service, and (v) are not likely to be readily marketable.

7. The undersigned acknowledges that the District and the Town, their respective officers, directors, council members, advisors, employees and agents of either of the foregoing, have not undertaken to furnish, nor has the undersigned requested, any other information, or to ascertain the accuracy or completeness of any other information that may have been furnished by any other party.

_____

[PURCHASER]

By_____

Printed Name:_____

Title:_____

[END OF FORM OF BOND]

Section 2.03. Form of Certificate of Authentication. Each of the Bonds shall have on it the following form:

CERTIFICATE OF AUTHENTICATION

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

[Name of Trustee], as Trustee

By_____
Authorized Representative

DATE:_____

Section 2.04. Form of Assignment. Each of the Bonds shall have on it 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, subject to the transfer restrictions described in the within Bond, 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 book 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 III

TERMS AND ISSUANCE OF THE BONDS

Section 3.01. Title and Terms.

A. There shall be one Series of Bonds issued and secured hereunder entitled *"VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006"* dated as of October 17, 2006.

B. The Bonds shall be issued in Authorized Denominations and contain such terms and provisions as set forth in the form of Bond established herein and as provided by this Indenture.

C. The aggregate principal amount of the Bonds which may be authenticated and delivered and Outstanding is limited to $18,600,000, and the Stated Maturities, the principal amounts thereof maturing thereon, and the rates of interest the Bonds so maturing shall bear shall be as follows:

Year (July 15)	Principal Amount	Interest Rate	Designation
2014	$ 3,360,000	4.85%	Term Bond 1
2018	$ 2,325,000	5.05%	Term Bond 2
2031	$12,915,000	5.35%	Term Bond 3

D. The Bonds shall bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from and including October 17, 2006, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each January 15 and July 15 commencing January 15, 2007 (herein each referred to as an "Interest Payment Date").

E. (i) So long as the Book-Entry-Only System is in effect, principal of or Redemption Price on any Bond shall be paid when due to the Securities Depository pursuant to the procedures established therefor pursuant to the Representation Letter.

(ii) If the Book-Entry-Only System is not in effect, 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 3.02B.

Section 3.02. Payment of Interest on Bonds; Interest Rights.

A. So long as the Book-Entry-Only System is in effect, interest on any Bond shall be paid when due to the Securities Depository pursuant to the procedures established therefor pursuant to the Representation Letter.

B. If the Book-Entry System is not in effect:

(i) 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 Owner 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 Owner 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 of interest (and payment of principal if provision for surrender of the Bonds is made with the Trustee) may also be made by wire transfer 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 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 Owner 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.

(ii) 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 Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. 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 Owners 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 Owner 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.

(iii) Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture 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 3.03. 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 of this Indenture, 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 Standby Contribution Agreement duly and validly executed and delivered by the parties thereto, and

(3) the purchase price for the Bonds specified in the Bond Purchase Agreement.

C. At any time and from time to time after the execution and delivery of this Indenture, 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 in this Indenture.

D. No Bond shall be entitled to any right or benefit under this Indenture, 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 2.02, 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.

F. The Bonds shall constitute general obligations of the Issuer. The Bonds shall be payable from (i) the proceeds of ad valorem property taxes imposed each year upon all taxable property in the Issuer without limit as to rate or amount, (ii) any revenue derived directly or indirectly from the enforcement of the collection of such taxes, and (iii) all moneys and earnings thereon held in the Funds or accounts herein created under the terms hereof (except the Rebate Account).

Section 3.04. Registration, Transfer and Exchange.

A. Bond Register. 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.

B. Book-Entry-Only System.

(i) The Bonds shall be initially executed and delivered in the form of a separate, single, authenticated, fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond Register in the name of CEDE & Co., as nominee of DTC, the Securities Depository for the Bonds. The Trustee, the Paying Agent and the Issuer may treat the Securities Depository (or its nominee) as the sole, exclusive, and absolute owner of the Bonds registered in its name for all purposes, whether or not such Bond shall be overdue (including, without limitation, receiving payment of the principal, premium, if any, and interest on the Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice required or permitted to be given to Owners hereunder, registering the transfer of Bonds, obtaining any consent from the Owners, and providing for any other action to be taken by the Owners hereunder), and none of the Trustee, the Paying Agent or the Issuer shall be affected by any knowledge or notice to the contrary. So long as the Bonds are registered in the name of a Securities Depository, including DTC, or its nominee, including CEDE & Co., payment of the principal of, premium, if any, purchase price of, and interest on such Bonds shall be made only to the Securities Depository or its nominee as such Owner, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid. None of the Paying Agent, the Trustee or the Issuer shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in a Bond under or through the Securities Depository or any Participant, or any other person which is not shown in the Bond Register as being an Owner, with respect to: the accuracy of any records maintained by the Securities Depository or any Participant; the payment by the Securities Depository or any Participant of any amount in respect of the principal of, premium, if any, purchase price of, or interest on the Bonds; any notice which is permitted or required to be given to Owners hereunder; the selection by the Securities Depository or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by the Securities Depository (or its nominee) as the Owner of the Bonds. Except under the conditions specified in subsection (C) of this Section 3.04, no person other than the Securities Depository shall receive authenticated Bonds. Upon delivery by the Securities Depository to the Paying Agent of written notice to such effect, the Securities Depository may substitute a new nominee in place of any existing nominee and subject to the provisions herein with respect to Record Dates, the term "CEDE & Co." in this Indenture shall refer to such new nominee of the Securities Depository.

(ii) The Issuer and the Trustee shall enter into the Representation Letter with the Securities Depository in connection with the issuance of the Bonds, and while the Representation Letter is in effect, the procedures established therein shall apply to the Bonds notwithstanding any other provisions of this Indenture to the contrary. Any Issuer Representative is authorized to execute a Representation Letter or such other documents as may be necessary for the Issuer to participate in the Book-Entry-Only System of the Securities Depository.

(iii) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Securities Depository, or its nominee, all payments with respect to principal of, premium, if any, purchase price of, and interest on, such Bond, and all notices with respect to such Bond, shall be made and given, respectively, as provided in the Representation Letter.

(iv) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the Issuer or the Trustee with respect to any consent or other

action to be taken by Owners, the Issuer, or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the incumbent Securities Depository, if any, notice of such record date not less than 15 calendar days in advance of such record date to the extent practicable.

C. Discontinuance of Book-Entry-Only System. In the event (i) DTC, or any successor as Securities Depository, determines not to continue to act as Securities Depository, or (ii) the Issuer determines that the incumbent Securities Depository shall no longer so act, and delivers a written certificate of an Issuer Representative to such incumbent Securities Depository, the Trustee and the Paying Agent to that effect, then the Issuer shall discontinue the Book-Entry-Only System with the incumbent Securities Depository. If the Issuer determines to replace the incumbent Securities Depository with another Securities Depository, the Issuer shall prepare or direct the preparation of replacement Bonds for the Bonds registered in the name of the incumbent Securities Depository, or its nominee, to be registered in the name of such successor Securities Depository, or its nominee, or make such other arrangements acceptable to the Issuer, the Paying Agent, the Trustee and the successor Securities Depository as are not inconsistent with the terms of this Indenture. If the Issuer fails to identify a successor Securities Depository to replace the incumbent Securities Depository, then the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the incumbent Securities Depository or its nominee, but shall be registered in whatever name or names the incumbent Securities Depository, or its nominee, shall designate in accordance with the provisions of Section 3.04D hereof. In such event the Issuer shall, at its expense, prepare, execute, and deliver a sufficient quantity of Bonds to the Trustee for authentication and delivery to carry out the transfers and exchanges provided in this Section and Section 3.04D hereof. All such Bonds shall be in fully registered form in Authorized Denominations.

D. If Book-Entry-Only System is Not in Effect. If, and so long as, the Book-Entry-Only System is not in effect, the following provisions shall apply.

(i) The Bonds shall be issued in the form of fully registered Bonds in Authorized Denominations. The interest on the Bonds shall be payable on the Interest Payment Dates by check mailed by the Paying Agent to the respective Owners thereof at their addresses as they appear on the applicable Record Date in the Bond Register, except that in the case of a Owner of $1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Paying Agent, received at least 10 days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent. The principal of and premium, if any, on each Bond shall be payable on the Stated Maturity, as applicable, or on redemption prior thereto, upon surrender thereof at the office of the Paying Agent.

(ii) 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 any Authorized Denominations, and of a like aggregate principal amount as requested by the transferor.

(iii) At the option of the Owner, Bonds may be exchanged for other Bonds of any Authorized Denominations, and of like aggregate principal amount and Stated Maturity, 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 Owner of Bonds making the exchange is entitled to receive.

(iv) All Bonds issued 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.

(v) 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 Owner thereof or his attorney duly authorized in writing.

(vi) 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.

(vii) 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 4.04 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.

E. Upon surrender for transfer of any Bond to a Paying Agent therefore in the Place of Payment, accompanied by such other documents as are required in the form of the Bond in Section 2.02 in connection with the transfer thereof to a Qualified Investor or a SMMP, 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.

F. The restrictions on transfer of the Bonds or any beneficial interest therein to SMMP's or Qualified Investors, included in the form of the Bonds in Section 2.02, shall not be applicable after receipt by the Trustee of (a) proof of: (i) a rating on the Bonds from a Rating Agency of "AAA" or "AA" or (ii) a rating on the Bonds from a Rating Agency of "A" or "BBB" and written approval of the Issuer to the deletion of such restrictions, such approval to be granted by the Board in its sole discretion or (b) defeasance of the Bonds pursuant to this Indenture.

Section 3.05. 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 Issuer Representative, 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 like tenor, aggregate principal amount and Stated Maturity 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 which 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 to this Indenture 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 authorizing the Bonds and of this Indenture 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 3.06. Cancellation and Destruction of Bonds. All Bonds surrendered for payment, redemption, transfer, exchange, replacement or conversion, and all Bonds, if surrendered to the Trustee, shall be promptly canceled by the Trustee 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 by 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 by this Indenture. Certificates evidencing destruction shall be maintained by the Trustee.

Section 3.07. 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 any knowledge or notice to the contrary.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption of Bonds.

A. The Bonds maturing on and after July 15, 2016 are subject to redemption from funds of the Issuer at the option of the Issuer, prior to their Stated Maturity in whole or in part on any date on or after July 15, 2016 upon not more than sixty (60) nor less than thirty (30) days prior notice

given as provided in Section 4.04, upon payment of the 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 Redemption Date but without premium.

B. The exercise by the Issuer of its option to redeem any Bonds shall be evidenced by a Board Resolution. In case of any redemption at the election of the Issuer of less than all of the Outstanding Bonds of a Series, 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 and maturities of the Bonds to be redeemed.

Section 4.02. Mandatory Sinking Fund Redemption; Credits.

A. The Bonds maturing on July 15, 2014, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than 60 nor less than 30 days prior notice given by mail as provided in Section 4.04, upon payment of the 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 Redemption Date, but without premium:

Redemption Date		Principal Amount
2008		$415,000
2009		435,000
2010		455,000
2011		480,000
2012		500,000
2013		525,000
2014	(maturity)	550,000

B. The Bonds maturing on July 15, 2018, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than 60 nor less than 30 days prior notice given by mail as provided in Section 4.04, upon payment of the 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 Redemption Date, but without premium:

Redemption Date		Principal Amount
2015		$580,000
2016		605,000
2017		635,000
2018	(maturity)	505,000

C. The Bonds maturing on July 15, 2031, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than 60 nor less than 30 days prior notice given by mail as provided in Section 4.04, upon payment of the 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 Redemption Date, but without premium:

Redemption Date		Principal Amount
2018		$ 165,000
2019		705,000
2020		740,000
2021		780,000
2022		825,000
2023		865,000
2024		915,000
2025		960,000
2026		1,015,000
2027		1,070,000
2028		1,125,000
2029		1,185,000
2030		1,250,000
2031	(maturity)	1,315,000

D. Whenever Bonds subject to mandatory redemption are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a *pro rata* basis to the extent practicable, provided, however, that each remaining mandatory redemption requirements shall be in an Authorized Denomination.

Section 4.03. Selection of Bonds to be Redeemed.

A. If less than all the Outstanding Bonds of a Stated Maturity of the Bonds are to be redeemed, the particular Bonds of such Stated Maturity of the Bonds to be redeemed shall be selected by the Securities Depository according to its procedures. If the Bonds are not Book-Entry Bonds, the selection shall be made not more 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, by such random method as the Trustee shall in its sole discretion deem appropriate and which may provide for the selection for redemption of portions (equal to Authorized Denominations) of the principal of Bonds and provided that no Bonds shall be redeemed if such redemption would result in such Bond being less than the minimum Authorized Denomination for such Bonds.

B. The Trustee shall promptly notify the Issuer in writing of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Section 4.04. Notice of Redemption.

A. Notice of redemption shall be given 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 Owner of Bonds of such series of the 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 of such series of the 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, except as otherwise provided under the Book-Entry-Only System, 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) 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 the approved central post office for continuing disclosure (on the date hereof *www.DisclosureUSA.org*), or if none, to all nationally recognized municipal securities information repositories.

E. 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 4.05. Deposit of Redemption Price and Interest. On or before the Business Day preceding the earliest date for mailing of the notice required by Section 4.04 with regard to any Redemption Date relating to Section 4.01A, 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, uninvested, for the benefit of the Owners entitled to such Redemption Price and shall not be deemed to be part of the Trust Estate.

Section 4.06. 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. 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 Owners of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 3.02.

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 4.07. Bonds Redeemed in Part. Except as otherwise provided under the Book-Entry-Only System, 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 Owner of such Bond, without service charge, a new Bond or Bonds of the same Stated Maturity and of any Authorized Denomination or Denominations as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE V

FUNDS

Section 5.01. Bond Fund. There is hereby created by the Issuer and established with the Trustee, a special fund of the Issuer designated its "District General Obligation Bonds, Series 2006 Bond Fund" (herein referred to as the "*Bond Fund*") and within the Bond Fund (1) a special account designated the "*Series 2006 Tax Account*", (2) a special account designated as the "*Series 2006 Bond Proceeds Account*", (3) a special account designated as the "*Series 2006 Developer Payment Account*" and (4) as and when applicable, a special account designated as the "*Series 2006 Developer Reserve Account*". The money deposited to the Series 2006 Tax Account, the Series 2006 Bond Proceeds Account, the Series 2006 Developer Payment Account and the Series 2006 Developer Reserve Account of 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 5.02 and 7.04 hereof.

Section 5.02. Deposits to and Application of Bond Fund.

A. The Issuer shall, upon receipt, immediately deposit with the Trustee and the Trustee shall deposit to the credit of the special accounts of the Bond Fund:

(1) in the Series 2006 Tax Account all ad valorem taxes collected by or remitted to the Issuer to pay Debt Service on the Bonds to the extent provided in Section 10.01(A), including collections of delinquent taxes;

(2) in the Series 2006 Bond Proceeds Account, the amount received from proceeds of the sale of the Bonds indicated in Section 5.05A hereof;

(3) in the Series 2006 Developer Payment Account, amounts received pursuant to subsections B(1) and B(2) hereof;

(4) in the Series 2006 Developer Reserve Account, amounts received pursuant to subsection B(3) hereof; and

(5) in an existing or new special account of the Bond Fund, as the Issuer shall determine, such other funds as the Issuer shall at its option deem advisable.

B. (1) On or before May 15 (or, if May 15 is not a Business Day, the immediately preceding Business Day) of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit in the Series 2006 Developer Payment Account upon receipt all amounts paid to it pursuant to Section 2.1(A) of the Standby Contribution Agreement.

(2) On or, if either day is not a Business Day the immediately preceding Business Day, before June 15 and December 15 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall submit a written request (which may be by facsimile or electronic communication) for payment by the Developer under the Standby Contribution Agreement for the difference between the amount in the Series 2006 Tax Account plus the amount in the Series 2006 Bond Proceeds Account plus the amount in the Series 2006 Developer Payment Account on such date and the amount necessary to pay Debt Service (without regard to any optional redemption of the Bonds) on the Bonds on the next succeeding July 15 or January 15, as the case may be pursuant to Section 2.1(B) of the Standby Contribution Agreement (a "*Tax Contribution Request*"). The Trustee shall deposit into the Series 2006 Developer Payment Account upon receipt all amounts paid to it pursuant to a Tax Contribution Request.

(3) At any time, or from time to time, the Trustee shall deposit into the Series 2006 Developer Reserve Account upon receipt all amounts paid to it by or on behalf of the Developer constituting the Redemption Price for Bonds as provided for in this Indenture.

C. Funds on deposit in the Bond Fund shall be applied as follows:

(1) Funds on deposit in the Series 2006 Tax Account, the Series 2006 Bond Proceeds Account and the Series 2006 Developer Payment Account, and the investment income attributable thereto, shall be applied solely to pay Debt Service on the Bonds in the amounts and on the dates due.

(2) To the extent funds on deposit in the Series 2006 Tax Account, the Series 2006 Bond Proceeds Account and the Series 2006 Developer Payment Account, and the investment income attributable thereto, are less than the amounts required to pay Debt Service, then at the discretion of the Issuer as provided by Issuer Request, at any time or from time to time, funds on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, shall be transferred to the Series 2006 Developer Payment Account to pay Debt Service on the Bonds.

(3) Upon receipt of an Issuer Request or a Board Resolution and receipt of amounts constituting the Redemption Price of the Bonds, and deposit of such funds in the Series 2006 Developer Reserve Account, the Trustee shall provide notice of special mandatory redemption to the Owners in the manner and as provided in Section 4.02 and thereafter transfer funds on deposit in the Series 2006 Developer Reserve Account to the Series 2006 Developer Payment Account, at such times and in such amounts as are necessary to redeem the Bonds.

(4) To the extent, following payment in full or early redemption (as applicable) of all of the Outstanding Bonds, there are funds remaining on deposit in the Series

2006 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2006 Developer Payment Account and, after disbursing from the Series 2006 Developer Payment Account to the parties entitled thereto such funds as are necessary to pay all amounts payable by the Developer under this Indenture, shall thereafter disburse any funds remaining on deposit in the Series 2006 Developer Payment Account to the Developer or, in the event of conflicting claims, as a court of competent jurisdiction may direct, and any funds remaining on deposit in the Series 2006 Tax Account and the Series 2006 Bond Proceeds Account to the Issuer.

(5) To the extent, following the release of the Developer from the Standby Contribution Agreement, there are funds remaining on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2006 Developer Payment Account and, after disbursing from the Series 2006 Developer Payment Account to the parties entitled thereto such funds as are necessary to pay all amounts payable by the Developer under this Indenture and the Standby Contribution Agreement in connection with such release from the Standby Contribution Agreement, shall thereafter disburse any funds remaining on deposit in the Series 2006 Developer Payment Account to the Developer or, in the event of conflicting claims, as a court of competent jurisdiction may direct.

Section 5.03. Acquisition and Construction Fund. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "District General Obligation Bonds, Series 2006 Acquisition and Construction Fund" (herein referred to as the "*Series 2006 Acquisition and Construction Fund*"). The money deposited to the Series 2006 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 Sections 5.04.

Section 5.04. Deposits to and Application of Acquisition and Construction Fund. The Issuer shall deposit to the credit of the Series 2006 Acquisition and Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the special accounts of the Bond Fund as provided in Section 5.05A. Upon an Issuer Request, amounts on deposit in the Series 2006 Acquisition and Construction Fund shall be applied by the Trustee in the amounts and to the persons set forth in such Issuer Request to pay Costs of Issuance and Costs of Acquisition and Construction and, to the extent the funds deposited to the Series 2006 Acquisition and Construction Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the Issuer as provided by Issuer Request to transfer such unexpended proceeds or income to the Issuer Payment Account of the Bond Fund. On October 1, 2009 any amounts remaining in the Series 2006 Acquisition and Construction Fund shall be transferred to the Series 2006 Bond Proceeds Account of the Bond Fund.

Section 5.05. Disposition of Proceeds of Bonds. Simultaneously with delivery of the Bonds to the initial purchaser thereof, the Issuer shall cause the Trustee to deposit the proceeds thereof as follows:

A. *Bond Fund.* No amount shall be deposited in the Series 2006 Bond Proceeds Account of the Bond Fund.

B. *Acquisition and Construction Fund.* All of the proceeds of the Bonds shall be deposited to the credit of the Series 2006 Acquisition and Construction Fund for the purposes described in Section 5.04.

Section 5.06. Investment of and Security for Funds.

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

B. Money held for the credit of the Series 2006 Acquisition and Construction Fund shall, as nearly as may be practical, be continuously invested and reinvested by the Trustee in Permitted Investments as directed 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. 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 5.07. Repayment to the Issuer. Any amounts remaining in the funds or accounts established hereby after payment in full of the Bonds (or provision for such payment), the fees and expenses of the Trustee, the annual fees and all other amounts required to be paid hereunder (including payments into the Rebate Account and to the United States of America) shall be paid to the Issuer.

Section 5.08. Reports by Trustee. As soon as possible after January 15 and July 15 of each year, the Trustee shall provide to the Issuer, the Original Purchaser and, while the Standby Contribution Agreement is in effect, the Developer, and 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 VI

DEFEASANCE AND RELEASES

Section 6.01. Payment of Indebtedness; Satisfaction and Discharge of Indenture. Whenever

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

(1) Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent as provided in Section 4.05,

(2) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.05, except for any such Bond which, prior to the satisfaction and discharge of this Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Owner thereof and where enforceability has not been determined adversely against such Owner by a court of competent jurisdiction,

(3) 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, and

(4) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both as described in Section 6.02; and

B. 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 and each co-trustee and separate trustee, if any, 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.

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

D. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 8.06 shall survive.

Section 6.02. 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 Outstanding Bonds shall be selected in the same manner as provided in Section 4.03 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 Owners 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 6.03. Application of Deposited Money. Money or Governmental Obligations deposited with the Trustee pursuant to Section 6.02 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. 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 Owners entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

Section 6.04. Release of Standby Contribution Agreement. The Standby Contribution Agreement shall be released by the Issuer upon receipt of proof of satisfaction of each of the following conditions:

A. Payment or the provision for payment in full of all outstanding Bonds; or

B. Evidence satisfactory to the Issuer Representative that, for any consecutive two (2) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year in which principal of the Bonds has started to be amortized), a tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer would have been sufficient to pay Maximum Annual Debt Service on the Bonds and all Outstanding Additional Bonds for any subsequent Fiscal Year during which any Bonds are Outstanding plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the Bonds and all Outstanding Additional Bonds for each such Fiscal Year, as such term is defined in Article 7 of the Development Agreement. For property within the boundaries of the Issuer to be eligible for inclusion in such determination, the property either (i) must be owned by persons or entities other than the Developer or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by the Developer for each such Fiscal Year or (ii) if used for commercial purposes, must have been fully vertically improved for a period of not less than two (2) years and such vertical improvements must be functionally operational for their intended purposes, e.g., leased or available for lease to persons or entities other than the Developer or any person or entity owned or controlled by the Developer or constituting one or more operating businesses of the Developer or any person or entity owned or controlled by the Developer (e.g., a golf course and associated facilities), as reasonably determined by the Issuer Representative. The requisite evidence shall consist of written evidence, prepared by the Issuer Representative upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of:

(i) the actual secondary assessed valuation of the eligible property within the boundaries of the Issuer for each such Fiscal Year; and

(ii) the tax delinquency factor equal to the greater of five percent (5%) or the historic, average annual percentage delinquency factor for the Issuer as of each such Fiscal Year.

C. Written approval by the Issuer which shall not be withheld unreasonably.

Upon release by the Issuer of the Standby Contribution Agreement, the Issuer shall so direct the Trustee to release the Standby Contribution Agreement. Upon receipt of such direction from the Issuer, the Trustee shall release the Standby Contribution Agreement whereupon the Developer shall have no further obligations thereunder.

ARTICLE VII

DEFAULTS; REMEDIES

Section 7.01. Events of Default. Each of the following is hereby defined as and shall be deemed an "Event of Default":

A. Default in the payment of the principal of any Bonds when the same shall become due and payable, whether at the Stated Maturity thereof, on a sinking fund payment date or upon proceedings for redemption;

B. Default in the payment of any installment of interest on any Bonds when the same shall become due and payable;

C. Default shall be made in the observance or performance of any covenant, agreement, contract or other provision in the Bonds or this Indenture contained (other than as referred to in subsection A or B of this Section) and such default shall continue for a period of 30 days after written notice to the Issuer and the Trustee from the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding or to the Issuer from the Trustee specifying such default and requiring the same to be remedied, provided, with respect to any such failure covered by this subsection C, no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure has been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the default shall be cured thereby.

Section 7.02. 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 Owners 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 the Standby Contribution Agreement or in aid of the execution of any power granted in this Indenture or in the Standby Contribution Agreement 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 Owners. Upon the occurrence of a default under the Standby Contribution Agreement, the Trustee may also enforce any and all rights of the Issuer thereunder.

B. In addition to all rights and remedies of any Owner 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, this Indenture or the Standby Contribution Agreement, 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 the Standby Contribution Agreement or this Indenture. Notwithstanding any other provision of this Indenture, the Issuer shall cure any covenant default within thirty (30) days of receiving notice from the Trustee of the event of default or, in the case of any monetary default that cannot be cured within 30 days, shall take such action to cure the default in the immediately succeeding fiscal year.

C. Notwithstanding the foregoing, no judgment or remedy obtained against the Issuer shall result in an acceleration of any amount owing on the Bonds prior to the actual due date.

D. Upon any default under the Standby Contribution Agreement, the Trustee shall enforce the remedies contained therein and/or seek payment of a judgment which is in the amount of all outstanding principal of the Bonds and interest on such principal amount to the date of redemption established pursuant to Section 4.01 of this Indenture.

Section 7.03. 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 to the Trustee for the benefit of the Owners 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 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.

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 of this Indenture, 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 Owners 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 of this Indenture upon the Trust Estate or any rights, powers, or remedies of the Trustee hereunder, or any rights, powers, or remedies of the Owners of the Bonds. Nothing contained in this Section 7.03 or in this Indenture shall be construed as authorizing or permitting the Trustee or any other person suing to enforce the terms hereof to accelerate the collection of any Debt Service payments on the Bonds prior to the actual due date of such Debt Service payments.

Section 7.04. 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 8.06;

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 so 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; and

C. *Third*: 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 7.05. 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, the Developer or the property of the Issuer or the Developer, 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 or the Developer for the payment of overdue principal, premium, or interest or the amounts due under the Standby Contribution Agreement) 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 or the whole amount owing pursuant to the Standby Contribution Agreement 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 Owners 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 Owner 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 Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances to the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.06.

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

Section 7.06. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or 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 Owners of the Bonds in respect of which such judgment has been recovered.

Section 7.07. Unconditional Right of Owners to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Owner 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 interest on any such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date), and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without

the consent of such Owner; provided, however, that no Owner 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 either an acceleration of principal payments on any of the Bonds or 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 Owner.

Section 7.08. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or the Owners 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 Owners, 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 under this Indenture or the Standby Contribution Agreement.

Section 7.09. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Owner 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 Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners, as the case may be.

Section 7.10. Control by Owners.

A. The Owners of a majority in aggregate principal amount of any Outstanding Bonds affected thereby shall have the right (subject to providing indemnity to the Trustee and the terms and provisions of Section 7.14 hereof)

(1) to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of this Indenture, the sale of the Trust Estate, or otherwise;

(2) to require the Trustee to proceed to enforce the Standby Contribution Agreement; and

(3) 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 or under the Standby Contribution Agreement, provided that

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

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 Owners not taking part in such direction, and

d. if the remedy requires the consent of a certain number of the Owners, 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 8.06.

Section 7.11. Rights and Remedies of Owners. No Owner of any Bond has any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred nor unless such default has become an Event of Default and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding has made written request to the Trustee and offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers herein granted, or to institute such action, suit or proceeding in its own name; it being understood and intended that no one or more Owners of the Bonds has the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Owners of the Bonds then outstanding. Nothing contained in this Indenture shall, however, affect or impair the right of any Owner of a Bond to enforce payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any or interest on any such Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed. For purposes of this Section, so long as the Bonds are held by the Securities Depository pursuant to the Book-Entry-Only System hereof, the Trustee shall be permitted to accept direction from the Beneficial Owners of the Bonds, rather than the Owner, upon receipt by the Trustee of appropriate certification of such Beneficial Ownership.

Section 7.12. 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 Owners of not less than a majority in aggregate principal amount of Outstanding Bonds affected thereby may, by Act of such Owners delivered to the Trustee and the Issuer, on behalf of the Owners of all the Bonds waive any past default hereunder or under the Standby Contribution Agreement and its consequences, except a default in respect of a covenant or provision hereof which under Article Twelve cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected.

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

Section 7.13. Undertaking for Costs. All parties hereto agree, and each Owner 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 under this 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; but the provisions of this Section shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Owner, or group of Owners 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 Owner 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 7.14. 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 VIII

THE TRUSTEE

Section 8.01. Certain Duties and Responsibilities.

A. The Trustee undertakes to perform such duties and only such duties as are specifically set forth herein 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 of this Indenture; but in the case of any such certificates or opinions which by an 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 Owners 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 of this Indenture 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 7.10B.

C. Whether or not therein expressly so provided, every provision of this Indenture 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 8.02. Certain Rights of Trustee. Except as otherwise provided in Section 8.01 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 by this Indenture 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 of this Indenture 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 10.06(B), an appropriate certificate of the Rebate Consultant.

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 by this Indenture at the request or direction of any of the Owners pursuant to this Indenture, unless such Owners 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.

G. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or thorough 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 8.03. 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 of this Indenture 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 8.04. 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, beneficial 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 8.05. Money Held in Trust. Money held by the Trustee hereunder need not be segregated from other funds except to the extent required bylaw or the provisions of this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuer.

Section 8.06. 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 (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) 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 8.07. 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 8.08. 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 be come effective until the acceptance of appointment by the successor Trustee under Section 8.09.

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 Owners of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the Issuer.

D. The Trustee may be removed at any time by the Issuer by Board Resolution delivered to the Trustee and Paying Agent.

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 Owners. 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 Owners 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 Owners and accepted appointment in the manner hereinafter provided, any Owner who has been a bona fide Owner 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 (or Paying Agent) and each appointment of a successor Trustee (or Paying Agent) to the Owners of

the Bonds. Each notice shall include the name of the successor Trustee (or Paying Agent) and the address of its principal corporate trust office.

Section 8.09. Acceptance of Appointment by Successor.

A. 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 8.06. 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, 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.

Section 8.11. Paying Agents; Appointment and Acceptance of Duties; Removal.

(A) The Trustee is hereby designated and agrees to act as principal Paying Agent for and in respect of the Bonds.

(B) The Issuer may appoint one or more additional Paying Agents for the Bonds. Any such Paying Agent shall be a commercial bank or trust company organized under the laws of the United States of America or one of the states thereof. Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Issuer and the Trustee a written acceptance thereof. The Issuer may remove any Paying Agent (other than the Trustee) and any successors thereto, and appoint a successor or successors thereto; provided that any such Paying Agent designated by the Issuer shall continue to be a Paying Agent of the Issuer for the purpose of paying the principal of and interest on the Bonds until the designation of a successor as such Paying Agent. Each Paying Agent is hereby authorized to pay or redeem Bonds when (except as otherwise provided in the Book-Entry-Only System) duly

presented to it for payment or redemption, which Bonds shall thereafter be delivered to the Trustee for cancellation.

ARTICLE IX

SUPPLEMENTAL INDENTURES; AMENDMENTS TO BOND RESOLUTION, STANDBY CONTRIBUTION AGREEMENT

Section 9.01. Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement or Without Consent of Owners. Without the consent of the Owners of any Bonds, when authorized by Board Resolution, the Issuer 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 or the Standby Contribution Agreement for any of the following purposes:

A. to correct or amplify the description of an 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 hereof, or to subject to the lien hereof additional property; or

B. 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

C. 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, the Standby Contribution Agreement or the Bonds contained; or

D. to add to the covenants of the Issuer or Developer for the benefit of the Owners of all of the Bonds; or

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

Section 9.02. Supplemental Indentures or Amendments to the Bond Resolution or the Standby Contribution Agreement With Consent of Owners.

A. With the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture or such amendment, by Act or such Owners delivered to the Issuer and the Trustee, when authorized by Board Resolution, the Issuer and the Trustee may enter into an indenture or indentures supplemental hereto or amendments to the Bond Resolution or the Standby Contribution Agreement, for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions hereof, the Bond Resolution or the

Standby Contribution Agreement or of modifying in any manner the rights of the Owners of the Bonds under this Indenture, the Bond Resolution or the Standby Contribution Agreement; provided, however, that no such supplemental indenture or amendments to the Bond Resolution or the Standby Contribution Agreement shall, without the consent of the Owner 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 Owners of which is required for any such supplemental indenture or amendment to the Bond Resolution or the Standby Contribution Agreement or the consent of Owners of which is required for any waiver provided for in this Indenture of compliance with certain provisions hereof 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 Owner 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, amendment to the Bond Resolution or the Standby Contribution Agreement and any such determination shall be conclusive upon every Owner 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 Owners under this Section to approve the particular form of any proposed supplemental indenture or any such amendment to the Bond Resolution or the Standby Contribution Agreement, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03. Execution of Supplemental Indentures and Amendments to Bond Resolution or the Standby Contribution Agreement. In executing, or accepting the additional trusts created by, any supplemental indenture or amendment to the Bond Resolution or the Standby Contribution Agreement permitted by this Article or the modification thereby of the trusts created hereby, the Trustee shall be entitled to receive and, subject to Section 8.01, 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 or the Standby Contribution Agreement which affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

Section 9.04. Effect of Supplemental Indentures and Amendments to Bond Resolution or the Standby Contribution Agreement. 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 of this Indenture for all purposes, and upon the amendment of the Bond Resolution or the Standby Contribution Agreement under this Article, the Bond Resolution or the Standby Contribution Agreement shall be modified in accordance therewith, and such amendment shall form a part of the Bond Resolution or the Standby Contribution Agreement for all purposes, and every Owner of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 9.05. Reference in Bonds to Supplemental Indentures or Amendments to Bond Resolution or the Standby Contribution Agreement. Bonds authenticated and delivered after the execution of any supplemental indenture, amendment to the Bond Resolution or the Standby Contribution Agreement pursuant to this Article may bear a notation as to any matter provided for in such supplemental indenture, amended Bond Resolution or the Standby Contribution Agreement. If the Issuer shall so determine, new Bonds so modified as to conform to any such supplemental indenture, amended Bond Resolution or the Standby Contribution Agreement may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

ARTICLE X

COVENANTS

Section 10.01. Pledge and Levy of Taxes.

A. For each year while any Bond is Outstanding, the Board shall annually levy and cause an ad valorem tax, unlimited as to rate or amount, to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property of the Issuer, to pay, when due, the Issuer's operation and maintenance expenses, Debt Service on the Bonds and Parity Bonds. For each year while any Bond is Outstanding and the Standby Contribution Agreement is in effect and no event of default exists pursuant to the terms of the Standby Contribution Agreement, the Board shall levy a tax rate of $3.00 per $100 of secondary assessed valuation to pay such Debt Service and Parity Debt Service, provided, however, that the tax rate in any year may be less than $3.00 if such lower tax rate shall produce based on the then current secondary assessed valuation of the property within the boundaries of the Issuer secondary ad valorem tax revenues sufficient to pay in full the aggregate Debt Service on the Bonds and any Parity Debt Service.

B. The Issuer and the Trustee acknowledge that the Bonds and the Parity Bonds, including any other general obligation bonds of the Issuer hereafter issued will be secured on a parity basis in the collection and application of property tax revenues of the Issuer and that such property taxes will be allocated to each series of general obligation bonds, in accordance with such series Debt Service or Parity Debt Service then due and in either case, taking into account other funds held by the Issuer for such payment. Property tax revenues allocated for any series of bonds shall be deposited into the applicable fund or account set aside for such series.

C. Moneys to be applied to pay Debt Service derived from the levy of the tax provided for in Section 10.01(A) when collected constitute funds to pay Debt Service and shall be kept separately from other funds of the Issuer.

D. The Board shall make annual statements and estimates of the amount to be raised to pay the Issuer's operation and maintenance expenses and Debt Service on the Bonds and Parity Bonds. The Board shall file the annual statements and estimates with the Clerk of the Municipality and shall publish a notice of the filing of the estimate. The Board, 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), shall fix, levy and assess the amounts to be raised by ad valorem taxes of the Issuer and shall cause certified copies of the order to be delivered to the Board of Supervisors of Maricopa County, Arizona, to the Department of Revenue of the State and to the Trustee. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

Section 10.02. Payment of Debt Service.

A. The Issuer shall duly and punctually pay Debt Service in accordance with the terms hereof.

B. If the specified date for any such payment, or any payment required by Section 6.01, shall be other than a Business Day, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest (except in the event of a moratorium) and with the same force and effect as if made on the specified date for such payment.

Section 10.03. 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 may designate separate and additional paying agents to undertake any portion of the duties and obligations of the Paying Agent hereunder, subject to the conditions set forth in Section 8.11 hereof. 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 10.04. 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 Owners 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 Owners 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 Owners of such Bonds until such sums shall be paid to the Owners 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 hereof 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 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 Owner 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 Owner 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, 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 Owner of such Bond arising under such Bond shall be made upon the Issuer.

Section 10.05. Further Assurances; Recording.

A. 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.

B. The Issuer shall cause, when necessary, 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 Owners 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 10.06. Compliance with Federal Law.

A. The Issuer recognizes that the beneficial owners of the Bonds will have accepted the beneficial ownership thereof, 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 affects the exempt status of the interest income on the Bonds.

B. The Issuer authorizes the creation by the Trustee of a fund which is hereinafter referred to as the "Rebate Fund". The Issuer will comply with the rebate requirements set forth in the Tax Certificate of the Issuer, delivered in connection with the delivery of the Bonds.

C. Any Issuer Representative is hereby authorized to execute on behalf of the Issuer the Tax Agreement and to make therein such elections as required by law 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. The Tax Agreement shall constitute a certification and representation and no agreement of the Issuer and no investment shall be made of the proceeds of the Bonds herein authorized nor of the money in the account established hereunder in violation of the expectations and covenants prescribed by the Tax Agreement. The Tax Agreement shall constitute an agreement of the Issuer to follow certain covenants 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 as specified in the Tax Agreement.

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.

Section 10.07. No Personal Liability of Officials of the Issuer. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any elected or appointed official, officer, director, agent, servant or employee of the Issuer, the Trustee in his or her individual capacity and neither the members of the governing body of the Issuer nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10.08. Partial Invalidity. If any one or more of the conditions, covenants, or terms contained herein or required herein to be observed or performed by or on the part of the Issuer, the Paying Agent or the Trustee shall be contrary to law, then such condition or conditions, such covenant or covenants, or such term or terms shall be null and void and shall be deemed separable from the remaining conditions, covenants, and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection, and security afforded to them hereunder and under all provisions of applicable law. The parties hereto declare that they would have executed and delivered this Indenture and each and every other article, section, paragraph, subdivision, sentence, clause, and phrase hereof and would have authorized the issuance and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses, or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable, or invalid.

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.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
District Chairman

ATTEST:

_____
District Clerk

WELLS FARGO BANK, N.A., as Trustee

By _____
Its Vice President

[redacted]

FILED
ARIZONA SECRETARY OF STATE
10/27/2006 03:33 PM
200614501714

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

Keith C. Hoskins, Esq.
Gust Rosenfeld P.L.C.
201 E. Washington
Suite 800
Phoenix, Arizona 85004

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: **Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)**

OR

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

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

1d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
		muni corp	Arizona	☑ 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. SEE INSTRUCTIONS	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, National Association**

OR

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

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

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A attached hereto

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

006718-00100

EXHIBIT A
TO UCC FINANCING STATEMENT

Debtor: VERRADO DISTRICT 1 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 #S4101-022E)
100 West Washington Street, 22nd Floor
Phoenix, Arizona 85003

Reference is made to the Indenture of Trust and Security Agreement dated as of October 1, 2006 (the "Indenture") between the Verrado District 1 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 $18,600,000 District General Obligation Bonds, Series 2006. For certain terms, denoted by initial capitals herein, the definitions of said terms are adopted as set forth or incorporated into 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 Trustee as hereinafter described shall be to secure only the payment of the principal of and interest on the Outstanding Secured Bonds (as defined in the Indenture) but excluding any money in the Rebate Fund; and

B. The Issuer's interest in the Standby Contribution Agreement; 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 Issuer or by anyone on its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), 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 Issuer or the person so acting on its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof.

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF OCTOBER 1, 2006

BY AND AMONG

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

DMB WHITE TANK, LLC

AND

WELLS FARGO BANK, N.A.,
AS TRUSTEE

This **STANDBY CONTRIBUTION AGREEMENT**, dated as of October 1, 2006, is made by and among Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*Issuer*"), DMB White Tank, LLC, an Arizona limited liability company (the "*Developer*") and Wells Fargo Bank, N.A., as trustee (the "*Trustee*") under that certain Indenture of Trust and Security Agreement, dated as of October 1, 2006 (the "*Indenture*").

RECITALS

A. The Issuer is issuing its District General Obligation Bonds, Series 2006 in the aggregate principal amount of $18,600,000 (the "*Bonds*") concurrently herewith under and pursuant to the Indenture.

B. As provided in the Indenture and the Issuer Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District), dated as of June 19, 2001, recorded in the official records of Maricopa County on July 3, 2001, as Instrument No. 2001-0594335, by and among the Issuer, the Town of Buckeye, Arizona (the "*Town*") and the Developer (collectively referred to as the "*District Development Agreement*"), the proceeds derived from the issuance of Bonds of the Issuer are to be used by the Issuer for the "public infrastructure" purposes as provided for in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Enabling Act*").

C. As provided in the District Development Agreement and in the Feasibility Study dated September 19, 2006, presented to and approved by the Board on September 19, 2006 (the "*Feasibility Study*"), the Issuer shall provide for a mechanism by which the Developer shall contribute certain amounts for the benefit of the Issuer which shall be considered by the Issuer in levying taxes to pay principal and interest on the Bonds when due ("*Debt Service*") and this Standby Contribution Agreement satisfies the requirements of the District Development Agreement.

D. As provided in § 48-719.E. of the Enabling Act, the Issuer may consider various sources of funds, including private contributions, in determining the Issuer's tax levy.

E. In order to comply with the provisions of the District Development Agreement in respect of the issuance of the Bonds, the Developer does hereby covenant and agree with the Issuer and the Trustee as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. For all purposes of this Standby Contribution Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(A) The terms defined hereinabove, hereinafter and in the Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the Indenture 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 Standby Contribution Agreement as a whole and not to any particular Article, Section, or other subdivision.

Section 1.2 Notices and Other Submittals. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Standby Contribution Agreement by the Issuer, the Trustee, or Developer to be made upon, given or furnished to, or filed with:

(A) 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 N. Apache, Suite A, Buckeye, Arizona 85326, Attention: District Manager, or at any other address previously furnished in writing to such Person by the Issuer,

(B) The Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at Wells Fargo Plaza, MAC S4101-22E, 100 W. Washington Street, 22nd Floor, Phoenix, Arizona 85003, Attention: Corporate Trust Services, or at any other address furnished in writing to such Person by the Trustee, or

(C) The Developer shall be sufficient for every purpose hereunder if in writing and mailed, first class mail postage prepaid, to DMB White Tank, LLC addressed to whichever is appropriate at 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: John Bradley, Vice President, with copies to DMB Associates, Inc., 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: Eneas Kane, Vice President and General Counsel, and Attention: Andrew S. Beams, Vice President, or at any other address previously furnished in writing to such Person by the Developer.

(D) Where this Standby Contribution 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 1.3. 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 1.4. Successors and Assigns. All covenants and agreements in this Standby Contribution Agreement by the Issuer, the Trustee and the Developer shall bind their successors and assigns, whether so expressed or not.

Section 1.5. Severability Clause. In case any provision in this Standby Contribution 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 1.6. Benefits of Agreement. Nothing in this Standby Contribution 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 Standby Contribution Agreement.

Section 1.7. Governing Law. This Standby Contribution Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

Section 1.8. Notice of Section 38-511, Arizona Revised Statutes, as Amended. The Issuer may, within three (3) years after its execution, cancel this Standby Contribution Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer is, at any time while this Standby Contribution Agreement is in effect, an employee or agent of any of the Trustee or the Developer in any capacity or a consultant to any of the Trustee or the Developer with respect to the subject matter of this Standby Contribution Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer from any of the Trustee or the Developer arising as the result of this Standby Contribution Agreement. No person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer shall be or become an employee or agent of any of the Trustee or the Developer in any capacity or a consultant to any of the Trustee or the Developer with respect to the subject matter of this Standby Contribution Agreement.

Section 1.9 Further Assurances.

(A) The Issuer, the Trustee and the Developer 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 Standby Contribution Agreement.

(B) The Developer shall cause this instrument and any instruments of further assurance, including financing statements, if any, to be promptly registered and filed, and to be kept registered and filed, and, when necessary, to 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 Issuer hereunder and the Developer shall execute any financing statement, continuation statement or other document required for such purposes.

Section 1.10. Amendments. Pursuant to the provisions established in the Indenture, this Standby Contribution Agreement may be amended by an instrument in writing executed and delivered by each of the Issuer, the Trustee and the Developer.

Section 1.11. Business Days. For purposes of this Standby Contribution Agreement, if any date for any certification, payment, submission or determination is not a Business Day, the applicable certification, payment, submission or determination shall be made or done on the next succeeding day which is a Business Day.

Section 1.12. Termination. Subject to the last sentence of this Section, this Standby Contribution Agreement shall terminate upon the earlier of (A) the payment or the provision for the payment in full of all of the outstanding Bonds or (B) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, for any consecutive two (2) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year in which principal of the Bonds has started to be amortized), a tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer would have been sufficient to pay Maximum Annual Debt Service on the Bonds and all other general obligation bonds of the Issuer outstanding (the "Parity Bonds") for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the Bonds and the Parity Bonds for each such Fiscal Year, as such term is defined in Article 7 of the District Development Agreement. For property within the boundaries of the Issuer to be eligible for inclusion in such determination, the property either (i) must be owned by persons or entities other than the Developer or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by the Developer for each such Fiscal Year or (ii) if used for commercial purposes, must have been fully vertically improved for a period of not less than two (2) years and such vertical improvements must be functionally operational for their intended purposes, e.g., leased or available for lease to persons or entities other than the Developer or any person or entity owned or controlled by the Developer or constituting one or more operating businesses of the Developer or any person or entity owned or controlled by the Developer (e.g., a golf course and associated facilities), as reasonably determined by the Issuer Representative. The requisite evidence shall consist of a written evidence, prepared by the Issuer Representative upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of the actual secondary assessed valuation of the eligible property within the boundaries of the Issuer for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) or the historic, average annual percentage delinquency factor for the Issuer as of each such Fiscal Year and no credit for any fund balances or investment income accruing during each such Fiscal Year. After receipt of proof of satisfaction of such condition required by clause (B) above, the Board may approve in writing such termination, such approval not to be withheld unreasonably.

Section 1.13. Beneficiaries. This Standby Contribution Agreement is entered into by the Developer with the Trustee and the Issuer for the benefit of the Issuer, the Trustee and the Holders, from time to time, of the Bonds, all of whom shall be entitled to enforce performance and observance of this Standby Contribution Agreement to the same extent provided for the enforcement of remedies under the Indenture.

Section 1.14. Integration. This Standby Contribution Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

ARTICLE 2

COVENANTS AND AGREEMENTS

Section 2.1 Payments and Information.

(A) In any tax year while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture), the Developer shall pay to the Trustee for the benefit of the owners from time to time of the Bonds on or, if such day is not a Business Day, before May 15 of each year, commencing May 15, 2007, the Annual Developer Payment (as defined below):

Payment on or before May 15: On May 1 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Issuer shall certify to the Trustee the amount of Issuer property taxes which would be produced based upon a tax rate of $3.00 per $100 (or such lower rate as may be permitted in Section 10.01 of the Indenture) of secondary assessed valuation (assuming 95% collection of taxes) based upon such current secondary assessed valuation (the "*Tax Year Tax Amount*"). On May 10 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine (a) the Debt Service (without regard to any optional redemption) due in the next succeeding calendar year on January 15 and July 15 (the "*Next Annual Debt Service Payment*"), (b) the amount in the Bond Fund (as defined in the Indenture) estimated to be available to pay the Next Annual Debt Service Payment, if any, after payment of the current year's July 15th debt service payment (the "*Available Moneys*"), and (c) the remainder, if any, of (i) the Next Annual Debt Service Payment less (ii) the sum of (A) the Available Moneys and (B) the Tax Year Tax Amount (such remainder being referred to as the "*Annual Developer Payment*"). On May 10 (or the immediately preceding Business Day as described above), the Trustee shall submit a request for payment to the Developer of the Annual Developer Payment, which shall be paid by the Developer to the Trustee on or before May 15 and shall be deposited in the Bond Fund pursuant to Section 5.02(B)(1) of the Indenture.

(B) In addition to the requirements set forth in Section 2.1(A) hereof, while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture), the Developer shall pay to the Trustee for the benefit of the owners from time to time of the Bonds on or, if either day is not a Business Day, before December 24 and June 24 of each year the December Developer Payment and the June Developer Payment (as such terms are defined below), as necessary:

(i) **Payment on or before December 24**: On December 15 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference, if any, between the amount in the Bond Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding January 15 (such difference being the "*December Developer Payment*").

(ii) **Payment on or before June 24**: On June 15 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference, if any, between the amount in the Bond Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding July 15 (such difference being the "*June Developer Payment*").

(C) All payments by the Developer under this Section 2.1 shall be paid by the Developer to the Trustee in immediately available funds composed of lawful money of the United States of America and deposited in the Bond Fund.

(D) For the purpose of calculating the amounts due from the Developer hereunder, budgeted tax collections and actual tax collections shall be allocated first to the payment of Debt Service with respect to the Bonds and thereafter, if money is available, to the payment of Debt Service with respect to the 2003 Bonds.

Section 2.2. Nature of Obligations. The obligations of the Developer under this Standby Contribution Agreement shall be absolute and unconditional and shall remain in full force and effect until the Developer is released pursuant to Section 1.12. Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Developer:

(A) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer or of the Developer under the District Development Agreement or any other agreement between the Issuer and the Developer; or

(B) the failure to give notice to the Developer of the occurrence of an event of default under the terms and provisions of this Standby Contribution Agreement, the Indenture, the District Development Agreement; or

(C) the waiver of the payment, performance or observance by the Issuer or the Developer of any of the obligations, covenants or agreements of any of them contained in the Indenture, the District Development Agreement, this Standby Contribution Agreement; or

(D) the extension of the time for payment of any principal of, premium, if any, or interest on any Bond or the extension or renewal of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture, the District Development Agreement, this Standby Contribution Agreement, whether or not with notice to the Developer; or

(E) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture, the District Development Agreement; or

(F) the taking or the omission of any of the actions referred to in the Indenture, the District Development Agreement, this Standby Contribution Agreement (other than as set forth in Section 2.1 hereof); or

(G) any failure, omission, delay or lack on the part of the Issuer or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Issuer or the Trustee in this Standby Contribution Agreement (except as set forth in Section 2.1 hereof), the Indenture, the District Development Agreement, or any other act or acts on the part of the Issuer, the Trustee or any of the owners from time to time of the Bonds; or

(H) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustment of, or other similar proceedings affecting the Developer or the Issuer or any of the assets of either of them or any allegation or contest of the validity of this Standby Contribution Agreement, the Indenture or the District Development Agreement in any such proceeding; or

(I) the release or discharge of the Developer or the Issuer from the performance or observance of any obligation, covenant or agreement contained in the District Development Agreement or the Indenture by operation of and to the extent permitted by law; or

(J) to the extent permitted by law, the release or discharge of the Developer from the performance or observance of any obligation, covenant or agreement contained in this Standby Contribution Agreement by operation of law; or

(K) the default or failure of the Developer fully to perform any of its obligations set forth in this Standby Contribution Agreement or the District Development Agreement; or

(L) the invalidity of the District Development Agreement, the Indenture or the Bonds.

Section 2.3. **No Set Off**. Except as otherwise provided herein, no monetary set-off, reduction or diminution of an obligation, or any defense of any kind or nature which the Developer has or may have against the Issuer or the Trustee or which the Issuer may have against the Trustee shall be available hereunder to the Developer against the Trustee.

Section 2.4. **Remedies**. Upon the occurrence of any failure by the Developer to timely pay or cause to be paid or deposited with the Trustee any amounts payable by the Developer hereunder, then and in any such event, the Trustee shall make a demand against the Developer under this Standby Contribution Agreement and, upon the Developer's failure to pay or perform the obligation which is the subject of such demand within the 10-day notice period, the Trustee shall proceed in accordance with Article VII and the other applicable provisions of the

Indenture, and shall not be required to proceed against or exhaust any other remedies which it may have against the Issuer, the Developer, any guarantor or any other person, firm or corporation, or to resort to any other security held by the Issuer or the Trustee. Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

Section 2.5. Waiver of Notice; Payment of Expenses. The Developer hereby expressly waives notice from the Trustee or the owners from time to time of any of the Bonds of their acceptance and reliance on this Standby Contribution Agreement. To the extent permitted by applicable law, the Developer agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Standby Contribution Agreement following any default on the part of the Developer hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. Incorporation By Reference. The Issuer, the Trustee and the Developer acknowledge and agree that this Standby Contribution Agreement is subject to the Indenture and shall be deemed to incorporate by reference all applicable provisions including, without limitation, the applicable provisions in Articles III, IV, V, VI and VII of the Indenture.

ARTICLE 3

THE TRUSTEE AND THE ISSUER

Section 3.1. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Standby Contribution Agreement and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture but only upon and subject to the terms and conditions set forth in Article VIII of the Indenture.

Section 3.2. Issuer Acceptance. The Issuer hereby accepts the application of the amounts contributed by the Developer pursuant to the provisions of this Standby Contribution Agreement and shall take such actions as are necessary to accomplish the purposes set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this Standby Contribution Agreement to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
District Manager

ATTEST:

_____
District Clerk

DMB WHITE TANK, LLC,
an Arizona limited liability company

By: DMB COMMUNITIES LLC,
an Arizona limited liability company, its Manager

By: DMB ASSOCIATES, INC.,
an Arizona corporation, its Manager

By: _____
John Bradley, Vice President

WELLS FARGO BANK, N.A., as Trustee

By _____
Its Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Standby Contribution Agreement to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
District Manager

ATTEST:

_____
District Clerk

DMB WHITE TANK, LLC,
an Arizona limited liability company

By: DMB COMMUNITIES LLC,
an Arizona limited liability company, its Manager

By: DMB ASSOCIATES, INC.,
an Arizona corporation, its Manager

By: _____
John Bradley, Vice President

WELLS FARGO BANK, N.A., as Trustee

By_____
Its Vice President

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

PURCHASE CONTRACT

October 5, 2006

District Board
Verrado District 1 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., doing business under the name RBC Capital Markets (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 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (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 Bond Resolution (as hereinafter defined) or in the Limited Offering Memorandum (as hereinafter defined).

In addition to acceptance of this Contract by the District as provided hereinabove, the obligations of the Underwriter under this Purchase Contract shall be conditioned on the execution and delivery of the Indemnity Letter, dated the date hereof (the "Indemnity Letter"), by DMB White Tank, LLC (the "Developer") 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 District General Obligation, Series 2006 (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 September 19, 2006 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, to be dated as of October 1, 2006 (the "Indenture"), from the Issuer to Wells Fargo Bank, N.A., as trustee (the "Trustee").

(c) The purchase price for the Bonds shall be $18,135,000 (representing the par amount of the Bonds ($18,600,000) less Underwriter's discount of $465,000).

2. Limited Offering. The Underwriter is making a limited offering of all of the Bonds at prices not to exceed the public offering prices set forth on the cover of the Limited Offering Memorandum (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 Limited Offering Memorandum. The Underwriter is selling the Bonds only to "Sophisticated Municipal Market Professionals" ("SMMPS") as such term is defined by the Municipal Securities Rulemaking Board.

3. The Limited Offering Memorandum.

(a) The Preliminary Limited Offering Memorandum, dated September 27, 2006 (the "Preliminary Limited Offering Memorandum"), 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 Limited Offering Memorandum 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 Limited Offering Memorandum, to be dated even date herewith (the "Limited Offering Memorandum"), 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 Limited Offering Memorandum 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 Limited Offering

Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum, 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 Limited Offering Memorandum 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 Limited Offering Memorandum, 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 Limited Offering Memorandum so that the statements in the Limited Offering Memorandum 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 Limited Offering Memorandum shall comply with law. If such notification shall be subsequent to the Closing Date, 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 Limited Offering Memorandum.

(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, 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 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 Bond financings transactions contemplated by the Issuer Documents and the Preliminary Limited Offering Memorandum and (iv) to approve, execute and authorize the use and distribution of the Limited Offering Memorandum (including, as applicable, the Preliminary Limited Offering Memorandum), 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 Limited Offering Memorandum 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 Preliminary Limited Offering Memorandum 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 Limited Offering Memorandum (including, as applicable, the Preliminary Limited Offering Memorandum) 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 Preliminary Limited Offering Memorandum, and the proceeds of the sale of the Bonds will be applied generally as described in the Preliminary Limited Offering Memorandum;

(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 collection of and valorem property taxes 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 Limited Offering Memorandum or, when finalized, the Limited Offering Memorandum 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 Limited Offering Memorandum 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, provided, that as to the information provided by the Developer or Guarantor, respectively, relating to the Developer and the Project, the Issuer is relying solely on the information provided;

(i) At the time of the Issuer's acceptance hereof and (unless the Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum, 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 expend any monies, 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 Limited Offering Memorandum fairly presents, and in the Limited Offering Memorandum 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 Preliminary Limited Offering Memorandum, 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 Preliminary Limited Offering Memorandum, 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 Limited Offering Memorandum, 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 October 17, 2006, 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 Developer and the Guarantor contained in the Indemnity Letters 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, 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 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 Developer and the Guarantor contained in the Indemnity Letters 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 Limited Offering Memorandum 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 Developer or the Guarantor, from that set forth in the Limited Offering Memorandum 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 Limited Offering Memorandum;

(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) On the Closing Date, the Standby Contribution Agreement dated as of October 1, 2006 (the "SCA") by and among the Issuer, the Developer and the Trustee shall be duly executed by the respective parties and shall be in full force and effect;

(j) 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;

(k) 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 Limited Offering Memorandum;

(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 opinions of counsel to the Developer, 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 certificate from the Developer, dated the Closing Date, signed by an authorized official of each of the Developer and in form and substance satisfactory to the Underwriter, to the effect that the representations and warranties contained in its Indemnity Letter and in the respective documents executed by it in connection with the issuance of the Bonds are true and correct in all material respects as of the Closing Date;

(6) 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 Limited Offering Memorandum, 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 collection of the ad valorem property taxes 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 Limited Offering Memorandum 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 Limited Offering Memorandum which should be disclosed in the Limited Offering Memorandum which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect, provided, that as to the information provided by the Developer relating to the Developer and the Project, the Issuer is relying solely on the information provided;

(7) A specimen of the Bonds;

(8) A certified copy of the Bond Resolution;

(9) A counterpart original of the Limited Offering Memorandum manually executed on behalf of the Issuer by the Chairman of the District Board;

(10) A non-arbitrage certificate of the Issuer, in form and substance satisfactory to Bond Counsel;

(11) 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;

(12) A copy of the "Bloomberg" screen, in form and substance satisfactory to the Issuer, which indicates that the authorized denominations for the Bonds are $100,000 and $5,000 integral multiples thereof and that the Bonds can be sold only by broker-dealers who can sell only to "SMMPs";

(13) Indemnity Letter Clarifying Article 8 of the Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District) to the Issuer from the Developer; and

(14) Such additional opinions, letters, certificates (including certificates as to the accuracy and completeness of those sections of the Limited Offering Memorandum not otherwise covered by an opinion), 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 Owners and Guarantor and the due performance or satisfaction by the Issuer and the

Owners and Guarantor of all agreements and covenants then to be performed and all conditions then to be satisfied by the Issuer.

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 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 Limited Offering Memorandum, 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 Limited Offering Memorandum 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 Limited Offering Memorandum or has the effect that the Limited Offering Memorandum 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 Owners or Guarantor;

(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 Limited Offering Memorandum 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 solely 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 Limited Offering Memorandum, the Limited Offering Memorandum 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; (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.

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: Mr. Terry Maas, Principal.

(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., doing business under the name RBC Capital Markets

By _____
Terry Maas, Director

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
Bobby Bryant, Chairman, District Board

ATTEST:

_____
Linda Garrison, District Clerk

APPROVED AS TO FORM:

GUST ROSENFELD, PLC,
Attorney for the District

By _____

SCHEDULE

Dated Date: As of Date of Delivery

Aggregate Principal Amount: $18,600,000

Interest Payment Dates: January 15, 2007, and January 15 and July 15 thereafter

Maturity Schedule:

$3,360,000 4.85% Term Bond due July 15, 2014
$2,325,000 5.05% Term Bond due July 15, 2018
$12,915,000 5.35% Term Bond Due July 15, 2031
All Bonds priced at 100%

Redemption Provisions:

Optional and Special Redemption, As set forth in the Limited Offering Memorandum dated October 5, 2006.

Mandatory Redemption. The Bonds maturing on July 15 in the following years, shall be redeemed on the following Redemption Dates and in the following amounts upon payment of the Redemption Price, which shall consist of the principal amount of the Bonds so redeemed plus accrued interest but without premium.

Bonds Maturing on July 15, 2014

Redemption Date	Principal Amount
07/15/2008	$415,000
07/15/2009	435,000
07/15/2010	455,000
07/15/2011	480,000
07/15/2012	500,000
07/15/2013	525,000
07/15/2014 (maturity)	550,000

Bonds Maturing on July 15, 2018

Redemption Date	Principal Amount
07/15/2015	$580,000
07/15/2016	605,000
07/15/2017	635,000
07/15/2018 (maturity)	505,000

Bonds Maturing on July 15, 2031,

Redemption Date	Principal Amount
07/15/2018	$ 165,000
07/15/2019	705,000
07/15/2020	740,000
07/15/2021	780,000
07/15/2022	825,000
07/15/2023	865,000
07/15/2024	915,000
07/15/2025	960,000
07/15/2026	1,015,000
07/15/2027	1,070,000
07/15/2028	1,125,000
07/15/2029	1,185,000
07/15/2030	1,250,000
07/15/2031 (maturity)	1,315,000

EXHIBIT A

[LETTERHEAD OF GUST ROSENFELD P.L.C.]

[Closing Date]

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

WE HAVE ACTED as Bond Counsel to Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "Issuer") in connection with the issuance this date by the Issuer of bonds designated its District General Obligation Bonds, Series 2006, in the aggregate principal amount of $18,600,000 (hereinafter referred to as the "Bonds") and otherwise as counsel to the Issuer. 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 September 19, 2006 (hereinafter referred to as the "Resolution") and an Indenture of Trust and Security Agreement, dated as of October 1, 2006 (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 Limited Offering Memorandum, dated October 5, 2006 (hereinafter referred to as the "Limited Offering Memorandum") and (iii) are being sold pursuant to a Purchase Contract, dated October 5, 2006 (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 Standby Contribution Agreement;

(ii) An executed copy of the Purchase Contract;

(iii) An executed copy of the Limited Offering Memorandum;

(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;

(v) Such other agreements, certificates (including particularly, but not by way of limitation, representations of the "Developer" (as such term is defined in the Limited Offering Memorandum), opinions (including particularly, but not by way of limitation, opinion of counsel to the Developer, 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

(vi) 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 Owners relating to the Limited Offering Memorandum 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 Limited Offering Memorandum (including, as applicable, the Preliminary Limited Offering Memorandum, dated September 27, 2006 (the "Preliminary Limited Offering Memorandum"), with respect to the Bonds) and (d) to carry out and

consummate the transactions contemplated by the Limited Offering Memorandum, 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 Limited Offering Memorandum (including, as applicable, the Preliminary Limited Offering Memorandum) 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 Limited Offering Memorandum.

4. The Issuer has duly (a) adopted the Resolution, and (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 Limited Offering Memorandum, the Bond Resolution, the District Documents and the Bonds. 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 Limited Offering Memorandum, 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 Limited Offering Memorandum) or (iii) contesting in any way the completeness or accuracy of the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum. Further, there are no lawsuits pending or threatened against the Issuer which question the right of the Issuer to levy, receive and pledge ad valorem property 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 Limited Offering Memorandum, the Bond Resolution, the District Documents or the Bonds.

7. The information contained in the Limited Offering Memorandum on the cover thereof, under the headings "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT (excluding "Property Valuations" under the caption "Ad Valorem Taxation in the District" and "The Guarantor"), "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE – The District," "LITIGATION," and "TAX EXEMPTION" and "CONTINUING DISCLOSURE" therein and in Appendix C - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" insofar as such information purports to summarize certain provisions of federal or state law or of the Bonds, fairly summarizes the information which it purports to summarize.

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.

Respectfully submitted,

EXHIBIT B

[LETTERHEAD OF APPLICABLE COUNSEL TO THE DEVELOPER]

[Closing Date]

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Verrado District 1 Community Facilities District
(Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

Re: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

We have acted as special counsel to ...., a ..... (hereinafter referred to as the "Developer"), 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 October 5, 2006 (hereinafter referred to as the "Purchase Contract"), by and between RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (hereinafter referred to as the "Underwriter"), and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (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. Limited Offering Memorandum issued by the District;

3. Standby Contribution Agreement (the "SCA") by and among the Issuer, the Trustee and the Developer.

4. Developer Indemnity Letter of even date with the Purchase Contract (the "Indemnity Letter");

5. Indemnity Letter Clarifying Article 8 of the Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District) to the issuer from the Developer;

6. [insert organizational documents of Developer];

7. [insert authorizing resolutions of Developer];

8. [insert good standing certificate(s) of Developer]; and

9. Certificate of the ..... of the Developer issued in favor of the undersigned (the "Developer'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 the Developer, 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 the Developer) 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 the Developer 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 Developer is a ....., duly ..... and existing under the laws of the State of ..... 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 and the Standby Contribution Agreement [if applicable] (hereinafter referred to as, collectively, the "Developer Documents").

2. The Developer has taken all actions necessary to be taken by it or in its behalf to authorize (i) the execution, delivery and performance by the Developer of the Developer Documents and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

3. The Developer Documents have been duly and validly authorized, executed and delivered by the Developer and the same are in full force and effect as of the date hereof and are the valid and legally binding obligations of the Developer, enforceable against the Developer in accordance with their respective terms.

4. The execution and delivery by the Developer of the Developer 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 Developer or (b) to our knowledge, (i) any agreement or other instrument to which the Developer 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 Developer 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 Developer.

5. To our knowledge, all material actions necessary to be taken by the Developer have been taken, and no additional material approval, authorization, consent or other order of the Developer or any other public board or body that has jurisdiction over the Developer is legally required to allow the Developer to execute and deliver and consummate the

transactions contemplated by the Developer Documents or to conduct the business of the Developer as presently being conducted and as described in the Limited Offering Memorandum, except for such actions, approvals, authorizations, consents and orders that the Developer 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 Developer 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 Developer.

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 Developer is a party or of which any property of the Developer is subject, except as described in the Limited Offering Memorandum, which, if determined adversely to the Developer would individually or in the aggregate (i) have a material adverse effect on the financial condition or results of operations of the Developer and its affiliates considered as a whole, (ii) materially and adversely affect the validity or the enforceability of the Developer Documents, (iii) otherwise materially or adversely affect the ability of the Developer to comply with its obligations under the Developer Documents or (iv) materially and adversely affect the transactions contemplated by the Limited Offering Memorandum to be engaged in by the Developer.

8. To our knowledge, the information contained in the Limited Offering Memorandum under the headings "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Ad Valorem Taxation in the District – Property Valuations," - THE STANDBY CONTRIBUTION AGREEMENT," "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE - Phase 1 Public Infrastructure," "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" and "RISK FACTORS" taken as a whole and to the extent it is applicable to the Developer 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 Limited Offering Memorandum, 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 Limited Offering Memorandum (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 Limited Offering Memorandum described in numbered paragraph 8 hereinabove and attorneys having knowledge as a result of conferences with officers and other representatives of the Developer, 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 Developer 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 Developer or its business, assets, or financial condition that are entirely those of the Developer 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 Developer 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 Developer 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 Developer 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 Developer 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 the Developer 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 Developer 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 Limited Offering Memorandum.

Respectfully submitted,

October 17, 2006

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

This opinion is rendered pursuant to the Purchase Contract, dated October 5, 2006 (the "Purchase Contract"), by and between Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "District") and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (hereinafter referred to as the "Underwriter"), relating to the purchase by the Underwriter from the District of its $18,600,000 District General Obligation Bonds, Series 2006 (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 Limited Offering Memorandum relating to the Bonds (hereinafter referred to as the "Limited Offering Memorandum"). 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 Limited Offering Memorandum. 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 Limited Offering Memorandum and representatives of the District and the Developer (as defined in the Limited Offering Memorandum) concerning the contents of the Limited Offering Memorandum 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 Limited Offering Memorandum, 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 Limited Offering Memorandum, 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 Limited Offering Memorandum, in light of the circumstances under which such statements were made, not misleading. Reference in this paragraph to the Limited Offering Memorandum does not include the information contained in the Limited Offering Memorandum on the cover thereof, under the heading 'TAX EXEMPTION thereto nor the financial information or other technical or statistical data included in the Limited Offering Memorandum or its Appendices nor to any information with respect to the Developer, as to all of which we express no opinion.

Respectfully submitted,

DEVELOPER INDEMNITY LETTER
FOR
$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2006

October 5, 2006

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Verrado District 1 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: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

This Indemnity Letter is delivered by DMB White Tank, LLC, an Arizona limited liability company (hereinafter referred to as the "Developer"), in order to induce RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (hereinafter referred to as the "Underwriter") and Verrado District 1 Community Facilities District (hereinafter referred to as the "District"), to enter into the Purchase Contract, dated October 5, 2006 (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 that:

(a) The Developer is a corporation 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 Limited Offering Memorandum, the information in the Preliminary Limited Offering Memorandum under the headings "SECURITY FOR AND SOURCES OF PAYMENT of the Bonds – Ad Valorem Taxation in the District – Property Valuation," "-The Standby Contribution Agreement," "- GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE - Phase 1 Public Infrastructure," "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" and "RISK FACTORS," 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 and the Standby Contribution Agreement (hereinafter referred to as, collectively, the "Developer 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 Developer or conflicts with or results in a breach by the Developer of any of the terms, conditions or provisions of, or constitute a default by the Developer under, any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Developer is a party or by which it is bound or to which any of the property or assets of the Developer is subject, or any law or any order, rule or regulation applicable to the Developer of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Developer 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 Developer 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 Developer 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 Developer, threatened against the Developer 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 Developer, or which would materially and adversely affect the properties (taken as a whole) of the Developer, taken as a whole, and which has not been disclosed in the Preliminary Limited Offering Memorandum as of its date, (ii) materially adversely affect the transactions contemplated by the Purchase Contract or the

Developer Documents or (iii) adversely affect the validity or enforceability of the Developer Documents against the Developer.

(e) The Developer has the full power and authority to execute and deliver the Developer Documents and perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Purchase Contract and the Developer Documents, and the Developer Documents have been duly authorized by the Developer and, when executed will constitute valid, binding and enforceable obligations of the Developer 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 Developer of the transactions contemplated by the Purchase Contract and the Developer 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 Developer 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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 Developer (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 Developer, notify the Developer in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of the Developer by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Developer, but the omission to notify the Developer of any such action shall not relieve the Developer 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 Developer of the commencement thereof, the Developer 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 Developer (it being understood that, except as hereinafter provided, the Developer shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Developer to such Indemnified Party of an election so to assume the defenses thereof, the Developer 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 Developer assumes the defense of any such action at the request of such Indemnified Party, the Developer shall have the right to participate at its own expense in the defense of any such action. If the Developer 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 Developer (in which case the Developer 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 Developer.

3. All of the representations, warranties, and agreements of the Developer contained in the Developer 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 Developer 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 Developer hereby consents to the references made to the Developer in the Limited Offering Memorandum.

Respectfully submitted,

DMB WHITE TANK, LLC,
an Arizona limited liability company

By: DMB COMMUNITIES LLC,
an Arizona limited liability company, its Manager

By: DMB ASSOCIATES, INC.,
an Arizona corporation, its Manager

By: _____
John Bradley, Vice President

FIRST AMENDMENT
DATED AS OF JULY 1, 2006

TO

STANDBY CONTRIBUTION AGREEMENT
DATED AS OF APRIL 1, 2003

BY AND AMONG

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT,

DMB WHITE TANK, LLC

AND

WELLS FARGO BANK ARIZONA, N.A.,
AS TRUSTEE

This First Amendment, dated as of July 1, 2006 to the Standby Contribution Agreement, dated as of April 1, 2003 (the "2003 Agreement"), is made by and among Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "Issuer"), DMB White Tank, LLC, an Arizona limited liability company (the "Developer") and Wells Fargo Bank, N.A. as trustee (the "Trustee") under that certain Indenture of Trust and Security Agreement dated as of April 1, 2003 (the "Indenture") by and between the Issuer and the Trustee.

RECITALS

A. All capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Indenture or in the 2003 Agreement.

B. Pursuant to the Indenture, the Issuer has previously issued its District General Obligation Bonds, Series 2003 (the "Series 2003 Bonds) in the aggregate principal amount of $24,000,000, all of which is currently outstanding.

C. The Issuer is issuing its District General Obligation Bonds, Series 2006 in the aggregate principal amount of $18,600,000 (the "Series 2006 Bonds").

C. The Developer's obligation to make payments under the 2003 Agreement, by its terms, is limited to amounts payable with respect to the Series 2003 Bonds, based on the difference between Debt Service and tax collections (and, if applicable, other revenue) available for the payment of Debt Service.

D. The Indenture and the 2003 Agreement provide that tax revenues shall be allocated among each series of general obligation bonds on a parity basis.

E. Section 10.01B of the Indenture permits a non parity allocation of tax revenues to the extent other funds are available.

F. The parties hereto desire to amend the 2003 Agreement to allocate tax revenues first to the payment of all Debt Service on the Series 2006 Bonds and, to the extent there are tax revenues remaining, to payment of Debt Service on the Series 2003 Bonds and to permit Developer payments under the 2003 Agreement to be in amounts sufficient to replace any such reallocated tax revenues.

ARTICLE 1
COVENANTS AND AGREEMENTS

Section 1.1. Amendment of Section 2.1(D) of the 2003 Agreement.

Section 2.1(D) of the 2003 Agreement is hereby deleted and the following is substituted in its place:

Subject to Section 1.3 of this First Amendment, beginning in the fiscal year ended June 30, 2007, for the purposes of calculating the payments due from the Developer hereunder (the "Developer Obligation") and budgeted tax collections, and beginning in the fiscal year ending June 30, 2008, with respect to actual tax collections, Issuer ad valorem property taxes shall be allocated and applied first to the payment of Debt Service on the Series 2006 Bonds and thereafter, if monies are available, to the payment of Debt Service on the Series 2003 Bonds and, for purposes of Section 1.12 of the 2003 Agreement, references to Bonds shall be deemed to include the Series 2006 Bonds.

Section 1.2. Required consents to effectiveness of this First Amendment. This First Amendment shall become effective only upon obtaining written consent to the execution and effectiveness of this First Amendment by the Guarantor and the Holders of not less than a majority in aggregate principal amount of the Series 2003 Bonds.

Section 1.3. Allocation of tax revenues on a parity basis in the event of a payment default; Developer and Guarantor obligation not reduced.. Notwithstanding anything herein to the contrary, in the event there are insufficient moneys available from all sources to pay Debt Service on the Series 2003 Bonds and the Series 2006 Bonds when due, tax revenues shall then be allocated and applied on a parity basis to the payment of Debt Service on the Series 2003 Bonds and Series 2006 Bonds. The Developer and the Guarantor accept and acknowledge that the amount of the Developer Obligation (and corresponding amount of the obligation of the Guarantor under the terms of the Guaranty, when applicable) shall not be reduced if a payment shortfall results in tax revenues being allocated and applied on a parity basis.

Section 1.4. Notice of Section 38-511, Arizona Revised Statutes, as amended. Section 1.8 of the 2003 Agreement is incorporated into this First Amendment.

Section 1.5. Provisions of 2003 Agreement to remain in effect. Except as specifically amended by this First Amendment, all other provisions of the 2003 Agreement shall remain in effect.

Section 1.6. Issuer and Trustee Acceptance. The Issuer and the Trustee hereby accept the budgeting, allocation and application of tax revenues and the Developer payments pursuant to the provisions of this First Amendment and shall take such actions as are necessary to accomplish the purposes set forth herein. To effectuate these purposes, notwithstanding Section 6.04 of the Indenture, the Trustee shall not release the 2003 Agreement until the tests set forth for such release in such Section 6.04 can be met treating the 2006 Bonds as "Bonds" under such Section 6.04.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
District Manager

ATTEST:

_____
District Clerk

DMB WHITE TANK, LLC,
an Arizona limited liability company

By: DMB COMMUNITIES LLC,
an Arizona limited liability company, its Manager

By: DMB ASSOCIATES, INC.,
an Arizona corporation, its Manager

By: _____
John Bradley, Vice President

WELLS FARGO BANK ARIZONA, N.A.,
as Trustee

By_____
Its: Vice President

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
District Manager

ATTEST:

_____
District Clerk

DMB WHITE TANK, LLC,
an Arizona limited liability company

By: DMB COMMUNITIES LLC,
an Arizona limited liability company, its Manager

By: DMB ASSOCIATES, INC.,
an Arizona corporation, its Manager

By:_____
John Bradley, Vice President

WELLS FARGO BANK ARIZONA, N.A.,
as Trustee

By_____
Its: Vice President

GUARANTOR CONSENT

I am an authorized representative of ABD Investments Limited Partnership, an Arizona limited partnership. I have reviewed the First Amendment of which this Guarantor consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

ABD INVESTMENTS LIMITED PARTNERSHIP, an Arizona limited partnership

By: Hank, Inc., an Arizona corporation,
Its: managing general partner

Name: Bennett Dorrance
Title: President

Address: ABD Investments Limited Partnership
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258-2137

State of Arizona

County of Maricopa

The foregoing instrument was acknowledged before me this 17th day of Oct, 2006, by Bennett Dorrance, of Hank, Inc., the managing general partner of ABD Investments Limited Partnership, an Arizona limited partnership, on behalf of the limited partnership.

(Seal and Expiration Date)

OFFICIAL SEAL
DAWN M. MAXEY
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Commission Expires July 9, 2009

Dawn M Maxey
Notary Public

BONDHOLDER CONSENT

The undersigned is an authorized representative of the holder of the Series 2003 Bonds identified below. I have reviewed the First Amendment of which this Bondholder consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

Bondholder Name: WF Adv. Intermediate Municipal Bond Fund
Amount of Series 2003 Bonds owned: $ 375,000

By:
Title: WELLS CAPITAL MANAGEMENT
GILBERT L. SOUTHWELL III
VICE PRESIDENT

Dated:

BONDHOLDER CONSENT

The undersigned is an authorized representative of the holder of the Series 2003 Bonds identified below. I have reviewed the First Amendment of which this Bondholder consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

Bondholder Name: WF Adv Municipal Bond Fund
Amount of Series 2003 Bonds owned: $3,425,000

By: _____
Title: WELLS CAPITAL MANAGEMENT
GILBERT L. SOUTHWELL III
VICE PRESIDENT

Dated:

BONDHOLDER CONSENT

The undersigned is an authorized representative of the holder of the Series 2003 Bonds identified below. I have reviewed the First Amendment of which this Bondholder consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

Bondholder Name: Oppenheimer AMT-Free Municipals
Amount of Series 2003 Bonds owned: $5,000,000

By: _____

Title: Portfolio Mgr.

Dated:

BONDHOLDER CONSENT

The undersigned is an authorized representative of the holder of the Series 2003 Bonds identified below. I have reviewed the First Amendment of which this Bondholder consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

Bondholder Name: Oppenheimer Limited Term National Municipals
Amount of Series 2003 Bonds owned: $1,750,000

By: _____

Title: VP/ Portfolio Manager

Dated:

BONDHOLDER CONSENT

The undersigned is an authorized representative of the holder of the Series 2003 Bonds identified below. I have reviewed the First Amendment of which this Bondholder consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

Bondholder Name: Federated Premier Municipal Income Fund

Amount of Series 2003 Bonds owned: $750,000

By: _____

Title: Vice President / Portfolio Manager

Dated: September 27, 2006

BONDHOLDER CONSENT

The undersigned is an authorized representative of the holder of the Series 2003 Bonds identified below. I have reviewed the First Amendment of which this Bondholder consent is an attachment. I hereby irrevocably consent to the execution and effectiveness of the First Amendment.

Bondholder Name: Federated Premier Intermediate Municipal Income Fund

Amount of Series 2003 Bonds owned: $1,500,000

By: _____

Title: Vice President / Portfolio Manager

Dated: September 27, 2006

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

ASSESSOR'S CERTIFICATE

I, the undersigned, hereby certify that the full cash value of all the taxable property within the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), is $ 302,706,083.

DATED: October 17, 2006.

MARICOPA COUNTY ASSESSOR

Timothy L. Burns, Chief Deputy

KCH:jlu 680312 10/05/06

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

DISTRICT CLOSING CERTIFICATE AND CERTIFICATE AS TO TAX MATTERS

We, the undersigned Chairman and Clerk of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), hereby certify as follows:

A. Execution and Terms.

1. General. We have executed $18,600,000 principal amount of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "*Bonds*"), and we are the duly elected, 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 October 17, 2006, and are in the denomination of $100,000 each or integral multiples of $5,000 in excess thereof. The Bonds mature on July 15 in the years 2014, 2018 and 2031and bear interest at the rates set forth on the attached *Exhibit A*.

2. Optional Redemption. The Bonds maturing after July 15, 2016, are subject to call for redemption prior to maturity, at the option of the District, on or after July 15, 2016, in whole or in part on any date, at the price equal to the principal amount to be redeemed, without premium, plus accrued interest to the redemption date.

3. Mandatory Redemption. The Bonds maturing on July 15, 2014 are subject to mandatory redemption on July 15 of the following years and in the following principal amounts at the price of one hundred percent (100%) of the principal amount of the Bonds or portion thereof being redeemed, plus accrued interest to the redemption date:

Maturing on July 15, 2014

Year	Principal Amount
2008	$415,000
2009	435,000
2010	455,000
2011	480,000
2012	500,000
2013	525,000
2014 (maturity)	550,000

The Bonds maturing on July 15, 2018 are subject to mandatory redemption on July 15 of the following years and in the following principal amounts at the price of one hundred percent (100%) of the principal amount of the Bonds or portion thereof being redeemed, plus accrued interest to the redemption date:

Maturing on July 15, 2018

Year	Principal Amount
2015	$580,000
2016	605,000
2017	635,000
2018 (maturity)	505,000

The Bonds maturing on July 15, 2031are subject to mandatory redemption on July 15 of the following years and in the following principal amounts at the price of one hundred percent (100%) of the principal amount of the Bonds or portion thereof being redeemed, plus accrued interest to the redemption date:

Maturing on July 15, 2031

Year	Principal Amount
2018	$ 165,000
2019	705,000
2020	740,000
2021	780,000
2022	825,000
2023	865,000
2024	915,000
2025	960,000
2026	1,015,000
2027	1,070,000
2028	1,125,000
2029	1,185,000
2030	1,250,000
2031 (maturity)	1,315,000

4. Interest Payments. Interest is payable on January 15 and July 15 of each year during the term of each of the Bonds, commencing on January 15, 2007.

B. General Certification. We further certify that, to the best of our actual knowledge, information and belief:

1. The Resolution. (a) On September 19, 2006, Resolution 04-06 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) The Resolution duly authorized the issuance and sale of the Bonds and execution and delivery of the Purchase Contract for the Bonds, dated October 5, 2006 (the "*Purchase Contract*"), by and between the District and RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets (the "*Underwriter*"), the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (the "*Indenture*") from the District to Wells Fargo Bank, N.A., as trustee (the "*Trustee*"), the Standby Contribution Agreement, dated as of October 1, 2006 (the "*Standby Contribution Agreement*") by and among the District, DMB White Tank, LLC (the "*Owner*") and the Trustee and the First Amendment dated as of July 1, 2006 to Standby Contribution Agreement dated as of April 1, 2003 by and among the District, the Owner and the Trustee (the "*First Amendment to 2003 Agreement*"), (collectively, the Purchase Contract, Indenture, and the Standby Contribution Agreement and First Amendment to 2003 Agreement, are hereafter referred to as the "*District Documents*").

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

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

2. Purchase Contract. The representations, warranties and covenants contained in the Purchase Contract for the Bonds 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;

3. No Litigation. Except as described in the Limited Offering Memorandum, dated October 5, 2006 relating to the Bonds (the "*Limited Offering Memorandum*"), 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 levy of ad valorem taxes 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;

4. No Repeal. 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 undersigneds;

5. Compliance with Agreements and Satisfaction of Conditions. The District has complied with all the agreements 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 of the payment for and initial delivery of the Bonds;

6. Limited Offering Memorandum. The District has caused to be delivered to the Underwriter of the Bonds the Limited Offering Memorandum and hereby reaffirms that said Limited Offering Memorandum incorporates all preceding documents containing information concerning the Bonds and is deemed to be the final Limited Offering Memorandum as defined in Securities and Exchange Commission Rule 15c2-12 with respect to the Bonds. The Limited Offering Memorandum was, as of its date, and, as of the date hereof, is 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 affecting the District has occurred since the date of the Official Statement which should be disclosed in the Limited Offering Memorandum which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; provided that, as to the information provided by the Owner relating to the Owner and the Project, the District is relying solely on the information provided.

C. Tax Certifications. We further certify, in good faith, (i) that we are duly authorized officers of the District charged with the responsibility of issuing the Bonds; (ii) as to the following expectations of the District regarding the Bonds as of the date hereof, which is the date of issuance and delivery of the Bonds against payment therefor; and (iii) as to the following facts and estimates upon which such expectations are based.

1. The Project. The Bonds are being issued to provide funds to acquire the project shown on the attached *Exhibit B* and to pay the expenses of issuance of the Bonds which is the project to be financed by the Bonds (the "*Project*").

2. Sources, Uses and Proceeds. (a) The District has received from the sale of the Bonds the following amounts:

Principal	$18,600,000.00
Accrued Interest	0.00
Less purchaser's compensation	(465,000.00)
TOTAL AMOUNT RECEIVED	$18,135,000.00

(b) The "Issue Price", "Sale Proceeds", "Net Sale Proceeds" and "Minor Portion" for the Bonds are as set forth below:

Principal Amount of Bonds	$18,600,000.00
Pre-Issuance Accrued Interest	0.00
Net Premium	0.00
"Issue Price"	$18,600,000.00
Less Pre-Issuance Accrued Interest	(0.00)
"Sale Proceeds"	$18,600,000.00
Less Sale Proceeds deposited in Reserve	0.00

Less "Minor Portion"	(100,000.00)
"Net Sales Proceeds"	$18,500,000.00

3. Expenditure Test. (a) The District expects that the Net Sale Proceeds and investment proceeds of the Bonds will be allocated to expenditures for capital projects.

(b) The District has incurred, or within six months from the date hereof will incur, binding obligations to commence, acquire or construct the Project and to expend thereon at least 5% of the Net Sale Proceeds. The binding obligation consists 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.

(c) Completion of the Project and the allocation of the Net Sale Proceeds to expenditures will proceed with due diligence.

(d) At least eighty-five percent (85%) of the Net Sale Proceeds will be allocated to expenditures on the Project within three (3) years of the date hereof.

4. No Abuse in Maturity. Neither the issuance of the Bonds nor any other action of the District will result in issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Bonds, based on all the facts and circumstances. The weighted average maturity of the portion of the proceeds of the Bonds that is to be used to finance the Project does not exceed 120% of the average reasonably expected economic life of the Project. The amount received from the sale of the Bonds plus all expected investment income or gain thereon, will not exceed the amount necessary for the governmental purposes for which the Bonds are being issued by more than the Minor Portion.

5. No Abuse in Amount. The amount received from the sale of the Bonds plus all expected investment income or gain received from the amount received from the sale of the Bonds will not exceed the amount necessary for the purposes for which the Bonds are being issued by more than five percent (5%), and any excess within such five percent (5%) is necessary as a reasonable amount to cover contingencies which may arise on projects such as the Project.

6. Investment Earnings. Any amounts received from investment or reinvestment of amounts received from the sale of the Bonds, or from investment of amounts derived from such investments, will be expended to pay interest on the Bonds during construction and any such amounts not expended within such period will be expended within one (1) year of receipt or commingled within one year of receipt for the purpose of accounting for expenditures with substantial tax revenues of the District. Any such commingled amounts shall within six (6) months from the date of such commingling, be expended for governmental purposes.

7 Disposition of Project. The District does not expect to dispose of the Project prior to the maturity of all of the Bonds except by transfer to the Town of Buckeye, Maricopa County or other political subdivision of the State of Arizona.

8. Bona Fide Debt Service Fund. It is expected that principal and interest on the Bonds will be paid from moneys received by the District within thirteen (13) months prior to being so spent, except for amounts received from the sale of the Bonds to be so spent, which will be so spent within three (3) years from the date hereof, and amounts derived from investment of amounts received from the sale of the Bonds to be so spent, which will be so spent within three (3) years from this date or within one (1) year from receipt. Moneys referred to above, other than any moneys received from the sale of the Bonds, are expected to be received each year in amounts equaling or exceeding the amount of debt service to be paid on the Bonds in that bond year. Moneys to be used to pay debt service will be credited to a fund which, to the extent it is expected to be used to pay the debt service on the Bonds, will be used primarily to achieve a proper matching of revenues and debt service during each bond year, and will be depleted to pay debt service at least once each bond year, except for any carryover amount which is not expected to exceed the greater of the earnings from investments in the fund for the immediately preceding year or one-twelfth of the principal and interest payments on the Bonds for the immediately preceding bond year.

9. No Replacement. 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 on hand no funds which could be used to finance the Project which are not pledged, budgeted, earmarked or expected to be used for other purposes.

10. No Reinvestment. Other than any reimbursement expenditure meeting the requirements of Treasury Regulation Section 1.150-2(d) or (f), no portion of the proceeds from the sale of the Bonds and the investment of such proceeds will be used to reimburse the District for expenditures paid by the District prior to the date hereof.

11. No Reserve or Sinking Fund. Other than the fund described in paragraph 8 and the funds described in this paragraph 11, there are no funds or accounts which are reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds or which is directly or indirectly pledged to pay principal or interest on the Bonds and for which there is a reasonable assurance that amounts therein will be available to pay principal or interest on the Bonds if the District encounters financial difficulties. Pursuant to the Standby Contribution Agreement and the Guaranty, funds are held and additional funds may be deposited and held in the future to supplement tax revenues until released pursuant to the Indenture.

12. Single Issue. No other obligations are being issued (i) at substantially the same time as the Bonds, (ii) pursuant to the same plan of financing, and (iii) payable out of substantially the same source of funds as the Bonds, determined without regard to guarantees from unrelated parties.

13. Elect Actual Facts. Pursuant to Treasury Regulations Section 1.148-7(2), the District elects to apply the provisions of paragraphs (e) through (m) of Section 1.148-7 based on actual facts.

14. Gross Proceeds. Other than the Sale Proceeds and amounts received as investment earnings on the Sale Proceeds and amounts held in the funds described in paragraphs 8 and 11 hereof, there will be no other Gross Proceeds of the Bonds (as described in Treasury Regulation Section 1.148.1(b)).

15. Expectations Reasonable. To the best of our knowledge and belief, the foregoing expectations of the District are reasonable. No notice has been published in the Internal Revenue Bulletin that the District has been disqualified from certifying its expectations concerning its bond issues in certificates such as this one, and the undersigned have not been advised that such notice is contemplated.

D. Tax Covenants. In the Resolution of the District Board authorizing the issuance of the Bonds, the District Board covenanted to comply with requirements necessary in order for interest on the Bonds to remain excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "*Code*"). To implement the covenants in the Resolution, we further certify and represent to and covenant with the Owners from time to time of the Bonds as set forth in this Certificate, unless and until the District receives the opinion of Gust Rosenfeld P.L.C., or any nationally recognized bond counsel as successor thereto, to the effect that continued compliance with such provision is not necessary for interest on the Bonds to remain excluded from gross income for federal income tax purposes under the Code. The District certifies and represents to and covenants with the Owners from time to time of the Bonds as set forth below:

1. No Private Use. 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; or (c) 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).

2. No Private Payment. 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 governmental unit (except for use on the same basis as the general public), or (ii) payments in respect of such property; or (b) to be derived from payments (whether or not to 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.

3. Arbitrage Restrictions. (a) For purposes of arbitrage restrictions, "yield" means that discount rate which when used in computing the present value as of the date hereof of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the Bonds and amounts reasonably expected to be paid as fees for qualified guarantees on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Bonds as of this date. In determining the yield on the Bonds, the 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 acting in the capacity of underwriters or wholesalers) at which a substantial amount of Bonds of that maturity (i.e., not less than ten percent (10%) of such maturity) were reasonably expected to be sold as of the sale date.

(b) The yield on an investment allocated to the Bonds is the discount rate that, when used in computing the present value as of the date the investment is first allocated to the Bonds of all unconditionally payable receipts from the investment (using the same compounding intervals and financial conventions used to compute the yield on the Bonds), produces an amount equal to the present value of all unconditionally payable payments for the investment. The purchase price used in determining its yield will be the market price on an established market.

(c) No proceeds of the Bonds are expected to be used directly or indirectly to acquire any security, obligation, annuity contract or other investment property (other than a tax-exempt obligation) which produces a materially higher yield than the yield on the Bonds; provided, the District may invest a Minor Portion in such higher yielding investments and may invest in such higher yielding investments during any applicable temporary period.

(d) Proceeds of the Bonds will not be invested (in other than tax-exempt bonds) in investments with a materially higher yield than the yield on the Bonds beyond the date of issuance of refunding bonds to advance refund the Bonds.

(e) The District will not invest any proceeds of the Bonds in higher yielding investments as part of a reserve or replacement fund or deposit any proceeds from the sale of the Bonds in such a fund.

DATED: October 17, 2006

OFFICIAL TITLE

_____, Chairman, Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)

_____, Clerk, Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)

KCH:jlu 680370 10/06/06

EXHIBIT A

MATURITY SCHEDULE

Maturity Date (July 15)	Principal Amount	Interest Rate
2014*	$ 3,360,000	4.85%
2018*	2,325,000	5.05%
2031*	12,915,000	5.35%

* Term Bonds

EXHIBIT B

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

LIST OF PROJECTS TO BE FINANCED
WITH BOND PROCEEDS

"Project" shall mean the construction or acquisition of public infrastructure (as such term is defined in the Act) described in the Feasibility Study, including particularly the construction or acquisition by the District of the following:

A. The following items were approved in the Feasibility Study, amended and restated as of March 4, 2003 and approved by the District Board (the "2003 Report"). Construction costs have been updated in this report to reflect current development costs.

1. The 0.25 mile south segment of the Freeway Interchange within the Town of Buckeye.

2. Addendum No. 2 to Construction Manager At Risk Contract (Funding of Excess Contract Amount): In accordance with Addendum No. 2 to Construction Manager at Risk Contract, dated February 1, 2004, by and among District 1, the Developer, as Owner, DMB Contract Administrative Services, Inc., as Contract Administrator, and Sundt Construction, Inc., as Contractor, entered into in order to provide for an increase in the Contract Amount (not exceeding the maximum estimated cost of the Verrado Project as approved in the 2003 Report) and for payment of that portion of such Contract Amount in excess of the amount of funds available from the Series 2003 Bonds that were deposited into the Series 2003 Acquisition and Construction Fund (the "Construction Fund"), the Developer deposited funds into the Construction Fund to pay such excess Contract Amount ("Owner Advance") , which Owner Advance is subject to reimbursement.

3. Roadway, Sidewalk, Street Light and Storm Drain Improvements consisting of the following:

   (a) Four (4) lanes of Indian School Rd., a 1.6 mile arterial roadway from Jackrabbit Trail to Verrado Way including culvert crossings as indicated at Acacia Wash.

   (b) Four (4) lanes of Verrado Way, a 0.3 mile arterial roadway from Sunrise Wash to Indian School Rd.

   (c) Two (2) southbound lanes of Verrado Way, a 2.1 mile arterial roadway from Golf Crossing to the Freeway Interchange, including culvert crossings as indicated at Bulldozer Wash.

   (d) A 1.5 mile network of two-lane collector/local residential roadways throughout Phase 1B North and 1B South including culvert crossing as indicated. The roadways are identified as Sunrise Lane (Verrado Way to Indian School Rd.), Acacia Way (Lost Creek Dr. to Western Dr.) and Western Dr. (Acacia to Clanton). Culvert Crossings are included at Sunrise Lane, Park Street, and Acacia Way.

4. Dry Utility Trench and Conduit construction as required for the 5.6 mile network of arterial and collector/local residential roadway and landscape improvements.

5. Roadway Landscaping for the 5.6 mile network of arterial and collector/local residential roadway and roadway landscaping for 0.4 miles of roadway consisting of Village St. (Main St. to Sunrise Ln.), Sentinel Dr. (Village St. to School Hill Rd.) and School Hill Rd. (Sunrise Ln. to Main St.).

6. Drainage control improvements consisting of embankment, channelization, bank protection, grade control structures and landscaping for approximately 1.0 miles of Bulldozer Wash and 0.9 miles of Acacia Wash (Thomas Road to McDowell Road.) Retention basin improvement at Phase 1A Elementary school including grading, storm drain and erosion protection. 1.0 miles of linear park and multi-use path and trail system adjacent to Sunrise wash in Phase 1B North between Verrado Way and Park Street and along portions of Acacia Wash and Lost Creek Wash as indicated.

7. District Park Improvements for 3.1 acres consisting of Walton Park (Park #17) and 0.7ac. Village Green (Park #15) in Phase 1A.

B. Items to be approved pursuant to 2006 Feasibility Study:

1. Roadway, sidewalk, street light and storm drain improvements for a 4.9 mile network of two and four-lane collector/local residential and arterial roadways to provide vehicle access and circulation throughout Phase 1B south, Phase 2 East, and Phase 2 West development area.

   Infrastructure roadway improvements to be constructed with Phase 1B South, including two lanes of Acacia Way (Western to Thomas Road), Western Dr. (Clanton Street to Acacia Way), Point Ridge Rd. (Acacia Way to Acacia Wash) and Thomas Road (Verrado Way to Acacia Wash).

   Infrastructure roadway improvements to be constructed with Phase 2 East, including two lanes of Western Drive (Clanton Street to Verrado Way), Point Ridge Rd. (Acacia Way to Verrado Way) and Clanton Street (Thomas Road to Western Drive) Infrastructure roadway improvements to be constructed with Phase 2 West, including two lanes of Western Drive (Verrado Way to Heritage Street), Point Ridge Road (Verrado Way to Heritage), Heritage Street (Nelson to Western), Thomas Road (Verrado to Park Meadows), Delaney Drive (Verrado to Heritage) and Park Meadows Drive (Verrado Way to Heritage).

2. Dry utility trench & conduit, as necessary for the 4.9-mile network of arterial and collector/local residential roadways and landscape improvements for Phase 1B South, Phase 2 East and Phase 2 West.

3. Roadway landscaping for the 4.9-mile network of arterial and collector/local residential roadways for Phase 1B south, Phase 2 East and Phase 2 West.

4. A Culvert crossing @ Thomas Road and Acacia Wash.

5. Five (5) traffic signals along Indian School Road at Jackrabbit Trail, Pioneer Drive, Acacia Way, Sunrise Lane and Verrado Way and one (1) traffic signal along Verrado Way at Thomas Road.

6. Drainage improvements consisting of embankment, channelization, bank protection, grade control structures, and landscaping for approximately 0.9 miles of Phase 2 West western channel.

7. 30 acre-foot retention basin at the Sports Complex to be developed with Phase 3 East.

8. 38.5 acres of District/Regional park improvements for the Phase 2 West District Park and Village Green, including landscaping, sidewalks, lighting and building, recreation and parking improvements, as well as the improvements for the Phase 3 East Sports Complex, including ball fields, landscaping, structural amenities and parking.

9. A 0.4 mile lineal park and multi-use path and trail system adjacent to Acacia Wash between Lost Creek Drive and Thomas Road.

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

Delivery Date: October 17, 2006

ISSUER REQUEST FOR DISBURSEMENT OF COSTS OF ISSUANCE

The Trustee is hereby requested to pay from the Acquisition and Construction Fund established by the Indenture of Trust, dated as of October 1, 2006 (the "*Indenture*"), between Wells Fargo Bank, N.A., the trustee ("*Trustee*"), and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*Issuer*") to the parties designated below as Payees. The amount shown below is due and payable and has not formed the basis of any prior request for payment.

Check applicable paragraph:

■ The disbursement is for payment or reimbursement of a Delivery Cost properly chargeable to the Acquisition and Construction Fund; or

☐ The disbursement is for payment or reimbursement of an Acquisition and Construction Cost and (i) no more than 5% of the amount requested is or will be used for any private business use within the meaning of Section 141(b)(2) of the Code and (ii) the amount is properly chargeable to the Acquisition and Construction Fund.

Payee: See Exhibit A

Address: See Exhibit A

Amounts: See Exhibit A

Dated: October 17, 2006.

By _____
District Manager

KCH:jlu 680324 10/05/06

EXHIBIT A

COSTS OF ISSUANCE

The following expenses are to be paid by the Trustee from the Acquisition and Construction Fund deposited with the Trustee for that purpose:

Bond counsel (Gust Rosenfeld P.L.C., 201 East Washington Street, Suite 800, Phoenix, Arizona 85004) fees and expenses	$65,000.00
Underwriter's counsel (Greenberg Traurig, LLP, 2375 E. Camelback Road, Suite 700, Phoenix, Arizona 85016) fees and expenses	$40,000.00
Financial advisor (Peacock, Hislop, Staley & Given, Inc., 2999 N. 44th Street, Suite 100, Phoenix, Arizona 85018)	$35,000.00
Trustee fees (Wells Fargo Bank, N.A., (100 W. Washington Street, 22nd Floor, Phoenix, Arizona 85003)	$4,500.00
Preliminary and final Offering Memorandum	$4,000.00
Miscellaneous	$5,000.00
TOTAL	$153,500.00

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

CLOSING CERTIFICATE OF
TOWN OF BUCKEYE, ARIZONA

The undersigned, the Mayor, the Town Clerk and the Town Manager 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, Town Clerk and Town Manager 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 and that from October 17, 2006, the following persons are the duly qualified and acting Mayor and members of the Council of the Town:

Bobby Bryant	Mayor
Levi Beard	Vice Mayor
Dave Rioux	Council Member
David Hardesty	Council Member
Elaine May	Council Member
Robert Doster	Council Member
Robert Garza	Council Member

3. (a) That on June 19, 2001, Resolution No. 16-01 (the "*Resolution*") of the Mayor and Council of the Town of Buckeye, Arizona, Ordering Formation of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*") was duly adopted by the Mayor and Council of the Municipality at a duly called meeting (the "*Meeting*") of the Mayor and Council of the Municipality 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 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 actual 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; restricting or preventing the Town from performing its obligations under the Resolution; or attempting to limit, enjoin or otherwise restrict or prevent the Mayor and Council of the Town or the Town from functioning pursuant to the terms of the Resolution.

6. That all of the findings and the representations and warranties of the Town made and contained in the Resolution (which findings and representations and warranties, respectively, 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 findings and representations and warranties, respectively, were set forth herein as of the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and the seal of the Municipality on October 17, 2006.

TOWN OF BUCKEYE, ARIZONA

By _____
Bobby Bryant, Mayor

By _____
Linda Garrison, Town Clerk

By _____
Jeanine Guy, Town Manager

KCH:jlu 680315 10/05/06

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

CLOSING CERTIFICATE OF DMB WHITE TANK, LLC

The undersigned, each a Vice President of DMB White Tank, LLC, an Arizona limited liability company (the "*Owner*"), acting for and on behalf of the Owner, HEREBY CERTIFY as follows:

1. That they are the qualified and acting vice presidents and, as such officers, are familiar with the books and limited liability company records of the Owner.

2. That the Owner is a limited liability company, duly organized and validly existing under the laws of the State of Arizona, has no proceedings pending or contemplated with a view to liquidation or dissolution and is governed by its members.

3. That the Owner has the requisite limited liability company power and authority to execute and deliver and perform the obligations of the Owner contained in the in the Standby Contribution Agreement dated as of October 1, 2006 (the "*Standby Contribution Agreement*") by and among the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), the Owner and Wells Fargo Bank Arizona, N.A., as trustee (the "*Trustee*"), the Indemnity Letter agreement dated as of October 17, 2006 (the "*Indemnity Letter*") from the Owner to the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*") and RBC Dain Rauscher, Inc., doing business under the trade name RBC Capital Markets (the "*Underwriter*"); and the Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District) recorded in Maricopa County, Arizona on July 3, 2001, at Document No. 2001-0594335 (the "*Development Agreement*"), the First Amendment dated as of July 1, 2006 to Standby Contribution Agreement dated as of April 1, 2003 by and among the District, the Owner and Wells Fargo Bank Arizona, N.A. (the "First Amendment to 2003 Agreement') (collectively, the "*Documents*"), as executed and delivered by the duly authorized officer of the Manager of the Owner.

4. That the Documents were approved and the execution and delivery thereof was authorized by the Member of the Owner by Written Consent of the Member, effective as of the date hereof (the "*Consent*").

(a) That the Consent authorizes, among other things, the execution and delivery of the Documents; that the Consent has not been altered, amended, repealed, revoked or rescinded as of the date hereof; and that no meeting was necessary to adopt the Consent and authorize the execution and delivery of the Documents on behalf of the Owner.

(b) That the Owner has no rules of procedure which would invalidate or make ineffective the Consent and that the Consent has been adopted in accordance with the Articles of Organization, as amended, and the Operating Agreement of the Owner.

5. That the officer executing and delivering the Documents has been authorized to execute and deliver the Documents by all necessary limited liability company, corporate, partnership and trust action, as may be applicable, and the Documents are in full force and effect and are valid and legally binding obligations of the Owner.

6. That the person named below was on the date or dates of the execution or acceptance of the Documents, and is on the date hereof, the duly qualified and acting incumbent of the office of the Manager of the Owner.

7. That the Documents will not conflict with or result in a violation of any contract, indenture, instrument or other agreement to which the Owner is a party or by which it or its properties are bound.

8. That 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 Owner of the obligations of the Owner under the Documents or to conduct the business of the Owner as presently being conducted and as described in the Limited Offering Memorandum, dated October 5, 2006 (the "*Limited Offering Memorandum*").

9. That the Owner 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.

10. That the consummation of the transactions contemplated by the Documents and the Limited Offering Memorandum and compliance by the Owner 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 indenture, agreement or other instrument to which the Owner is a party or by which the Owner may be bound.

11. That 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 the Consent or the Documents or the performance by the Owner of its obligations set forth in the Documents or the conduct of the Owner's business as described in the Limited Offering Memorandum; or contesting or questioning the proceedings and authority under which the Documents have been authorized and are delivered and executed.

12. That attached hereto as Exhibit A is a true, complete and correct copy of the Articles of Organization of the Owner, dated November 20, 1998, as filed with the Arizona Corporation Commission on November 20, 1998, as File No. L-0858094-6, Amended and Restated Articles of Organization of DMB-WT, dated October 12, 1999, as filed with the Arizona Corporation Commission on November 1, 1999, as File No. L-0858094-6, and First Amendment to

the Amended and Restated Articles of Organization of DMB-WT dated December 31, 2005, as filed with the Arizona Corporation Commission on January 9, 2006, as File No. L-0858094-6, which were in full force and effect on October 1, 2006, and which have been in effect from that date to the date hereof and that no amendments to the Articles of Organization of the Owner have been filed subsequent to the last date on which they were certified by the Arizona Corporation Commission.

13. That attached hereto as Exhibit B is a true, complete and correct copy of the Operating Agreement of the Owner, dated October 12, 1999, by DMB Realco LLC, an Arizona limited liability company (hereinafter referred to as "**Realco**"), as a Member and the sole Manager, which was in full force and effect on October 1, 2006, and which has been in effect from that date to the date hereof.

14. That the officers of the Manager of the Manager of the Owner hereby represent that, with respect to the real property which is in the District (the "*Property*"), the Property is owned in part by the Owner and the Owner has the right to acquire the balance of the Property as provided in the Trust Agreement dated March 19, 2002, creating Trust No. B176 among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee, Caterpillar Foundation, as First Beneficiary, and DMB-WT, as Second Beneficiary (the "*Trust Agreement*") and that the Owner is proceeding with all reasonable speed to develop and sell the Property to members of the general public for residential and commercial use.

15. That all of the representations and warranties of the Owner 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 set forth herein as of the date hereof.

16. That the information pertaining to the Owner and the Project contained in the Limited Offering Memorandum under the headings "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" and sub-heading "The Standby Contribution Agreement", the heading "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" and sub-heading "Phase 1 and Phase II Public Infrastructure," and the headings "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" and "RISK FACTORS" and the information contained in APPENDIX G, respectively, does not contain any untrue statement of 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 Limited Offering Memorandum, we have not acquired any knowledge that the Limited Offering Memorandum 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.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on October 17, 2006.

DMB WHITE TANK, LLC

By _____
John L. Bradley
Vice-President, DMB Associates, Inc., an Arizona corporation; Manager of
(*) , an Arizona limited Liability company, Manager of
DMB White Tank LLC

By _____
Andrew S. Beams
Vice-President, DMB Associates, Inc., an Arizona corporation; Manager of
(*) , an Arizona limited Liability company, Manager of
DMB White Tank LLC

ATTACHMENTS

Exhibit A — Articles of Organization (as amended)
Exhibit B — Operating Agreement

(*)= DMB Communities LLC

:gmh 325101 6/6/00

Exhibit A

Articles of Organizaiton

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 20 1998

DATE APPR Hayala Wyll
TERM
BY 11/20/98
L-0858094-6

ARTICLES OF ORGANIZATION
DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company (the "Company") formed by this instrument is "DMB White Tank, LLC."

2. Office; Agent. The address of the Company's registered office in Arizona is 4201 North 24th Street, Suite 120, Phoenix, AZ 85016. The name and business address of the Company's statutory agent are FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company are:

DMB Realco LLC
4201 North 24th Street
Suite 120
Phoenix, AZ 85016

6. Name and Address of Sole Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company.

7. Additional Matters. The Company is authorized to engage in any and all business authorized by law. Any person dealing with the Company may rely, without further inquiry, on the identity of the manager set forth in these Articles of Organization, until such time as they are amended in accordance with applicable law to reflect a change in the identity of the manager. The manager, acting alone and without the requirement for further resolutions or agreements evidencing such authority, shall have the authority to execute and deliver documents and instruments on behalf of the Company, all of which shall be binding on the Company. Without limiting the generality of the foregoing, the manager is specifically authorized on behalf of the Company to buy and sell property, enter into purchase agreements (including subdivision trust agreements), record instruments affecting title to property, borrow money, issue evidences of indebtedness, encumber the Company's assets (by deed of trust, mortgage, security interest, public or private financing, assessment liens, improvement districts, community facility districts or otherwise), settle disputes, obtain licenses and permits, make applications for governmental approvals, grant and obtain options, and otherwise deal with the assets of the Company in the same manner in which an individual could deal with his own assets, and in connection therewith exercise all rights and

remedies and perform all obligations of the Company under any applicable documents or instruments entered into by the Company. Without further action or joinder by any person or entity, the manager may enter into resolutions on behalf of the Company for any matters authorized under law, setting forth in greater detail actions authorized by the Company, and such resolutions may be relied on absolutely by any person or entity to whom they are delivered.

Dated November 20, 1998.

Gregg Hanks

Gregg Hanks

FC Service Corporation, having been designated to act as Statutory Agent of DMB White Tank, LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

FC Service Corporation,
an Arizona corporation

By Gregg Hanks

Gregg Hanks
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913

PHX/GHANKS/905499.1/26043.001
11/20/98

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 01 1999

DATE APPR 11-1-99
TERM
BY Mary Barnes

1-0858094-6

AMENDED AND RESTATED ARTICLES OF ORGANIZATION DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-633, the undersigned states as follows:

1. Name; Prior Filings. The name of the limited liability company (the "Company") affected by this instrument is "DMB White Tank, LLC." Articles of Organization were filed on behalf of the Company with the Arizona Corporation Commission on November 20, 1998, as File Number L-0858094-6.

2. Office; Agent. The address of the Company's registered office in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and business address of the Company's statutory agent are FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company (the "Manager") are:

DMB Realco LLC
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

6. Name and Address of Certain Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company that owns a twenty percent or greater interest in the capital or profits of the Company.

7. Additional Matters. Under the Company's operating agreement of even date herewith (the "Operating Agreement"), the Manager is required to designate an "Independent Member" who shall have the right to grant or withhold consent to each of the following actions by the Company (which may be taken by the Company only if there is an Independent Member and the Manager and Independent Member affirmatively vote to cause the Company to so act), for so long as the Company has any rights or obligations under the Master Agreement or holds any interest in the Trust Agreement (as those terms are defined on Exhibit A):

(a) engage in any business or activity other than those set forth on Exhibit A;

(b) dissolve or liquidate, in whole or in part at any time prior to December 31, 2050 (except as provided in paragraph 7(e)(iv) below), or consolidate or merge with or into any other person or entity, or convey or transfer its properties and assets substantially as an entirety to any person or entity or change its legal structure;

(c) acquire all, or substantially all, of the assets or capital stock or other ownership interest of any other entity (except for an entity wholly-owned by the Company whose sole purpose is to engage in activities authorized under Exhibit A);

(d) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file, or consent to, a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any substantial part of its property, or make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take limited liability company action in furtherance of any such action; or

(e) authorize the amendment of the Operating Agreement to (i) provide for any additional managers other than the Manager provided for hereunder; (ii) enlarge or alter the permitted business purposes of the Company as provided on Exhibit A; (iii) amend or repeal the restrictions on Company action as describe in this paragraph 7; or (iv) permit or cause the Company to dissolve or to liquidate; except that upon the insolvency of, or the institution of voluntary or involuntary bankruptcy proceedings involving, the Company which are not dismissed within sixty days, the Company shall dissolve.

8. Effect on Articles. This instrument supersedes in their entirety the Articles, effective as of the date set forth below.

Dated October 12, 1999.

DMB Realco LLC, an
Arizona limited liability company,
Manager of DMB White Tank, LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an
Arizona corporation, Manager

By: _____
Its: Executive Vice President

Exhibit A

(a) Investigate the acquisition of certain real property located in Maricopa County, Arizona (the "Property"), as more particularly defined and described in the Operating Agreement, and in connection therewith enter into one or more access agreements and agreements with consultants and advisers to assist the Company in such investigation;

(b) Acquire fee title to one or more parcels of real property located in Maricopa County, Arizona, in the vicinity of the Property (the "Related Parcels," and together with the Property, the "Properties");

(c) Enter into a Master Agreement (the "Master Agreement") with Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"), pertaining to the Properties, and all agreements contemplated by or referred to in the Master Agreement;

(d) Enter into an agreement with Caterpillar, Inc., a Delaware corporation, pertaining to certain matters relating to the Properties (the "Caterpillar Agreement");

(e) Upon the satisfaction of the applicable requirements, terms and conditions of the Master Agreement, enter into a Trust Agreement (the "Trust Agreement"), in the form attached as an exhibit to the Master Agreement, and any and all other documents or agreements contemplated by the Master Agreement and the Trust Agreement, and cause the Property and the Easement Rights (as defined in the Operating Agreement) to be conveyed to the trustee under the Trust Agreement (the "Trustee");

(f) Develop a mixed-use real estate project on the Properties (the "Project");

(g) In connection with the exercise of the Company's rights under the Master Agreement and the Trust Agreement and the development of the Project undertake and/or direct the Trustee under the Trust Agreement to undertake (or to take actions necessary to permit or facilitate the Company in undertaking) each and every one of the following actions:

(i) master plan, zone, rezone and subdivide all or any part of the Properties, and in connection therewith cause the Properties to be annexed into a town or city and enter into development agreements, community master plans or ordinances, or other similar arrangements;

(ii) obtain or develop a water supply and distribution system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and delivery of water to the Project;

(iii) develop a sanitary sewer system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and/or provision of a sewer system or sewer services to the Project;

(iv) obtain utility services of every kind and nature for the Project, including, without limitation, natural gas, electricity, cable television, telephone and communications services of every kind and nature;

(v) obtain any and all entitlements, permits and authorizations necessary or convenient for the development of the Project and in connection therewith make applications and filings and enter into agreements and stipulations of every kind and nature with governmental authorities having jurisdiction over the Project;

(vi) construct infrastructure and related improvements on all or any part of the Properties and/or the property that is subject to the Easement Rights and offsite improvements of every kind and nature (including, without limitation, a freeway interchange, roadways, water and sewer facilities and other improvements of any kind or nature) to other properties to facilitate or enhance in any manner the development of the Project or the value of the Properties;

(vii) improve and develop all or any part of the Properties into residential lots or superpads;

(viii) construct, own, operate and manage one or more golf courses on the Properties and acquire, maintain and dispose of furniture, fixtures and equipment relating to such golf courses;

(ix) establish membership programs for the golf courses and other improvements, facilities or amenities at the project and administer the same;

(x) construct dwelling units, office buildings, retail buildings, sales centers, restaurants, sports and recreational facilities, trails, pathways and other vertical improvements of every kind or nature on portions of the Properties;

(xi) grant easements or other property rights by documents that are customarily recorded with respect to all or any part of the Properties, establish homeowners' and similar associations, and subject all or any part of the Properties to covenants, conditions, restrictions, improvement districts, community facilities districts and similar arrangements;

(xii) hold all or any part of the Properties for investment;

(xiii) obtain community facilities district financing for the Project on terms and conditions authorized under the Trust Agreement ("Authorized CFD Financing"), and in connection therewith, take each and every action authorized or permitted under the Trust Agreement with respect to such financing;

(xiv) acquire access easements, rights of way and similar property rights or interests necessary or desirable in connection with the development of the Properties;

(xv) own, operate, manage, lease, maintain, repair, replace, sell, exchange, dedicate, donate, transfer, assign or otherwise dispose of all or any part of the Properties or the Project (including, without limitation, any golf course or other improvements constructed on the Properties);

(h) retain contractors, consultants and employees to assist the Company in any and all activities of the Company as necessary or convenient to accomplish the purposes of the Company;

(i) enter into contracts, agreements and other arrangements of any kind or nature as are necessary or convenient to accomplish the purposes of the Company;

(j) provide bonds, surety arrangements, guarantees and other financial commitments of any kind or nature and lend money or advance credit as necessary or advisable for the development of the Project;

(k) exercise all of the Company's rights and remedies and perform all of the Company's duties and obligations under any agreement entered into pursuant to the foregoing provisions of this Exhibit A and, without limiting the generality of the foregoing, exercise any right and take any action which the Company is authorized or permitted to take under the Master Agreement, the Trust Agreement, the Caterpillar Agreement and any other agreement referred to therein or executed and delivered in connection therewith; and

(l) engage and direct the Trustee under the Trust Agreement to engage in any and all activities that are necessary, convenient or incidental to the accomplishment of the foregoing business purposes;

all on terms and conditions determined by the Manager, in its sole and absolute discretion, without the joinder or consent of any other Person (including, without limitation, the Independent Member).

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
EXECUTIVE SECRETARY

JOANNE C. MACDONNELL
DIRECTOR, CORPORATIONS DIVISION

11-01-99

Re DMB WHITE TANK, LLC

We are pleased to notify you that your Articles of Amendment/Restated Articles of organization were filed on 11-1-99 If the publication box has been checked, you must publish a copy of the Articles of amendment/Restated Articles WITHIN SIXTY (60) DAYS from the filing date noted above. The publication must be in a newspaper of general circulation in the county in which you are doing business for three consecutive publications..

An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the filing date noted above.

If you have any questions or need further information, please contact us at (602) 542-3135 or Toll Free (Arizona resident only) at 1-800-345-5819.

[ ] Must be Published

Very truly yours,

Mary Baines
Examiner Corporate Filings
Corporation Division
1300 W Washington St
Phoenix Arizona 85007

Exhibit B

Operating Agreement

OPERATING AGREEMENT
OF
DMB WHITE TANK, LLC

This Operating Agreement (this "Agreement") is entered into as of October 12, 1999, by DMB Realco LLC, an Arizona limited liability company ("Realco"), as a Member and the sole Manager of DMB White Tank, LLC, an Arizona limited liability company (the "Company"), and shall bind the successors and assigns of Realco and any other Person who may acquire an interest as a Member in or Manager of the Company.

ARTICLE 1
THE LIMITED LIABILITY COMPANY

1.1 Definitions. Capitalized terms appearing in this Agreement and not otherwise defined herein shall have the meanings given those terms in Section 7.7.

1.2 Organization. The Company was formed as a manager-managed limited liability company upon the filing of articles of organization (the "Articles") with the Arizona Corporation Commission on November 20, 1998. Concurrently with the execution of this Agreement, the Company is filing amended and restated articles of organization (the "Amended Articles") with the Arizona Corporation Commission. The Company shall execute any required amendments to the Amended Articles and make or do all filings, recordings and other acts that may be appropriate to comply with the operation of the Company under the Act.

1.3 Company Name. The name of the Company is DMB White Tank, LLC. All business of the Company shall be conducted in the Company's name.

1.4 Place of Business. The address of the office at which all of the records of the Company shall be kept and the principal place of business of the Company shall be 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258, or at such other place or places within the State of Arizona as may be determined by the Manager.

1.5 Agent for Service of Process. The agent for service of process on the Company shall be FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012, or such other Person as shall be designated from time to time by the Manager.

1.6 Purpose. The purposes of the Company and the character of its business are to:

(a) Investigate the acquisition of certain real property located in Maricopa County, Arizona (the "Property"), as more particularly described in the Master Agreement, and in connection therewith enter into one or more access agreements and agreements with consultants and advisers to assist the Company in such investigation;

(b) Acquire fee title to one or more parcels of real property located in Maricopa County, Arizona, in the vicinity of the Property (the "Related Parcels," and together with the Property, the "Properties");

(c) Enter into a Master Agreement (the "Master Agreement") with Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"), pertaining to the Property, and all agreements contemplated by or referred to in the Master Agreement;

(d) Enter into an Agreement to Remediate Certain Environmental Conditions (the "Remediation Agreement") with Caterpillar, Inc., a Delaware corporation, pertaining to certain conditions on the Property;

(e) Upon the satisfaction of the applicable requirements, terms and conditions of the Master Agreement, enter into a Trust Agreement (the "Trust Agreement"), in the form attached as an exhibit to the Master Agreement, and any and all other documents or agreements contemplated by the Master Agreement and the Trust Agreement, and cause the Property and the Easement Rights (as defined in the Master Agreement) to be conveyed to the trustee under the Trust Agreement (the "Trustee");

(f) Develop a mixed-use real estate project on the Properties (the "Project");

(g) In connection with the exercise of the Company's rights under the Master Agreement and the Trust Agreement and the development of the Project undertake and/or direct the Trustee under the Trust Agreement to undertake (or to take actions necessary to permit or facilitate the Company in undertaking) each and every one of the following actions:

(i) master plan, zone, rezone and subdivide all or any part of the Properties, and in connection therewith cause the Properties to be annexed into a town or city and enter into development agreements, community master plans or ordinances, or other similar arrangements;

(ii) obtain or develop a water supply and distribution system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and delivery of water to the Project;

(iii) develop a sanitary sewer system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and/or provision of a sewer system or sewer services to the Project;

(iv) obtain utility services of every kind and nature for the Project, including, without limitation, natural gas, electricty, cable television, telephone and communications services of every kind and nature;

(v) obtain any and all entitlements, permits and authorizations necessary or convenient for the development of the Project and in connection therewith make applications and filings and enter into agreements and stipulations of every kind and nature with governmental authorities having jurisdiction over the Project;

(vi) construct infrastructure and related improvements on all or any part of the Properties and/or the property that is subject to the Easement Rights and offsite

improvements of every kind and nature (including, without limitation, a freeway interchange, roadways, water and sewer facilities and other improvements of any kind or nature) to other properties to facilitate or enhance in any manner the development of the Project or the value of the Properties;

(vii) improve and develop all or any part of the Properties into residential lots or superpads;

(viii) construct, own, operate and manage one or more golf courses on the Properties and acquire, maintain and dispose of furniture, fixtures and equipment relating to such golf courses;

(ix) establish membership programs for the golf courses and other improvements, facilities or amenities at the project and administer the same;

(x) construct dwelling units, office buildings, retail buildings, sales centers, restaurants, sports and recreational facilities, trails, pathways and other vertical improvements of every kind and nature on portions of the Properties;

(xi) grant easements or other property rights by documents that are customarily recorded with respect to all or any part of the Properties, establish homeowners' and similar associations, and subject all or any part of the Properties to covenants, conditions, restrictions, improvement districts, community facilities districts and similar arrangements;

(xii) hold all or any part of the Properties for investment;

(xiii) obtain community facilities district financing for the Project on terms and conditions authorized under the Trust Agreement ("Authorized CFD Financing"), and in connection therewith, take each and every action authorized or permitted under the Trust Agreement with respect to such financing;

(xiv) acquire access easements, rights of way and similar property rights or interests necessary or desirable in connection with the development of the Properties;

(xv) own, operate, manage, lease, maintain, repair, replace, sell, exchange, dedicate, donate, transfer, assign or otherwise dispose of all or any part of the Properties or the Project (including, without limitation, any golf course or other improvements constructed on the Properties);

(h) retain contractors, consultants and employees to assist the Company in any and all activities of the Company as necessary or convenient to accomplish the purposes of the Company;

(i) enter into contracts, agreements and other arrangements of any kind or nature as are necessary or convenient to accomplish the purposes of the Company;

(j) provide bonds, surety arrangements, guarantees and other financial commitments of any kind or nature and lend money or advance credit as necessary or advisable for the development of the Project;

(k) exercise all of the Company's rights and remedies and perform all of the Company's duties and obligations under any agreement entered into pursuant to the foregoing provisions of this Section 1.6 and, without limiting the generality of the foregoing, exercise any right and take any action which the Company is authorized or permitted to take under the Master Agreement, the Trust Agreement, the Remediation Agreement and any other agreement referred to therein or executed and delivered in connection therewith; and

(l) engage and direct the Trustee under the Trust Agreement to engage in any and all activities that are necessary, convenient or incidental to the accomplishment of the foregoing business purposes;

all on terms and conditions determined by the Manager, in its sole and absolute discretion, without the joinder or consent of any other Person (including, without limitation, the Independent Member).

1.7 Powers. The Company is authorized to engage in all activities permitted by the Act, to the extent deemed necessary, convenient, incidental or advisable by the Manager to the accomplishment of the purpose of the Company as set forth in Section 1.6.

ARTICLE 2
SPECIAL PURPOSE PROVISIONS

2.1 Limited Purposes. The Company is a special purpose entity that has been organized and will be operated for the sole and exclusive purposes set forth in Section 1.6.

2.2 Independent Member.

(a) Designation of Independent Member. Prior to the execution of the Master Agreement by the Company, the Manager shall designate one or more individuals to act as a member (an "Independent Member") of the Company for the sole purpose of voting on matters described in Section 2.3(a). If the Independent Member then serving resigns or is removed in accordance with Section 2.2(d) or (e), the Manager shall designate a replacement Independent Member prior to the effective date of such resignation or removal. If the Independent Member then serving dies or becomes incapacited, the Manager shall designate a replacement Independent Member not later than thirty days following the date on which the Manager obtains actual knowledge of such death or incapacity. Any Independent Member designated from time to time by the Manager shall be subject to the approval of Foundation, which approval shall not be unreasonably withheld, conditioned or delayed. Any disagreement regarding whether Foundation has unreasonably withheld or conditioned its approval to the Independent Member designated by the Manager shall be subject to resolution in accordance with the procedures set forth in Sections 5.4 and 6 of the Trust Agreement.

(b) Qualifications of Independent Member. Each Independent Member shall be an individual who, except in his or her capacity as an Independent Member of the Company, is not and has not been before such individual's appointment as an Independent Member: (i) a member, manager, stockholder, partner, director, officer or employee of the Company or any of its Affiliates; (ii) affiliated with a significant customer, consultant, independent contractor or supplier of the Company or its Affiliates; or (iii) a Family Member of any Person described in clause (i) or (ii) above.

(c) Execution of Agreement. Each Independent Member shall sign a counterpart signature page to this Agreement, in the form attached hereto, whereby such Person agrees to all terms and conditions of this Agreement that are applicable to the Individual Member.

(d) Resignation of Independent Member. An Independent Member may resign as such at any time by giving written notice of resignation to the Manager; provided that such resignation shall not be effective until the date specified in the notice of resignation, which shall be no earlier than thirty days following delivery of such notice. An Independent Member shall and must give a notice of resignation at such time as he or she develops a relationship described in Section 2.2(b)(i), (ii) or (iii) with the Company, its Affiliates or Family Members of Persons specified in Section 2.2(b)(iii).

(e) Removal of Independent Member. An Independent Member may be removed for "cause" by the Manager; provided that such removal shall not be effective until a replacement Independent Member has been designated in accordance with Section 2.2(a). For purposes of this Agreement, "cause" shall mean and be limited to (i) the employment of the Independent Member by a competitor of the Company or its Affiliates, (ii) the conviction or a plea of guilty by the Independent Member to a felony, or (iii) failure of the Independent Member to exercise its voting rights under this Agreement after a written request by the Manager to do so, if such failure continues for more than fifteen days following any such request.

(f) Rights and Obligations. The sole rights and obligations of the Independent Member shall be to vote for or against matters requiring the affirmative vote of the Independent Member under Section 2.3(a). Notwithstanding any contrary provision of this Agreement or the Act, the Independent Member shall have no obligation to make capital contributions or to render services of any kind or nature to or for the benefit of the Company and shall have no economic rights or any other interests as a Member of the Company. The Independent Member shall have no rights of a member of a limited liability company granted under the Act, other than the voting rights specifically conferred on the Independent Member under this Section 2.2, and shall have no right to vote or to grant or withhold consent to any other matter relating to the Company. The Company shall have no obligation to provide financial information or reports to the Independent Member or to include the Independent Member in any meetings relating to the Company or its business; provided that the Manager shall give written notice to the Independent Member of any meeting to be convened for the purpose of considering any matter on which the Independent Member is entitled to vote pursuant to Section 2.3(a), at least fifteen days prior to the date of such meeting, and shall provide the Independent Member with such information as the Independent Member may reasonably request in connection with any meeting convened for such purpose.

2.3 Restrictions on Company Action. Notwithstanding any other provision of this Agreement to the contrary and any provision of law that would so empower the Company:

(a) Acts Requiring Consent of Independent Member. For so long as the Company has any rights or obligations under the Master Agreement or holds any interest in the Trust Agreement, the Company shall not have the authority to do any of the following unless there is an Independent Member, and the Manager and Independent Member affirmatively vote to cause the Company to so act:

(i) engage in any business or activity other than those set forth in Section 1.6;

(ii) dissolve or liquidate, in whole or in part at any time prior to December 31, 2050 (except as provided in Section 2.3(a)(v)(D)), or consolidate or merge with or into any other person or entity, or convey or transfer its properties and assets substantially as an entirety to any person or entity or change its legal structure;

(iii) acquire all, or substantially all, of the assets or capital stock or other ownership interest of any other entity (except for an entity wholly-owned by the Company whose sole purpose is to engage in activities authorized under Section 1.6);

(iv) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file, or consent to, a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any substantial part of its property, or make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take limited liability company action in furtherance of any such action;

(v) authorize the amendment of this Agreement to (A) provide for any additional managers other than the Manager provided for hereunder; (B) enlarge or alter the permitted business purposes of the Partnership as provided in Section 1.6; (C) amend or repeal the restrictions on Company action in this Section 2.3; or (D) permit or cause the Company to dissolve or to liquidate; except that upon the insolvency of, or the institution of voluntary or involuntary bankruptcy proceedings involving, the Company which are not dismissed within sixty days, the Company shall dissolve.

(b) Prohibited Acts. The Company shall not do any of the following (each of which shall be deemed to be prohibited hereby):

(i) incur any indebtedness, secured or unsecured, other than (A) Authorized CFD Financing obtained on terms and conditions permitted under the Trust Agreement, and (B) trade and operational debt, payables or other obligations incurred in the ordinary course of business with trade creditors, contractors or other Persons providing goods or

services for the benefit of the Project, provided that such indebtedness shall be paid when due (and no indebtedness other than Authorized CFD Financing may be secured by the Project);

(ii) make any loans to any third party (including an Affiliate); or

(iii) grant or cause to be granted a security interest of any nature whatsoever in the Company's assets or the Project other than (A) as required under the Trust Agreement, or (B) as permitted in the Trust Agreement with respect to Authorized CFD Financing.

(c) Maintenance of Separate Business. The Company shall at all times:

(i) maintain bank accounts, payroll, books, financial statements, accounting records and other company documents and records separate from those of any other Person (including any Affiliate of the Company);

(ii) not commingle the Company's funds or other assets with those of any other Person (including any Affiliate of the Company);

(iii) act solely in its name and through its the Manager and its authorized officers and agents and in all respects hold itself out to the public as a legal entity separate and distinct from any other Person (including any Affiliate of the Company);

(iv) maintain, to the best of its ability, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(v) segregate its individual assets from those of any other Person (including an Affiliate of the Company);

(vi) make investments directly or by brokers engaged and paid by the Company or its agents;

(vii) pay its own liabilities, including all administrative expenses and compensation to employees, consultants or agents, and all operating expenses, from its own separate assets;

(viii) not hold itself out to be responsible for the debts or obligations of any other Person;

(ix) not engage in any transacton with an Affiliate of the Company, other than as specifically authorized under the Trust Agreement or otherwise for goods or services provided to the Company by an Affiliate on arm's-length terms;

(x) pay from the Company's assets all obligations and indebtedness of any kind incurred by the Company;

(xi) abide by all limited liability company formalities, including the maintenance of current records of Company affairs;

(xii) cause its financial statements to be prepared in a manner that indicates the separate existence of the Company and its assets and liabilities;

(xiii) pay all its liabilities when due; and

(xiv) not assume or guaranty the obligations or liabilities of any Member or Affiliate of the Company.

(d) Additional Covenants. The Manager shall make decisions with respect to the business and daily operations of Company independent of and not dictated by any other Person, including Affiliates of the Company. The Members shall not assume or guarantee any obligations or liabilities of the Company.

ARTICLE 3
CAPITAL CONTRIBUTIONS

The Members shall make capital contributions to the Company from time to time as determined by the Manager in its sole discretion, which contributions shall be due within five business days following the Manager's written request therefor; provided that the Independent Member shall have no obligation to make capital contributions or to advance or provide funds to the Company.

ARTICLE 4
DISTRIBUTIONS

During the term of the Company, cash and property shall be distributed to the Members at such times and in such amounts as are determined by the Manager; provided that (a) no distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, and (b) no Independent Member shall be entitled to receive any distributions from the Company.

ARTICLE 5
MANAGEMENT OF THE COMPANY

Except as provided in Article 2, the business and affairs of the Company shall be managed solely by Realco, as Manager. Subject to Article 2, the Manager shall have full and complete authority, power and discretion to make any and all decisions and to do any and all things which it deems to be necessary or advisable to accomplish the business and objectives of the Company, consistent with the purpose of the Company as set forth in Section 1.6. Without limiting the generality of the foregoing, the Manager shall have the authority on behalf of the Company to undertake each and every activity that is within the scope of the purpose or powers of the Company set forth in Section 1.6. Notwithstanding any provision of this Agreement to the contrary, the signature of Realco, as Manager of the Company, shall be sufficient to convey title to

any property owned by the Company or to execute any document, agreement or instrument that is to be binding on the Company. Subject to Article 2, any Person dealing with the Company may rely (without further inquiry and without the need for formal Company resolutions or other evidence of authority) upon the acts of the Manager as binding on the Company with respect to all matters pertaining to the Company. Without limiting the generality of the foregoing, but subject to Article 2, the Manager (acting on behalf of the Company) is authorized to direct the Trustee under the Trust Agreement as to all matters on which the Company is entitled to act thereunder.

ARTICLE 6
DISSOLUTION AND WINDING UP

6.1 Dissolution Events. The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Dissolution Events"):

(a) Subject to Article 2, at the written direction of the Manager at any time;

(b) The happening of an event requiring dissolution of the Company under Section 2.3(a)(v)(d); or

(c) The happening of any other event that makes it unlawful or impossible to carry on the business of the Company.

The Company shall not dissolve or terminate upon the occurrence of any event of withdrawal (as set forth in Section 29-733 of the Act) with respect to any Member or Manager and upon the occurrence of an event of withdrawal with respect to the last remaining Member, the successors to the last remaining Member shall automatically become Members and shall continue the Company.

6.2 Notice of Winding Up. As soon as possible following the occurrence of a Dissolution Event, if the Company is not continued, a representative of the Company shall execute and file a notice of winding up with the Arizona Corporation Commission.

6.3 Winding Up. Upon a Dissolution Event, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors, but the separate existence of the Company shall continue until articles of termination have been filed with the Arizona Corporation Commission or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

6.4 Liquidation and Distribution of Assets. The Manager (or its successor in interest) shall be responsible for overseeing the winding up and liquidation of the Company and shall take full account of the Company's liabilities and assets upon a Dissolution Event. Any assets not required to discharge any liabilities of the Company shall be distributed to the Members (or their successors in interest). Upon the completion of the winding up, liquidation and distribution of the Company's assets the Company shall be deemed terminated. The Company shall comply

with any applicable requirements of the Act pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

6.5 Articles of Termination. When all Company debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the Company's remaining property and assets have been distributed to the Members (or their successor in interest), articles of termination shall be executed and filed on behalf of the Company with the Arizona Corporation Commission in the manner provided in the Act.

ARTICLE 7
MISCELLANEOUS

7.1 Limitation on Liability. The Members' liability for the debts and obligations of the Company shall be strictly limited as set forth in Section 29-651 of the Act and other applicable law.

7.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their legal representatives, successors, transferees and assigns.

7.3 Headings. Article and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

7.4 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

7.5 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

7.6 Governing Law. The laws of the State of Arizona shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Members and Manager of the Company.

7.7 Defined Terms. The following terms shall have the meanings set forth below:

"Act" means the Arizona Limited Liability Company Act, as set forth in A.R.S. § 29-601, et seq., as amended from time to time.

"Affiliate" means, with respect to any Person (a) any Person directly or indirectly controlling, controlled by or under common control with such Person (for this purpose, a Person shall be deemed to control another Person if it owns ten percent or more of the outstanding securities or equity interests in such other Person), (b) any Person owning or controlling ten percent or more of the outstanding securities or equity interests in such Person, (c) any officer, director, partner, manager, trustee or beneficiary of such Person, (d) any Person who is an officer,

director, partner, manager, trustee, beneficiary or holder of ten percent or more the outstanding securities or equity interests in any Person described in clauses (a) through (c) above, or (e) any Family Member of any Person described in clauses (a) through (d) above.

"Agreement" has the meaning given that term in the introductory paragraph on page 1.

"Amended Articles" has the meaning given that term in Section 1.2.

"Articles" has the meaning given that term in Section 1.2.

"Authorized CFD Financing" has the meaning given that term in Section 1.6(f)(xiii).

"Bankruptcy Action" means (a) taking any action that might cause the Company to become insolvent; (b) (i) commencing any case or other action on behalf of the Company relating to bankruptcy, insolvency, reorganization or relief of debtors generally; (ii) instituting proceedings to have the Company adjudicated as bankrupt or insolvent; (iii) consenting to the institution of bankruptcy or insolvency proceedings against the Company; (iv) filing a petition or consenting to a petition seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation or other relief on behalf of the Company of its debts under any federal or state law relating to bankruptcy; (v) seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Company or a substantial portion of its properties; (vi) making any assignment for the benefit of the Company's creditors; or (vii) taking any action or causing the Company to take any action in furtherance of any of the foregoing.

"Company" has the meaning given that term in the introductory paragraph on page 1.

"Dissolution Event" has the meaning given that term in Section 6.1.

"Family Member" means, with respect to any Person the parents of such Person and any lineal descendants of the parents of such Person (whether by birth or adoption).

"Foundation" has the meaning given that term in Section 1.6(b).

"Independent Member" has the meaning given that term in Section 2.2.

"Manager" means Realco or any other Person unanimously approved by the Members as the "Manager" of the Company, but only if the designation of such Person as Manager is also reflected by an amendment to the Articles filed with the Arizona Corporation Commission in accordance with the Act.

"Master Agreement" has the meaning given that term in Section 1.6(b).

"Member" means Realco and any Person subsequently admitted as a member of the Company pursuant to the Act and this Agreement. The term "Member" as used herein shall not be deemed to refer to or include any Independent Member.

"Person" means any individual, partnership, corporation, trust, limited liability company or other entity.

"Project" has the meaning given that term in Section 1.6(e).

"Properties" has the meaning given that term in Section 1.6(b).

"Property" has the meaning given that term in Section 1.6(a).

"Realco" has the meaning given that term in the introductory paragraph on page 1.

"Related Parcels" has the meaning given that term in Section 1.6(b).

"Remediation Agreement" has the meaning given that term in Section 1.6(c).

"Trust Agreement" has the meaning given that term in Section 1.6(d).

"Trustee" has the meaning given that term in Section 1.6(d).

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Manager/Member

DMB Realco LLC, an Arizona
limited liability company

By: DMB Associates, Inc., an
Arizona corporation, Manager

By: _____
Its: Executive Vice President

DESIGNATION OF INDEPENDENT MEMBER

Pursuant to Section 2.2(a) of the Operating Agreement of DMB White Tank, LLC dated as of October 12, 1999 (the "Operating Agreement"), DMB Realco LLC, an Arizona limited liability company, as the "Manager" of DMB White Tank, LLC, an Arizona limited liability company (the "Company"), hereby designates Thomas L. May as the current "Independent Member" of the Company, as such term is defined in the Operating Agreement.

Dated this 19th day of March, 2002.

DMB Realco LLC, an Arizona
limited liability company, Manager

By: DMB Associates, Inc., an
Arizona corporation, Manager

By: _____
Charley Fredericks,
Vice President

Approval:

Pursuant to Section 2.2(a) of the Operating Agreement,
the undersigned approves the designation of Thomas L. May
as the current Independent Member of the Company

Caterpillar Foundation, an Illinois not-for-profit corporation

By: _____
Thomas L. May, Vice President

APPROVAL AND ACCEPTANCE
BY INDEPENDENT MEMBER

The undersigned hereby agrees to be bound by all terms and conditions that are applicable to the "Independent Member" under the Operating Agreement to which this Approval and Acceptance is attached:

Thomas L. May
Printed Name

Signature

3/19/2002
Date

Address for Notices:

c/o Caterpillar Inc.
100 N.E. Adams Street
Peoria, Illinois 61629-9320

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

OWNER'S CERTIFICATE OF MARKET VALUE

I, the undersigned Vice President of DMB Associates, Inc., an Arizona corporation, which is the Manager of DMB White Tank, LLC, an Arizona limited liability company (the "*Owner*"), hereby certify that I am familiar with the assets and financial condition of DMB White Tank, LLC, and with respect to Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), that: (i) the Owner is the owner of a portion, and has the right to acquire the balance, of the real property (the "*Development*") located within the boundaries of the District; and (ii) to the best knowledge of the undersigned, the market value of the real property comprising the Development and improvements located thereon is not less than $302,000,000.

DATED: October 17, 2006

DMB WHITE TANK, LLC

By _____
Andrew S. Beams
Vice-President, DMB Associates, Inc., an
Arizona corporation; Manager of
(*) an Arizona limited
Liability company, Manager of
DMB White Tank LLC

(*)= DMB Communities LLC

DEVELOPER INDEMNITY LETTER
FOR
$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

October 17, 2006

RBC Dain Rauscher, Inc., doing business
under the name RBC Capital Markets
2398 East Camelback Road
Phoenix, Arizona 85016

District Board
Verrado District 1 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: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

This Indemnity Letter is delivered by DMB White Tank, LLC, an Arizona limited liability company (hereinafter referred to as the "*Developer*"), in order to induce RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets (hereinafter referred to as the "*Underwriter*") and Verrado District 1 Community Facilities District (hereinafter referred to as the "*District*"), to enter into the Purchase Contract, dated October 5, 2006 (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 that 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 Developer represents and warrants to the Underwriter that:

(a) The Developer 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 Limited Offering Memorandum, the information in the Preliminary Limited Offering Memorandum under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Ad Valorem Taxation in the District," "- The Standby Contribution Agreement", "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE - Phase 1 and Phase II Public

Infrastructure, " "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" "RISK FACTORS", 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 and the Standby Contribution Agreement (hereinafter referred to as, collectively, the "*Developer 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 Developer or conflicts with or results in a breach by the Developer of any of the terms, conditions or provisions of, or constitute a default by the Developer under, any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Developer is a party or by which it is bound or to which any of the property or assets of the Developer is subject, or any law or any order, rule or regulation applicable to the Developer of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Developer 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 Developer 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 Developer 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 Developer, threatened against the Developer 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 Developer, or which would materially and adversely affect the properties (taken as a whole) of the Developer, taken as a whole, and which has not been disclosed in the Preliminary Limited Offering Memorandum as of its date, (ii) materially adversely affect the transactions contemplated by the Purchase Contract or the Developer Documents or (iii) adversely affect the validity or enforceability of the Developer Documents against the Developer.

(e) The Developer has the full power and authority to execute and deliver the Developer Documents and perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Purchase Contract and the Developer Documents, and the Developer Documents have been duly authorized by the Developer and, when executed will constitute valid, binding and enforceable obligations of the Developer 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 Developer of the transactions contemplated by the Purchase Contract and the Developer 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 Developer 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 Limited Offering Memorandum 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 Limited Offering Memorandum 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 Developer (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 Developer, notify the Developer in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of the Developer by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Developer, but the omission to notify the Developer of any such action shall not relieve the Developer 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 Developer of the commencement thereof, the Developer 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 Developer (it being understood that, except as hereinafter provided, the Developer shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Developer to such Indemnified Party of an election so to assume the defenses thereof, the Developer 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 Developer assumes the defense of any such action at the request of such Indemnified Party, the Developer shall have the right to participate at its own expense in the defense of any such action. If the Developer 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 Developer (in which case the Developer 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 Developer.

3. All of the representations, warranties, and agreements of the Developer contained in the Developer 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 Developer 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.

[Remainder of Page Intentionally Left Blank]

5. The Developer hereby consents to the references made to the Developer in the Limited Offering Memorandum.

Respectfully submitted,

By _____
John L. Bradley
Vice-President, DMB Associates, Inc., an Arizona corporation; Manager of DMB Communities LLC, an Arizona limited liability company, Manager of DMB White Tank LLC

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

ACKNOWLEDGEMENT AND REQUEST FOR AUTHENTICATION AND DELIVERY OF BONDS

I, Jeanine Guy, Manager of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), hereby acknowledge that, pursuant to the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (the "*Indenture*"), the Trustee received from RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, the purchaser (the "*Underwriter*"), on the date of this Certificate the following amounts for the purchase of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), District General Obligation Bonds, Series 2006:

Principal	$18,600,000.00
Accrued Interest	0.00
Less: Underwriter's Compensation	(465,000.00)
TOTAL	$18,135,000.00

The undersigned hereby requests that Wells Fargo Bank, N.A., acting pursuant to the Indenture, authenticate $18,600,000 principal amount of the bonds in the amounts and interest rates and maturing on the dates shown in the Indenture and cause the same to be delivered to the Underwriter.

Dated: October 17, 2006

MANAGER, VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By

KCH:jlu 680309 10/05/06

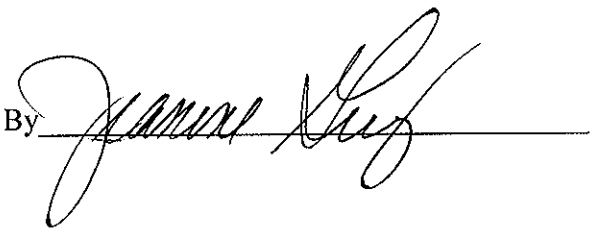
$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

CERTIFICATE REGARDING INDEBTEDNESS

I, Jeanine Guy, Manager of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), hereby certify and, based upon the Owner's Certificate of Market Value, the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged which totals $42,600,000, does not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the above-referenced Bonds.

Dated: October 17, 2006

MANAGER, VERRADO DISTRICT 1
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

By 

KCH:jlu 680365 10/05/06

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

TRUSTEE'S CERTIFICATE OF COMPLETION AND AUTHENTICATION

The undersigned, an authorize representative of Wells Fargo Bank, N.A., as trustee (the "*Trustee*") under the Indenture of Trust and Security Agreement dated as of October 1, 2006 (the "*Indenture*"), by and between Verrado District 1 Community Facilities District (the "*District*") and the Trustee hereby certifies that:

(a) The performance of its duties and obligations under the Indenture has been duly authorized by all necessary corporate action on the part of the Trustee and under present law does not contravene the Articles of Association or By-Laws of the Trustee or to the best of its knowledge, after due inquiry, conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any material agreement or instrument to which the Trustee is subject.

(b) By all necessary action, the Trustee has authorized the execution, delivery and due performance by it of the Indenture and the execution, delivery and due performance by it of the Certificate of Authentication appearing on 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 resolution of the District adopted on September 19, 2006, authorizing the issuance and sale of the Bonds.

(c) Pursuant to the written request and authorization from the District, the Trustee has executed the Bonds and caused the Bonds to be delivered in accordance with such written authorization and direction to the Trustee. The persons executing the Bonds and all documents relating to the Bonds on behalf of the Trustee were and are representatives duly authorized to execute the Bonds and all documents relating to the Bonds on behalf of the Trustee. Their signatures appearing on the Bonds and other documents are their true and correct signatures.

(d) The Bonds have been properly and accurately completed.

(e) Attached hereto is a true, complete and correct copy of a resolution of the Trustee demonstrating the authority of the officer executing documents in the name of the Trustee to act on behalf of the Trustee. Said authority was in effect on the date or dates that said officer acted and remains in full force and effect on the date hereof.

Dated: October 17, 2006

WELLS FARGO BANK, N.A.

By _____
Authorized Representative

KCH:jlu 680305 10/05/06

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	
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 October 17, 2006.

Paula N Boemer
Assistant Secretary

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

RECEIPT OF TRUSTEE

The undersigned, does hereby acknowledge for and on behalf of the Trustee for the hereinafter described Indenture as follows:

1. $18,600,000 principal amount of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "*Bonds*"), maturing in the years 2014, 2018 and 2031, and bearing interest from October 17, 2006 (payable semiannually on January 15 and July 15 in each year, commencing on January 15, 2007) have this day been delivered to, or upon the order of, RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets upon payment to the Trustee of the purchase price of the Bonds as follows:

Par Amount of the Bonds	$18,600,000.00
Less: Underwriting Compensation	(465,000.00)
Total Amount Received	$18,135,00.00

2. Pursuant to the provisions of Section 5.05 of the Indenture, proceeds (including accrued interest) of the Bonds have been applied by deposit of the following amounts to the following funds or accounts:

FUND OR ACCOUNT	AMOUNT
Acquisition and Construction Fund	$ 18,135,000.00
Total:	$18,135,000.00

Dated: October 17, 2006

WELLS FARGO BANK, N.A.

By: _____
Its: Vice President

KCH:jlu 680326 10/05/06

RBC Capital Markets

** FINAL **

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

Issue:	$18,600,000 Verrado District 1 Community Facilities District (Buckeye, Arizona) District General Obligation Bonds, Series 2006
Bonds Dated:	Date of Delivery (October 17, 2006)
Interest Payment Dates:	January 15 and July 15 of each year, commencing January 15, 2007.
Ratings:	Not Rated
Maturity Dates, Principal Amounts, Interest Rates:	$3,360,000 4.850% Term Bonds due July 15, 2014 @ 100% $2,325,000 5.050% Term Bonds due July 15, 2018 @ 100% $12,915,000 5.350% Term Bonds due July 15, 2031 @ 100%
Mandatory Sinking Fund Redemption:	See Exhibit A
Base CUSIP Number:	92511Q
Pre-Closing:	Monday, October 16, 2006 3:00 P.M. (Arizona Time) Gust Rosenfeld P.L.C 201 E. Washington Street, Suite 800 Phoenix, Arizona 85004 Keith Hoskins, Esq. Phone:(602) 257-7967 Fax: (602) 340-1538
Closing:	Tuesday, October 17, 2006 8:00 A.M. (Arizona Time) Gust Rosenfeld P.L.C 201 E. Washington Street, Suite 800 Phoenix, Arizona 85004 Keith Hoskins, Esq. Phone:(602) 257-7967 Fax: (602) 340-1538
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:

1. Par Value of Bonds	$18,600,000.00
Less: Underwriter's Discount	(465,000.00)
Amount Payable at Closing	$18,135,000.00

Flow of Funds:

SOURCES OF FUNDS

On the morning of closing, RBC Capital Markets will wire transfer **$18,135,000.00**, representing the purchase price of the Bonds, to:

Wells Fargo Bank, N.A.
ABA #: 121000248
Trust Clearing Account #: 00010-38-377
For Credit To: Verrado CFD 06
Account #: 20512103
Attention: Ms. Nancy Eatros, (602) 378-2337

USES OF FUNDS

$18,135,000.00 will be deposited to the Series 2006 Acquisition and Construction Fund held pursuant to the Indenture and applied to pay costs of issuance of the Bonds **($153,500.00)** and costs of acquistion and construction of infrastructure **($17,981,500.00)** as provided in the Indenture.

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 Capital Markets via The Depository Trust Company Closing Desk (212) 855-3752, 53, 54, 56, through Beth Maloney (312) 559-1602.

EXHIBIT A

$18,600,000
Verrado District 1 Community Facilities District
(Buckeye, Arizona)
District General Obligation Bonds, Series 2006

Dated: 10/17/2006 **Delivered: 10/17/2006**

Date	Principal (a)		Interest	Total Debt Service	Fiscal Total	**CUSIP: 92511Q**
6/21/2006						
1/15/2007			$237,435.00	$237,435.00		
7/15/2007			485,662.50	485,662.50	$723,097.50	
1/15/2008			485,662.50	485,662.50		
7/15/2008	$415,000.00	4.850% (b)	485,662.50	900,662.50	1,386,325.00	AN 1
1/15/2009			475,598.75	475,598.75		
7/15/2009	435,000.00	4.850% (b)	475,598.75	910,598.75	1,386,197.50	AN 1
1/15/2010			465,050.00	465,050.00		
7/15/2010	455,000.00	4.850% (b)	465,050.00	920,050.00	1,385,100.00	AN 1
1/15/2011			454,016.25	454,016.25		
7/15/2011	480,000.00	4.850% (b)	454,016.25	934,016.25	1,388,032.50	AN 1
1/15/2012			442,376.25	442,376.25		
7/15/2012	500,000.00	4.850% (b)	442,376.25	942,376.25	1,384,752.50	AN 1
1/15/2013			430,251.25	430,251.25		
7/15/2013	525,000.00	4.850% (b)	430,251.25	955,251.25	1,385,502.50	AN 1
1/15/2014			417,520.00	417,520.00		
7/15/2014	550,000.00	4.850% (b)	417,520.00	967,520.00	1,385,040.00	AN 1
1/15/2015			404,182.50	404,182.50		
7/15/2015	580,000.00	5.050% (c)	404,182.50	984,182.50	1,388,365.00	AP 6
1/15/2016			389,537.50	389,537.50		
7/15/2016	605,000.00	5.050% (c)	389,537.50	994,537.50	1,384,075.00	AP 6
1/15/2017			374,261.25	374,261.25		
7/15/2017	635,000.00	5.050% (c)	374,261.25	1,009,261.25	1,383,522.50	AP 6
1/15/2018			358,227.50	358,227.50		
7/15/2018	670,000.00	5.124% (c) (d)	358,227.50	1,028,227.50	1,386,455.00	AP 6
1/15/2019			341,062.50	341,062.50		
7/15/2019	705,000.00	5.350% (e)	341,062.50	1,046,062.50	1,387,125.00	AQ 4
1/15/2020			322,203.75	322,203.75		
7/15/2020	740,000.00	5.350% (e)	322,203.75	1,062,203.75	1,384,407.50	AQ 4
1/15/2021			302,408.75	302,408.75		
7/15/2021	780,000.00	5.350% (e)	302,408.75	1,082,408.75	1,384,817.50	AQ 4
1/15/2022			281,543.75	281,543.75		
7/15/2022	825,000.00	5.350% (e)	281,543.75	1,106,543.75	1,388,087.50	AQ 4
1/15/2023			259,475.00	259,475.00		
7/15/2023	865,000.00	5.350% (e)	259,475.00	1,124,475.00	1,383,950.00	AQ 4
1/15/2024			236,336.25	236,336.25		
7/15/2024	915,000.00	5.350% (e)	236,336.25	1,151,336.25	1,387,672.50	AQ 4
1/15/2025			211,860.00	211,860.00		
7/15/2025	960,000.00	5.350% (e)	211,860.00	1,171,860.00	1,383,720.00	AQ 4
1/15/2026			186,180.00	186,180.00		
7/15/2026	1,015,000.00	5.350% (e)	186,180.00	1,201,180.00	1,387,360.00	AQ 4
1/15/2027			159,028.75	159,028.75		
7/15/2027	1,070,000.00	5.350% (e)	159,028.75	1,229,028.75	1,388,057.50	AQ 4
1/15/2028			130,406.25	130,406.25		
7/15/2028	1,125,000.00	5.350% (e)	130,406.25	1,255,406.25	1,385,812.50	AQ 4
1/15/2029			100,312.50	100,312.50		
7/15/2029	1,185,000.00	5.350% (e)	100,312.50	1,285,312.50	1,385,625.00	AQ 4
1/15/2030			68,613.75	68,613.75		
7/15/2030	1,250,000.00	5.350% (e)	68,613.75	1,318,613.75	1,387,227.50	AQ 4
1/15/2031			35,176.25	35,176.25		
7/15/2031	1,315,000.00	5.350% (e)	35,176.25	1,350,176.25	1,385,352.50	AQ 4
Total	18,600,000.00		$15,385,680.00	$33,985,680.00	$33,985,680.00	

(a) The Bonds are subject to optional redemption on July 15, 2016 at a redemption price of 100%.
(b) Represents mandatory sinking fund amounts for term bond due July 15, 2014.
(c) Represents mandatory sinking fund amounts for term bond due July 15, 2018.
(d) Represents $505,000 payment of the term bond maturing in 2018 and $165,000 mandatory redemption requirement for the term bond maturing in 2031. See mandatory redemption schedule on following page.
(e) Represents mandatory sinking fund amounts for term bond due July 15, 2031.

EXHIBIT A

$18,600,000

Verrado District 1
Community Facilities District
(Buckeye, Arizona)
District General Obligation Bonds, Series 2006

MANDATORY REDEMPTION SCHEDULE

Bonds Maturing on July 15, 2014

Redemption Date	Principal Amount
7/15/2008	$415,000.00
7/15/2009	435,000.00
7/15/2010	455,000.00
7/15/2011	480,000.00
7/15/2012	500,000.00
7/15/2013	525,000.00
7/15/2014 (maturity)	550,000.00

Bonds Maturing on July 15, 2018

Redemption Date	Principal Amount
7/15/2015	$580,000.00
7/15/2016	605,000.00
7/15/2017	635,000.00
7/15/2018 (maturity)	505,000.00

Bonds Maturing on July 15, 2031

Redemption Date	Principal Amount
7/15/2018	$165,000.00
7/15/2019	705,000.00
7/15/2020	740,000.00
7/15/2021	780,000.00
7/15/2022	825,000.00
7/15/2023	865,000.00
7/15/2024	915,000.00
7/15/2025	960,000.00
7/15/2026	1,015,000.00
7/15/2027	1,070,000.00
7/15/2028	1,125,000.00
7/15/2029	1,185,000.00
7/15/2030	1,250,000.00
7/15/2031 (maturity)	1,315,000.00

EXHIBIT B

DISTRIBUTION LIST

VERRADO DISTRICT NO. 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

ISSUER

Verrado District 1Community Facilities District (Town of Buckeye)
100 Apache
Suite A
Buckeye, Arizona 85326
FAX: (623) 386-7832

Jeanine Guy
Interim District Manager
(623) 386-4691
E-mail: jguy@buckeyeaz.gov

Doug Allen
Finance Director
(623) 386-4691
E-mail: dallen@buckeyeaz.gov

DEVELOPER

DMB, Inc.
7600 E. Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258-2137
FAX: (480) 367-7446

John Bradley
Project Manager
(480) 367-7292
E-mail: jbradley@dmbinc.com

Andy Beams
(480) 367-7246
E-mail: abeams@dmbinc.com

Eric Carlson
(480) 367-7222
E-mail: ecarlson@dmbinc.com

Bob Kammerle
(480) 367-7239
E-mail: bkammerle@dmbinc.com

COUNSEL TO DEVELOPER

Greenberg Traurig, LLP
2375 E. Camelback Road
Suite 700
Phoenix, Arizona 85016
FAX: (602) 445-8100

Rebecca Burnham, Esq.
(602) 445-8251
E-mail: burnhamr@gtlaw.com

SPECIAL DISTRICT COUNSEL

Gust Rosenfeld P.L.C.
201 E. 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

FINANCIAL CONSULTANT

Peacock, Hislop, Staley & Given, Inc.
2999 N. 44th Street
Suite 100
Phoenix, Arizona 85018
FAX: (602) 952-0220

Jim Stricklin
(602) 952-6852
E-mail: jstricklin@phsg.com

Tom Hislop
(602) 952-6824
E-mail: thislop@phsg.com

Suzanne Gibbs
(602) 952-6846
E-mail: smgibbs@phsg.com

RBC Capital Markets

UNDERWRITER

RBC Capital Markets
2398 E. Camelback Road
Suite 700
Phoenix, Arizona 85016
FAX: (602) 381-5380

Terry Maas
(602) 381-5372
E-mail: terry.maas@rbcdain.com

Shawn Dralle
(602) 381-5362
E-mail: shawn.dralle@rbcdain.com

Phong Pham
(602) 381-5370
E-mail: phong.pham@rbcdain.com

UNDERWRITERS' COUNSEL

Greenberg Traurig, LLP
2375 E. Camelback Road
Suite 700
Phoenix, Arizona 85016
FAX: (602) 445-8100

John Overdorff, Esq.
(602) 445-8464
E-mail: overdorffj@gtlaw.com

TRUSTEE

Wells Fargo Bank, N.A.
Corporate Trust Services
100 W. Washington Street
22nd Floor
MAC #S4101-22E
Phoenix, Arizona 85003
FAX: (602) 378-2333

Nancy Eatros
(602) 378-2337
E-mail: nancy.l.eatros@wellsfargo.com

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

CERTIFICATE OF UNDERWRITER
REGARDING INITIAL OFFERING PRICE
OF THE BONDS TO THE PUBLIC
AND AS TO YIELD

The undersigned (the "*Underwriter*") 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, interest and fees for qualified guarantees on the issue and amounts reasonably expected to be paid as fees for qualified guarantees 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 under-writers 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. Accordingly, the issuer and bond counsel need to be informed by the Underwriter as to the initial offering price of the Bonds to the public.

Therefore, the Underwriter certifies that a *bona fide* public offering of the Bonds 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 underwriters 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 October 5, 2006, is as follows:

Maturity or Redemption Date (July 15)	Designation	Par Amount	Offering Price	Total for Redemption Date
2008	Term Bond 1	$ 415,000	100.00%	$ 415,000
2009	Term Bond 1	435,000	100.00%	435,000
2010	Term Bond 1	455,000	100.00%	455,000
2011	Term Bond 1	480,000	100.00%	480,000
2012	Term Bond 1	500,000	100.00%	500,000
2013	Term Bond 1	525,000	100.00%	525,000
2014*	Term Bond 1	550,000	100.00%	550,000
2015	Term Bond 2	580,000	100.00%	580,000
2016	Term Bond 2	605,000	100.00%	605,000
2017	Term Bond 2	635,000	100.00%	635,000
2018*	Term Bond 2	505,000	100.00%	505,000
2018	Term Bond 3	$165,000	100.00%	165,000
2019	Term Bond 3	705,000	100.00%	705,000
2020	Term Bond 3	740,000	100.00%	740,000
2021	Term Bond 3	780,000	100.00%	780,000
2022	Term Bond 3	825,000	100.00%	825,000
2023	Term Bond 3	865,000	100.00%	865,000
2024	Term Bond 3	915,000	100.00%	915,000
2025	Term Bond 3	960,000	100.00%	960,000
2026	Term Bond 3	1,015,000	100.00%	1,015,000
2027	Term Bond 3	1,070,000	100.00%	1,070,000
2028	Term Bond 3	1,125,000	100.00%	1,125,000
2029	Term Bond 3	1,185,000	100.00%	1,185,000
2030	Term Bond 3	1,250,000	100.00%	1,250,000
2031*	Term Bond 3	1,315,000	100.00%	1,315,000
	TOTAL			$18,600,000

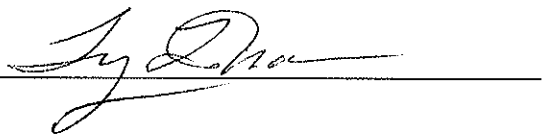
* Maturity dates of term bonds

To the knowledge of the Underwriter, the Bonds were sold at prices that would induce willing buyers to purchase such investments from willing sellers in *bona fide*, arms-length transactions.

Based upon the purchase price so certified, the under-signed hereby certifies that the yield on the Bonds is 5.2835%.

DATED: October 17, 2006.

RBC DAIN RAUSCHER INC., DOING BUSINESS UNDER THE NAME RBC CAPITAL MARKETS

By 

KCH:jlu 680339 10/05/06

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

RECEIPT FOR BONDS

On behalf of RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets, the purchaser of the $18,600,000 principal amount of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "*Bonds*"), the undersigned hereby acknowledges receipt of all such Bonds on the date set forth in this receipt.

The undersigned represents and certifies that it: (i) made a limited offering of all of the Bonds; and (ii) has reoffered and sold the Bonds only to SMMP's, as defined in the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (the "*Indenture*") and that it will not redeliver the Bonds to any purchaser without receiving an executed Certificate of Sophisticated Municipal Market Professional, in the form set forth in the Indenture, from such purchaser.

DATED: October 17, 2006

RBC DAIN RAUSCHER INC.,
DOING BUSINESS UNDER THE
NAME RBC CAPITAL MARKETS

By _____
Authorized Agent

REGISTERED
No. R-_____

REGISTERED
$_____

UNLESS THE PROVISIONS OF THE HEREINAFTER DESCRIBED INDENTURE PROVIDE OTHERWISE, BENEFICIAL OWNERSHIP INTERESTS IN THE HEREINAFTER DESCRIBED BONDS ARE ONLY TRANSFERABLE IN CONNECTION WITH A SALE TO OR THROUGH A BROKER/DEALER (1) OF A PRINCIPAL AMOUNT OF $100,000 OR MORE AND (2) TO EITHER (A) SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS PURSUANT TO THE RULES AND REGULATIONS PROMULGATED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD APPLICABLE TO SALES TO "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS" OR (B) TO QUALIFIED INVESTORS EXECUTING THE REQUIRED INVESTOR LETTERS AS ATTACHED HERETO.

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.

THIS BOND IS ONLY TRANSFERABLE UPON COMPLIANCE
WITH THE RESTRICTED TERMS PROVIDED HEREIN

UNITED STATES OF AMERICA
STATE OF ARIZONA

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

Interest Rate	Maturity Date	Original Dated Date	CUSIP No.
	July 15, ____	October 17, 2006	92511Q ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

Verrado District 1 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 (the "*Issuer*"), for value received, hereby promises to pay to the "Registered Owner" specified above or registered assigns (the "*Owner*"), on the "Maturity Date" specified above unless earlier redeemed as provided herein, 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 Dated 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 such Principal Amount is paid or the payment thereof is duly provided for at Maturity (as such term is defined in the hereinafter described "*Indenture*"), semiannually on each January 15 and July 15 commencing January 15, 2007 (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 The Depository Trust Company (the "*Depository*") on the date due (or in accordance with then existing arrangements between the Issuer and the Depository).

SPECIMEN BOND

If the specified date for any such payment shall be 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 designated corporate trust office of the Paying Agent is located then such payment may be made on the next succeeding day which is not one of the foregoing days 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.

This Bond is one of a duly authorized issue of bonds of the Issuer having the designation specified in its title (the "*Bonds*"), issued and to be issued in one series under, and all equally and ratably secured, with the limitations described herein, by an Indenture of Trust and Security Agreement, dated as of October 1, 2006 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, N.A., as trustee (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 Owners 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 Owner of this Bond hereby consents. The Bonds are authorized to be issued by a Resolution of the District Board of the Issuer adopted on September 19, 2006 (the "*Bond Resolution*"), for the purposes therein described and in strict conformity with Title 48, Chapter 4, Article 16, Arizona Revised Statutes, as amended (the "*Enabling Act*").

The Bonds are payable, equally and ratably with such other obligations of the Issuer payable from such sources as may be outstanding from time to time and to the extent provided in the Indenture, from the proceeds of an *ad valorem* tax, unlimited as to rate or amount, to be levied and collected at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the Issuer sufficient together with any other moneys from sources available pursuant to the Enabling Act (including amounts available from the Standby Contribution Agreement as described below) to pay debt service on the Bonds when due. DMB White Tank, LLC, an Arizona limited liability company (the "*Developer*"), the developer of the land within the boundaries of the Issuer, has entered into a Standby Contribution Agreement dated as of October 1, 2006 (the "*Standby Contribution Agreement*") with the Issuer pursuant to which the Developer will make payments to the Trustee to supplement tax revenues. The Standby Contribution Agreement may be released prior to the maturity of the Bonds by the Issuer upon satisfaction of certain conditions set forth in the Indenture.

Notwithstanding any provisions 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 (as such term is defined in the Indenture) sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in the denominations of $100,000 and integral multiples of $5,000 thereof.

Special Mandatory Redemption Relating to a Default under the Standby Contribution Agreement. The Bonds are subject to special mandatory redemption at any time in the event of a default under the terms of the Standby Contribution Agreement upon payment of the Redemption Price by the Developer 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 Redemption Date, but without premium. The Redemption Date shall be the first day of the first calendar month after payment of the Redemption Price to the Trustee for which notice of the redemption can be given not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date.

Optional Redemption. The Bonds maturing after July 15, 2016, are subject to redemption, at the option of the Issuer, on any date on or after July 15, 2016 as a whole or in part, upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date, without premium.

SPECIMEN COPY

Mandatory Redemption. The Bonds maturing on July 15, 2014, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date but without premium.

Redemption Date		Principal Amount
2008		$415,000
2009		435,000
2010		455,000
2011		480,000
2012		500,000
2013		525,000
2014	(maturity)	550,000

The Bonds maturing on July 15, 2018, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date but without premium.

Redemption Date		Principal Amount
2015		$580,000
2016		605,000
2017		635,000
2018	(maturity)	505,000

The Bonds maturing on July 15, 2031, shall be redeemed on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given by mail as provided in the Indenture, upon payment of the 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 Redemption Date but without premium.

Redemption Date		Principal Amount
2018		$ 165,000
2019		705,000
2020		740,000
2021		780,000
2022		825,000
2023		865,000
2024		915,000
2025		960,000
2026		1,015,000
2027		1,070,000
2028		1,125,000
2029		1,185,000
2030		1,250,000
2031	(maturity)	1,315,000

SPECIMEN BOND

Whenever Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a pro rata basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount which is an Authorized Denomination.

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 less than all the Outstanding Bonds are to be redeemed, the particular Bonds of a maturity to be redeemed shall be determined by the Depository pursuant to its procedures.

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 the Depository or a nominee thereof, this Bond may be transferred in whole but not in part only to the Depository or a nominee thereof or to a successor Depository 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 an Owner with respect to: (1) the Bonds; (2) the accuracy of any records maintained by the Depository or any Direct Participant or Indirect Participant; (3) the timely or untimely payment by the Depository 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 Owners; (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 the Depository as Owner.

The Owner of this Bond has no right to enforce the provisions of the Bond Resolution or the Indenture, or to institute action to enforce the pledge, assignment or covenants made therein or to take any action with respect to an Event of Default described in the Indenture or to institute, appear in, or defend any suit, action or other proceeding at law or in equity with respect thereto, except as provided in the Indenture.

The liability of the Issuer and obligations of the Issuer pursuant to the Indenture with respect to all or any portion of the Bonds may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Indenture.

No covenant or agreement contained in the Bonds, the Indenture or in the Bond Resolution shall be deemed to be the covenant or agreement of any elected or appointed official, officer, agent, servant or employee of the Issuer in his or her individual capacity or of any officer, director, agent, servant or employee of the Trustee or Owner in his or her individual capacity, and neither the members of the governing body of the Issuer nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Terms used, but not defined, herein have the meanings set forth in the Indenture. Copies of the Bond Resolution and Indenture are on file at the designated office of the Trustee, and reference is made to those instruments for the provisions relating, among other things, to the terms and source of payment and security for the Bonds, the limited liability of the Issuer, the custody and application of the proceeds of the Bonds, the rights and remedies of the Owners of the Bonds, amendments, and the rights, duties and obligations of the Issuer and the Trustee, to all of which the Owner hereof, by acceptance of this Bond, assents.

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 Owners of the Bonds under the Bond Resolution, the Indenture and the Standby Contribution Agreement at any time by the Issuer with the consent of the Owners of a majority in principal amount of the Bonds at the time Outstanding (as such term is defined in the Indenture) affected by such modification. The Bond Resolution and Indenture also contain

SPECIMEN BOND

provisions permitting the Owners of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Owners 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 Owner of this Bond or any Predecessor Bond (as such term is defined in the Indenture) evidencing the same debt shall be conclusive and binding upon such Owner 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.

Notwithstanding any other provision of this Bond to the contrary, but except as otherwise provided in the Indenture, this Bond, including any beneficial ownership interest therein, is nontransferable except through a Broker-Dealer to (a) institutions determined by the Broker-Dealer to be sophisticated municipal market professionals pursuant to the rules and regulations of the Municipal Securities Rulemaking Board or (b) qualified investors executing the investor letter attached hereto.

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.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF BUCKEYE, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) 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 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 in order to render the same a legal, valid, and binding general obligation of the Issuer have been performed, exist and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the bonds does not exceed any constitutional or statutory limitation. 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 and the federal laws of the United States of America.

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

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
District Chairman

ATTEST:

_____
District Clerk

Dated: October 17, 2006

SPECIMEN BOND

KGH:jlu 681771 10/13/06

[The following certificate shall be required only to the extent required by Section 3.04F of the Indenture.]

[FORM OF INVESTOR LETTER (SMMP)]

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

WELLS FARGO BANK, N.A., as Trustee

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)
General Obligation Bonds, Series 2006

Please be advised that the undersigned is an authorized officer of the purchaser of a beneficial ownership interest, or is the authorized investment advisor to the purchaser of a beneficial ownership interest (in either case, the purchaser is hereinafter referred to as the "*Purchaser*"), in the captioned bonds (hereinafter referred to as the *"Bonds"*) in the aggregate principal amount of $_____. The undersigned hereby agrees to only offer and sell such interest to or through a broker, dealer or broker-dealer in an amount of not less than $100,000 of principal amount.

In regard to the foregoing, the undersigned hereby certifies, acknowledges, warrants and represents that:

(1) The Purchaser either (a)(i) is a "*qualified institutional buyer*," as such term is defined in Rule 144A of the Securities Act of 1933, as amended, (ii) with total assets of at least $100,000,000 invested in municipal securities in the aggregate in its portfolio and/or under management, (b) is a dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934 acting in a riskless principal transaction on behalf of a purchaser qualifying with clause (a) of this subparagraph (1), or (c) is RBC Dain Rauscher, Inc., doing business under the name RBC Capital Markets.

(2) Such purchase of an interest in the Bonds is for the account of the Purchaser for the purpose of investment and not with a present intent for distribution or resale.

(3) An opportunity was available to obtain and the Purchaser has obtained all information which was regarded as necessary to evaluate and has evaluated the merits and risks of investment in the Bonds, and after such evaluation, the Purchaser understood and knew that investment in the Bonds involved certain risks, including, but not limited to, those related to limited security and source for payment of the Bonds, the concentration of ownership of land subject to tax levy for payment of the Bonds in a limited number of owners of property within the addressee District and the possible transfer of such land by such owners, failure or inability of such owners as developers to complete proposed development of such land, and possible bankruptcy and foreclosure delays.

(4) The Purchaser is experienced in transactions such as those relating to the Bonds, is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds and did not rely on the addressee District or the Town, or any official, officer, director, council member, advisor, employee or agent of either in making its decision to invest in the Bonds.

_____
[PURCHASER]

By: _____
Printed Name: _____
Name: _____

SPECIMEN BOND

[The following certificate shall be required only to the extent required by Section 3.04F of the Indenture.]

[FORM OF INVESTOR LETTERS (NON-SMMP)]

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

Wells Fargo Bank, National Association, as Trustee

Re: Verrado District 1 Community Facilities District General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is a Qualified Investor (as hereafter defined) and is purchasing, either directly or as beneficial owner in case the bonds are held by a securities depository, one of the captioned bonds (hereinafter referred to as the "Bonds"), such Bond, or beneficial interest therein, being in the original aggregate principal amount of $_____, bearing the number _____. Such purchase is for the account of the undersigned, for the purpose of investment and not with a present intent for distribution or resale.

2. In the event that the undersigned transfers such Bond or any part thereof, the undersigned shall comply with all provisions of the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (hereinafter referred to as the "Indenture") from the addressee District (hereinafter referred to as the "District") to the addressee Trustee (or any successor thereto as provided in such Indenture, hereinafter referred to as the "Trustee") as described in the Bonds. The undersigned understands that, unless the transfer restrictions terminate pursuant to the Indenture, a transferee shall be a Qualified Investor, and must sign a letter in the form of this letter and provide such letter to the Trustee before any transfer of any Bond to such transferee will be registered.

3. The undersigned acknowledges that it is one of the following:

(i) a bank as defined in Section 3(a)(2) of the Securities Act of 1933, or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act of 1933; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; plan established and maintained by a state, its political subdivision, or any agency or instrumentality of a state or its political subdivision, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self directed plan, with investment decisions made solely by persons that are accredited investors;

(ii) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iii) an organization described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of $5,000,000;

(iv) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000 and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth;

(v) a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with the person's spouse in excess of $300,000 in each of those years and who reasonably expects reaching the same income level the current year and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth; or

SPECIMEN BOND

(vi) an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (i), (ii), (iii), (iv) or (v) above.

Collectively, the purchasers meeting one or more of the criteria set forth above shall be referred to as a "Qualified Investor."

4. The undersigned assumes all responsibility for complying with any applicable federal and state securities laws with respect to any transfer of the Bond or an interest therein, and agrees to hold the District and the Town of Buckeye, Arizona (hereinafter referred to as the "Town") harmless for, from and against any and all liabilities claims, damages or losses resulting directly or indirectly from such failure to comply.

5. The undersigned acknowledges that the undersigned has had an opportunity to obtain and has obtained all information necessary and has independently evaluated the factors associated with its investment decision and after such evaluation, the undersigned understood and knew that investment in the Bonds involved certain risks, including but not limited to, limited security and source for payment of the Bonds, the status of development and its impact on taxation for payment of the Bonds, the possible transfer of land by the owners of land in the District, failure or inability of owners to complete proposed development of such land, bankruptcy and foreclosure delays and the probable lack of any secondary market for the Bonds. The undersigned acknowledges that it is experienced in transactions such as those relating to the Bonds and that the undersigned is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds. The undersigned is not relying on the District or the Town in making its decision to purchase the Bonds and agrees that the Town is not obligated in any manner for the issuance or payment of the Bonds.

6. The undersigned understands that the Bonds (i) are not being registered under the Securities Act of 1933, as amended, in reliance upon certain exemptions set forth in that Act, (ii) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) will not be listed on any stock or other securities exchange, (iv) will not carry any bond rating from any rating service, and (v) are not likely to be readily marketable.

7. The undersigned acknowledges that the District and the Town, their respective officers, directors, council members, advisors, employees and agents of either of the foregoing, have not undertaken to furnish, nor has the undersigned requested any other information, or to ascertain the accuracy or completeness of any other information that may have been furnished by any other party.

_____

[PURCHASER]

By_____

Printed Name:_____

Title:_____

[END OF FORM OF BOND]

SPECIMEN BOND

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: October 17, 2006

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	UNIF GIFT/TRANS MIN ACT - _____ (Cust)
TEN ENT - as tenants by the entireties	Custodian for _____ (Minor) Under Uniform
JT TEN - as joint tenants with right of survivorship and not as tenants in common	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, subject to the transfer restrictions described in the within Bond, 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 book 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 BOND

KCH:jlu 681771 10/13/06

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

[Name of Issuer]

April 10, 2003

[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: _____

DTCC

The Depository Trust & Clearing Corporation

Very truly yours,

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

(Issuer)

By: _____
(Authorized Officer's Signature)

Joseph Blanton, District Manager
(Print Name)

100 N. Apache, Suite A
(Street Address)

Buckeye, Arizona Maricopa 85326
(City) (State) (Country) (Zip Code)

(623.386.4691
(Phone Number)

jblanton@buckeyeaz.org
(E-mail Address)

[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.

REPRESENTATION FOR SECURITIES WITH PURCHASE RESTRICTION

Issuer and Agent recognize that DTC does not in any way undertake to, and shall not have any responsibility to, monitor or ascertain the compliance of any transactions in the Securities with any exemptions from registration under the Securities Act of 1933, the Investment Company Act of 1940, or of any other state or federal securities laws (including any mechanism designed to assure such compliance, such as a purchaser's letter). Issuer and Agent acknowledge that: a) so long as Cede & Co. is the sole record owner of the Securities, it shall be entitled to all voting rights in respect thereof and to receive the full amount of all principal, premium, if any, and interest payable with respect thereto; and b) DTC shall treat any DTC Participant having Securities credited to its DTC accounts as entitled to the full benefits of ownership of such Securities even if the crediting of such Securities to the DTC accounts of such Participant results from transfers or failures to transfer in violation of such laws. (The treatment by DTC of the effects of the crediting by it of Securities to the accounts of DTC Participants shall not affect the rights of Issuer or purchasers, sellers, or holders of Securities against any DTC Participant.)

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
District Manager

[5/94]

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: **Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)**

2 Issuer's employer identification number: **46 : 0503786**

3 Number and street (or P.O. box if mail is not delivered to street address): **100 N. Apache**

Room/suite: **A**

4 Report number: **3 01**

5 City, town, or post office, state, and ZIP code: **Buckeye, Arizona 85326**

6 Date of issue: **October 17, 2006**

7 Name of issue: **District General Obligation Bonds, Series 2006**

8 CUSIP number: **92511Q AQ4**

9 Name and title of officer or legal representative whom the IRS may call for more information: **Douglas Allen, 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	
18	☑ Other. Describe ▶ **Public Infrastructure: Roads, Utilities, Drainage, Parks**	18	18,600,000
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	July 15, 2031	$ $18,600,000	$ $18,600,000	15.6 years	5.2803 %

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	18,600,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24 618,500		
25	Proceeds used for credit enhancement	25 0		
26	Proceeds allocated to reasonably required reserve or replacement fund	26 0		
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	618,500
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)		30	17,981,500

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

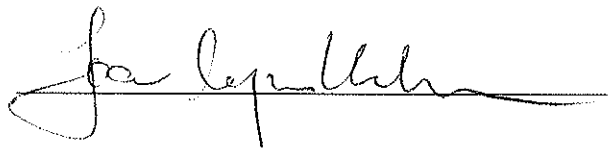
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of issuer's authorized representative — Date: **October 17, 2006** — **Jeanine Guy, Manager** (Type or print name and title)

$18,600,000
VERRADO DISTRICT 1
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

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 October 30, 2006.



SWR:jlu 686576 10/30/06

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: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)			
2. Issue name/title: District General Obligation Bonds, Series 2006			
3. Dated Date: October 17, 2006 Closing Date: October 17, 2006		4. Par Amount: $18,600,000	
5. Overall Interest Rate (TIC OR NIC): 5.4570% (NIC)		6. Type of Bond or Security: general obligation bond	
7. Repayment sources: ad valorem taxes levied on property in the district			
8. Total amount outstanding: $42,600,000		9. Total amount outstanding of senior or subordinate bonds: $-0-	
10. Original issue price: Attach Schedule 1 a. Par Amount (principal amount)	$18,600,000.00	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 (-)	$0.00	b. Debt limit percentage: 60% of market value plus value of improvements	
c. Premium Amount (+)	$0.00	c. Total debt limit: not less than $42,600,000	
d. Original Issue Price (=)	$18,600,000.00	12. Available debt limit: not less than $0	
e. Underwriter Compensation (Discount) (-)	($465,000.00)	13. Total amount authorized: $100,000,000	
f. Net Proceeds (=)	$18,135,000.00		
14. Remaining authorized amount:	$57,400,000.00	15. If voter authorized, election dates: August 7, 2001	

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

October 17, 2006
Date

Title, address and phone number

Jeanine Guy, Manager
Verrado District 1 Community Facilities District
100 North Apache, Suite A
Buckeye, Arizona 85326

Trustee name, address and phone number

Wells Fargo Bank, N.A.
100 West Washington Street
22nd Floor, MAC#S4101-22E
Phoenix, Arizona 85003

Political Subdivision Contact
name, address, phone number

Jeanine Guy, Manager
Verrado District 1 Community Facilities District
100 North Apache, Suite A
Buckeye, Arizona 85326

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:jlu 680380 10/06/06

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: **VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006**

Par Amount: $18,600,000

Date Closed: October 17, 2006

Mandatory Redemption Date (July 1)	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
2008	$415,000.00	4.850%	4.850%	$415,000.00	0
2009	$435,000.00	4.850%	4.850%	$435,000.00	0
2010	$455,000.00	4.850%	4.850%	$455,000.00	0
2011	$480,000.00	4.850%	4.850%	$480,000.00	0
2012	$500,000.00	4.850%	4.850%	$500,000.00	0
2013	$525,000.00	4.850%	4.850%	$525,000.00	0
2014*	$550,000.00	4.850%	4.850%	$550,000.00	0
2015	$580,000.00	5.050%	5.050%	$580,000.00	0
2016	$605,000.00	5.050%	5.050%	$605,000.00	0
2017	$635,000.00	5.050%	5.050%	$635,000.00	0
2018**	$505,000.00	5.050%	5.050%	$505,000.00	0
2018	$165,000.00	5.350%	5.350%	$165,000.00	0
2019	$705,000.00	5.350%	5.350%	$705,000.00	0
2020	$740,000.00	5.350%	5.350%	$740,000.00	0
2021	$780,000.00	5.350%	5.350%	$780,000.00	0
2022	$825,000.00	5.350%	5.350%	$825,000.00	0
2023	$865,000.00	5.350%	5.350%	$865,000.00	0
2024	$915,000.00	5.350%	5.350%	$915,000.00	0
2025	$960,000.00	5.350%	5.350%	$960,000.00	0
2026	$1,015,000.00	5.350%	5.350%	$1,015,000.00	0
2027	$1,070,000.00	5.350%	5.350%	$1,070,000.00	0
2028	$1,125,000.00	5.350%	5.350%	$1,125,000.00	0
2029	$1,185,000.00	5.350%	5.350%	$1,185,000.00	0
2030	$1,250,000.00	5.350%	5.350%	$1,250,000.00	0
2031***	$1,315,000.00	5.350%	5.350%	$1,315,000.00	0
TOTAL	**$18,600,000.00**	**N/A**	**N/A**	**$18,600,000.00**	**0**
10e Underwriter's Discount and/or Placement Agent Fee, if any				(465,000.00)	
10f Net Proceeds (as shown on issuance form)				$18,135,000.00	

* maturity date of Term Bond 1
** maturity date of Term Bond 2
*** maturity date of Term Bond 3

KCH:jlu 680380 10/06/06

Name of Issue: **VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006**

Costs of Issuance

Underwriter compensation	$465,000.00
Bond counsel fee	65,000.00
Underwriter's counsel fee	40,000.00
Financial advisor fees	35,000.00
Trustee, Registrar, transfer and paying agent fees	4,500.00
Official Statement printing	4,000.00
Miscellaneous	5,000.00
TOTAL	$618,500.00

KCH:jlu 680380 10/06/06

Revised Final Pricing

$18,600,000

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
01/15/2007	-	-	237,435.00	237,435.00
07/15/2007	-	-	485,662.50	485,662.50
01/15/2008	-	-	485,662.50	485,662.50
07/15/2008	415,000.00	4.850%	485,662.50	900,662.50
01/15/2009	-	-	475,598.75	475,598.75
07/15/2009	435,000.00	4.850%	475,598.75	910,598.75
01/15/2010	-	-	465,050.00	465,050.00
07/15/2010	455,000.00	4.850%	465,050.00	920,050.00
01/15/2011	-	-	454,016.25	454,016.25
07/15/2011	480,000.00	4.850%	454,016.25	934,016.25
01/15/2012	-	-	442,376.25	442,376.25
07/15/2012	500,000.00	4.850%	442,376.25	942,376.25
01/15/2013	-	-	430,251.25	430,251.25
07/15/2013	525,000.00	4.850%	430,251.25	955,251.25
01/15/2014	-	-	417,520.00	417,520.00
07/15/2014	550,000.00	4.850%	417,520.00	967,520.00
01/15/2015	-	-	404,182.50	404,182.50
07/15/2015	580,000.00	5.050%	404,182.50	984,182.50
01/15/2016	-	-	389,537.50	389,537.50
07/15/2016	605,000.00	5.050%	389,537.50	994,537.50
01/15/2017	-	-	374,261.25	374,261.25
07/15/2017	635,000.00	5.050%	374,261.25	1,009,261.25
01/15/2018	-	-	358,227.50	358,227.50
07/15/2018	670,000.00	5.124%	358,227.50	1,028,227.50
01/15/2019	-	-	341,062.50	341,062.50
07/15/2019	705,000.00	5.350%	341,062.50	1,046,062.50
01/15/2020	-	-	322,203.75	322,203.75
07/15/2020	740,000.00	5.350%	322,203.75	1,062,203.75
01/15/2021	-	-	302,408.75	302,408.75
07/15/2021	780,000.00	5.350%	302,408.75	1,082,408.75
01/15/2022	-	-	281,543.75	281,543.75
07/15/2022	825,000.00	5.350%	281,543.75	1,106,543.75
01/15/2023	-	-	259,475.00	259,475.00
07/15/2023	865,000.00	5.350%	259,475.00	1,124,475.00
01/15/2024	-	-	236,336.25	236,336.25
07/15/2024	915,000.00	5.350%	236,336.25	1,151,336.25
01/15/2025	-	-	211,860.00	211,860.00
07/15/2025	960,000.00	5.350%	211,860.00	1,171,860.00
01/15/2026	-	-	186,180.00	186,180.00
07/15/2026	1,015,000.00	5.350%	186,180.00	1,201,180.00
01/15/2027	-	-	159,028.75	159,028.75
07/15/2027	1,070,000.00	5.350%	159,028.75	1,229,028.75
01/15/2028	-	-	130,406.25	130,406.25
07/15/2028	1,125,000.00	5.350%	130,406.25	1,255,406.25

Revised Final Pricing

$18,600,000

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I
01/15/2029	-	-	100,312.50	100,312.50
07/15/2029	1,185,000.00	5.350%	100,312.50	1,285,312.50
01/15/2030	-	-	68,613.75	68,613.75
07/15/2030	1,250,000.00	5.350%	68,613.75	1,318,613.75
01/15/2031	-	-	35,176.25	35,176.25
07/15/2031	1,315,000.00	5.350%	35,176.25	1,350,176.25
Total	**$18,600,000.00**	-	**$15,385,680.00**	**$33,985,680.00**

Yield Statistics

Bond Year Dollars	$290,461.67
Average Life	15.616 Years
Average Coupon	5.2969744%
Net Interest Cost (NIC)	5.4570643%
True Interest Cost (TIC)	5.5378260%
Bond Yield for Arbitrage Purposes	5.2835461%
All Inclusive Cost (AIC)	5.6239210%

IRS Form 8038

Net Interest Cost	5.2969744%
Weighted Average Maturity	15.616 Years

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 **Verrado District 1 Community Facilities District (Town of Buckeye, Arizona)**	2	Issuer's employer identification number **46 : 0503786**
3	Number and street (or P.O. box if mail is not delivered to street address) **100 N. Apache**	Room/suite **A**	4 Report number **3 01**
5	City, town, or post office, state, and ZIP code **Buckeye, Arizona 85326**	6	Date of issue **October 17, 2006**
7	Name of issue **District General Obligation Bonds, Series 2006**	8	CUSIP number **92511Q AQ4**
9	Name and title of officer or legal representative whom the IRS may call for more information **Douglas Allen, 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	
18	☑ Other. Describe ▶ **Public Infrastructure: Roads, Utilities, Drainage, Parks**	18	**18,600,000**
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	**July 15, 2031**	$ **$18,600,000**	$ **$18,600,000**	**15.6** years	**5.2803** %

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	**18,600,000**
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	**618,500**		
25	Proceeds used for credit enhancement	25	**0**		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	**0**		
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	**618,500**
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	**17,981,500**

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.

Jeanine Guy — October 17, 2006

Signature of issuer's authorized representative — Date

Jeanine Guy, Manager

Type or print name and title

LIMITED OFFERING MEMORANDUM

NEW ISSUE - FULL BOOK ENTRY 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.

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

DATED: Date of Delivery **DUE: As shown below**

The Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 and integral multiples of $5,000 in excess thereof. Purchasers will not receive definitive certificates with respect to the Bonds. So long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a "DTC Participant" to receive payment of principal of and interest on such Bond. See "THE BONDS - Book-Entry-Only System" herein. Interest on the Bonds (except defaulted interest, if any) will be payable semiannually on each January 15 and July 15 commencing January 15, 2007 (each an "Interest Payment Date"). Except as otherwise described herein in APPENDIX E - "BOOK-ENTRY-ONLY SYSTEM," principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the designated corporate trust office of Wells Fargo Bank, National Association, as trustee (the "Trustee"). Except as otherwise described herein in APPENDIX E "BOOK-ENTRY-ONLY SYSTEM," interest due on the Bonds on each Interest Payment Date will be payable by check mailed to the persons in whose names such Bonds are registered by the Trustee on the first (1st) day of the calendar month preceding such Interest Payment Date.

The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and an election in and for Verrado District 1 Community Facilities District, a community facilities district (the "District") formed within the boundaries of the Town of Buckeye, Arizona (the "Town"), held on August 7, 2001, and will be issued pursuant to an Indenture of Trust and Security Agreement, dated as of August 1, 2006, from the District to the Trustee and a resolution of the District Board of the District. The Bonds will be payable as to both principal and interest from *ad valorem* property taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. Debt service with respect to the Bonds will also be payable from amounts payable pursuant to a Standby Contribution Agreement between the District and DMB White Tank, LLC, an Arizona corporation and developer of the Project (the "Developer"), dated as of August 1, 2006. See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement can be released under certain circumstances described under "SECURITY FOR AND SOURCES OF PAYMENT" and "RISK FACTORS" herein.)* With respect to ad valorem taxes only, the Bonds are on a parity with the District General Obligation Bonds, Series 2003 (the "Series 2003 Bonds") and issues of general obligation bonds of the District which may be issued in the future.

The Bonds will be subject to optional, special mandatory redemption and mandatory redemption by the District prior to maturity as described herein.

Proceeds of the sale of the Bonds will be used to finance acquisition of certain public infrastructure within the District, to pay certain funded interest on the Bonds and to pay costs of issuance relating to the Bonds.

The Bonds are not being sold in a public offering. The Bonds may be purchased by and transferred to "Qualified Investors" only. To insure transfer to Qualified Investors only, all sales and transfers must occur utilizing a broker, dealer or municipal securities dealer. See "INVESTOR SUITABILITY STANDARDS" and "TRANSFER RESTRICTIONS" herein.

Investment in the Bonds has substantial risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Limited Offering Memorandum. Neither the District nor the Developer are entering into continuing disclosure undertakings.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

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 Limited Offering Memorandum in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

MATURITY SCHEDULE

$3,360,000 4.850% Term Bonds due July 15, 2014, Price 100%
$2,325,000 5.050% Term Bonds due July 15, 2018, Price 100%
$12,915,000 5.350% Term Bonds due July 15, 2031, Price 100%

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 District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona, for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for the Developer by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona. It is expected that delivery of the Bonds in book-entry-only form will be made to Cede & Co. on or about October 17, 2006.

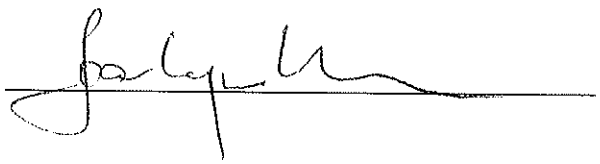
RBC CAPITAL MARKETS

October 5, 2006

$18,600,000
VERRADO DISTRICT 1
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2006

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 October 30, 2006.



SWR:jlu 686579 10/30/06

Verrado District 1 CFD Investor Letters
$18,600,000

Investor	Account #	Amount	
Van Kampen		5,915,000	x
Wells Capital Management		675,000	x
Wells Capital Management		725,000	x
Wells Capital Management		1,500,000	x
Federated Investors		1,750,000	x
Oppenheimer/Rochester		5,250,000	x
Newberger Burnam		2,325,000	x
SIT		460,000	x
Total		**18,600,000**	

Balance -

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $5,915,000, bearing the number _____. Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated _____ related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: Van Kampen High Yield Municipal Fund*
Printed Name: _____
By: _____
Its: Elizabeth Nelson, Assistant Secretary

October 5, 2006

*As provided for in Section 8.1 of the Agreement and Declaration of Trust of the Van Kampen Tax-Exempt Trust (the "Trust") dated as of May 10, 1995, as amended and restated as of June 21, 1995 and subsequently amended (under which the Trust is organized as a business trust under the laws of the State of Delaware and the Van Kampen High Yield Municipal Fund (the "Series") is organized as a series of the Trust), the shareholders, trustees, officers, employees, and other agents of the Trust and the Series shall not personally be bound by or liable for the matters set forth hereunder, nor shall resort be had to their private property for the satisfaction of any obligation or claim hereunder. A Certificate of Trust referring to the Agreement and Declaration of Trust of the Trust is on file with the Secretary of State of Delaware

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $ 675,000, bearing the number 92511QAN1 Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated 9/27/06 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: WF Adv. Nat. Limited-Term Tax-free Fund
Printed Name: Lyle Fitterer
By: [signature]
Its: Portfolio Manager

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $ 725,000, bearing the number 925(QANL Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated 9/27/06 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: WF Adv. Intermediate Municipal Bond Fund
Printed Name: Lyle Fitterer
By: _____
Its: Portfolio Manager

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $1,500,000, bearing the number 9251 QAN1 Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated 9/27/06 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: WF Adv. Short-Term Muni Fund
Printed Name: Kyle Fitterer
By: _____
Its: Portfolio Manager

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the "*Bonds*"), such Bond being in the original aggregate principal amount of $ 1,750,000, bearing the number _____. Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated Sep. 27, 2006 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: Mary Jo Ochson
Printed Name: Federated Municipal High Yield Advantage Fund
By: Mary Jo Ochson
Its: Chief Investment Officer/Portfolio Manager

JB Phong Pham
602.381.5380

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $ 525,000, bearing the number 925116AA4. Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated 12/7/06 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: Scott Gilbert
Printed Name: Scott Gilbert
By: _____
Its: _____

N+B

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the "*Bonds*"), such Bond being in the original aggregate principal amount of $2,325,000, bearing the number R-25/10 A/6. Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated 9/27/06 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

OCT-16-06 12:44PM FROM-N & B LLC 212-476-8535 T-431 P.01/02 F-108

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: _____
Printed Name: Thomas J. Brophy
By: _____
Its: _____

OCT-18-06 12:44PM FROM-N & B LLC. 212-476-6535 T-431 P.02/02 F-108

APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $460,000, bearing the number _____. Such purchase is solely for accounts managed by the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated 9-27-06 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: Sit Investment Associates, Inc.
Printed Name: Paul J. Jungquist
By: _____
Its: Vice President

LIMITED OFFERING MEMORANDUM

NEW ISSUE - FULL BOOK ENTRY 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.

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

DATED: Date of Delivery **DUE: As shown below**

The Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 and integral multiples of $5,000 in excess thereof. Purchasers will not receive definitive certificates with respect to the Bonds. So long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a "DTC Participant" to receive payment of principal of and interest on such Bond. See "THE BONDS - Book-Entry-Only System" herein. Interest on the Bonds (except defaulted interest, if any) will be payable semiannually on each January 15 and July 15 commencing January 15, 2007 (each an "Interest Payment Date"). Except as otherwise described herein in APPENDIX E - "BOOK-ENTRY-ONLY SYSTEM," principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the designated corporate trust office of Wells Fargo Bank, National Association, as trustee (the "Trustee"). Except as otherwise described herein in APPENDIX E "BOOK-ENTRY-ONLY SYSTEM," interest due on the Bonds on each Interest Payment Date will be payable by check mailed to the persons in whose names such Bonds are registered by the Trustee on the first (1st) day of the calendar month preceding such Interest Payment Date.

The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and an election in and for Verrado District 1 Community Facilities District, a community facilities district (the "District") formed within the boundaries of the Town of Buckeye, Arizona (the "Town"), held on August 7, 2001, and will be issued pursuant to an Indenture of Trust and Security Agreement, dated as of August 1, 2006, from the District to the Trustee and a resolution of the District Board of the District. The Bonds will be payable as to both principal and interest from *ad valorem* property taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. Debt service with respect to the Bonds will also be payable from amounts payable pursuant to a Standby Contribution Agreement between the District and DMB White Tank, LLC, an Arizona corporation and developer of the Project (the "Developer"), dated as of August 1, 2006. See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement can be released under certain circumstances described under "SECURITY FOR AND SOURCES OF PAYMENT" and "RISK FACTORS" herein.)* With respect to ad valorem taxes only, the Bonds are on a parity with the District General Obligation Bonds, Series 2003 (the "Series 2003 Bonds") and issues of general obligation bonds of the District which may be issued in the future.

The Bonds will be subject to optional, special mandatory redemption and mandatory redemption by the District prior to maturity as described herein.

Proceeds of the sale of the Bonds will be used to finance acquisition of certain public infrastructure within the District, to pay certain funded interest on the Bonds and to pay costs of issuance relating to the Bonds.

The Bonds are not being sold in a public offering. The Bonds may be purchased by and transferred to "Qualified Investors" only. To insure transfer to Qualified Investors only, all sales and transfers must occur utilizing a broker, dealer or municipal securities dealer. See "INVESTOR SUITABILITY STANDARDS" and "TRANSFER RESTRICTIONS" herein.

Investment in the Bonds has substantial risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Limited Offering Memorandum. Neither the District nor the Developer are entering into continuing disclosure undertakings.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

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 Limited Offering Memorandum in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

MATURITY SCHEDULE

$3,360,000 4.850% Term Bonds due July 15, 2014, Price 100%
$2,325,000 5.050% Term Bonds due July 15, 2018, Price 100%
$12,915,000 5.350% Term Bonds due July 15, 2031, Price 100%

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 District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona, for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for the Developer by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona. It is expected that delivery of the Bonds in book-entry-only form will be made to Cede & Co. on or about October 17, 2006.

RBC CAPITAL MARKETS

October 5, 2006

THIS LIMITED OFFERING MEMORANDUM, 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 INDENTURE, THE STANDBY CONTRIBUTION AGREEMENT, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT, THE DEVELOPER AND THE PUBLIC INFRASTRUCTURE (AS SUCH TERMS ARE DEFINED HEREIN) AND OTHER INFORMATION ARE INCLUDED IN THIS LIMITED OFFERING MEMORANDUM. SUCH DESCRIPTIONS DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES HEREIN TO THE BONDS, THE INDENTURE, THE BOND RESOLUTION, THE STANDBY CONTRIBUTION AGREEMENT AND ANY OTHER DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS, COPIES OF WHICH MAY BE OBTAINED FROM RBC DAIN RAUSCHER INC. DOING BUSINESS UNDER THE NAME RBC CAPITAL MARKETS (THE "UNDERWRITER") AT SUITE 700, 2398 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS LIMITED OFFERING MEMORANDUM. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM 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, THE DEVELOPER 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. THIS LIMITED OFFERING MEMORANDUM 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. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF AD VALOREM TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IN THIS LIMITED OFFERING MEMORANDUM 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.

ANY STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM INVOLVING MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO STATED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT. THIS LIMITED OFFERING MEMORANDUM 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 OR BENEFICIAL INTERESTS THEREIN.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM 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 THE DEVELOPER WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN SINCE THE DATE OF THIS LIMITED OFFERING MEMORANDUM.

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 LIMITED OFFERING MEMORANDUM, 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 LIMITED OFFERING MEMORANDUM, WHICH INCLUDES THE COVER PAGE AND THE APPENDICES HERETO, 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.

NEITHER THE DISTRICT NOR THE DEVELOPER HAS COVENANTED TO PROVIDE CONTINUING DISCLOSURE PURSUANT TO AN EXEMPTION TO RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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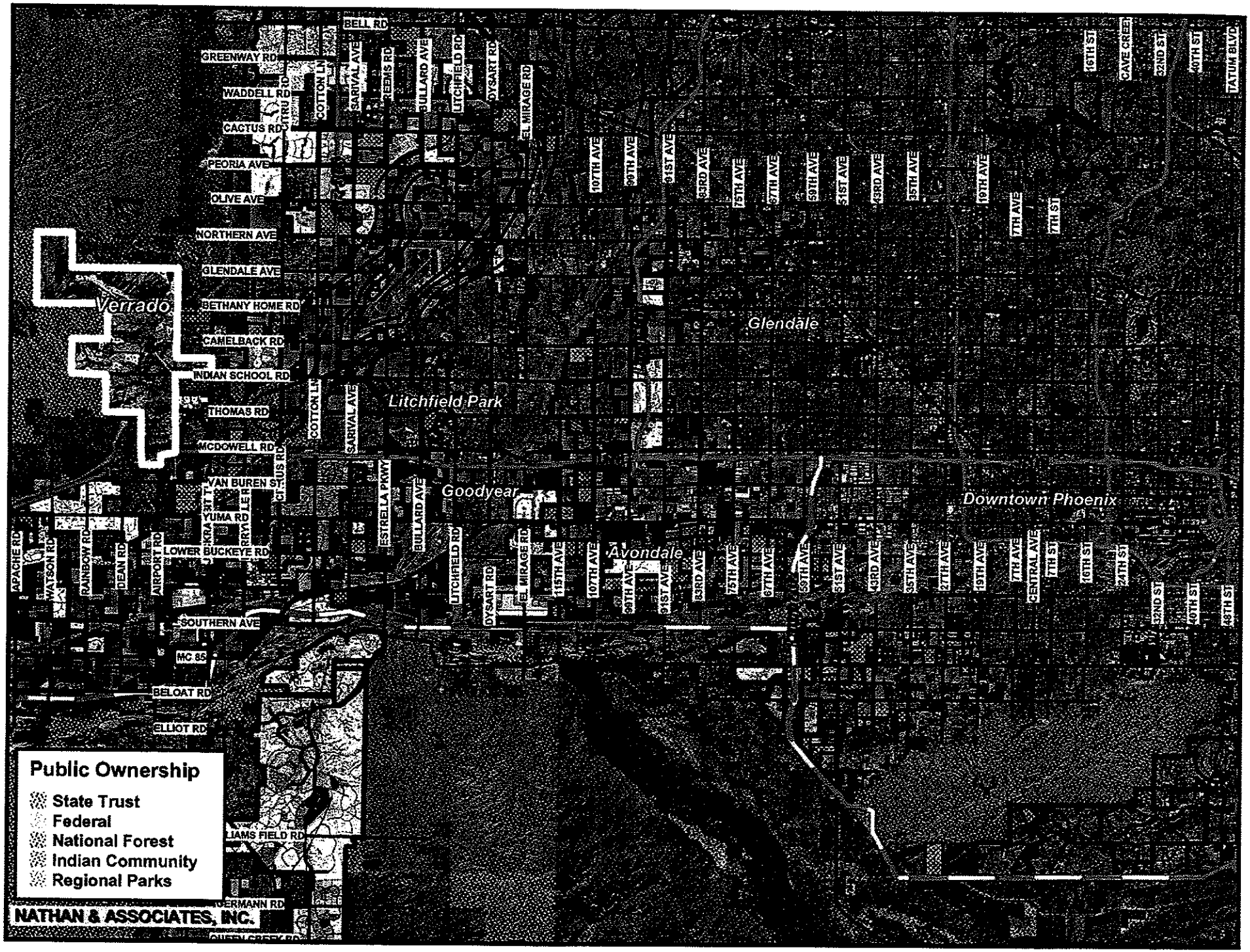
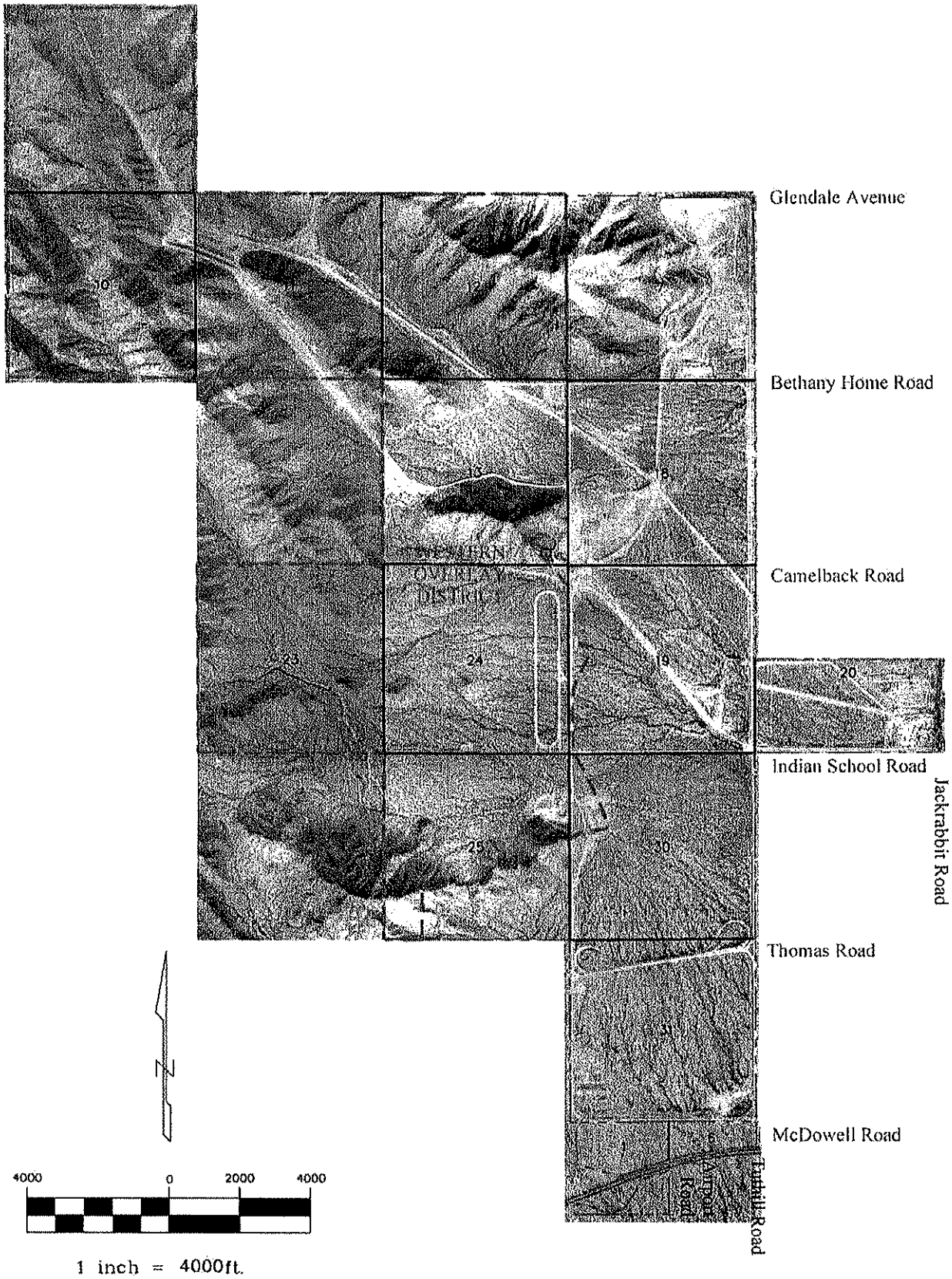
Map 1
MAP SHOWING LOCATION OF DISTRICT
IN CONTEXT OF TOWN OF BUCKEYE
AND NEIGHBORING COMMUNITIES



This map was produced using data from private and governmental sources deemed to be reliable. The information herein is provided without representation or warranty.

Map 2
MAP SHOWING DISTRICT BOUNDARIES AND BOUNDARIES OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT



VERRADO DISTRICT 1 AND WESTERN OVERLAY COMMUNITY FACILITIES DISTRICTS

VERRADO

BUCKEYE, ARIZONA

DMB

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and
Land Surveyors
(602) 335-8500

04/10/03

M:\2000\001081\EXHIBITS\CFD-EXHIBIT.DWG

$18,600,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS,
SERIES 2006

INTRODUCTORY STATEMENT

This Limited Offering Memorandum, which includes the cover page and the appendices hereto, provides certain information concerning the issuance of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "Bonds"), in the aggregate principal amount of $18,600,000. **Certain capitalized terms not defined in the text of this Limited Offering Memorandum are defined in Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms" herein.**

The Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Enabling Act"), was enacted to provide a method of financing (including through the issuance of general obligation bonds of the District) certain "public infrastructure purposes" (as such term is defined in the Enabling Act) relating to a community facilities district. As provided by, and with the limitations set forth in, the Enabling Act, once formed, a community facilities district is a legally constituted municipal corporation and political subdivision within defined boundaries.

Pursuant to the Enabling Act and in response to a petition by the Developer and certain other landowners described herein under the subheading "GENERAL DESCRIPTION OF THE DISTRICT, THE DEVELOPER AND THE PROJECT," being collectively the then owners of all the land within the hereinafter described community facilities district, the Mayor and Council (the "Town Council") of the Town of Buckeye, Arizona (the "Town"), formed Verrado District 1 Community Facilities District (the "District") on June 19, 2001. See Appendix A - "INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA" for certain information about the Town, "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" for a description of the District and "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" for a description of the Developer.

Pursuant to an election held on August 7, 2001 (the "Election"), the District has the authority to issue general obligation bonds in an aggregate principal amount of not to exceed $100,000,000 secured by ad valorem taxes levied on all taxable property within the boundaries of the District and may also secure such bonds from other sources described in the Enabling Act, including amounts available from sources such as the hereinafter described Standby Contribution Agreement. The Bonds are the second series issued pursuant to the authorization approved by the Election, and after issuance of the Bonds, there will be $57,400,000 of authorization remaining. On June 19, 2001, the Town also formed the Verrado Western Overlay Community Facilities District (the "Overlay District") which overlays certain portions of the District (see

Map 3 and "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE").

The Bonds are being issued in order to finance a portion of the cost of the acquisition and/or construction by the District of certain public infrastructure, which will be accepted by the Town (collectively, the "Public Infrastructure"). See "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" and "SOURCES AND APPLICATIONS OF FUNDS."

The board of the District (the "Board") will annually levy and cause the Maricopa County Treasurer to collect an ad valorem tax, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any moneys from the sources described in the Enabling Act including the hereinafter described Standby Contribution Agreement, to pay Debt Service with respect to the Bonds when due.

A majority of Holders of the District's General Obligation Bonds, Series 2003 (the "Series 2003 Bonds") have consented to an amendment to the 2003 Standby Contribution Agreement that permits the District Board to allocate ad valorem taxes first to the Bonds in reliance upon additional funds being made available for the 2003 Bonds from the 2003 Standby Contribution Agreement (and certain other sources related to the 2003 Bonds). However, if there is a payment shortfall, with respect to ad valorem taxes only, the Bonds are on a parity with the 2003 Bonds and issues of general obligation bonds of the District which may be issued in the future. **See "SECURITY FOR AND SOURCES OF PAYMENT - Ad Valorem Taxation in the District" and "RISK FACTORS."**

For each year until the Bonds are paid or otherwise provided for, the Board will levy and cause the Maricopa County Treasurer to collect an ad valorem property tax based upon a tax rate of at least $3.00 per $100 of secondary assessed valuation on all taxable property within the boundaries of the District, sufficient, with moneys, if any, available pursuant to the Standby Contribution Agreement, dated as of October 1, 2006 (the "Standby Contribution Agreement"), by and among the District, the Developer and Wells Fargo Bank National Association, as trustee (the "Trustee") to pay Debt Service with respect to the Bonds; provided, however, that the District may levy a lesser tax rate if such lower rate is estimated to produce tax revenues sufficient to pay in full Debt Service with respect to the Bonds (and debt service with respect to subsequently issued additional general obligation bonds of the District) up to, and including, the final maturity of the Bonds and any such outstanding additional bonds. The Standby Contribution Agreement is subject to release by the District under certain circumstances. See "SECURITY FOR AND SOURCES OF PAYMENT - The Standby Contribution Agreement" and APPENDIX F – "Form of Standby Contribution Agreement."

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR

ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

INVESTOR SUITABILITY STANDARDS

Beneficial interests with respect to the Bonds may be purchased only by Qualified Investors. As used herein, "Qualified Investor" means any purchaser of such an interest through a broker/dealer which is either (A) a "sophisticated municipal market professional" (as such term is interpreted by and applied to the rules of the Municipal Securities Rulemaking Board) which is buying an interest of a principal amount of $100,000 or more or (B) providing a qualified investor letter in the form attached hereto as Appendix D-1. A letter in the form set forth in Appendix D-1 must be provided by all Qualified Investors described in clause (B) hereinabove in connection with investment as part of the initial sale and delivery of the Bonds prior to any such investment in the Bonds and by any transferee not described in clause (A) hereinabove upon any transfer of any beneficial interest in a Bond after the initial sale and delivery of the Bonds. Qualified Investors described in clause (A) hereinabove must provide a qualified investor letter in the form set forth in Appendix D-2 only in connection with investment as part of the initial sale and delivery of the Bonds prior to any such investment in the Bonds.

Transfer Restrictions

Prior to either (a) the District being informed that the Bonds have received (i) a rating from a Rating Agency of "AAA" or "AA" or (ii) a rating from a Rating Agency of "A" or "BBB" and written approval of the Board or (b) the Bonds being defeased pursuant to the terms of the hereinafter described Indenture, beneficial interests in the Bonds owned by Qualified Investors will be transferable only to Qualified Investors through transactions utilizing a broker-dealer and under the terms and conditions described hereinabove. Any owner that is a Qualified Investor of a beneficial interest in a Bond by its acceptance of such interest agrees that it will not transfer such interest to a person other than a Qualified Investors through transactions utilizing a broker-dealer and under the terms and conditions described hereinabove and any broker-dealer acquiring such beneficial interest shall only sell or transfer such interest to a Qualified Investor.

THE BONDS

Authority and Election

The Bonds are authorized pursuant to the Enabling Act and the Election, and are issued pursuant to a resolution adopted by the Board on September 19, 2006 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (the "Indenture"), from the District to the Trustee. (See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.") The Bonds are the second series issued pursuant to the authorization approved by the Election, and, after issuance of the Bonds, $57,400,000 principal amount of such bonds will remain authorized but unissued. See "SECURITY FOR AND SOURCES OF PAYMENT - Ad Valorem Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding" and "OVERLAPPING, ADDITIONAL, ADDITIONAL

OVERLAPPING AND OTHER INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District."

General Description

The Bonds will be dated as of the Date of Delivery, and will mature and bear interest as set forth on the cover page of this Limited Offering Memorandum.

Interest on the Bonds will be paid semiannually on January 15 and July 15 of each year, commencing January 15, 2007 (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 their date of delivery, calculated on the basis of a 360-day year of twelve 30-day months.

The principal of, Redemption Price for and premium, if any, and interest on the Bonds will be payable when due to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds for a book-entry-only system. No document of any nature whatsoever need be surrendered as a condition to payment of the principal and interest on the Bonds.

The Bonds will be issued only as fully registered bonds, without coupons, in the denominations of $100,000 and any integral multiples of $5,000 in excess thereof. If not the subject of a securities depository agreement, interest on the Bonds will be payable on each Interest Payment Date to the holders whose names appear in the bond register maintained by the Trustee at the close of business on the first (1st) day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date (the "Record Date"). In the event that interest is not paid on a scheduled Interest Payment Date, the Trustee will establish a special record date for the payment of such interest, if and when funds for the payment of such interest have been received. Notice of the special record date and of the scheduled payment date of the past due interest will be sent at least ten (10) days prior to the special record date to the address of each holder appearing on the bond register maintained by the Trustee.

Also under such circumstances, the principal of, Redemption Price for and premium, if any, on each Bond will be paid upon surrender of such Bond at the designated corporate trust office of the Trustee. Interest will be paid by check sent by the Trustee to the person entitled to such payment.

Redemption Provisions

Optional Redemption. The Bonds maturing after July 15, 2016 are subject to redemption prior to maturity, at the option of the District, on or after July 15, 2016, in whole or in part on any date, at a price equal to the principal amount to be redeemed, without premium, plus accrued interest to the redemption date.

Mandatory Redemption. The Bonds maturing on July 15 of the following years will be redeemed on July 15 of the following years and in the following principal amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

Term Bond Maturing July 15, 2014		Term Bond Maturing July 15, 2018		Term Bond Maturing July 15, 2031	
Year Redeemed	Principal Amount Redeemed	Year Redeemed	Principal Amount Redeemed	Year Redeemed	Principal Amount Redeemed
2008	$415,000	2015	$580,000	2018	$ 165,000
2009	435,000	2016	605,000	2019	705,000
2010	455,000	2017	635,000	2020	740,000
2011	480,000	2018 (maturity)	505,000	2021	780,000
2012	500,000			2022	825,000
2013	525,000			2023	865,000
2014 (maturity)	550,000			2024	915,000
				2025	960,000
				2026	1,015,000
				2027	1,070,000
				2028	1,125,000
				2029	1,185,000
				2030	1,250,000
				2031 (maturity)	1,315,000

Whenever Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a pro rata basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount which is an Authorized Denomination.

Special Redemption Relating to a Default Under the Standby Contribution Agreement. The Bonds are subject to special mandatory redemption in whole, at any time, in the event of a default under the terms of the Standby Contribution Agreement, upon payment by the Developer, of the 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 Redemption Date, but without premium. The Redemption Date of the Bonds shall be the first day of the first calendar month after payment to the Trustee of the Redemption Price for which notice of redemption can be given as provided in the Indenture, not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date.

Selection of Bonds for Redemption. If less than all of the Bonds of a maturity are to be redeemed upon any redemption of Bonds, the Trustee will select the Bonds to be redeemed by lot.

Notice of Redemption. Notice of redemption 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 each of the holders of Bonds designated for redemption at their addresses appearing on the bond register maintained by the Trustee on the date the Bonds to be redeemed are selected. No defect in or failure to give such mailed notice of redemption will affect the validity of redemption proceedings of Bonds for which proper notice was given.

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 Bonds so called for redemption will cease to accrue and such 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 Bonds under the Indenture.

Registration, Transfer and Exchange

General. So long as any Bonds are outstanding, the District will cause to be maintained by the Trustee a bond register for the registration and transfer of Bonds. The person in whose name any Bond is registered will be deemed and regarded as the absolute owner of the Bond for all purposes.

Each Bond will be transferable by the holder thereof in person or by such person's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered holder or such holder's duly authorized attorney and, if applicable, the requirements described herein under the caption "INVESTOR SUITABILITY STANDARDS - Transfer Restrictions."

Any Bond upon surrender thereof to the Trustee, together with written instructions satisfactory to the Trustee, duly executed by the registered holder or such holder's attorney duly authorized in writing, may, at the option of the registered holder thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity of any other authorized denominations.

In connection with any such exchange or transfer of Bonds, the holder requesting such exchange or transfer must remit to the Trustee an amount sufficient to pay any tax or other charges required to be paid with respect to such exchange or transfer.

Neither the District nor the Trustee is 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 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.

Mutilated, Destroyed, Lost and Stolen Bonds. If (i) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction or loss of any Bond, and (ii) there is delivered to the District and the Trustee such security or indemnity as may be required by the Trustee to hold the Trustee and the District harmless, then, in the absence of

notice to the District or the Trustee that such Bond has been acquired by a bona fide purchaser and upon the holder paying the reasonable expenses of the District and the Trustee, the District will cause to be executed and the Trustee will authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like principal amount, date and tenor. In case any such Bond has become or is about to become due and payable, the District or the Trustee may pay such Bond instead of issuing a new Bond.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

After the Bonds are issued, the Board will annually levy and cause an *ad valorem* property tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any amounts from the sources described in the Enabling Act and available pursuant to the Indenture, to pay Debt Service with respect to the Bonds (whether at maturity or prior redemption) when due. Amounts derived from the levy of the tax provided in this section when collected constitute funds to pay the Debt Service on the Bonds and will be kept separately from other funds of the District. With respect to *ad valorem* property taxes, the Bonds will be on a parity of lien with the Series 2006 Bonds and with issues of general obligation bonds of the District which may be issued in the future. See "SECURITY FOR AND SOURCES OF PAYMENT - *Ad Valorem* Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding" and "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District."

Debt Service with respect to the Bonds (but not the Series 2003 Bonds) will also be payable from amounts paid pursuant to the Standby Contribution Agreement, which amounts will be paid to the Trustee at the times and for the period set forth in the Standby Contribution Agreement. The Standby Contribution Agreement may be released by the District under certain circumstances. See "The Standby Contribution Agreement" and APPENDIX F – "Form of Standby Contribution Agreement" below.

Investment in the Bonds involves substantial risks that each prospective investor should consider prior to investing. SEE "RISK FACTORS."

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN NOR THE STATE OF ARIZONA NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

Ad Valorem Taxation in the District

General. The State has two different valuation bases for levying *ad valorem* property taxes. They are "limited property" and "full cash value." Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations. (See "Assessment Ratios.")

Primary Taxes. Taxes levied against the assessed limited property value (after application of the assessment ratio) 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. The State does not currently levy ad valorem taxes. With the exception of personal property (other than permanently affixed mobile homes) and utility, mining and producing oil, gas and geothermal property with limited values equal to full cash value, limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

(a) 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 are established at the previous year's limited property value increased by the greater of either ten percent (10%) of last year's limited property value or twenty-five percent (25%) of the difference between last year's limited property value and the current year's full cash value.

(b) 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 primary taxes levied by a county, city/town and community college district are constitutionally limited to a maximum increase of two percent over the prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). For tax year 2006, there is an additional restriction imposed by the Legislature. This limits the 2006 primary property tax levy to 102 percent (plus new construction) of the 2005 actual primary property tax levy, instead of being limited to 102 percent of the 2005 constitutional maximum levy. The two percent (2%) limitation does not apply to primary taxes levied on behalf of school districts. Primary taxes on owner-occupied residential property only are constitutionally limited to one percent (1%) of the full cash value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district taxes. To offset the effects of the primary system limitation of tax levies on residential property to 1% of the primary full cash value, the limitation is applied to the school district's taxes and the State compensates the school district by providing additional State aid from the State's general fund so there is no impact on the revenue available to the school district. Beginning in fiscal year 2006/07, the tax levy to reduce the impact of additional State aid on the State's general fund has been renamed the "State Equalization

Assistance Property Tax." Its rate has been set at $0.00 for fiscal years 2006/07 through 2008/09.

Secondary Taxes. Taxes levied against the assessed value (after application of the assessment ratio to full cash value) are referred to as secondary taxes, which are used for debt retirement (including debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. 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.

Determination of Full Cash Value. The first step in the tax process is the determination of the full cash value of each parcel of real property within the State. Most property is valued by the various county assessors including for the county in which the District is located, Maricopa County, Arizona (the "County"), the County Assessor for the County (the "Assessor"), with the Arizona Department of Revenue valuing centrally assessed properties such as gas, water and electrical utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by used of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the Assessor uses a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the Assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

County assessors, upon meeting certain conditions, may value residential, agricultural and vacant land at the same full cash valuation for up to three years. The Assessor currently values exiting property on a two year cycle.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the *"Property Valuation Protection Option"*) if the owners total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate". The property owner must apply for the Property Valuation Protection Option and, if approved by the Assessor, must renew the application every three years. If the property is sold to a person who does not qualify for the Property Valuation Protection Option, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Assessment Ratios. The appropriate property classification ratio is applied to the full cash value to determine the assessed valuation for such parcel. Except as set forth in footnote (6), the assessment ratios utilized over the period 2003 through 2007 for each class of property are set forth below.

TABLE 1
PROPERTY TAX ASSESSMENT RATIOS

Property Classification (a)	Assessment as Percent of Full Cash Value
Mining, Utility, Commercial and Industrial (b)	24.5%
Agriculture and Vacant Land (b)	16
Owner Occupied Residential	10
Leased or Rented Residential	10
Railroad, Private Car Company and Airline Flight Property (c)	N/A

(a) Additional classes of property exist, but seldom amount to a significant portion of total valuation.

(b) With respect to 2006-07, the first $59,099 of full cash value of commercial, industrial and agricultural personal property is not taxable. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of such amount will be assessed at 24.5% or 16% as applicable. The assessment ratio for mining, utility, commercial and industrial property is being reduced, starting at 25%, by one half of one percent annually through 2014, resulting in an assessment ratio of 20% from and after December 31, 2014.

(c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

Collection. On or before the third (3rd) Monday in August of each fiscal year based on valuation as of that date, the District will (i) fix, levy and assess the amount to be raised from *ad valorem* property taxes which, together with the amount estimated to be available from all other sources of revenue and any unencumbered balances from the previous fiscal year, will equal the total of amounts proposed to be expended in the budget for the current fiscal year and (ii) forward the District's levied and assessed amount to Maricopa County who will then determine the necessary *ad valorem* tax rates for the District. (Based upon amounts anticipated to be available pursuant to the Standby Contribution Agreement, the tax rate is intended to equal $3.00 per $100 of secondary assessed valuation, or such lesser amount as may be permitted under the Standby Contribution Agreement and Indenture). For such purpose, on or before each

such third Monday in August, and after review of such amount and rate for compliance with any applicable statutory and constitutional limitations by the property tax oversight commission of the State, an assessment and tax roll must be delivered to the County Treasurer of the County (the "Treasurer"). The Assessor of the County may, however, change such roll any time before December 20 of such year. *Any decrease in the value of the roll so established in December from the value used on the immediately preceding third Monday in August could reduce the aggregate amount of taxes to be collected by the District.*

The *ad valorem* property taxes levied and assessed by the District pursuant to the assessment and tax roll delivered to the Treasurer are billed along with State of Arizona (the "State") and County *ad valorem* property taxes and are due and payable in two equal installments on October 1 of that calendar year and on March 1 of the subsequent calendar year. The two *ad valorem* property tax installments become delinquent and begin to accrue interest at the rate of sixteen percent (16%) per annum simple interest prorated monthly on November 1 of that calendar year and May 1 of the subsequent calendar year, respectively. Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.

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, subject to the possible exception of ad valorem property taxes levied against the real property of a property owner in bankruptcy. 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. An ad valorem 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 sixteen percent (16%) 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 as the purchase price the amount of taxes, interest and penalties due on the property, in cash at the time of sale. 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 levied by the District should, if the assessed property has sufficient value to attract bidders at the tax lien sale, be recovered by the District within fifteen (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 right to redeem tax lien sale and to foreclose the tax lien by administrative process, without judicial action, after the fifth anniversary of the tax lien sale.

It is anticipated that the District's semiannual payments of Debt Service with respect to the Bonds will be funded with installments of tax payments collected on or about the immediately preceding tax payment date together with any funds available from any other sources, including amounts, if any, available from the Standby Contribution Agreement. If, for any reason, a material portion of the *ad valorem* property taxes due and payable to the District are not paid in a timely manner, or payments due pursuant to the Standby Contribution Agreement are not paid when due, the payment of Debt Service could be delayed. It cannot be determined with any certainty when delinquent *ad valorem* property taxes could be collected and available for the payment of Debt Service with respect to the Bonds and what impact such delay could have on the secondary market for the Bonds.

SEE "RISK FACTORS - Availability of Standby Contribution Agreement and Guaranty Amounts," "- Effect of Valuation of Property," "- Direct and Overlapping Indebtedness" and "- Bankruptcy and Foreclosure Delays."

Property Valuations. The following table lists certain property valuations for the District:

TABLE 2

Fiscal Year	Full Cash Value	Secondary Assessed Value
2002-03	$ 11,229,868	$ 1,825,458
2003-04	11,281,713	1,833,458
2004-05	59,027,407	9,444,137
2005-06	149,713,838	24,018,923
2006-07	302,706,083	42,195,614

Source: Maricopa County Assessor's Office

SEE "RISK FACTORS - Certain Factors Which May Adversely Affect Development; Consequences" and "- Effect of Valuation of Property."

Net Secondary Assessed Valuation by Property Classification. The following is a breakdown of secondary assessed valuations for the District by property classifications:

TABLE 3

Legal Class	Description	Full Cash Value	Secondary Assessed Valuation
1	Commercial	$ 12,510,100	$ 3,064,974
2	Agricultural & Vacant	171,327,619	27,274,147
3	Residential (owner occupied)	108,340,364	10,833,993
4	Residential (rental occupied)	10,528,000	1,022,500

Source: Maricopa County Assessor's Office

Estimated 2006-07 Net Secondary Assessed Valuations of Certain Taxpayers. Shown below with respect to 2006-07 are property taxpayers located within the District who owned property amounting to one percent or more of the total of the net secondary assessed valuations of property within the boundaries of the District for 2005-06, their current net secondary assessed value and their relative proportion of the total net secondary assessed value of the District.

TABLE 4

MAJOR TAXPAYERS IN THE DISTRICT*

	Taxpayer	2005-06 Secondary Assessed Valuation	As Percent of District's 2005-06 Net Secondary Assessed Valuation
1.	FIDELITY NATIONAL TITLE CO TR B176	$13,963,780	33.09%
2.	CACHET-VALLARTA LLC	1,493,893	3.54%
3.	TOUSA HOMES INC	952,560	2.26%
4.	DMB VERRADO DISTRICT CORE 1 LL/DMB/PB V APTS	912,244	2.16%
5.	ASHTON WOODS ARIZONA LLC	881,706	2.09%
6.	FIDELITY NATIONAL TITLE INS CO TR B176	838,810	1.99%
7.	DMB WHITE TANK LLC	679,651	1.61%
8.	ARIZONA PUBLIC SERVICE COMPANY	665,684	1.58%
9.	CATERPILLAR VDO 2 LLC	544,449	1.29%
10.	DMB VERRADO GOLF I LLC	521,200	1.24%
		$21,453,977	50.84%

*Source: Maricopa County Assessor's Office

The entities described in footnotes 1, 4, 6, 7, and 10 are either related parties to the Developer or are trustees holding interests for one or more of such related parties.

See "LAND DEVELOPMENT AND THE DEVELOPER - The Developer -- Land Acquisition and Financing" and "RISK FACTORS - Certain Factors Which May Adversely Affect Development; Consequences" and "- Effect of Valuation of Property."

Record of Taxes Levied and Collected in the District. Under Arizona law, the Board of Supervisors of the County is required to levy a tax in an amount sufficient to provide for Debt Service. Property taxes are levied and collected on property within the District and certified by the Treasurer on behalf of the District. The District levied, for fiscal year 2002-03, a thirty cent operation and maintenance tax, which tax was collected by the County but was not timely mailed to the District.

TABLE 5

Fiscal Year	Real and Secured Personal Property Tax Levy(a)	Collected to June 30th(b)(c) Amount	Collected to June 30th(b)(c) Percent of Tax Levy	Total Collections(c) Amount	Total Collections(c) Percent of Tax Levy
2006-07	$1,392,455	$ 0	0.00%	$ 0	0.00%
2005-06	792,625	759,895	95.87%	759,895	95.87%
2004-05	311,656	311,656	100.00%	311,656	100.00%
2003-04	60,505	60,404	99.83%	60,404	99.83%
2002-03	5,476	5,476	100.00%	5,476	100.00%

(a) Tax levy is as reported by the Treasurer as of August of each tax year. Amount includes $5,815.48 of adjustments made to levy amounts after the August report in the case of 2005-06 and $100.66 in the case of 2003-04. The District's tax rate for tax years 2003-04 and 2004-05 reflects levy of $0.3000 per $100 of secondary assessed valuation for maintenance and operation expenses of the District only. The District's tax rate for tax year 2006-07 includes the $3.0000 tax rate for debt service on the Series 2003 Bonds as well as such $0.3000 tax rate for maintenance and operation expenses for the District.

(b) Reflects collections made through June 30, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(c) Reflects collections made through August 31, 2006. The next installment of taxes will be due October 1, 2006, but is not delinquent until November 1, 2006.

Source: Maricopa County Treasurer's Office

General Obligation Bonded Indebtedness to be Outstanding. The Bonds will be the second issuance of bonds by the District.

Annual Debt Service Requirements of General Obligation Bonded Indebtedness to be Outstanding. The District will have the following annual debt service requirements after the issuance of the Bonds:

TABLE 6

Fiscal Year	Debt Service Requirements for the Bonds		Total Debt Service Requirement for the Bonds	Total Debt Service Requirements for the Series 2003 Bonds	Total Combined Debt Service
	Principal	Interest(a)			
2007		$ 723,098	$ 723,098	$ 1,522,250	$ 2,245,348
2008 (b)	$ 415,000	971,325	1,386,325	2,122,250	3,508,575
2009 (b)	435,000	951,198	1,386,198	2,186,250	3,572,448
2010 (b)	455,000	930,100	1,385,100	2,144,250	3,529,350
2011 (b)	480,000	908,033	1,388,033	2,202,250	3,590,283
2012 (b)	500,000	884,753	1,384,753	2,154,250	3,539,003
2013 (b)	525,000	860,503	1,385,503	2,106,250	3,491,753
2014 (b)	550,000	835,040	1,385,040	2,358,250	3,743,290
2015 (c)	580,000	808,365	1,388,365	2,290,600	3,678,965
2016 (c)	605,000	779,075	1,384,075	2,222,950	3,607,025
2017 (c)	635,000	748,523	1,383,523	2,255,300	3,638,823
2018(c)(d)	670,000	716,455	1,386,455	2,081,500	3,467,955
2019(e)	705,000	682,125	1,387,125	2,110,000	3,497,125
2020(e)	740,000	644,408	1,384,408	2,132,000	3,516,408
2021(e)	780,000	604,818	1,384,818	2,147,500	3,532,318
2022(e)	825,000	563,088	1,388,088	2,156,500	3,544,588
2023(e)	865,000	518,950	1,383,950	2,159,000	3,542,950
2024(e)	915,000	472,673	1,387,673	2,055,000	3,442,673
2025(e)	960,000	423,720	1,383,720	2,051,000	3,434,720
2026(e)	1,015,000	372,360	1,387,360	2,040,500	3,427,860
2027(e)	1,070,000	318,058	1,388,058	2,023,500	3,411,558
2028(e)	1,125,000	260,813	1,385,813		1,385,813
2029(e)	1,185,000	200,625	1,385,625		1,385,625
2030(e)	1,250,000	137,228	1,387,228		1,387,228
2031(e)	1,315,000	70,353	1,385,353		1,385,353
	$18,600,000	$15,385,680	$33,985,680	$44,521,350	$78,507,030

(a) Interest is actual.
(b) Mandatory redemption requirement for the term bond maturing in 2014.
(c) Mandatory redemption requirement for the term bond maturing in 2018.
(d) Represents $505,000 payment of the term bond maturing in 2018 and $165,000 mandatory redemption requirement for the term bond maturing in 2031.
(e) Mandatory redemption requirement for the term bond maturing in 2031.

The Standby Contribution Agreement

Pursuant to the Standby Contribution Agreement, in each year prior to release of the Standby Contribution Agreement, the Developer agrees to deposit with the Trustee on or before May 15, the difference between Debt Service on the Bonds in the succeeding calendar year and the tax revenues expected to be received by the District at a tax rate of $3.00 per $100 of secondary assessed valuation (or such lesser rate as may be permitted) assuming a 95% collection rate. See Section 2.1(A) of the Standby Contribution Agreement in Appendix F. The

Developer is also to make additional payments prior to each interest payment date if there continues to be a shortfall between the debt service due on the next payment date and the amount in the Bond Fund. See Section 2.1(B) of the Standby Contribution Agreement in Appendix F. The obligation of the Developer to pay is subject only to the condition that for each year the District levies the tax rate described above.

The Standby Contribution Agreement is subject to release by the District when certain conditions related to the tax collection history have been met and the Board of the District approves such termination, which approval shall not be withheld unreasonably. See Section 1.12 of the Standby Contribution Agreement in Appendix F.

GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE

The District

The District was created to finance and construct or acquire a portion of the public infrastructure (the "Public Infrastructure") that is part of the project known as Verrado, a master-planned residential and commercial development (the "Project"). The Project is bounded by the Northern Avenue alignment on the north, by approximately the 235th Avenue alignment on the west, by approximately ¼ mile south of McDowell Road at the southernmost point, and by Jackrabbit Trail on the east, all within the Town. The boundaries of Verrado encompass approximately 8,800 acres.

Formation of the District was approved by the Town on June 19, 2001 upon the request of all the landowners within the District. The District boundaries are coincident with the boundaries of the Project. A map of the Project depicting the District boundaries is included in p. IV of this Limited Offering Memorandum.

Simultaneous with the formation of the District, the Overlay District was approved by the Town. The Overlay District, as its boundaries were thereafter adjusted, comprises approximately 4,926 acres and is wholly contained within the District.

The District board is comprised of the Town Council, ex officio, and the Mayor of the Town is the Chair of the District Board. The Town Manager serves as District Manager and the Town Clerk as District Clerk. The District is authorized to issue general obligation bonds in an aggregate principal amount not to exceed $100,000,000 pursuant to an election held on August 7, 2001. The District has issued the Series 2003 Bonds. The Overlay District is authorized to issue general obligation bonds in an aggregate principal amount not to exceed $60,000,000 pursuant to an election held on August 7, 2001. The Overlay District issued $13,000,000 Variable Rate General Obligation Bonds, Series 2004 on November 17, 2004.

In addition, the District currently levies a tax of $0.30 per $100 of secondary assessed valuation for operations and maintenance costs of the District.

Phase I and Phase II Public Infrastructure

The Public Infrastructure that will be financed with the proceeds of the Bonds and acquired, constructed or financed by the District consists of public infrastructure located in the Town that benefits residents of the District.

Table 7 reflects estimated costs of the various components of the Public Infrastructure to be financed by the Bonds, the estimated contract award date and the estimated completion dates for the Public Infrastructure.

TABLE 7
Verrado District 1 Community Facilities District
Public Infrastructure

DESCRIPTION	ESTIMATED CONSTRUCTION COST	ESTIMATED COMPLETION DATES
A. Projects Approved by Feasibility Study Related to 2003 Bonds		
1. Traffic Interchange	$466,533	Complete
2. Construction Manager at Risk Contract Addendum #2 (Funding of additional infrastructure costs)	634,480	Complete
3. Roadway, Sidewalk, Street Light & Storm Drain Improvements	16,035,702	6/08 (80% Complete)(3)
4. Dry Utility Trench and Conduit	725,106	6/08 (80% Complete)(3)
5. Roadway Landscaping	5,477,280	6/08 (80% Complete)(3)
6. Drainage Improvements	2,802,165	9/07
7. Linear Parks	1,820,619	11/06
8. District Parks	1,146,500	Complete
SUBTOTAL:	**$29,108,385**	
B. Projects Related to the Bonds		
1. Roadway, Sidewalk, Street Light & Storm Drain Improvements	$9,296,008	10/06
2. Dry Utility Trench & Conduit, as necessary for roadway and landscaping improvements	1,251,787	10/06
3. Roadway Landscaping	2,219,539	10/06
4. Culvert Crossings	1,280,800	6/09
5. Traffic Signals	1,500,000	12/08
6. Drainage Improvements	1,000,000	10/06
7. Retention Basins	115,648	12/07
8. District Parks	8,540,000	12/08
9. Lineal Park	1,820,619	10/06
SUBTOTAL:	**$27,024,400**	
TOTAL:	**$56,132,785**	

(1) Costs are actual where project has been completed.
(2) Completion dates are approximate and subject to change.
(3) Previously approved roadway improvements are 80% complete. Remaining infrastructure to complete includes Verrado Way (from Sunrise Wash to Indian School Road) and Indian School Road (from Verrado Way to Jackrabbit Trail).

Source: Developer

See "SOURCES AND APPLICATIONS OF FUNDS" herein. Additional infrastructure may be funded if Bond proceeds are available.

GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER

The information contained in this section relates to and has been obtained from the Developer, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. Neither the District nor the Underwriter makes any representation regarding projected development plans with the District, the financial soundness of the Developer, the Guarantor or other property owners and developers or the managerial ability of such persons and entities to complete development as planned. The development of the property within the District may be affected by factors, such as governmental policies with respect to land development, the availability of utilities, the availability of energy, construction costs, interest rates, competition from other developments and other political, legal and economic conditions beyond the control of the District, property owners and developers. Further, the property within the District may be subject to encumbrances as security for obligations payable to various parties, the default of which could adversely affect construction activity. See "RISK FACTORS."

Project - General

Approximately 8,635 acres of the Project served as the Caterpillar Tractor Proving Grounds from the late 1940s until 1988 (the "Proving Grounds"). Caterpillar Inc. then donated the Proving Grounds to the Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"). Caterpillar Inc. conducted a national search for a developer of the Proving Grounds and selected DMB Associates Inc., an Arizona corporation ("DMB"), in 1998. DMB formed DMB White Tank, LLC, an Arizona limited liability company ("Developer"), which entered into a Master Agreement dated September 30, 1999 with the Foundation (the "Master Agreement") for the purchase of the Proving Grounds. Consistent with the terms of the Master Agreement, the Proving Grounds were conveyed to a two beneficiary trust, Trust No. B176, on or about March 20, 2002, and will be administered pursuant to the terms of the related Trust Agreement under which Developer assumes all rights and obligations for ownership and development of the Proving Grounds and Foundation is paid a specified percentage of each land sale. The Master Agreement runs through 2030 with options for extension. In 1999, Developer acquired an additional 165 acres of land contiguous to the south boundary of the Proving Grounds.

Development of the balance of the Project is expected to occur in seven phases over a 15 year period. The Project's grand opening, Phase I, occurred in January 2004. Phase II commenced in late 2005 and Phase III is expected to commence in late 2007 (see "Table 9").

Project - Governmental Approvals and Agreements

Developer and the Town are parties to that certain Pre-Annexation and Development Agreement recorded November 26, 1999 in the Official Records of the Maricopa County,

Arizona Recorder at Document No. 99-1071208 (the "Development Agreement") whereby, among other things, the Community Master Plan was acknowledged to be consistent with the Town's General Plan. The Development Agreement also provides for the utilization of community facilities districts to finance public infrastructure.

Pursuant to Ordinance No. 19-99, recorded December 29, 1999 in the Official Records of the Maricopa County Arizona Recorder at Document No. 99-1158258, the Town approved the annexation of the Project into the Town. Pursuant to Resolution No. 20-99, adopted November 16, 1999, the Town approved a General Plan Amendment, including the revised circulation transportation map, for the Project. Pursuant to Ordinance No. 21-99, adopted November 16, 1999, the Town approved the re-zoning of the Project for up to 14,000 residential units, 4 million square feet of commercial development and 1,000 resort rooms. The current plan for the Project includes approximately 11,132 residential units, 4 million square feet of commercial and 1,000 resort rooms, including 3,389 residential units in Phases I & II.

The District, the Town and Developer are parties to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District) recorded July 3, 2001 in the Official Records of Maricopa County, Arizona Recorder at Document No. 2001-0594335 (the "District IGA") which provides the framework for the utilization of community facilities district financings within the District.

Project - Transportation and Utilities

Direct access from Interstate 10 to the Project is provided by means of a spread diamond traffic interchange.

Water and wastewater facilities and infrastructure and service related thereto are provided pursuant to that certain Caterpillar Property Water/Wastewater Agreement between the Developer, Citizens Communications Company, a Delaware corporation, and Arizona-American Water Company, an Arizona corporation, formerly Citizens Water Services Company of Arizona ("AAWC"), dated November 1, 2000.

Electric service to the Project is provided pursuant to a Memorandum of Understanding between the Developer and Arizona Public Service Company. Gas service to the Project is provided by Southwest Gas. Telecommunications service to the Project is provided pursuant to a Technology Services and Marketing Agreement between the Developer and Cox Communications dated December 5, 2002.

Project – Phase I & II Budget, Development Status and Plans

In addition to public infrastructure financed by the District and the Western Overlay District in the amount of $24,000,000 and $13,000,000, respectively, as of May 31, 2006, the Developer has invested approximately $268,778,000 in the Project and estimates that an additional $63,358,000 will be required to complete Phases I & II. The funds invested to date consist of approximately $36,914,000 in land and acquisition costs, approximately $118,110,000 in Offsite and Backbone Infrastructure costs, approximately $46,249,000 in Amenity

Improvements and approximately $67,505,000 in planning, entitlements, engineering and administrative and other costs. See Table No. 8 below.

An additional $63,358,000 required to complete Phases I & II of the Project, consists of approximately $34,691,000 in Offsite and Backbone Infrastructure costs, approximately $10,363,000 in Amenity Improvements and $20,304,000 in planning, entitlements, engineering and administrative and other costs. It is anticipated that these expenditures will be funded in part by the Bonds offered herein and net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer.

Table 8
Phase I & II of Verrado
Development Status as of May 31, 2006

Activity	Amount	Status
Land Acquisition Costs	**$ 36,914,092**	Complete
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Traffic Interchange	$ 3,752,509	Complete
Offsite Water & Wastewater Improvements	26,169,852	Complete
Backbone (roads and utilities)	39,944,832	Estimated completion by Q4, 2006
Plant Salvage, Earthwork, & Disturbance Mitigation	16,341,883	Complete
Parcel Improvements	16,860,290	Estimated completion by Q4, 2006
Permanent Fire and Public Safety Facilities	75,582	Estimated completion by Q4, 2007
Drainage Improvements	2,503,420	Estimated completion by Q4, 2006
Other	5,922,142	Estimated completion by Q4, 2007
	$111,570,510	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course, Clubhouse & Facilities	$ 24,402,785	Complete
Verrado Sports Club, District Core & Phase II District Club	17,927,123	Estimated completion by Q2, 2008
Home Finding Center	2,256,289	Complete
Linear, District, & Neighborhood Parks	3,919,510	Estimated completion by Q2, 2008
School District Capital Contributions	4,282,640	Estimated completion by Q4, 2008
	52,788,347	
Planning, Entitlement, Engineering, Administrative and Other Costs	**67,505,142**	
Total Invested at May 31, 2006	**$268,778,091**	

Source: The Developer.

As of May 31st, 2006, the Developer has closed on 3,144 residential subdivision lots, representing approximately $175,395,127 in land sale revenue. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately $280,000 to $800,000. Custom homes are expected to sell for higher prices.

In addition, the Developer has completed construction on a two and three-level mixed use development, which consists of approximately 32,000 square feet of neighborhood retail center and 45 apartment units. Tenants have been occupying both the retail and residential space since January 2004.

Projected development within the District for the entire Project, for various categories of use, is indicated in ***Table No. 9***.

TABLE NO. 9
District One - All Phases
Projected Development

	Actual 2004	Actual 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Single Family (units)[1]	151	426	334	603	961	1,018	788	645	843
Single Family (cumulative)	151	577	911	1,514	2,475	3,493	4,282	4,926	5,769
Multi-Family (units)	45	-	-	60	156	168	274	352	478
Multi-Family (cumulative)	45	45	45	105	261	429	703	1,056	1,533
Total Residential	196	426	334	663	1,117	1,186	1,063	997	1,321
Cumulative Residential	196	622	956	1,619	2,736	3,922	4,985	5,982	7,303
Commercial (Acre)	13.8	--	--	--	2.3	28.8	67.8	68.6	42.6
Commercial (cumulative)	13.8	13.8	13.8	13.8	16.2	45.0	112.8	181.4	224.0

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021+
Single Family (units)[2]	805	585	551	381	254	204	98	47	57
Single Family (cumulative)	6,574	7,159	7,710	8,091	8,344	8,549	8,647	8,694	8,751
Multi-Family (units)	361	74	174	157	55	22	5	-	-
Multi-Family (cumulative)	1,894	1,968	2,142	2,299	2,354	2,376	2,381	2,381	2,381
Total Residential	1,165	659	724	538	309	226	103	47	57
Cumulative Residential	8,468	9,127	9,851	10,389	10,699	10,924	11,028	11,075	11,132
Commercial (Acre)	42.6	42.6	35.5	59.4	149.1	--	--	--	--
Commercial (cumulative)	266.6	309.2	344.7	404.2	553.3	553.3	553.3	553.3	553.3

Source: The Developer

[1] Estimated single-family & multi-family absorption figures are based on the projected close of escrow to the end home purchaser, with estimated commercial absorption figures based on the projected date of sale of parcels plus a 15-month construction period. It is anticipated that assessed real property valuations as shown on County Assessor rolls will lag this schedule, the assumption used for these estimates being a 12-month lag between close of escrow and/or completion of construction and an increase in assessed valuation on the County Assessor rolls. Notwithstanding the foregoing to the contrary, there can be no assurance now or at the time the Bonds are issued that any future sales will be consummated or that projected activity will occur. There are no restrictions on the ability of the Developer to sell all or portions of the Project to one or more other developers and there can be no assurance now or at the time the Bonds are issued that any subsequent owners will have the financial capability to, or will, commence or complete development on any portion of the Project so acquired

Description of Developer

The sole member and manager of the Developer is DMB Communities, LLC, an Arizona limited liability company, the sole member of which is DMB Realco LLC, an Arizona limited liability company and the manager of which is DMB. Certain unaudited quarterly financial statements of the Developer are set forth in Appendix G.

DMB was formed in 1984 by Drew Brown, Mark Sklar and Bennett Dorrance. DMB comprises a privately held real estate development and investment group continuously active in the acquisition, development and management of a variety of real estate projects and business activities since 1984. From its initial investment in suburban office buildings, DMB later moved into residential lot development and has since constructed and sold in excess of 21,300 residential building lots. DMB's real estate holdings include commercial developments, master-planned communities and recreational resort properties.

In addition to Verrado, DMB is involved in a number of other master-planned communities, including:

DC Ranch/Silverleaf: This 3,700-acre planned community is located in the western foothills of Scottsdale's McDowell Mountains. Approximately 3,100 homesites are proposed, including custom lots, luxury production homes, townhouses and other attached products. The development also contains two 18-hole championship golf courses and associated clubhouses, a K-8 school, an extensive path and trail system and a community recreation center offering basketball, volleyball, tennis, swimming and other activities. DMB is venturing this project with the family who has owned the land for several decades. As of December 31, 2005, 2,950 lots had been sold.

Power Ranch: This 2,000-acre mixed-use residential, commercial and retail master-planned community, located in the Town of Gilbert, Arizona, is proposed to become two distinct communities, tied together by consistent design guidelines, program and project character. Power Ranch is a joint venture between DMB and Sunbelt Holdings. The venture teamed with Shea Communities to develop Trilogy, the project's first phase, a 670-acre active adult, golf course community, which broke ground during the first quarter of 1998 and has sold approximately 3,942 residential homesites through December 31, 2005.

Ladera: This 4,000 acre property is set in historic Rancho Mission Viejo, in Orange County, California. DMB is joint venturing the project with the family that has owned the land since 1882. The community is comprised of several residential villages, each of which has subtly distinguished product mixes, land forms, development patterns, architectural style and landscape character. Community elements include an urban Activity Center, Town Center, Sports Park and numerous "pocket parks." Approximately 1,600 acres are preserved for open space elements such as natural arroyos, hillsides and ridge line trails. As of December 31, 2005, 7,950 of the 8,100 lots in total had been sold.

Santaluz (formerly Black Mountain Ranch): Featuring an 18-hole private golf course, complemented by a mixed-use residential and commercial development plan, this 4,200-acre master-planned community is located in the extreme northern limits of the City of San Diego,

California. Following 10 years of planning and entitlement work under the previous ownership, DMB in partnership with Taylor Woodrow Homes, Inc. has re-oriented the development to reduce the density, resulting in the required site grading also being reduced by a factor of 50%. The new plan takes advantage of the natural terrain to provide larger lots with substantial amounts of open space, together with golf and views. As of December 31, 2005 all 1,121 lots had been sold.

Glenwild: This 880-acre private residential golf community is located in Park City, Utah. The project consists of 199 homesites, a Tom Fazio designed 18-hole Championship Golf Course and a 24,000 square foot clubhouse. As of December 31, 2005, 191 lots had been sold.

Forest Highlands: This 1,100-acre master-planned development, located 8 miles southeast of the City of Flagstaff, Arizona, is a luxury, private residential golf community amidst the world's largest stand of Ponderosa Pine. Through a joint venture with the Forest Highlands Homeowner's Association, the original master plan has been complemented by 170 new custom home sites, an extensive path and trail system, a clubhouse with health and fitness facility and children's center, and "The Meadow," an 18-hole, 7,200-yard Tom Weiskopf-designed golf course. The original golf course, "The Canyon," has been named the No. 1 golf location in Arizona and among the top 50 in America by Golf Digest. As of December 31, 2005 all custom lots had been sold.

Lahontan: The only private residential golf club community in North Lake Tahoe, California, this 720-acre community is centered around an 18-hole Tom Weiskopf-designed golf course and features a variety of sport, recreational and lodging amenities. The project features 450 custom homesites with lots ranging from half an acre to 1.38 acres, a 5-acre recreation center (Camp Lahontan), a community path and trail system, the Lodge at Lahontan (a 24,000 square foot clubhouse and spa) and Martis Creek, a natural trout stream that winds its way through the community. As of December 31, 2005 all custom lots had been sold.

Kukui' ula: This 1,010 acre property is being developed on the southern coastline of the island of Kaua'i, approximately 15 miles southwest of Lihue. The community will consist of approximately 1,300 residential units, a 50,000 square feet plantation style village center, an 18-hole Tom Weiskopf-designed golf course, a 20-acre community park, and a variety of sport, recreational and lodging amenities. Kukui' ula is a joint venture between DMB and A&B Properties, Inc. First Phase homesite sales are expected to begin in late 2006.

Marley Park: This 956 acre master planned development is being developed in Surprise, Arizona and will consist of approximately 3,071 residential units. Planned amenities include a centrally located 45-acre public-use education and a recreation parks complex that is planned to include: Heritage Park, Marley Park Elementary School, and the 6,600 square foot Heritage Club. Marley Park will also include a series of unique neighborhood parks, the Arbor Walk, a community intranet, and a neighborhood marketplace. Additional planned amenities include 1,600-seat open-air amphitheater, lighted baseball and soccer fields, Community rose garden, and Adventure play areas. Sales began in August 2004 with 1,260 homesites sold through December 31, 2005.

The majority of DMB's commercial holdings were sold in 2000. DMB has also been involved in Superstition Springs, a 1,200-acre mixed-use commercial, office, resort, golf course and residential development located in the City of Mesa, Arizona, one of the most concentrated centers of development activity in the greater Phoenix metropolitan area.

OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS

Overlapping General Obligation Bonded Indebtedness

Overlapping general obligation bonded indebtedness is shown below including a breakdown of each overlapping jurisdiction's applicable general obligation bonded indebtedness, net assessed valuation and combined tax rate per $100 assessed valuation. Outstanding bonded indebtedness is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each jurisdiction's assessed valuation which lies within the District's boundaries was derived from information obtained from the Assessor. The information presented for the State of Arizona is preliminary and subject to change. **See "RISK FACTORS - Direct and Overlapping Indebtedness."**

Direct and Overlapping Jurisdiction	2006-2007 Net Secondary Assessed Valuation	Net Outstanding Bonded Debt (a)	Proportion Applicable to the District		2006-2007 Combined Tax Rate Per $100 Assessed (b)
			Approx. Percent	Net Amount	
State of Arizona	$54,436,547,031	None	0.00%	None	$0.0000
Maricopa County (c)	36,294,693,601	None	0.00%	None	1.6800
Maricopa County Community College District	36,294,693,601	$369,320,000	0.12%	$443,184	1.0646
Town of Buckeye	193,594,069	605,000	21.80%	131,890	1.3371
Liberty Elementary School District No. 25	166,080,160	6,625,000	1.27%	84,138	4.0079
Litchfield Elementary School District No. 79	556,867,080	14,350,000	64.65%	9,277,275	3.2683
Saddle Mountain Unified School District No. 90	855,766,948	19,630,000	39.98%	7,848,075	1.3557
Western Maricopa Education Center (West-MEC)	12,801,623,379	None	0.33%	0.0000	0.0500
Verrado Western Overlay Community Facilities District	16,319,992	13,000,000	100.00%	13,000,000	3.3000
Verrado Community Facilities District No. 1 (figures include the Bonds being offered herein)	42,195,614	42,600,000	100.00%	42,600,000	3.3000
TOTALS				$73,384,561	$19.3636

(a) Includes general obligation bonds outstanding and general obligation bonds scheduled for sale. Does not include municipal improvement districts bond outstanding which are being paid from special assessments levied against property owners residing within such improvement districts. Bonds supported from enterprise revenues are also excluded.

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 of construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Bureau of Reclamation to deliver Colorado River water to central Arizona and Tucson. The United States and CAWCD recently announced an agreement 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 for amounts paid by CAWCD to the United States against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far 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 the 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 water claims and will require certain State of Arizona and federal legislation. Federal enabling legislation was passed in 2004. 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 United States District Court to terminate the agreement and resume litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying payment administrative costs and expenses of CAP and to assist in repayment to the United States of the capital costs of CAP. 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 in the CAWCD. At the date of this Official Statement, the tax levy is limited to 14 cents per $100 of secondary assessed valuation, of which 12 cents is being levied. (See Arizona Revised Statutes, Section 53-3715). There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(b) The combined tax rate includes the tax rate for debt service payments and voter-approved overrides, if any, 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 is based on the primary assessed valuation of the entity.

(c) The County's tax rate includes the $1.1794 county tax rate, the $0.2047 tax rate of the Maricopa County Flood Control District, the $0.1184 tax rate of the Special Healthcare District, the $0.0507 tax rate of the County's Free Library District, $0.1200 tax rate of the Central Arizona Project and the $0.0068 tax rate for the County's contribution to fire districts. It should be noted that the County Flood Control District does not levy taxes on

personal property. Includes the "State Equalization Assistance Property Tax." Its rate has been set at $0.000 for fiscal years 2006-07 through 2008-09. The State Equalization Assistance Property Tax in fiscal year 2009-10 will be computed by annually adjusting fiscal year 2005-06's rate of $0.4358 through fiscal year 2009-10.

(d) Additional general obligation bonds may be authorized at subsequent elections for all such political subdivisions.

Source: Individual jurisdictions.

Additional General Obligation Bonded Indebtedness of the District

In addition to the Bonds , the District retains the right to issue, in accordance with the procedures set forth in the Enabling Act, additional series of bonds payable from *ad valorem* taxes. See "SECURITY FOR AND SOURCES OF PAYMENT - *Ad Valorem* Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding." **See also "RISK FACTORS - Direct and Overlapping Debt."**

The Enabling Act provides that the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the bonds. (The District has made a finding that issuance of the Bonds will meet the test set forth above.)

Pursuant to the Election, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed $100,000,000 and will have $57,400,000 of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds. Additional indebtedness could be authorized for the District in the future pursuant to other elections.

Additional Overlapping General Obligation Bonded Indebtedness

The District has no control over the amount of additional indebtedness payable from taxes on all or a portion of the property within the District that may be issued in the future by other political subdivisions, or other entities having jurisdiction over all or a portion of the land within the District. Additional indebtedness could be authorized for such overlapping jurisdictions in the future. **See "RISK FACTORS - Direct and Overlapping Debt."**

The following overlapping entities of the District have the indicated authorized but unissued general obligation bonds available for future issuance as of July 1, 2006.

Authorized but Unissued
General Obligation Debt

Overlapping Jurisdiction	
Maricopa County CCD	$761,093,000
Verrado Western Overlay District	47,000,000
Town of Buckeye	0
Saddle Mountain Unified School District No. 90	0
Liberty Elementary School District No. 25	7,325,000
Litchfield Park Elementary School District No. 79	0
Verrado CFD District No. 1	57,400,000

SOURCES AND APPLICATIONS OF FUNDS

Sources	
Par Amount of Bonds	$18,600,000
Total	$18,600,000
Applications	
Cost of Acquisition and Construction	$17,981,500
Costs of Issuance (including Underwriter's Compensation)	618,500
Total	$18,600,000

RISK FACTORS

General

Investment in the Bonds involves certain risks 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.

The Bonds will be secured solely by ad valorem taxes generated within the District and amounts available pursuant to the Standby Contribution Agreement and the Guaranty. Anyone considering investing in the Bonds should carefully examine this Limited Offering Memorandum, including the Appendices hereto.

Investment in the Bonds has substantial risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Limited Offering Memorandum. Security for the Bonds is an unlimited ad valorem property tax pledge of the District; however, the Developer have agreed to contribute moneys sufficient to allow the District to levy a tax rate for the payment of debt service not exceeding $3.00 per $100 of secondary assessed valuation within the District for all general obligation bonds of the District. The Developer is a single purpose entity without any significant assets other than the Project and its ability to develop the Project. Under the Developer's current estimates, it will take approximately 3 years for the tax base to be sufficient at a levy of $3.00 to cover debt service and this assumes that no additional general obligation bonds are sold by the District during such period as are contemplated.

Moreover, the Town has approved nineteen other master planned communities which include over 240,000 housing units and has under consideration, five pending master planned communities which include over 18,000 housing units and neighboring communities have significant residential communities under way and contemplated. If the Developer is unable to fund their obligations, the District's ability to collect the taxes necessary to pay debt service cannot be guaranteed and the pace of development will be adversely affected. See, among other sections, "SECURITY AND SOURCES OF PAYMENT," "GENERAL DESCRIPTION OF THE DISTRICT, THE DEVELOPER AND THE PROJECT," "RISK FACTORS" and Appendix G - "CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER".

Forward-Looking Statements

This Limited Offering Memorandum contains certain statements that are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933v and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Official Statement, including without limitation statements that use terminology such as "estimate," "expect," "intend," "anticipate," "believe," "may," "will," "continue" and similar expressions, are forward-looking statements. These forward-looking statements include, among other things, the discussions related to the Developer and the Project and expectations regarding development, government approvals, future operations, revenues, capital resources and expenditures for capital projects. Although the Developer believes that the assumptions upon which the forward-looking statements contained in this Official Statement are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions also could be incorrect. All phases of the operations of the Developer involve risks and uncertainties, many of which are outside the control of the Developer and any one which, or a combination of which, could materially affect the results of the Developer's operations and whether the forward-looking statements ultimately prove to be correct. See "Certain Factors Which May Adversely Affect Development; Consequences" below.

No representation or assurance can be given that the Developer will realize revenues in amounts sufficient to make the required payments under the standby contribution agreement or that the District can obtain sufficient tax revenue. The realization of future revenues is dependent upon, among other things, the matters described in the foregoing paragraph and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. The Underwriter makes no representation as to the accuracy of the projections contained herein nor as to the assumptions on which the projections are based.

Concentration Of Ownership; Subsequent Transfer

There can be no assurance that the Developer has the financial capability to complete development of the Project. Because there can be no assurance that the members of the limited liability company that form the Developer will provide additional funds to the Developer, nor that bank loans will be available to the Developer and sufficient to pay all costs attributable to the Project, the Developer may have to depend on revenues from sales of lots and parcels to generate cash flow and otherwise make funds available to pay all costs associated with the

ownership, operation and development of the Project. If the Developer has to depend on sales of lots and parcels to generate cash flow, there can be no assurance that sufficient funds will be available to the Developer to pay all of its obligations and liabilities, including, without limitation, property taxes (including those to be applied to pay the Bonds), as such obligations and liabilities become due and payable.

In addition, the Developer has transferred and intends to continue to transfer ownership of those parcels (or portions thereof) designated for residential development within the District to homebuilders or individual custom lot purchasers prior to completion of development therein. There are no restrictions on the ability of the Developer to sell parcels (or portions thereof). There can be no assurance that any builder will ultimately acquire and develop all of the lots, nor any assurance that any builder will be able to obtain the projected sales prices for any houses to be constructed on the lots. Custom lot purchasers are not required to commence construction within any particular time period after the acquisition of a custom lot. Accordingly, there can be no assurance as to when, or if, custom homes will actually be constructed, nor as to the ultimate fair market value of such homes.

Certain Factors Which May Adversely Affect Development; Consequences

The development of the balance of the Project by the Developer or any purchaser therefrom is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage facilities, telephone and electrical facilities, recreational facilities and street lighting, as well as local in-tract improvements, including site grading. If the Developer or any purchaser therefrom were unable to complete these additional improvements, the ability of the Developer or any purchaser therefrom to sell land would be affected adversely.

The cost of additional improvements plus the public and private in-tract, on-site and off-site improvements may increase the public and private debt for which the land within the District is security. The burden of additional debt would be placed on the land within the District to complete the necessary improvements. See "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS."

Proposed development of property within the District may be affected adversely by changes in general economic conditions, fluctuations in the real estate market, changes in the income tax treatment of real property ownership and other similar factors. The residential development business particularly including communities such as the Project is highly competitive in the Phoenix metropolitan area. The Project will face competition from a number of competing developments and others throughout the Phoenix metropolitan area, the development plans for which offer lots and parcels in similar communities for a similar target market. A slowdown of the development process and the absorption rate could adversely affect land values (including secondary assessed valuation for the purposes described herein under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District") and reduce the ability or desire of the property owners to pay the ad valorem taxes securing the Bonds. In that event, there could be a default in the payment of principal of, and interest on, the Bonds as well as a resulting bankruptcy of the District.

Vacant land also provides less security to the holders of the Bonds should it be necessary for the District to foreclose due to nonpayment of ad valorem taxes. Furthermore, an inability to develop the remaining land within the District will likely reduce the diversity of ownership on land within the District, making the holders of the Bonds more dependent upon timely payment of the ad valorem taxes levied on the vacant property.

Because of the concentration of ownership noted above, the timely payment of the Bonds depends upon the willingness and ability of the Developer, and any subsequent owners, to pay the ad valorem taxes levied on the vacant property when due. A slowdown or stoppage in the continued development of the District could reduce the willingness and the ability of such owners to pay ad valorem taxes on vacant property and could greatly reduce the value of such property (including secondary assessed valuation for the purposes described herein under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District") in the event it has to be foreclosed upon.

Effect of Valuation of Property

Information is provided herein with respect to the valuation of land within the District. SEE "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District." Such valuation and particularly decreases therein may reduce the willingness of landowners to pay the ad valorem taxes securing the Bonds, as well as adversely affect the interest of potential buyers of such property at any foreclosure sale for purposes of paying such taxes. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District."

Availability of Standby Contribution Agreement

If amounts to be available pursuant to the Standby Contribution Agreement are not available for any reason, the Bonds will be payable only from District ad valorem taxes, resulting in increased District tax rates and increased reliance upon District tax revenues collected within the District to pay principal of and interest on the Bonds. See also "General" above.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the ad valorem taxes of the District could be affected by the existence of other taxes and assessments imposed upon the property. The existing public debt relating to the District is set forth in "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS." The Overlay District is authorized to issue $60 million of general obligation bonds on certain property within the District and has issued the Overlay District Series 2004 Bonds in the principal amount of $13,000,000. In addition, 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 lien created on the property within the District through the levy of ad

valorem taxes would be on a parity with the ad valorem taxes securing the Bonds. The imposition of additional parity liens, or junior liens in the case of, for instance, special assessments, may reduce the ability or willingness of the landowners to pay the ad valorem taxes securing the Bonds as well as in the case of failure of payment thereof the existence of buyers of such property at any foreclosure sale for purposes of paying such taxes. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District."

Risk of Extraordinary Mandatory Redemption

The Bonds are subject to early special mandatory redemption without premium in the event of a default under the Standby Contribution Agreement as described herein. See "THE BONDS - Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement."

Bankruptcy and Foreclosure Delays

The payment of the ad valorem taxes securing the Bonds and the ability of the District to foreclose the lien of delinquent unpaid ad valorem taxes 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 ad valorem taxes securing the Bonds 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 principal of, and interest on, the Bonds.

In addition, 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 Standby Contribution Agreement and 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. Bankruptcy or similar occurrence of or to the Developer could result in a temporary or permanent cessation of amounts payable pursuant to the Standby Contribution Agreement. Payment of principal of and interest on the Bonds would then be reliant on amounts available from collection of ad valorem taxes securing the Bonds.

Timing of Completion of the Public Infrastructure

Construction of the Public Infrastructure and the other infrastructure to be constructed by the Developer and dedicated to the District necessary for development is underway and in some instances complete, however, the time for completion of all of such improvements is uncertain. The cost of construction may be affected by factors beyond the Developer's control including strikes, labor shortages, energy shortages, material shortages, inflation, adverse weather conditions, subcontractor defaults, and other unknown contingencies. If cost overruns result in delay of construction, or if other delays are experienced, the Developer may be unable to complete timely all of such necessary improvements.

General Risks of Real Estate Investment

Investments in real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Project will be subject to the risks generally incident to real estate investments. Many factors that may affect the Project, as well as the Developer's operating revenues derived from the Project, are not within the control of the Developer. 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 the Project, which may render the sale of such homes difficult or unattractive; acts of God (which may result in uninsured losses); and other factors beyond the control of the Developer or its affiliates.

The Project cannot be initiated or completed without the Developer obtaining a variety of governmental approvals and permits, most of which have already been obtained. Such permits are necessary to initiate completion of each phase of the Project 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. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developer. See "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER – Project – Governmental Approvals and Agreement."

Environmental Matters

The Project will be subjected to risks arising out of the environmental law 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 the Project resulting from any contamination on the site or from the proximity of the site to other contaminated areas. 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) and the Resource Conservation and Recovery Act (RCRA).

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.

Cancellation of Contracts

The State of Arizona, 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.

LITIGATION

At the time of delivery and payment for the Bonds, appropriate representatives of the District will certify that 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 Indenture and the Bond Resolution, 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 Bond Resolution, 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 Limited Offering Memorandum 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 C attached hereto.

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.

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, a form of which is included herein as Appendix C. (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. See "RISK FACTORS - Bankruptcy and Foreclosure" described herein. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona; for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona; and for the Developer by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona.

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 of 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.

FINANCIAL INFORMATION

Certain unaudited financial information of DMB White Tank, LLC is included in Appendix G.

UNDERWRITING

The Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $18,135,000 (reflecting the aggregate principal amount of the Bonds, less underwriter's compensation of $465,000). The Underwriter will offer and sell the Bonds in a limited distribution only to Qualified Investors who have agreed to the transfer restrictions described herein. See "INVESTOR SUITABILITY STANDARDS" and "TRANSFER RESTRICTIONS." The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The offering prices set forth on the cover page hereof may be changed after the initial offering by the Underwriter.

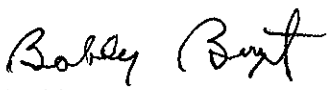
RELATIONSHIPS AMONG PARTIES

Greenberg Traurig, LLP, Phoenix, Arizona, Counsel to the Underwriter and to the Developer, and Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel and Counsel to the District, have acted as bond counsel in other transactions underwritten by the Underwriter or the Financial Advisor to the Town, and have acted as underwriter's counsel to the Underwriter or the Financial Advisor to the Town in other transactions. 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.

The Underwriter and the Financial Advisor to the Town 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 Advisor have underwritten or acted as financial advisor on other transactions and expect to do so in the future.

This Limited Offering Memorandum has been approved, executed and delivered by the District.

VERRADO DISTRICT 1 COMMUNITY
FACILITIES DISTRICT



By /s/ Bobby Bryant
Chairman, District Board

APPENDIX A

GENERAL ECONOMIC AND FINANCIAL INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA

The following information concerning the Town is for background information only as the District lies within the limits of the Town. The Bonds are not an obligation of the Town in any respect. THE BONDS ARE DIRECT GENERAL OBLIGATIONS OF THE DISTRICT, PAYABLE FROM AD VALOREM TAXES LEVIED AGAINST ALL TAXABLE PROPERTY IN THE DISTRICT, AS DESCRIBED UNDER THE HEADING "SECURITY FOR AND SOURCES OF PAYMENT."

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 1888 and incorporated in 1929, encompasses approximately 240 square miles and sits at an elevation 888 feet above sea level. The Town has approximately 597 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
2005 Estimate*	33,000	3,648,545	6,044,985
2000 Census	8,497	3,072,149	5,130,632
1990 Census	4,436	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, 2005.

Source: Arizona Department of Economic Security, Population Statistics Unit approved February 28, 2006. U.S. Department of Commerce, Bureau of the Census. Buckeye Valley Chamber of Commerce.

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 has been agriculture, but in recent years has changed to more urban activity with the residential development that has been occurring. 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
2006*	4.7%	4.4%	3.0%	N/A
2005	5.1	4.7	4.1	N/A
2004	5.5	5.0	4.4	9.2%
2003	6.0	5.7	5.2	11.3
2002	5.8	6.1	5.6	12.8
2001	4.7	4.7	4.2	9.0

*Data through July 2006.

Source: U.S. Department of Labor Bureau of Labor Statistics.

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	1,100
Wal-Mart Distribution	Retail Warehouse	837
Paradise Waste of Arizona	Waste Management	395
Department of Corrections (Juvenile)	Government	263
Schult Homes Inc.	Mobile Home Manufacturer	230
Rip Griffin's Truck/Travel Center	Commercial Oasis	180
Buckeye Elementary School District	Education	175
Town of Buckeye	Government	128
Buckeye Union High School	Education	128
H-Four Farms	Farm Operation	86
Quincy Joist Company	Manufacturing	65

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

Maricopa County Average Wage and Salary Employment
2003 through 2006

	2003	2004	2005	2006*
Manufacturing	127,300	125,700	127,600	133,200
Natural Resources and Mining	1,100	1,100	**	**
Construction	122,600	142,300	155,500	178,600
Trade, Transportation, and Public Utilities	321,500	326,100	345,400	368,600
Information	36,000	34,500	34,000	32,200
Financial Activities	129,400	135,300	141,300	149,600
Professional and Business Services	254,800	262,000	279,100	314,000
Education and Health Services	159,400	167,300	177,700	185,400
Leisure and Hospitality	152,700	155,300	162,900	174,800
Other Services	61,800	61,700	63,800	67,600
Government	197,200	205,900	208,800	211,200
Total	1,563,800	1,617,200	1,696,100	1,815,200

*Data through June 2006.

** Combined with Construction.

Source: *Arizona's Workforce*, a news release from the Arizona Department of Economic Security, Research Administration.

Town of Buckeye
Sales Tax Collections

Fiscal Year	Amount
2005-06	$14,247,047
2004-05	8,443,984
2003-04	4,809,114
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.

Cash Receipts from Agricultural Marketing
Total Crops and Livestock
Maricopa County, Arizona

Year	Total Receipts
2004	$1,022,736
2003	886,112
2002	792,307
2001	886,169
2000	818,160

Source: *2004 Arizona Agricultural Statistics Bulletin*, Arizona Agricultural Statistics Service, September 2005.

Educational Facilities

Elementary and high school education is available through the Buckeye Elementary School District No. 33 and the Buckeye Union High School District No. 201, respectively. West-Mec provides career and technical education programs which provide students an educational link to employment and assistance moving into the workforce. 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 each year.

Bank Deposits
Maricopa County
($ in thousands)

Year	Amount
2005	$51,137,882
2004	39,014,589
2003	35,433,174
2002	30,414,427
2001	31,517,775

Source: As of June 30 each year. Federal Deposit Insurance Corporation.

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
2006(a)	$162,418,000	$ 473,000	$13,921,000	$176,812,000
2005	597,407,000	4,089,000	12,422,000	613,918,000
2004	394,647,000	1,516,000	10,070,000	406,233,000
2003	68,411,000	N/A	N/A	68,411,000(b)
2002	20,849,777	N/A	N/A	20,849,777(b)
2001	19,287,101	N/A	N/A	19,287,101(b)

(a) Through the second quarter of 2006.
(b) 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.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2006(a)	1,667
2005	4,262
2004	3,018
2003	570
2002	209
2001	71

(a) Through the second quarter of 2006.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University.

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APPENDIX B

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 Limited Offering Memorandum.

"***Annual Debt Service Requirement***" means for any Fiscal Year, the Debt Service to be paid in such Fiscal Year with respect to the Bonds and any Parity Bonds for payment of principal of and interest on the Bonds and such Parity Bonds during such Fiscal Year, treating any Debt Service due on July 15 of any Fiscal Year as if due in the prior Fiscal Year.

"***Beneficial Owner***" means the purchaser of a beneficial ownership interest in the Bonds, as recorded by entries in the books and records of the Securities Depository and its Participants.

"***Book-Entry Bonds***" means the Bonds which are registered pursuant to the Book-Entry-Only System.

"***Book-Entry-Only System***" means the system of registering all of the Bonds in the name of the Securities Depository or its designee and reflecting the interests of the Beneficial Owners on the books of the Securities Depository and its Participants.

"***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.

"***CEDE***" means CEDE & Co., as nominee of DTC, and any successor nominee of DTC.

"***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations and rulings promulgated pursuant thereto.

"***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 Issuer 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 and the Standby Contribution Agreement, 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, insurance and other credit enhancement 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

and charges and fees in connection with the foregoing as well as costs relating to the election held to authorize the Bonds.

"***Debt Service***" means, with respect to the Bonds or Parity Bonds, collectively, (i) the principal of and interest and premium, if any, thereon when due either at Stated Maturity or redemption in advance of Stated Maturity; (ii) fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds or Parity Bonds; and (iii) amounts due with regard to Rebate with respect to the Bonds or Parity Bonds; and (iv) fees and costs incurred in connection with complying with any undertaking to provide continuing secondary market disclosure if entered into by the District with respect to the Bonds or Parity Bonds.

"***Development Agreement***" means that certain District Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District), dated as of June 19, 2001, by and among the Town of Buckeye, Arizona, the Developer and the District, including any amendments and supplements thereto.

"***Direct Participant***" means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository.

"***DTC***" means The Depository Trust Company, a limited purpose trust company, organized under the laws of the State of New York, and its successors and assigns, as the depository for the Book-Entry Bonds.

"***Governmental Obligations***" means (1) direct obligations of, or obligations the timely payment of principal of which is fully and unconditionally guaranteed by, the United States of America or (2) obligations described in Section 103(a) of the Code, provision for the payment of the principal of and 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 and premium, if any, and interest on such obligations, and which securities described in clause (1) are not available to satisfy any 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 6.02, have been assigned ratings in the highest rating categories of S&P Moody's, but in the case of both Clause (1) and Clause (2) of this paragraph, for purposes of Section 6.02, only if such obligations are non-callable prior to the Maturity of the Bonds or (3) REFCORP STRIPS as defined in "Permitted Investments." Governmental Obligation also includes for purposes other than Section 6.02, a "no load," open-end management investment company or trust (mutual fund), registered with the federal 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, and repurchase agreements secured by the same and which money market fund has a rating by S&P of AAAm-G; AAm; or AAm or better and a rating of Moody's of "VMIG-1" or better.

"***Indirect Participant***" means a person on whose behalf a Direct Participant directly or indirectly holds an interest in the Bonds through the Book-Entry-Only System.

"***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.

"***Maximum Annual Debt Service***" means, at the time of computation, the greatest Annual Debt Service Requirement for the then current or any succeeding Fiscal Year.

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

"***Opinion of Counsel***" means a written opinion of counsel who may (except as otherwise expressly provided in this 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 national reputation experienced in the field of municipal bonds 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 Owners of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed in advance of their Stated Maturity, 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.

"***Parity Bonds***" means other general obligation bonds of the District, including the 2003 Bonds, which are payable from ad valorem property tax collections on parity with the Bonds.

"***Permitted Investments***" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested:

1. 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.

2. 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:

    a. U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership

    b. Farmers Home Administration - certificates of beneficial ownership

    c. Federal Financing Bank

    d. Federal Housing Administration Debentures

    e. General Services Administration - participation certificates

    f. Government National Mortgage Association ("GNMA") - guaranteed Mortgage-backed bonds; guaranteed pass-through obligations

    g. U.S. Maritime Administration - guaranteed Title XI financing

    h. New Communities Debentures - U.S. Government guaranteed debentures

    i. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

    j. U.S. Department of Housing and Urban Development - Project Notes; Local Authority Bonds

3. 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):

    a. Federal Home Loan Bank System - senior debt obligations

    b. Federal Home Loan Mortgage Corporation - Participation Certificates; senior debt obligations

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

d. Student Loan Marketing Association - senior debt obligations

4. Money market funds registered with the Securities and Exchange Commission, 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 being a rating by Moody's of "VMIG-1" or better.

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

6. 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 by 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 unless each rating agency which has rated the Bonds has confirmed that the rating of such rating agency on the Bonds will not be withdrawn or lowered upon the effective date of such amendment or substitute investment agreement.

7. 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.

8. Repurchase agreements ("Repos") 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.

a. Repos must be between the District and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list, or

(2) Banks rated "A" or above by S&P and "A" or above by Moody's.

b. The written repo contract must include the following:

(1) Securities which are acceptable for transfer are:

(a) Direct U.S. government, or

(b) Federal agencies backed by the full faith and credit of the U.S. government

(2) The term of the repo may be up to 180 days

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

(4) Valuation of collateral

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

(b) The value of collateral must be equal to 103% of the amount of cash transferred by the District to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 103% of the value of the cash transferred by the District, 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%.

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

(1) Repo meets guidelines under state law for legal investment of public funds

11. Governmental Obligations

12. 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.

(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.)

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

"***Rebate***" means the payment system established by Section 148 of the Code with respect to certain arbitrage earnings by a political subdivision or amounts treated as the proceeds of certain obligations of such political subdivision and shall include all costs and expenses incurred in connection with, and allocable to, determining the amount due pursuant to such system.

"***Redemption Date***" when used with respect to any Bond to be redeemed means the date fixed for such redemption.

"***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.

"***Securities Depository***" means DTC as securities depository for the Bonds until a successor securities depository is appointed and thereafter shall mean such successor securities depository.

"***Sinking Fund Installment***" means, with respect to the Bonds, the mandatory sinking fund redemption payments due on the Bonds.

"***S&P***" means Standard & Poor's Corporation, a division of the McGraw-Hill Companies, or any successor thereto.

"***SMMP***" means a "Sophisticated Municipal Market Professional", as such term is defined by the Municipal Securities Rulemaking Board ("MSRB") and without limiting the definition used by the MSRB, generally means a corporation, partnership, trust or other institution, other than a natural person, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management and whom the broker-dealer who is involved in the sale of the Bonds or beneficial interest therein has reasonable grounds to believe: (i) has timely access to available material facts pertaining to the Bonds, (ii) is capable of independently evaluating the investment risk and market value of the Bonds, and (iii) is making independent decisions about its ownership of the Bonds.

"***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 and the District's interest in the Standby Contribution Agreement. The Trustee is required to hold all such property in trust for the benefit of all the Owners.

Funds

Bond Fund. There is created by the District and established with the Trustee, a special fund of the District designated its "District General Obligation Bonds, Series 2006 Bond Fund" (herein referred to as the "Bond Fund") and within the Bond Fund (1) a special account designated the "Series 2006 Tax Account", (2) a special account designated as the "Series 2006 Bond Proceeds Account", (3) a special account designated as the "Series 2006 Developer Payment Account" and (4) as and when applicable, a special account designated as the "Series 2006 Developer Reserve Account".

The District shall, upon receipt, immediately deposit with the Trustee and the Trustee shall deposit to the credit of the special accounts of the Bond Fund:

(1) in the Series 2006 Tax Account, all ad valorem taxes collected by or remitted to the District to pay Debt Service on the Bonds to the extent provided in the Indenture, including collections of delinquent taxes;

(2) in the Series 2006 Bond Proceeds Account, the amount of accrued interest on the Bonds;

(3) in the Series 2006 Developer Payment Account, amounts received as described in (i) and (ii) below;

(4) in the Series 2006 Developer Reserve Account, amounts received as described in (iii) below;

(5) in an existing or new special account of the Bond Fund, as the District shall determine, such other funds as the District shall at its option deem advisable.

Deposits into the Developer Payment Account and Developer Reserve Account shall be as follows:

(i) On or before May 15 (or, if May 15 is not a Business Day, the immediately preceding Business Day) of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit in the Series 2003 Developer Payment Account upon receipt all amounts paid to it pursuant to Section 2.1(A) of the Standby Contribution Agreement.

(ii) On or, if either day is not a Business Day the immediately preceding Business Day, before June 15 and December 15 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall submit a written request (which may be by facsimile or electronic communication) for payment by the Developer under the Standby Contribution Agreement for the difference between the amount in Series 2006 Tax Account plus the amount in the Series 2006 Bond Proceeds Account plus the amount in the Series 2006 Developer Payment Account on such date and the amount necessary to pay Debt Service (without regard to any optional redemption of the Bonds) on the Bonds on the next succeeding July 15 or January 15, as the case may be pursuant to Section 2.1(B) of the Standby Contribution Agreement (a "Tax Contribution Request"). The Trustee shall deposit into the Series 2006 Developer Payment Account upon receipt all amounts paid to it pursuant to a Tax Contribution Request.

(iii) At any time, or from time to time, the Trustee shall deposit into the Series 2006 Developer Reserve Account upon receipt, all amounts paid to it by or on behalf of the Developer constituting the Redemption Price for Bonds.

Funds on deposit in the Bond Fund shall be applied as follows:

(1) Funds on deposit in the Series 2006 Tax Account, the Series 2006 Bond Proceeds Account and the Series 2006 Developer Payment Account, and the investment income attributable thereto, shall be applied solely to pay Debt Service on the Bonds in the amounts and on the dates due.

(2) To the extend funds on deposit in the Series 2006 Tax Account, the Series 2006 Bond proceeds Account and the Series 2006 Developer Payment Account, and the investment income attributable thereto, are less than the amounts required to pay Debt Service, then at the discretion of the District as provided by District Request, at any time or from time to time, funds on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, shall be transferred to the Series 2006 Developer Payment Account to pay Debt Service on the Bonds.

(3) Upon written request of the District and receipt of amounts constituting the Redemption Price of the Bonds, and deposit of such funds in the Series 2006 Developer Reserve Account, the Trustee shall provide notice of redemption to the Owners and thereafter transfer funds on deposit in the Series 2006 Developer Reserve Account to the Series 2006 Developer Payment Account, at such times and in such amounts as are necessary to redeem the Bonds.

(4) To the extent, following payment in full or early redemption (as applicable) of all of the Outstanding Bonds, there are funds remaining on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2006 Developer Payment Account and, after disbursing from the Series 2006 Developer Payment Account to the parties entitled thereto such funds as are necessary to pay all amounts payable by the Developer under the Indenture, shall thereafter disburse any funds remaining on deposit in the Series 2006 Developer Payment Account to the Developer or, in the event of conflicting claims, as a court of competent jurisdiction may direct, and any funds remaining on deposit in the Series 2006 Tax Account and the Series 2006 Bond Proceeds Account to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

(5) To the extent, following the release of the Developer from the Standby Contribution Agreement, remaining on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2006 Developer Payment Account and, after disbursing from the Series 2006 Developer Payment Account to the parties entitled thereto such funds as are necessary to pay all amounts payable by the Developer under the Indenture in connection with such release from the Standby Contribution Agreement, shall thereafter disburse any funds remaining on deposit in the Series 2006 Developer Payment Account to the Developer or, in the event of conflicting claims, as a court of competent jurisdiction may direct.

Acquisition and Construction Fund. The District is required to deposit to the Acquisition and Construction Fund the balance of the proceeds of the sale of the Bonds remaining after the deposit of the amounts described above to the Bond Fund. The money

deposited to the Acquisition and Construction Fund is required to be applied to pay the Costs of Issuance and the Costs of Acquisition and Construction and, to the extent the funds deposited to the Acquisition and Construction Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the District to transfer such unexpended proceeds or income to the Bond Fund; provided, however, that if any such amounts remain on deposit in the Acquisition and Construction Fund on October 1, 2009, such amounts shall be transferred by the Trustee to the Bond Fund.

Investment of and Security for Funds. The Indenture provides that money held for the credit of (i) the Bond Fund will be invested by the Trustee in Governmental Obligations and (ii) the Acquisition and Construction Fund will be invested by the Trustee in Permitted Investments. The Trustee will sell or present for redemption any obligations so purchased as an investment pursuant to the Indenture whenever it is necessary to do so in order to provide money to make any payment or transfer of money required thereby. Investments will mature, or will 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 pursuant to the Indenture will be deemed at all times to be a part of such fund. The interest accruing on obligations so purchased and any profit realized from such investment will be credited to such fund and any loss resulting from such investment will be charged to such fund. All money held by the Trustee pursuant to the Indenture will 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 will not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from its own negligence.

Remedies under the Indenture

The Trustee in its discretion, pursuant to the Indenture, may proceed to protect and enforce its rights and the rights of the Owners 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 the Standby Contribution Agreement or in aid of the execution of any power granted in the Indenture or in the Standby Contribution Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce any of the rights of the Trustee or the Owners. In addition to all rights and remedies of any Owners, in the event the District defaults in the payment of the principal of (or premium, if any, on) 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, the Indenture, or in the Standby Contribution Agreement, the Trustee will be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the directors and other officers of the District to make such payment or to observe and perform any covenant, obligation, or condition prescribed in the Bond Resolution, the Indenture or the Standby Contribution Agreement. 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, therefore, prove costly, time consuming, and difficult to enforce. The

rights and remedies of Owners 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." Furthermore, upon any default under the Standby Contribution Agreement, the Trustee will enforce the remedies contained therein and/or seek payment of a judgment which is in the amount of all outstanding principal of the Bonds and interest on such principal amount to the date of redemption established as described under "THE BONDS – Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement."

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 District will pay or cause to be paid to the Trustee for the benefit on the Owners 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 will 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 District fails to pay or cause to be paid such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, 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 the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, will be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Bonds, for the benefit of the Owners thereof, and will 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 District will affect or impair the lien on the Indenture upon the trust estate or any rights, powers, or remedies of the Trustee thereunder, or any rights, powers, or remedies of the Owners of the Bonds.

Application of Money Collected

Any money collected by the Trustee pursuant to the exercise of remedies under the Indenture or the Standby Contribution Agreement, together with any other sums then held by the Trustee as part of the Trust Estate, will 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 the Indenture;

B. Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds, for principal of and premium, if any, and interest on the Bonds and (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 will be sufficient to pay in full the whole amount so 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 and

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

Control by Owners

The Owners of a majority in principal amount of any series of Outstanding Bonds will have the right (subject to providing indemnity to the Trustee as described below)

1. to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds of such series and the foreclosure of the Indenture, the sale of the trust estate established pursuant to the Indenture, or otherwise;

2. to require the Trustee to proceed to enforce the Standby Contribution Agreement; and

3. 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 or the Standby Contribution,

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

    c. the Trustee has not determined that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction, and

    d. if the remedy requires the consent of a certain number of the Owners, 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 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 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.

No Owner of any Bond has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has occurred nor unless such default has become an Event of Default and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers granted, or to institute such action, suit or proceeding in its own name; it being understood and intended that no one or more Owners of the Bonds has the right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Owners of the Bonds then outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner of a Bond to enforce payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any or interest on any such Bond at and after the maturity thereof, or the obligation of the District to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner in the Indenture and in the Bonds expressed. For purposes of this provision, so long as the Bonds are held by the Securities Depository pursuant to the Book-Entry-Only System in the Indenture, the Trustee shall be permitted to accept direction from the Beneficial Owners of the Bonds, rather than the Owner, upon receipt by the Trustee of appropriate certification of such Beneficial Ownership.

Each Owner of any Bond by his acceptance thereof will be deemed to have agreed that any court may in its discretion 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 Owner, or group of Owners 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 Owner 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 Owners 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 or amend the Standby Contribution Agreement (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, the Bond Resolution or the Standby Contribution Agreement; (iv) to add to the covenants of the District for the benefit of the Owners of all the Bonds; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture, the Bond Resolution, the Standby Contribution Agreement which may be inconsistent with any other provisions thereof, or to make any other provisions for matters arising thereunder which will not be inconsistent with the provisions thereof, if such actions will not adversely affect the interests of the Owners.

With the consent of the Owners 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 or the Standby Contribution Agreement for the purpose of adding any other provisions to or changing in any other manner or eliminating any of the provisions of the Indenture or of modifying in another manner the rights of the Owners under the Indenture or the Bond Resolution or the Standby Contribution Agreement. However, no supplemental indenture or amending resolution, without the consent of the Owner of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) 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 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 the Outstanding Bonds the consent of the Owners of which is required for any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement, or the consent of Owners of which is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences; (iii) modify or alter the provisions of the proviso to 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 Owners of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby. 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 or the Standby Contribution Agreement, and any such determination will be conclusive upon each Owner, whether theretofore or thereafter authenticated and delivered under the Indenture. The Trustee will not be liable for any such determination made in good faith.

The District will not enter into any supplemental indenture while the Standby Contribution Agreement is in effect without the prior written consent of the Developer.

Concerning the Trustee

The Trustee has undertaken to perform such duties and only 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, 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 of the Indenture. However, in the case of any such certificates or opinions which by any provision of the Indenture 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 on their face 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, its own negligent failure to act, or its own willful misconduct, except that

1. this paragraph will not be construed to limit the effect of the preceding paragraph;

2. the Trustee will not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, 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 in accordance with the direction of the Owners 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, 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 under the Indenture, 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, 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

    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 request of the District, and any order or resolution of the District may be sufficiently evidenced by a resolution of the board of the District;

3. whenever in the administration of the Indenture the Trustee will deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action described hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of an officer of the District;

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, suffered, or omitted by the Trustee under the Indenture in good faith and in reliance thereon;

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 Owners pursuant to the Indenture, unless such Owners 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, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, 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 determines to make such further inquiry or investigation, 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 hereunder or perform any duties under the Indenture either directly or by 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 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 the Indenture 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 the 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 the giving of 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 Owners of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District.

The District may remove the Trustee at any time.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor Trustee. 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 Owners. 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 Owners of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor Trustee so appointed will, forthwith upon its acceptance of such appointment, 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 Owners and has accepted appointment in the manner hereinafter provided, any Owner who has been a bona fide Owner 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 the following conditions exist:

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

    a. Bonds for the payment of which money has been deposited with the Trustee or a paying agent, as provided by the provisions of the Indenture relating to redemption of the Bonds;

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

    c. Bonds, other than those referred to in the foregoing clauses, for the payment or redemption of which there has been deposited with the Trustee

in accordance with the provisions of the Indenture in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal and interest to the stated maturity or redemption date of such Bonds, as the case may be; and

d. Bonds deemed no longer outstanding as a result of the deposit or escrow or money or Governmental Obligations as described below; and

2. the District has paid or caused to be paid all other sums payable by the District under the Indenture.

Any Bond will be deemed to be no longer outstanding when payment of the principal of such Bond, plus interest thereon to its Maturity (whether such Maturity is 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 and/or REFCORP Strips as such term is defined in the definition of "Permitted Investments" 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 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 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 of such deposit 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 Outstanding Bonds with respect to which such deposit is made will be selected 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, however, (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 Owners 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.

Release of Standby Contribution Agreement

The Standby Contribution Agreement shall be released by the District upon receipt of proof of satisfaction of each of the following conditions:

A. Payment or the provision for payment in full of all outstanding Bonds; or

B. Evidence satisfactory to the District Representative that, for any consecutive two (2) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year in which principal of the Bonds has started to be amortized), a tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the District would have been sufficient to pay Maximum Annual Debt Service on the Bonds and all Outstanding Parity Bonds for any subsequent Fiscal Year during which any Bonds are Outstanding plus the historical annual average of amounts necessary to pay all District Administrative Expenses and District Maintenance Expenses for each such Fiscal Year, as such terms are defined in Article 7 of the Development Agreement. For property within the boundaries of the District to be eligible for inclusion in such determination, the property either (i) must be owned by persons or entities other than the Developer or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by the Developer for each such Fiscal Year or (ii) if used for commercial purposes, must have been fully vertically improved for a period of not less than two (2) years and such vertical improvements must be functionally operational for their intended purposes, e.g., leased or available for lease to persons or entities other than the Developer or any person or entity owned or controlled by the Developer or shall comprise one or more operating businesses of the Developer or any person or entity owned or controlled by the Developer (e.g., a golf course and associated facilities), as reasonably determined by the District Representative. The requisite evidence shall consist of a written evidence, prepared by the District Representative upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of:

(i) the actual secondary assessed valuation of the eligible property within the boundaries of the District for each such Fiscal Year; and

(ii) the tax delinquency factor equal to the greater of five percent (5%) or the historic, average, annual percentage delinquency factor for the District as of each such Fiscal Year.

(C) Written approval by the District which shall not be withheld unreasonably.

Upon release by the District of the Standby Contribution Agreement, the District shall so direct the Trustee to release the Standby Contribution Agreement. Upon receipt of such direction from the District, the Trustee shall release the Standby Contribution Agreement whereupon the Developer shall have no further obligations thereunder.

No covenant or agreement contained in the Bonds or Indenture shall be deemed to be the covenant or agreement of any elected or appointed official, officer, director, agent, servant or employee of the District or the Trustee in his or her individual capacity and neither the members

of the governing body of the District nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

If any one or more of the conditions, covenants, or terms contained in the Indenture or required to be observed or performed by or on the part of the District, the Paying Agent or the Trustee shall be contrary to law, then such condition or conditions, such covenant or covenants, or such term or terms shall be null and void and shall be deemed separable from the remaining conditions, covenants, and terms and shall in no way affect the validity or of the Bonds, and the Owners shall retain all the benefit, protection, and security afforded to them thereunder and under all provisions of applicable law. The parties declare that they would have executed and delivered the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause, and phrase thereof and would have authorized the issuance and delivery of the Bonds irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses, or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable, or invalid.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

[Letterhead of Gust Rosenfeld P.L.C.]

(Dated the Date of Initial Delivery of the Bonds)

District Board of the Verrado District 1
Community Facilities District

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) General Obligation Bonds, Series 2006

At your request we have examined the official proceedings leading to the issuance of $18,600,000 aggregate principal amount of District General Obligation Bonds, Series 2006, dated the Date of Delivery, issued by Verrado District 1 Community Facilities District (the "District").

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. 2006-_____, passed and adopted by the District Board on September 19, 2006 (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 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 and binding general obligation of the District.

4. All taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the bonds without limit as to rate or amount. It is required by law that there be levied, assessed and collected, at the same time and in the same manner as other taxes, an annual tax upon all taxable property in the District sufficient,

together with any money from other sources lawfully available therefor, to pay the principal of and interest on the bonds when due.

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 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.

Bond Counsel

APPENDIX D-1

FORMS OF INVESTOR LETTERS (NON-SMMP)

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VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

Wells Fargo Bank, National Association, as Trustee

Re: Verrado District 1 Community Facilities District General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is a Qualified Investor (as hereafter defined) and is purchasing, either directly or as beneficial owner in case the bonds are held by a securities depository, one of the captioned bonds (hereinafter referred to as the "Bonds"), such Bond, or beneficial interest therein, being in the original aggregate principal amount of $_____, bearing the number _____. Such purchase is for the account of the undersigned, for the purpose of investment and not with a present intent for distribution or resale.

2. In the event that the undersigned transfers such Bond or any part thereof, the undersigned shall comply with all provisions of the Indenture of Trust and Security Agreement, dated as of October 1, 2006 (hereinafter referred to as the "Indenture") from the addressee District (hereinafter referred to as the "District") to the addressee Trustee (or any successor thereto as provided in such Indenture, hereinafter referred to as the "Trustee") as described in the Bonds. The undersigned understands that, unless the transfer restrictions terminate pursuant to the Indenture, a transferee shall be a Qualified Investor, and must sign a letter in the form of this letter and provide such letter to the Trustee before any transfer of any Bond to such transferee will be registered.

3. The undersigned acknowledges that it is one of the following:

(i) a bank as defined in Section 3(a)(2) of the Securities Act of 1933, or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act of 1933; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; plan established and maintained by a state, its political subdivision, or any agency or instrumentality of a state or its political subdivision, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; employee benefit plan within the meaning of the Employee Retirement

Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self directed plan, with investment decisions made solely by persons that are accredited investors;

(ii) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iii) an organization described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of $5,000,000;

(iv) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000 and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth;

(v) a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with the person's spouse in excess of $300,000 in each of those years and who reasonably expects reaching the same income level the current year and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth; or

(vi) an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (i), (ii), (iii), (iv) or (v) above.

Collectively, the purchasers meeting one or more of the criteria set forth above shall be referred to as a "Qualified Investor."

4. The undersigned assumes all responsibility for complying with any applicable federal and state securities laws with respect to any transfer of the Bond or an interest therein, and agrees to hold the District and the Town of Buckeye, Arizona (hereinafter referred to as the "*Town*") harmless for, from and against any and all liabilities claims, damages or losses resulting directly or indirectly from such failure to comply.

5. The undersigned acknowledges that the undersigned has had an opportunity to obtain and has obtained all information necessary and has independently evaluated the factors associated with its investment decision and after such evaluation, the undersigned understood and knew that investment in the Bonds involved certain risks, including but not limited to, limited security and source for payment of the Bonds, the status of development and its impact on taxation for payment of the Bonds, the possible transfer of land by the owners of land in the District, failure or inability of owners to complete proposed development of such land, bankruptcy and foreclosure delays and the probable lack of any secondary market for the Bonds. The undersigned acknowledges that it is experienced in transactions such as those relating to the Bonds and that the undersigned is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds. The undersigned is not relying on the District or the Town in making its decision to purchase the

Bonds and agrees that the Town is not obligated in any manner for the issuance or payment of the Bonds.

6. The undersigned understands that the Bonds (i) are not being registered under the Securities Act of 1933, as amended, in reliance upon certain exemptions set forth in that Act, (ii) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) will not be listed on any stock or other securities exchange, (iv) will not carry any bond rating from any rating service, and (v) are not likely to be readily marketable.

7. The undersigned acknowledges that the District and the Town, their respective officers, directors, council members, advisors, employees and agents of either of the foregoing, have not undertaken to furnish, nor has the undersigned requested, any other information, or to ascertain the accuracy or completeness of any other information that may have been furnished by any other party.

_____

[PURCHASER]

By_____

Printed Name:_____

Title:_____

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APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $_____, bearing the number _____. Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated October 5, 2006 related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the District that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the District or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: _____
Printed Name: _____
By: _____
Its: _____

APPENDIX E

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 Trustee, 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 District, 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 District 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 District.

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APPENDIX F

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF OCTOBER 1, 2006

BY AND AMONG

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

DMB WHITE TANK, LLC

AND

WELLS FARGO BANK, N.A.,
AS TRUSTEE

This **STANDBY CONTRIBUTION AGREEMENT**, dated as of October 1, 2006, is made by and among Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*Issuer*"), DMB White Tank, LLC, an Arizona limited liability company (the "*Developer*") and Wells Fargo Bank, N.A., as trustee (the "*Trustee*") under that certain Indenture of Trust and Security Agreement, dated as of October 1, 2006 (the "*Indenture*").

RECITALS

A. The Issuer is issuing its District General Obligation Bonds, Series 2006 in the aggregate principal amount of $18,600,000 (the "*Bonds*") concurrently herewith under and pursuant to the Indenture.

B. As provided in the Indenture and the Issuer Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District), dated as of June 19, 2001, recorded in the official records of Maricopa County on July 3, 2001, as Instrument No. 2001-0594335, by and among the Issuer, the Town of Buckeye, Arizona (the "*Town*") and the Developer (collectively referred to as the "*District Development Agreement*"), the proceeds derived from the issuance of Bonds of the Issuer are to be used by the Issuer for the "public infrastructure" purposes as provided for in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Enabling Act*").

C. As provided in the District Development Agreement and in the Feasibility Study dated as of August 1, 2006, presented to and approved by the Board on August 15, 2006 (the "*Feasibility Study*"), the Issuer shall provide for a mechanism by which the Developer shall contribute certain amounts for the benefit of the Issuer which shall be considered by the Issuer in levying taxes to pay principal and interest on the Bonds when due ("*Debt Service*") and this Standby Contribution Agreement satisfies the requirements of the District Development Agreement.

D. As provided in § 48-719.E. of the Enabling Act, the Issuer may consider various sources of funds, including private contributions, in determining the Issuer's tax levy.

E. In order to comply with the provisions of the District Development Agreement in respect of the issuance of the Bonds, the Developer does hereby covenant and agree with the Issuer and the Trustee as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. For all purposes of this Standby Contribution Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(A) The terms defined hereinabove, hereinafter and in the Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the Indenture 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 Standby Contribution Agreement as a whole and not to any particular Article, Section, or other subdivision.

Section 1.2 Notices and Other Submittals. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Standby Contribution Agreement by the Issuer, the Trustee, or Developer to be made upon, given or furnished to, or filed with:

(A) 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 N. Apache, Suite A, Buckeye, Arizona 85326, Attention: District Manager, or at any other address previously furnished in writing to such Person by the Issuer,

(B) The Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at Wells Fargo Plaza, MAC S4101-22E, 100 W. Washington Street, 22nd Floor, Phoenix, Arizona 85003, Attention: Corporate Trust Services, or at any other address furnished in writing to such Person by the Trustee, or

(C) The Developer shall be sufficient for every purpose hereunder if in writing and mailed, first class mail postage prepaid, to DMB White Tank, LLC addressed to whichever is appropriate at 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: John Bradley, Vice President, with copies to DMB Associates, Inc., 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: Eneas Kane, Vice President and General Counsel, and Attention: Andrew S. Beams, Vice President, or at any other address previously furnished in writing to such Person by the Developer.

(D) Where this Standby Contribution 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 1.3. 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 1.4. **Successors and Assigns**. All covenants and agreements in this Standby Contribution Agreement by the Issuer, the Trustee and the Developer shall bind their successors and assigns, whether so expressed or not.

Section 1.5. **Severability Clause**. In case any provision in this Standby Contribution 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 1.6. **Benefits of Agreement**. Nothing in this Standby Contribution 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 Standby Contribution Agreement.

Section 1.7. **Governing Law**. This Standby Contribution Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

Section 1.8. **Notice of Section 38-511, Arizona Revised Statutes, as Amended**. The Issuer may, within three (3) years after its execution, cancel this Standby Contribution Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer is, at any time while this Standby Contribution Agreement is in effect, an employee or agent of any of the Trustee or the Developer in any capacity or a consultant to any of the Trustee or the Developer with respect to the subject matter of this Standby Contribution Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer from any of the Trustee or the Developer arising as the result of this Standby Contribution Agreement. No person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer shall be or become an employee or agent of any of the Trustee or the Developer in any capacity or a consultant to any of the Trustee or the Developer with respect to the subject matter of this Standby Contribution Agreement.

Section 1.9 **Further Assurances**.

(A) The Issuer, the Trustee and the Developer 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 Standby Contribution Agreement.

(B) The Developer shall cause this instrument and any instruments of further assurance, including financing statements, if any, to be promptly registered and filed, and to be kept registered and filed, and, when necessary, to 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 Issuer hereunder and the Developer shall execute any financing statement, continuation statement or other document required for such purposes.

Section 1.10. Amendments. Pursuant to the provisions established in the Indenture, this Standby Contribution Agreement may be amended by an instrument in writing executed and delivered by each of the Issuer, the Trustee and the Developer.

Section 1.11. Business Days. For purposes of this Standby Contribution Agreement, if any date for any certification, payment, submission or determination is not a Business Day, the applicable certification, payment, submission or determination shall be made or done on the next succeeding day which is a Business Day.

Section 1.12. Termination. Subject to the last sentence of this Section, this Standby Contribution Agreement shall terminate upon the earlier of (A) the payment or the provision for the payment in full of all of the outstanding Bonds or (B) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, for any consecutive two (2) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year in which principal of the Bonds has started to be amortized), a tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer would have been sufficient to pay Maximum Annual Debt Service on the Bonds and all other general obligation bonds of the Issuer outstanding (the "Parity Bonds") for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the Bonds and the Parity Bonds for each such Fiscal Year, as such term is defined in Article 7 of the District Development Agreement. For property within the boundaries of the Issuer to be eligible for inclusion in such determination, the property either (i) must be owned by persons or entities other than the Developer or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by the Developer for each such Fiscal Year or (ii) if used for commercial purposes, must have been fully vertically improved for a period of not less than two (2) years and such vertical improvements must be functionally operational for their intended purposes, e.g., leased or available for lease to persons or entities other than the Developer or any person or entity owned or controlled by the Developer or constituting one or more operating businesses of the Developer or any person or entity owned or controlled by the Developer (e.g., a golf course and associated facilities), as reasonably determined by the Issuer Representative. The requisite evidence shall consist of a written evidence, prepared by the Issuer Representative upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of the actual secondary assessed valuation of the eligible property within the boundaries of the Issuer for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) or the historic, average annual percentage delinquency factor for the Issuer as of each such Fiscal Year and no credit for any fund balances or investment income accruing during each such Fiscal Year. After receipt of proof of satisfaction of such condition required by clause (B) above, the Board may approve in writing such termination, such approval not to be withheld unreasonably.

Section 1.13. Beneficiaries. This Standby Contribution Agreement is entered into by the Developer with the Trustee and the Issuer for the benefit of the Issuer, the Trustee and the Holders, from time to time, of the Bonds, all of whom shall be entitled to enforce performance and observance of this Standby Contribution Agreement to the same extent provided for the enforcement of remedies under the Indenture.

Section 1.14. Integration. This Standby Contribution Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

ARTICLE 2

COVENANTS AND AGREEMENTS

Section 2.1 Payments and Information.

(A) In any tax year while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture), the Developer shall pay to the Trustee for the benefit of the owners from time to time of the Bonds on or, if such day is not a Business Day, before May 15 of each year, commencing May 15, 2007, the Annual Developer Payment (as defined below):

Payment on or before May 15: On May 1 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Issuer shall certify to the Trustee the amount of Issuer property taxes which would be produced based upon a tax rate of $3.00 per $100 (or such lower rate as may be permitted in Section 10.01 of the Indenture) of secondary assessed valuation (assuming 95% collection of taxes) based upon such current secondary assessed valuation (the "*Tax Year Tax Amount*"). On May 10 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine (a) the Debt Service (without regard to any optional redemption) due in the next succeeding calendar year on January 15 and July 15 (the "*Next Annual Debt Service Payment*"), (b) the amount in the Bond Fund (as defined in the Indenture) estimated to be available to pay the Next Annual Debt Service Payment, if any, after payment of the current year's July 15th debt service payment (the "*Available Moneys*"), and (c) the remainder, if any, of (i) the Next Annual Debt Service Payment less (ii) the sum of (A) the Available Moneys and (B) the Tax Year Tax Amount (such remainder being referred to as the "*Annual Developer Payment*"). On May 10 (or the immediately preceding Business Day as described above), the Trustee shall submit a request for payment to the Developer of the Annual Developer Payment, which shall be paid by the Developer to the Trustee on or before May 15 and shall be deposited in the Bond Fund pursuant to Section 5.02(B)(1) of the Indenture.

(B) In addition to the requirements set forth in Section 2.1(A) hereof, while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture), the Developer shall pay to the Trustee for the benefit of the owners from time to time of the Bonds on or, if either day is not a Business Day, before December 24 and June 24 of each year the

December Developer Payment and the June Developer Payment (as such terms are defined below), as necessary:

(i) **Payment on or before December 24**: On December 15 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference, if any, between the amount in the Bond Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding January 15 (such difference being the "*December Developer Payment*").

(ii) **Payment on or before June 24**: On June 15 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference, if any, between the amount in the Bond Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding July 15 (such difference being the "*June Developer Payment*").

(C) All payments by the Developer under this Section 2.1 shall be paid by the Developer to the Trustee in immediately available funds composed of lawful money of the United States of America and deposited in the Bond Fund.

(D) For the purpose of calculating the amounts due from the Developer hereunder, budgeted tax collections and actual tax collections shall be allocated first to the payment of Debt Service with respect to the Bonds and thereafter, if money is available, to the payment of Debt Service with respect to the 2003 Bonds.

Section 2.2. Nature of Obligations. The obligations of the Developer under this Standby Contribution Agreement shall be absolute and unconditional and shall remain in full force and effect until the Developer is released pursuant to Section 1.12. Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Developer:

(A) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer or of the Developer under the District Development Agreement or any other agreement between the Issuer and the Developer; or

(B) the failure to give notice to the Developer of the occurrence of an event of default under the terms and provisions of this Standby Contribution Agreement, the Indenture, the District Development Agreement; or

(C) the waiver of the payment, performance or observance by the Issuer or the Developer of any of the obligations, covenants or agreements of any of them contained in the Indenture, the District Development Agreement, this Standby Contribution Agreement; or

(D) the extension of the time for payment of any principal of, premium, if any, or interest on any Bond or the extension or renewal of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture, the District

Development Agreement, this Standby Contribution Agreement, whether or not with notice to the Developer; or

(E) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture, the District Development Agreement; or

(F) the taking or the omission of any of the actions referred to in the Indenture, the District Development Agreement, this Standby Contribution Agreement (other than as set forth in Section 2.1 hereof); or

(G) any failure, omission, delay or lack on the part of the Issuer or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Issuer or the Trustee in this Standby Contribution Agreement (except as set forth in Section 2.1 hereof), the Indenture, the District Development Agreement, or any other act or acts on the part of the Issuer, the Trustee or any of the owners from time to time of the Bonds; or

(H) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustment of, or other similar proceedings affecting the Developer or the Issuer or any of the assets of either of them or any allegation or contest of the validity of this Standby Contribution Agreement, the Indenture or the District Development Agreement in any such proceeding; or

(I) the release or discharge of the Developer or the Issuer from the performance or observance of any obligation, covenant or agreement contained in the District Development Agreement or the Indenture by operation of and to the extent permitted by law; or

(J) to the extent permitted by law, the release or discharge of the Developer from the performance or observance of any obligation, covenant or agreement contained in this Standby Contribution Agreement by operation of law; or

(K) the default or failure of the Developer fully to perform any of its obligations set forth in this Standby Contribution Agreement or the District Development Agreement; or

(L) the invalidity of the District Development Agreement, the Indenture or the Bonds.

Section 2.3. **No Set Off**. Except as otherwise provided herein, no monetary set-off, reduction or diminution of an obligation, or any defense of any kind or nature which the Developer has or may have against the Issuer or the Trustee or which the Issuer may have against the Trustee shall be available hereunder to the Developer against the Trustee.

Section 2.4. **Remedies**. Upon the occurrence of any failure by the Developer to timely pay or cause to be paid or deposited with the Trustee any amounts payable by the Developer hereunder, then and in any such event, the Trustee shall make a demand against the Developer under this Standby Contribution Agreement and, upon the Developer's failure to pay or perform the obligation which is the subject of such demand within the 10-day notice period, the Trustee shall proceed in accordance with Article VII and the other applicable provisions of the Indenture, and shall not be required to proceed against or exhaust any other remedies which it may have against the Issuer, the Developer, any guarantor or any other person, firm or corporation, or to resort to any other security held by the Issuer or the Trustee. Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

Section 2.5. **Waiver of Notice; Payment of Expenses**. The Developer hereby expressly waives notice from the Trustee or the owners from time to time of any of the Bonds of their acceptance and reliance on this Standby Contribution Agreement. To the extent permitted by applicable law, the Developer agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Standby Contribution Agreement following any default on the part of the Developer hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. **Incorporation By Reference**. The Issuer, the Trustee and the Developer acknowledge and agree that this Standby Contribution Agreement is subject to the Indenture and shall be deemed to incorporate by reference all applicable provisions including, without limitation, the applicable provisions in Articles III, IV, V, VI and VII of the Indenture.

ARTICLE 3

THE TRUSTEE AND THE ISSUER

Section 3.1. **Acceptance of Trusts**. The Trustee hereby accepts the trusts imposed upon it by this Standby Contribution Agreement and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture but only upon and subject to the terms and conditions set forth in Article VIII of the Indenture.

Section 3.2. **Issuer Acceptance**. The Issuer hereby accepts the application of the amounts contributed by the Developer pursuant to the provisions of this Standby Contribution Agreement and shall take such actions as are necessary to accomplish the purposes set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this Standby Contribution Agreement to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
District Manager

ATTEST:

_____
District Clerk

DMB WHITE TANK, LLC

By_____
John L. Bradley
Vice-President, DMB Associates, Inc., an Arizona corporation; Manager of DMB Realco LLC, an Arizona limited Liability company, Manager of DMB White Tank LLC

WELLS FARGO BANK, N.A., as Trustee

By_____

Its_____

APPENDIX G

CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER

These financial statements of the Developer are the most recent quarterly unaudited financial statements (excluding footnotes).

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DMB White Tank, LLC
Balance Sheet
Unaudited
June 30, 2006

	Current Balance	Prior Yr End
ASSETS		
Cash and cash equivalents	$ 856,241	$ 1,733,917
Accounts receivable	466,022	3,745,662
Related party receivable	272,775	251,717
Prepaid expenses	5,547,419	2,989,187
Refundable deposits	487,167	296,687
Real estate under development	64,230,229	56,584,657
Land held for investment	3,691,403	3,687,958
Land held for future development	3,352,547	3,347,856
Property and equipment, net	1,901,631	2,044,235
Other long term assets	22,329	22,329
Total Assets	$ 80,827,764	$ 74,704,204
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable	$ 197,807	$ 643,177
Accrued liabilities	6,656,545	7,908,738
Retention payable	93,925	93,925
Related party payable	437,165	492,830
Notes and interest payable	(512,813)	-
Deferred revenue	24,052,240	41,587,240
Total Liabilities	$ 30,924,868	$ 50,725,909
Members' equity	$ 36,015,295	$ 24,424,749
Net Income	13,887,601	(446,453)
Total Members' Equity	$ 49,902,896	$ 23,978,295
Total Liabilities and Members' Equity	$ 80,827,764	$ 74,704,204

DMB White Tank, LLC
Income Statement
Unaudited
Month Ended June 30, 2006

	Month To Date	Year To Date
REVENUES		
Land sales	$ 273,791	$ 2,221,782
Land GAAP revenue adjustment	17,535,000	17,535,000
Supplemental land revenue	1,897,056	9,072,889
Development fee income	450,000	834,000
Total Revenue	$ 20,155,847	$ 29,663,671
COST OF SALES		
Land	$ 12,602,942	12,665,333
Commissions	(7,911)	95,481
Closing costs	---	4,364
Selling costs	---	84,318
Total Cost of Sales	$ 12,595,031	$ 12,849,496
EXPENSES		
General and administrative	$ 119,020	726,094
Marketing	202,263	2,011,464
Depreciation/amortization expense	175,131	175,131
Total Expense	$ 496,414	$ 2,912,689
OTHER INCOME AND (EXPENSE)		
Taxes and fees	---	(13,885)
Total Other	---	$ (13,885)
Net Income (Loss)	$ 7,064,402	$ 13,887,601

DMB White Tank, LLC
Statement of Cash Flows
Unaudited
For the 6 Months Ended June 30, 2006

	Month to Date	Year to Date
OPERATING ACTIVITES		
Net income (loss)	$ 7,064,402	$ 13,887,601
Adjustments to reconcile net income (loss) to net cash:		
Depreciation and amortization	$ 175,131	$ 175,131
Changes in operating assets and libilities:		
Accounts receivable	(121,373)	3,279,640
Related party receivables	453,261	(21,058)
Prepaid expenses	(643,654)	(2,558,232)
Other assets	(30,539)	(190,481)
Real estate under development	7,037,041	(7,645,572)
Accounts payable	(295,992)	(445,370)
Accrued liabilities	-	(1,252,193)
Related party payable	(289,910)	(55,665)
Deferred revenue	(17,535,000)	(17,535,000)
Net cash provided by (used in) operating activites	$ (4,186,634)	$ (12,361,199)
INVESTING ACTIVITES		
Fixed asset acquisitions	$ (15,316)	$ (32,528)
Investment acquistions	-	(8,136)
Proceeds from the sale of investments	-	-
Net cash provided by (used in) investing activities	$ (15,316)	$ (40,664)
FINANCING ACTIVITES		
Payments and advances on notes payable	$ 28,515	$ (512,813)
Contributions	6,489,000	30,489,000
Distributions	(2,167,000)	(18,452,000)
Net cash provided by (used in) financing activities	$ 4,350,515	$ 11,524,187
Net increase (decrease) in cash and cash equivalents	$ 148,564	$ (877,676)
Cash and cash equivalents, beginning of period	$ 707,676	$ 1,733,917
Cash and cash equivalents, end of period	$ 856,241	$ 856,241

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Limited Offering Memorandum 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.

NEW ISSUE - FULL BOOK ENTRY 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.

$18,225,000*
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2006

DATED: Date of Delivery **DUE: As shown below**

The Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 and integral multiples of $5,000 in excess thereof. Purchasers will not receive definitive certificates with respect to the Bonds. So long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a "DTC Participant" to receive payment of principal of and interest on such Bond. See "THE BONDS - Book-Entry-Only System" herein. Interest on the Bonds (except defaulted interest, if any) will be payable semiannually on each January 15 and July 15 commencing January 15, 2007 (each an "Interest Payment Date"). Except as otherwise described herein in APPENDIX E - "BOOK-ENTRY-ONLY SYSTEM," principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the designated corporate trust office of Wells Fargo Bank, National Association, as trustee (the "Trustee"). Except as otherwise described herein in APPENDIX E "BOOK-ENTRY-ONLY SYSTEM," interest due on the Bonds on each Interest Payment Date will be payable by check mailed to the persons in whose names such Bonds are registered by the Trustee on the first (1st) day of the calendar month preceding such Interest Payment Date.

The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Act"), and an election in and for Verrado District 1 Community Facilities District, a community facilities district (the "District") formed within the boundaries of the Town of Buckeye, Arizona (the "Town"), held on August 7, 2001, and will be issued pursuant to an Indenture of Trust and Security Agreement, dated as of August 1, 2006, from the District to the Trustee and a resolution of the District Board of the District. The Bonds will be payable as to both principal and interest from *ad valorem* property taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. Debt service with respect to the Bonds will also be payable from amounts payable pursuant to a Standby Contribution Agreement between the District and DMB White Tank, LLC, an Arizona corporation and developer of the Project (the "Developer"), dated as of August 1, 2006. See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement can be released under certain circumstances described under "SECURITY FOR AND SOURCES OF PAYMENT" and "RISK FACTORS" herein.)* With respect to ad valorem taxes only, the Bonds are on a parity with the District General Obligation Bonds, Series 2003 (the "Series 2003 Bonds") and issues of general obligation bonds of the District which may be issued in the future.

The Bonds will be subject to optional, special mandatory redemption and mandatory redemption by the District prior to maturity as described herein.

Proceeds of the sale of the Bonds will be used to finance acquisition of certain public infrastructure within the District, to pay certain funded interest on the Bonds and to pay costs of issuance relating to the Bonds.

The Bonds are not being sold in a public offering. The Bonds may be purchased by and transferred to "Qualified Investors" only. To insure transfer to Qualified Investors only, all sales and transfers must occur utilizing a broker, dealer or municipal securities dealer. See "INVESTOR SUITABILITY STANDARDS" and "TRANSFER RESTRICTIONS" herein.

Investment in the Bonds has substantial risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Limited Offering Memorandum. Neither the District nor the Developer are entering into continuing disclosure undertakings.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

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 Limited Offering Memorandum in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

MATURITY SCHEDULE*

Maturity July 15	Principal Amount	Interest Rate	Price or Yield
2008	$385,000		
2009	405,000		
2010	425,000		
2011	450,000		
2012	475,000		
2013	500,000		
2014	530,000		
2015	555,000		
2016	590,000		
2017	620,000		

$2,845,000 _____% Term Bonds due July 15, 2021, Price or Yield _____
$10,445,000 _____% Term Bonds due July 15, 2031, Price or Yield _____

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 District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona, for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for the Developer by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona. It is expected that delivery of the Bonds in book-entry-only form will be made to Cede & Co. on or about October ___, 2006.

RBC CAPITAL MARKETS

* Preliminary, subject to change.

THIS LIMITED OFFERING MEMORANDUM, 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 INDENTURE, THE STANDBY CONTRIBUTION AGREEMENT, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT, THE DEVELOPER AND THE PUBLIC INFRASTRUCTURE (AS SUCH TERMS ARE DEFINED HEREIN) AND OTHER INFORMATION ARE INCLUDED IN THIS LIMITED OFFERING MEMORANDUM. SUCH DESCRIPTIONS DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES HEREIN TO THE BONDS, THE INDENTURE, THE BOND RESOLUTION, THE STANDBY CONTRIBUTION AGREEMENT AND ANY 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.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS LIMITED OFFERING MEMORANDUM. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM 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, THE DEVELOPER 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. THIS LIMITED OFFERING MEMORANDUM 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. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF AD VALOREM TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IN THIS LIMITED OFFERING MEMORANDUM 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.

ANY STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM INVOLVING MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO STATED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT.

THIS LIMITED OFFERING MEMORANDUM 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 OR BENEFICIAL INTERESTS THEREIN.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM 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 THE DEVELOPER WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN SINCE THE DATE OF THIS LIMITED OFFERING MEMORANDUM.

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 LIMITED OFFERING MEMORANDUM, 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 LIMITED OFFERING MEMORANDUM, WHICH INCLUDES THE COVER PAGE AND THE APPENDICES HERETO, 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.

NEITHER THE DISTRICT NOR THE DEVELOPER HAS COVENANTED TO PROVIDE CONTINUING DISCLOSURE PURSUANT TO AN EXEMPTION TO RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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Map 1
MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF TOWN OF BUCKEYE AND NEIGHBORING COMMUNITIES

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This map was produced using data from private and governmental sources deemed to be reliable. The information herein is provided without representation or warranty.

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Map 2
MAP SHOWING DISTRICT BOUNDARIES AND BOUNDARIES OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

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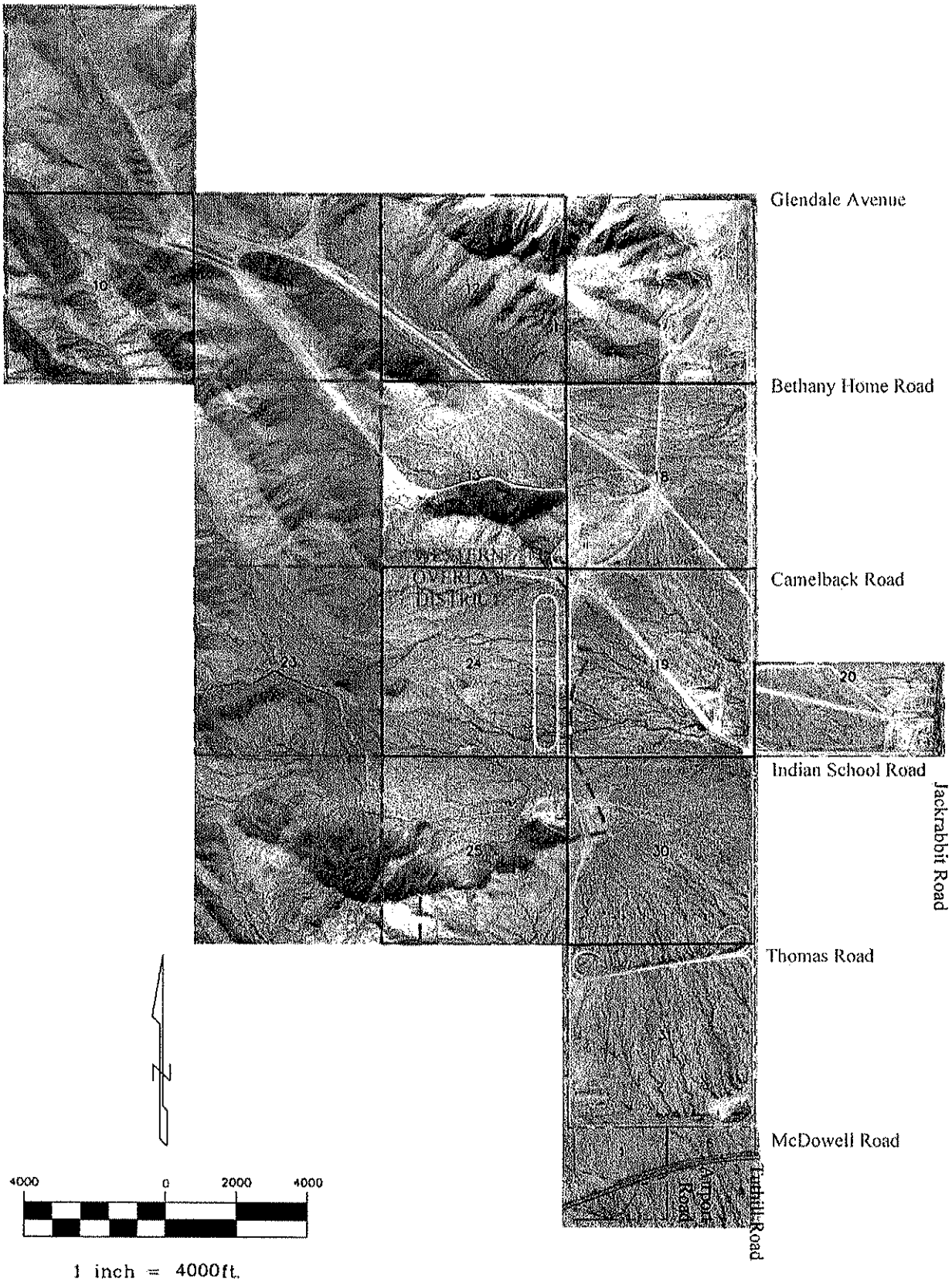

VERRADO DISTRICT 1 AND WESTERN OVERLAY COMMUNITY FACILITIES DISTRICTS

VERRADO

BUCKEYE, ARIZONA

DMB

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

04/10/03

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$18,225,000*
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS,
SERIES 2006

INTRODUCTORY STATEMENT

This Limited Offering Memorandum, which includes the cover page and the appendices hereto, provides certain information concerning the issuance of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (the "Bonds"), in the aggregate principal amount of $18,225,000*. **Certain capitalized terms not defined in the text of this Limited Offering Memorandum are defined in Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms" herein.**

The Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "Enabling Act"), was enacted to provide a method of financing (including through the issuance of general obligation bonds of the District) certain "public infrastructure purposes" (as such term is defined in the Enabling Act) relating to a community facilities district. As provided by, and with the limitations set forth in, the Enabling Act, once formed, a community facilities district is a legally constituted municipal corporation and political subdivision within defined boundaries.

Pursuant to the Enabling Act and in response to a petition by the Developer and certain other landowners described herein under the subheading "GENERAL DESCRIPTION OF THE DISTRICT, THE DEVELOPER AND THE PROJECT," being collectively the then owners of all the land within the hereinafter described community facilities district, the Mayor and Council (the "Town Council") of the Town of Buckeye, Arizona (the "Town"), formed Verrado District 1 Community Facilities District (the "District") on June 19, 2001. See Appendix A - "INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA" for certain information about the Town, "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" for a description of the District and "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" for a description of the Developer.

Pursuant to an election held on August 7, 2001 (the "Election"), the District has the authority to issue general obligation bonds in an aggregate principal amount of not to exceed $100,000,000 secured by ad valorem taxes levied on all taxable property within the boundaries of the District and may also secure such bonds from other sources described in the Enabling Act, including amounts available from sources such as the hereinafter described Standby Contribution Agreement. The Bonds are the second series issued pursuant to the authorization approved by the Election, and after issuance of the Bonds, there will be $57,775,000* of authorization

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* Preliminary, subject to change.

remaining. On June 19, 2001, the Town also formed the Verrado Western Overlay Community Facilities District (the "Overlay District") which overlays certain portions of the District (see Map 3 and "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE").

The Bonds are being issued in order to finance a portion of the cost of the acquisition and/or construction by the District of certain public infrastructure, which will be accepted by the Town (collectively, the "Public Infrastructure"). See "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" and "SOURCES AND APPLICATIONS OF FUNDS."

The board of the District (the "Board") will annually levy and cause the Maricopa County Treasurer to collect an ad valorem tax, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any moneys from the sources described in the Enabling Act including the hereinafter described Standby Contribution Agreement, to pay Debt Service with respect to the Bonds when due.

A majority of Holders of the District's General Obligation Bonds, Series 2003 (the "Series 2003 Bonds") have consented to an amendment to the 2003 Standby Contribution Agreement that permits the District Board to allocate ad valorem taxes first to the Bonds in reliance upon additional funds being made available for the 2003 Bonds from the 2003 Standby Contribution Agreement (and certain other sources related to the 2003 Bonds). However, if there is a payment shortfall, with respect to ad valorem taxes only, the Bonds are on a parity with the 2003 Bonds and issues of general obligation bonds of the District which may be issued in the future. **See "SECURITY FOR AND SOURCES OF PAYMENT - Ad Valorem Taxation in the District" and "RISK FACTORS."**

For each year until the Bonds are paid or otherwise provided for, the Board will levy and cause the Maricopa County Treasurer to collect an ad valorem property tax based upon a tax rate of at least $3.00 per $100 of secondary assessed valuation on all taxable property within the boundaries of the District, sufficient, with moneys, if any, available pursuant to the Standby Contribution Agreement, dated as of August 1, 2006 (the "Standby Contribution Agreement"), by and among the District, the Developer and Wells Fargo Bank National Association, as trustee (the "Trustee") to pay Debt Service with respect to the Bonds; provided, however, that the District may levy a lesser tax rate if such lower rate is estimated to produce tax revenues sufficient to pay in full Debt Service with respect to the Bonds (and debt service with respect to subsequently issued additional general obligation bonds of the District) up to, and including, the final maturity of the Bonds and any such outstanding additional bonds. The Standby Contribution Agreement is subject to release by the District under certain circumstances. See "SECURITY FOR AND SOURCES OF PAYMENT - The Standby Contribution Agreement" and APPENDIX F – "Form of Standby Contribution Agreement."

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE

OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

INVESTOR SUITABILITY STANDARDS

Beneficial interests with respect to the Bonds may be purchased only by Qualified Investors. As used herein, "Qualified Investor" means any purchaser of such an interest through a broker/dealer which is either (A) a "sophisticated municipal market professional" (as such term is interpreted by and applied to the rules of the Municipal Securities Rulemaking Board) which is buying an interest of a principal amount of $100,000 or more or (B) providing a qualified investor letter in the form attached hereto as Appendix D-1. A letter in the form set forth in Appendix D-1 must be provided by all Qualified Investors described in clause (B) hereinabove in connection with investment as part of the initial sale and delivery of the Bonds prior to any such investment in the Bonds and by any transferee not described in clause (A) hereinabove in connection with investment as part of the initial sale and delivery of the Bonds prior to any such investment in the Bonds and by any transferee not described in clause (A) hereinabove upon any transfer of any beneficial interest in a Bond after the initial sale and delivery of the Bonds. Qualified Investors described in clause (A) hereinabove must provide a qualified investor letter in the form set forth in Appendix D-2 only in connection with investment as part of the initial sale and delivery of the Bonds prior to any such investment in the Bonds.

Transfer Restrictions

Prior to either (a) the District being informed that the Bonds have received (i) a rating from a Rating Agency of "AAA" or "AA" or (ii) a rating from a Rating Agency of "A" or "BBB" and written approval of the Board or (b) the Bonds being defeased pursuant to the terms of the hereinafter described Indenture, beneficial interests in the Bonds owned by Qualified Investors will be transferable only to Qualified Investors through transactions utilizing a broker-dealer and under the terms and conditions described hereinabove. Any owner that is a Qualified Investor of a beneficial interest in a Bond by its acceptance of such interest agrees that it will not transfer such interest to a person other than a Qualified Investors through transactions utilizing a broker-dealer and under the terms and conditions described hereinabove and any broker-dealer acquiring such beneficial interest shall only sell or transfer such interest to a Qualified Investor.

THE BONDS

Authority and Election

The Bonds are authorized pursuant to the Enabling Act and the Election, and are issued pursuant to a resolution adopted by the Board on August 15, 2006 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of August 1, 2006 (the "Indenture"), from the District to the Trustee. (See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.") The Bonds are the first series issued pursuant to the authorization

approved by the Election, and, after issuance of the Bonds, $57,775,000* principal amount of such bonds will remain authorized but unissued. See "SECURITY FOR AND SOURCES OF PAYMENT - Ad Valorem Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding" and "OVERLAPPING, ADDITIONAL, ADDITIONAL OVERLAPPING AND OTHER INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District."

General Description

The Bonds will be dated as of the Date of Delivery, and will mature and bear interest as set forth on the cover page of this Limited Offering Memorandum.

Interest on the Bonds will be paid semiannually on January 15 and July 15 of each year, commencing January 15, 2007 (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 their date of delivery, calculated on the basis of a 360-day year of twelve 30-day months.

The principal of, Redemption Price for and premium, if any, and interest on the Bonds will be payable when due to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds for a book-entry-only system. No document of any nature whatsoever need be surrendered as a condition to payment of the principal and interest on the Bonds.

The Bonds will be issued only as fully registered bonds, without coupons, in the denominations of $100,000 and any integral multiples of $5,000 thereof. If not the subject of a securities depository agreement, interest on the Bonds will be payable on each Interest Payment Date to the holders whose names appear in the bond register maintained by the Trustee at the close of business on the first (1st) day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date (the "Record Date"). In the event that interest is not paid on a scheduled Interest Payment Date, the Trustee will establish a special record date for the payment of such interest, if and when funds for the payment of such interest have been received. Notice of the special record date and of the scheduled payment date of the past due interest will be sent at least ten (10) days prior to the special record date to the address of each holder appearing on the bond register maintained by the Trustee.

Also under such circumstances, the principal of, Redemption Price for and premium, if any, on each Bond will be paid upon surrender of such Bond at the designated corporate trust office of the Trustee. Interest will be paid by check sent by the Trustee to the person entitled to such payment.

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* Preliminary, subject to change.

Redemption Provisions*

Optional Redemption. The Bonds maturing after July 15, 2016 are subject to redemption prior to maturity, at the option of the District, on or after July 15, 2016, in whole or in part on any date, at a price equal to the principal amount to be redeemed, without premium, plus accrued interest to the redemption date.

Mandatory Redemption. The Bonds maturing on July 15 of the following years will be redeemed on July 15 of the following years and in the following principal amounts at a price equal to the principal amount thereof plus interest accrued to the date of redemption, but without premium:

Term Bond Maturing July 15, 2025*		Term Bond Maturing July 15, 2031*	
Year Redeemed	Principal Amount Redeemed	Year Redeemed	Principal Amount Redeemed
7/15/2018		7/15/2022	
7/15/2019		7/15/2023	
7/15/2020		7/15/2024	
7/15/2021 (maturity)		7/15/2025	
		7/15/2026	
		7/15/2027	
		7/15/2028	
		7/15/2029	
		7/15/2030	
		7/15/2031 (maturity)	

Whenever Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a pro rata basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount which is an Authorized Denomination.

Special Redemption Relating to a Default Under the Standby Contribution Agreement. The Bonds are subject to special mandatory redemption in whole, at any time, in the event of a default under the terms of the Standby Contribution Agreement, upon payment by the Developer, of the 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 Redemption Date, but without premium. The Redemption Date of the Bonds shall be the first day of the first calendar month after payment to the Trustee of the Redemption Price for which notice of redemption can be given as provided in the Indenture, not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date.

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* Preliminary, subject to change.

Selection of Bonds for Redemption. If less than all of the Bonds of a maturity are to be redeemed upon any redemption of Bonds, the Trustee will select the Bonds to be redeemed by lot.

Notice of Redemption. Notice of redemption 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 each of the holders of Bonds designated for redemption at their addresses appearing on the bond register maintained by the Trustee on the date the Bonds to be redeemed are selected. No defect in or failure to give such mailed notice of redemption will affect the validity of redemption proceedings of Bonds for which proper notice was given.

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 Bonds so called for redemption will cease to accrue and such 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 Bonds under the Indenture.

Registration, Transfer and Exchange

General. So long as any Bonds are outstanding, the District will cause to be maintained by the Trustee a bond register for the registration and transfer of Bonds. The person in whose name any Bond is registered will be deemed and regarded as the absolute owner of the Bond for all purposes.

Each Bond will be transferable by the holder thereof in person or by such person's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered holder or such holder's duly authorized attorney and, if applicable, the requirements described herein under the caption "INVESTOR SUITABILITY STANDARDS - Transfer Restrictions."

Any Bond upon surrender thereof to the Trustee, together with written instructions satisfactory to the Trustee, duly executed by the registered holder or such holder's attorney duly authorized in writing, may, at the option of the registered holder thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity of any other authorized denominations.

In connection with any such exchange or transfer of Bonds, the holder requesting such exchange or transfer must remit to the Trustee an amount sufficient to pay any tax or other charges required to be paid with respect to such exchange or transfer.

Neither the District nor the Trustee is 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 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.

Mutilated, Destroyed, Lost and Stolen Bonds. If (i) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction or loss of any Bond, and (ii) there is delivered to the District and the Trustee such security or indemnity as may be required by the Trustee to hold the Trustee and the District harmless, then, in the absence of notice to the District or the Trustee that such Bond has been acquired by a bona fide purchaser and upon the holder paying the reasonable expenses of the District and the Trustee, the District will cause to be executed and the Trustee will authenticate and deliver, in exchange for such mutilated Bond or in lieu of such destroyed, lost or stolen Bond, a new Bond of like principal amount, date and tenor. In case any such Bond has become or is about to become due and payable, the District or the Trustee may pay such Bond instead of issuing a new Bond.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

After the Bonds are issued, the Board will annually levy and cause an *ad valorem* property tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any amounts from the sources described in the Enabling Act and available pursuant to the Indenture, to pay Debt Service with respect to the Bonds (whether at maturity or prior redemption) when due. Amounts derived from the levy of the tax provided in this section when collected constitute funds to pay the Debt Service on the Bonds and will be kept separately from other funds of the District. With respect to *ad valorem* property taxes, the Bonds will be on a parity of lien with the Series 2006 Bonds and with issues of general obligation bonds of the District which may be issued in the future. See "SECURITY FOR AND SOURCES OF PAYMENT - *Ad Valorem* Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding" and "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District."

Debt Service with respect to the Bonds (but not the Series 2003 Bonds) will also be payable from amounts paid pursuant to the Standby Contribution Agreement, which amounts will be paid to the Trustee at the times and for the period set forth in the Standby Contribution Agreement. The Standby Contribution Agreement may be released by the District under certain circumstances. See "The Standby Contribution Agreement" and APPENDIX F – "Form of Standby Contribution Agreement" below.

Investment in the Bonds involves substantial risks that each prospective investor should consider prior to investing. SEE "RISK FACTORS."

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN NOR THE STATE OF ARIZONA NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

Ad Valorem Taxation in the District

General. The State has two different valuation bases for levying *ad valorem* property taxes. They are "limited property" and "full cash value." Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations. (See "Assessment Ratios.")

Primary Taxes. Taxes levied against the assessed limited property value (after application of the assessment ratio) 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 using one of the following two procedures:

(a) 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 are established at the previous year's limited property value increased by the greater of either ten percent (10%) of last year's limited property value or twenty-five percent (25%) of the difference between last year's limited property value and the current year's full cash value.

(b) 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 prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The two percent (2%) limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than permanently affixed 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 (1%) of the full cash value of such property. To offset the effects of the primary system limitation of tax levies on residential property to 1% of the primary full cash value, the limitation is applied to the school district's taxes and the State compensates the school district by providing additional State aid so there is no impact on the revenue available to the school district. Beginning in fiscal year 2006/07, the additional State aid has been renamed the "State Equalization Assistance Property Tax." Its rate has been set at $0.00 for fiscal years 2006/07 through 2008/09.

Secondary Taxes. Taxes levied against the assessed value (after application of the assessment ratio to full cash value) are referred to as secondary taxes, which are used for debt retirement (including debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road

improvement districts. 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.

Determination of Full Cash Value. The first step in the tax process is the determination of the full cash value of each parcel of real property within the State. Most property is valued by the various county assessors including for the county in which the District is located, Maricopa County, Arizona (the "County"), the County Assessor for the County (the "Assessor"), with the Arizona Department of Revenue valuing centrally assessed properties such as gas, water and electrical utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by used of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the Assessor uses a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the Assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

County assessors, upon meeting certain conditions, may value residential, agricultural and vacant land at the same full cash valuation for up to three years. The Assessor currently values exiting property on a two year cycle.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the *"Property Valuation Protection Option"*) if the owners total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate". The property owner must apply for the Property Valuation Protection Option and, if approved by the Assessor, must renew the application every three years. If the property is sold to a person who does not qualify for the Property Valuation Protection Option, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Assessment Ratios. The appropriate property classification ratio is applied to the full cash value to determine the assessed valuation for such parcel. Except as set forth in footnote (6), the assessment ratios utilized over the period 2003 through 2007 for each class of property are set forth below.

TABLE 1
PROPERTY TAX ASSESSMENT RATIOS

Property Classification (a)	Assessment as Percent of Full Cash Value
Mining, Utility, Commercial and Industrial (b)	24.5%
Agriculture and Vacant Land (b)	16
Owner Occupied Residential	10
Leased or Rented Residential	10
Railroad, Private Car Company and Airline Flight Property (c)	N/A

(a) Additional classes of property exist, but seldom amount to a significant portion of total valuation.

(b) With respect to 2006-07, the first $59,099 of full cash value of commercial, industrial and agricultural personal property is not taxable. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of such amount will be assessed at 24.5% or 16% as applicable. The assessment ratio for mining, utility, commercial and industrial property is being reduced, starting at 25%, by one half of one percent annually through 2014, resulting in an assessment ratio of 20% from and after December 31, 2014.

(c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

Collection. On or before the third (3rd) Monday in August of each fiscal year based on valuation as of that date, the District will (i) fix, levy and assess the amount to be raised from *ad valorem* property taxes which, together with the amount estimated to be available from all other sources of revenue and any unencumbered balances from the previous fiscal year, will equal the total of amounts proposed to be expended in the budget for the current fiscal year and (ii) forward the District's levied and assessed amount to Maricopa County who will then determine the necessary *ad valorem* tax rates for the District. (Based upon amounts anticipated to be available pursuant to the Standby Contribution Agreement, the tax rate is intended to equal $3.00 per $100 of secondary assessed valuation, or such lesser amount as may be permitted under the Standby Contribution Agreement and Indenture). For such purpose, on or before each such third Monday in August, and after review of such amount and rate for compliance with any applicable statutory and constitutional limitations by the property tax oversight commission of the State, an assessment and tax roll must be delivered to the County Treasurer of the County (the "Treasurer"). The Assessor of the County may, however, change such roll any time before December 20 of such year. *Any decrease in the value of the roll so established in December*

from the value used on the immediately preceding third Monday in August could reduce the aggregate amount of taxes to be collected by the District.

The *ad valorem* property taxes levied and assessed by the District pursuant to the assessment and tax roll delivered to the Treasurer are billed along with State of Arizona (the "State") and County *ad valorem* property taxes and are due and payable in two equal installments on October 1 of that calendar year and on March 1 of the subsequent calendar year. The two *ad valorem* property tax installments become delinquent and begin to accrue interest at the rate of sixteen percent (16%) per annum simple interest prorated monthly on November 1 of that calendar year and May 1 of the subsequent calendar year, respectively. Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.

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, subject to the possible exception of ad valorem property taxes levied against the real property of a property owner in bankruptcy. 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. An ad valorem 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 sixteen percent (16%) 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 as the purchase price the amount of taxes, interest and penalties due on the property, in cash at the time of sale. 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 levied by the District should, if the assessed property has sufficient value to attract bidders at the tax lien sale, be recovered by the District within fifteen (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 right to redeem tax lien sale and to foreclose the tax lien by administrative process, without judicial action, after the fifth anniversary of the tax lien sale.

It is anticipated that the District's semiannual payments of Debt Service with respect to the Bonds will be funded with installments of tax payments collected on or about the immediately preceding tax payment date together with any funds available from any other sources, including amounts, if any, available from the Standby Contribution Agreement. If, for any reason, a material portion of the *ad valorem* property taxes due and payable to the District are not paid in a timely manner, or payments due pursuant to the Standby Contribution Agreement are not paid when due, the payment of Debt Service could be delayed. It cannot be determined with any certainty when delinquent *ad valorem* property taxes could be collected and available for the payment of Debt Service with respect to the Bonds and what impact such delay could have on the secondary market for the Bonds.

SEE "RISK FACTORS - Availability of Standby Contribution Agreement and Guaranty Amounts," "- Effect of Valuation of Property," "- Direct and Overlapping Indebtedness" and "- Bankruptcy and Foreclosure Delays."

Property Valuations. The following table lists certain property valuations for the District:

TABLE 2

Fiscal Year	Full Cash Value	Secondary Assessed Value
2002-03	$ 11,229,868	$ 1,825,458
2003-04	11,281,713	1,833,458
2004-05	59,027,407	9,444,137
2005-06	149,713,838	24,018,923
2006-07	302,706,083	42,195,614

Source: Maricopa County Assessor's Office

SEE "RISK FACTORS - Certain Factors Which May Adversely Affect Development; Consequences" and "- Effect of Valuation of Property."

Net Secondary Assessed Valuation by Property Classification. The following is a breakdown of secondary assessed valuations for the District by property classifications:

TABLE 3

Legal Class	Description	Full Cash Value	Secondary Assessed Valuation
1	Commercial	$ 12,510,100	$ 3,064,974
2	Agricultural & Vacant	171,327,619	27,274,147
3	Residential (owner occupied)	108,340,364	10,833,993
4	Residential (rental occupied)	10,528,000	1,022,500

Source: Maricopa County Assessor's Office

Estimated 2006-07 Net Secondary Assessed Valuations of Certain Taxpayers. Shown below with respect to 2006-07 are property taxpayers located within the District who owned property amounting to one percent or more of the total of the net secondary assessed valuations of property within the boundaries of the District for 2005-06, their current net secondary assessed value and their relative proportion of the total net secondary assessed value of the District.

TABLE 4

MAJOR TAXPAYERS IN THE DISTRICT*

	Taxpayer	2005-06 Secondary Assessed Valuation	As Percent of District's 2005-06 Net Secondary Assessed Valuation
1.	FIDELITY NATIONAL TITLE CO TR B176	$13,963,780	33.09%
2.	CACHET-VALLARTA LLC	1,493,893	3.54%
3.	TOUSA HOMES INC	952,560	2.26%
4.	DMB VERRADO DISTRICT CORE 1 LL/DMB/PB V APTS	912,244	2.16%
5.	ASHTON WOODS ARIZONA LLC	881,706	2.09%
6.	FIDELITY NATIONAL TITLE INS CO TR B176	838,810	1.99%
7.	DMB WHITE TANK LLC	679,651	1.61%
8.	ARIZONA PUBLIC SERVICE COMPANY	665,684	1.58%
9.	CATERPILLAR VDO 2 LLC	544,449	1.29%
10.	DMB VERRADO GOLF I LLC	521,200	1.24%
		$21,453,977	50.84%

*Source: Maricopa County Assessor's Office

The entities described in footnotes 1, 4, 6, 7, and 10 are either related parties to the Developer or are trustees holding interests for one or more of such related parties.

See "LAND DEVELOPMENT AND THE DEVELOPER - The Developer -- Land Acquisition and Financing" and "RISK FACTORS - Certain Factors Which May Adversely Affect Development; Consequences" and "- Effect of Valuation of Property."

Record of Taxes Levied and Collected in the District. Under Arizona law, the Board of Supervisors of the County is required to levy a tax in an amount sufficient to provide for Debt Service. Property taxes are levied and collected on property within the District and certified by the Treasurer on behalf of the District. The District levied, for fiscal year 2002-03, a thirty cent operation and maintenance tax, which tax was collected by the County but was not timely mailed to the District.

TABLE 5

Fiscal Year	Real and Secured Personal Property Tax Levy(a)	Collected to June 30th(b)(c) Amount	Collected to June 30th(b)(c) Percent of Tax Levy	Total Collections(c) Amount	Total Collections(c) Percent of Tax Levy
2006-07	$1,392,455	$ 0	0.00%	$ 0	0.00%
2005-06	792,625	759,895	95.87%	759,895	95.87%
2004-05	311,656	311,656	100.00%	311,656	100.00%
2003-04	60,505	60,404	99.83%	60,404	99.83%
2002-03	5,476	5,476	100.00%	5,476	100.00%

(a) Tax levy is as reported by the Treasurer as of August of each tax year. Amount includes $5,815.48 of adjustments made to levy amounts after the August report in the case of 2005-06 and $100.66 in the case of 2003-04. The District's tax rate for tax years 2003-04 and 2004-05 reflects levy of $0.3000 per $100 of secondary assessed valuation for maintenance and operation expenses of the District only. The District's tax rate for tax year 2006-07 includes the $3.0000 tax rate for debt service on the Series 2003 Bonds as well as such $0.3000 tax rate for maintenance and operation expenses for the District.

(b) Reflects collections made through June 30, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(c) Reflects collections made through August 31, 2006. The next installment of taxes will be due September 1, 2006, but is not delinquent until November 1, 2006.

Source: Maricopa County Treasurer's Office

General Obligation Bonded Indebtedness to be Outstanding. The Bonds will be the second issuance of bonds by the District.

Annual Debt Service Requirements of General Obligation Bonded Indebtedness to be Outstanding. The District will have the following annual debt service requirements after the issuance of the Bonds:

TABLE 6

Fiscal Year	Debt Service Requirements for the Bonds* Principal	Interest(a)	Total Debt Service Requirement for the Bonds*	Total Debt Service Requirements for the Series 2003 Bonds*	Total Combined Debt Service*
2006				$1 ,522,250	$ 1,522,250
2007		$ 723,938	$ 723,938	1,522,250	2,246,188
2008	$ 385,000	1,002,375	1,387,375	2,122,250	3,509,625
2009	405,000	981,200	1,386,200	2,186,250	3,572,450
2010	425,000	958,925	1,383,925	2,144,250	3,528,175
2011	450,000	935,550	1,385,550	2,202,250	3,587,800
2012	475,000	910,800	1,385,800	2,154,250	3,540,050
2013	500,000	884,675	1,384,675	2,106,250	3,490,925
2014	530,000	857,175	1,387,175	2,358,250	3,745,425
2015	555,000	828,025	1,383,025	2,290,600	3,673,625
2016	590,000	797,500	1,387,500	2,222,950	3,610,450
2017	620,000	765,050	1,385,050	2,255,300	3,640,350
2018(b)	655,000	730,950	1,385,950	2,081,500	3,467,450
2019(b)	690,000	694,925	1,384,925	2,110,000	3,494,925
2020(b)	730,000	656,975	1,386,975	2,132,000	3,518,975
2021(b)	770,000	616,825	1,386,825	2,147,500	3,534,325
2022(c)	810,000	574,475	1,384,475	2,156,500	3,540,975
2023(c)	855,000	529,925	1,384,925	2,159,000	3,543,925
2024(c)	905,000	482,900	1,387,900	2,055,000	3,442,900
2025(c)	950,000	433,125	1,383,125	2,051,000	3,434,125
2026(c)	1,005,000	380,875	1,385,875	2,040,500	3,426,375
2027(c)	1,060,000	325,600	1,385,600	2,023,500	3,409,100
2028(c)	1,120,000	267,300	1,387,300		1,387,300
2029(c)	1,180,000	205,700	1,385,700		1,385,700
2030(c)	1,245,000	140,800	1,385,800		1,385,800
2031(c)	1,315,000	72,325	1,387,325		1,387,325
	$18,225,000	$15,757,913	$33,982,913	$46,043,600	$80,026,513

(a) Interest is estimated at 5.50%.
(b) Mandatory redemption requirement for the term bond maturing in 2021.
(c) Mandatory redemption requirement for the term bond maturing in 2031.

The Standby Contribution Agreement

Pursuant to the Standby Contribution Agreement, in each year prior to release of the Standby Contribution Agreement, the Developer agrees to deposit with the Trustee on or before May 15, the difference between Debt Service on the Bonds in the succeeding calendar year and the tax revenues expected to be received by the District at a tax rate of $3.00 per $100 of secondary assessed valuation (or such lesser rate as may be permitted) assuming a 95% collection rate. See Section 2.1(A) of the Standby Contribution Agreement in Appendix F. The

* Preliminary, subject to change.

Developer is also to make additional payments prior to each interest payment date if there continues to be a shortfall between the debt service due on the next payment date and the amount in the Bond Fund. See Section 2.1(B) of the Standby Contribution Agreement in Appendix F. The obligation of the Developer to pay is subject only to the condition that for each year the District levies the tax rate described above.

The Standby Contribution Agreement is subject to release by the District when certain conditions related to the tax collection history have been met and the Board of the District approves such termination, which approval shall not be withheld unreasonably. See Section 1.12 of the Standby Contribution Agreement in Appendix F.

GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE

The District

The District was created to finance and construct or acquire a portion of the public infrastructure (the "Public Infrastructure") that is part of the project known as Verrado, a master-planned residential and commercial development (the "Project"). The Project is bounded by the Northern Avenue alignment on the north, by approximately the 235th Avenue alignment on the west, by approximately ¼ mile south of McDowell Road at the southernmost point, and by Jackrabbit Trail on the east, all within the Town. The boundaries of Verrado encompass approximately 8,800 acres.

Formation of the District was approved by the Town on June 19, 2001 upon the request of all the landowners within the District. The District boundaries are coincident with the boundaries of the Project. A map of the Project depicting the District boundaries is included in p. IV of this Limited Offering Memorandum.

Simultaneous with the formation of the District, the Overlay District was approved by the Town. The Overlay District, as its boundaries were thereafter adjusted, comprises approximately 4,926 acres and is wholly contained within the District.

The District board is comprised of the Town Council, ex officio, and the Mayor of the Town is the Chair of the District Board. The Town Manager serves as District Manager and the Town Clerk as District Clerk. The District is authorized to issue general obligation bonds in an aggregate principal amount not to exceed $100,000,000 pursuant to an election held on August 7, 2001. The District has issued the Series 2003 Bonds. The Overlay District is authorized to issue general obligation bonds in an aggregate principal amount not to exceed $60,000,000 pursuant to an election held on August 7, 2001. The Overlay District issued $13,000,000 Variable Rate General Obligation Bonds, Series 2004 on November 17, 2004.

In addition, the District currently levies a tax of $0.30 per $100 of secondary assessed valuation for operations and maintenance costs of the District.

Phase I and Phase II Public Infrastructure

The Public Infrastructure that will be financed with the proceeds of the Bonds and acquired, constructed or financed by the District consists of public infrastructure located in the Town that benefits residents of the District.

Table 7 reflects estimated costs of the various components of the Public Infrastructure to be financed by the Bonds, the estimated contract award date and the estimated completion dates for the Public Infrastructure.

TABLE 7
Verrado District 1 Community Facilities District
Public Infrastructure

DESCRIPTION	ESTIMATED CONSTRUCTION COST	ESTIMATED COMPLETION DATES
A. Projects Approved by Feasibility Study Related to 2003 Bonds		
1. Traffic Interchange	$466,533	Complete
2. Construction Manager at Risk Contract Addendum #2 (Funding of additional infrastructure costs)	634,480	Complete
3. Roadway, Sidewalk, Street Light & Storm Drain Improvements	16,035,702	6/08 (80% Complete)(3)
4. Dry Utility Trench and Conduit	725,106	6/08 (80% Complete)(3)
5. Roadway Landscaping	5,477,280	6/08 (80% Complete)(3)
6. Drainage Improvements	2,802,165	9/07
7. Linear Parks	1,820,619	11/06
8. District Parks	1,146,500	Complete
SUBTOTAL:	**$29,108,385**	
B. Projects Related to the Bonds		
1. Roadway, Sidewalk, Street Light & Storm Drain Improvements	$9,296,008	10/06
2. Dry Utility Trench & Conduit, as necessary for roadway and landscaping improvements	1,251,787	10/06
3. Roadway Landscaping	2,219,539	10/06
4. Culvert Crossings	1,280,800	6/09
5. Traffic Signals	1,500,000	12/08
6. Drainage Improvements	1,000,000	10/06
7. Retention Basins	115,648	12/07
8. District Parks	8,540,000	12/08
9. Lineal Park	1,820,619	10/06
SUBTOTAL:	**$27,024,400**	
TOTAL:	**$56,132,785**	

(1) Costs are actual where project has been completed.
(2) Completion dates are approximate and subject to change.
(3) Previously approved roadway improvements are 80% complete. Remaining infrastructure to complete includes Verrado Way (from Sunrise Wash to Indian School Road) and Indian School Road (from Verrado Way to Jackrabbit Trail).

Source: Developer

See "SOURCES AND APPLICATIONS OF FUNDS" herein. Additional infrastructure may be funded if Bond proceeds are available.

GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER

The information contained in this section relates to and has been obtained from the Developer, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. Neither the District nor the Underwriter makes any representation regarding projected development plans with the District, the financial soundness of the Developer, the Guarantor or other property owners and developers or the managerial ability of such persons and entities to complete development as planned. The development of the property within the District may be affected by factors, such as governmental policies with respect to land development, the availability of utilities, the availability of energy, construction costs, interest rates, competition from other developments and other political, legal and economic conditions beyond the control of the District, property owners and developers. Further, the property within the District may be subject to encumbrances as security for obligations payable to various parties, the default of which could adversely affect construction activity. See "RISK FACTORS."

Project - General

Approximately 8,635 acres of the Project served as the Caterpillar Tractor Proving Grounds from the late 1940s until 1988 (the "Proving Grounds"). Caterpillar Inc. then donated the Proving Grounds to the Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"). Caterpillar Inc. conducted a national search for a developer of the Proving Grounds and selected DMB Associates Inc., an Arizona corporation ("DMB"), in 1998. DMB formed DMB White Tank, LLC, an Arizona limited liability company ("Developer"), which entered into a Master Agreement dated September 30, 1999 with the Foundation (the "Master Agreement") for the purchase of the Proving Grounds. Consistent with the terms of the Master Agreement, the Proving Grounds were conveyed to a two beneficiary trust, Trust No. B176, on or about March 20, 2002, and will be administered pursuant to the terms of the related Trust Agreement under which Developer assumes all rights and obligations for ownership and development of the Proving Grounds and Foundation is paid a specified percentage of each land sale. The Master Agreement runs through 2030 with options for extension. In 1999, Developer acquired an additional 165 acres of land contiguous to the south boundary of the Proving Grounds.

Development of the balance of the Project is expected to occur in seven phases over a 15 year period. The Project's grand opening, Phase I, occurred in January 2004. Phase II commenced in late 2005 and Phase III is expected to commence in late 2007 (see "Table 9").

Project - Governmental Approvals and Agreements

Developer and the Town are parties to that certain Pre-Annexation and Development Agreement recorded November 26, 1999 in the Official Records of the Maricopa County,

Arizona Recorder at Document No. 99-1071208 (the "Development Agreement") whereby, among other things, the Community Master Plan was acknowledged to be consistent with the Town's General Plan. The Development Agreement also provides for the utilization of community facilities districts to finance public infrastructure.

Pursuant to Ordinance No. 19-99, recorded December 29, 1999 in the Official Records of the Maricopa County Arizona Recorder at Document No. 99-1158258, the Town approved the annexation of the Project into the Town. Pursuant to Resolution No. 20-99, adopted November 16, 1999, the Town approved a General Plan Amendment, including the revised circulation transportation map, for the Project. Pursuant to Ordinance No. 21-99, adopted November 16, 1999, the Town approved the re-zoning of the Project for up to 14,000 residential units, 4 million square feet of commercial development and 1,000 resort rooms. The current plan for the Project includes approximately 11,132 residential units, 4 million square feet of commercial and 1,000 resort rooms, including 3,389 residential units in Phases I & II.

The District, the Town and Developer are parties to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District) recorded July 3, 2001 in the Official Records of Maricopa County, Arizona Recorder at Document No. 2001-0594335 (the "District IGA") which provides the framework for the utilization of community facilities district financings within the District.

Project - Transportation and Utilities

Direct access from Interstate 10 to the Project is provided by means of a spread diamond traffic interchange.

Water and wastewater facilities and infrastructure and service related thereto are provided pursuant to that certain Caterpillar Property Water/Wastewater Agreement between the Developer, Citizens Communications Company, a Delaware corporation, and Arizona-American Water Company, an Arizona corporation, formerly Citizens Water Services Company of Arizona ("AAWC"), dated November 1, 2000.

Electric service to the Project is provided pursuant to a Memorandum of Understanding between the Developer and Arizona Public Service Company. Gas service to the Project is provided by Southwest Gas. Telecommunications service to the Project is provided pursuant to a Technology Services and Marketing Agreement between the Developer and Cox Communications dated December 5, 2002.

Project – Phase I & II Budget, Development Status and Plans

In addition to public infrastructure financed by the District and the Western Overlay District in the amount of $24,000,000 and $13,000,000, respectively, as of May 31, 2006, the Developer has invested approximately $268,778,000 in the Project and estimates that an additional $63,358,000 will be required to complete Phases I & II. The funds invested to date consist of approximately $36,914,000 in land and acquisition costs, approximately $118,110,000 in Offsite and Backbone Infrastructure costs, approximately $46,249,000 in Amenity

Improvements and approximately $67,505,000 in planning, entitlements, engineering and administrative and other costs. See Table No. 8 below.

An additional $63,358,000 required to complete Phases I & II of the Project, consists of approximately $34,691,000 in Offsite and Backbone Infrastructure costs, approximately $10,363,000 in Amenity Improvements and $20,304,000 in planning, entitlements, engineering and administrative and other costs. It is anticipated that these expenditures will be funded in part by the Bonds offered herein and net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer.

Table 8
Phase I & II of Verrado
Development Status as of May 31, 2006

Activity	Amount	Status
Land Acquisition Costs	**$ 36,914,092**	Complete
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Traffic Interchange	$ 3,752,509	Complete
Offsite Water & Wastewater Improvements	26,169,852	Complete
Backbone (roads and utilities)	39,944,832	Estimated completion by Q4, 2006
Plant Salvage, Earthwork, & Disturbance Mitigation	16,341,883	Complete
Parcel Improvements	16,860,290	Estimated completion by Q4, 2006
Permanent Fire and Public Safety Facilities	75,582	Estimated completion by Q4, 2007
Drainage Improvements	2,503,420	Estimated completion by Q4, 2006
Other	5,922,142	Estimated completion by Q4, 2007
	$111,570,510	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course, Clubhouse & Facilities	$ 24,402,785	Complete
Verrado Sports Club, District Core & Phase II District Club	17,927,123	Estimated completion by Q2, 2008
Home Finding Center	2,256,289	Complete
Linear, District, & Neighborhood Parks	3,919,510	Estimated completion by Q2, 2008
School District Capital Contributions	4,282,640	Estimated completion by Q4, 2008
	52,788,347	
Planning, Entitlement, Engineering, Administrative and Other Costs	**67,505,142**	
Total Invested at May 31, 2006	**$268,778,091**	

Source: The Developer.

As of May 31st, 2006, the Developer has closed on 3,144 residential subdivision lots, representing approximately $175,395,127 in land sale revenue. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately $280,000 to $800,000. Custom homes are expected to sell for higher prices.

In addition, the Developer has completed construction on a two and three-level mixed use development, which consists of approximately 32,000 square feet of neighborhood retail center and 45 apartment units. Tenants have been occupying both the retail and residential space since January 2004.

Projected development within the District for the entire Project, for various categories of use, is indicated in ***Table No. 9***.

TABLE NO. 9
District One - All Phases
Projected Development

	Actual 2004	Actual 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Single Family (units)[1]	151	426	334	603	961	1,018	788	645	843
Single Family (cumulative)	151	577	911	1,514	2,475	3,493	4,282	4,926	5,769
Multi-Family (units)	45	-	-	60	156	168	274	352	478
Multi-Family (cumulative)	45	45	45	105	261	429	703	1,056	1,533
Total Residential	196	426	334	663	1,117	1,186	1,063	997	1,321
Cumulative Residential	196	622	956	1,619	2,736	3,922	4,985	5,982	7,303
Commercial (Acre)	13.8	--	--	--	2.3	28.8	67.8	68.6	42.6
Commercial (cumulative)	13.8	13.8	13.8	13.8	16.2	45.0	112.8	181.4	224.0

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021+
Single Family (units)[2]	805	585	551	381	254	204	98	47	57
Single Family (cumulative)	6,574	7,159	7,710	8,091	8,344	8,549	8,647	8,694	8,751
Multi-Family (units)	361	74	174	157	55	22	5	-	-
Multi-Family (cumulative)	1,894	1,968	2,142	2,299	2,354	2,376	2,381	2,381	2,381
Total Residential	1,165	659	724	538	309	226	103	47	57
Cumulative Residential	8,468	9,127	9,851	10,389	10,699	10,924	11,028	11,075	11,132
Commercial (Acre)	42.6	42.6	35.5	59.4	149.1	--	--	--	--
Commercial (cumulative)	266.6	309.2	344.7	404.2	553.3	553.3	553.3	553.3	553.3

Source: The Developer

[1] Estimated single-family & multi-family absorption figures are based on the projected close of escrow to the end home purchaser, with estimated commercial absorption figures based on the projected date of sale of parcels plus a 15-month construction period. It is anticipated that assessed real property valuations as shown on County Assessor rolls will lag this schedule, the assumption used for these estimates being a 12-month lag between close of escrow and/or completion of construction and an increase in assessed valuation on the County Assessor rolls. Notwithstanding the foregoing to the contrary, there can be no assurance now or at the time the Bonds are issued that any future sales will be consummated or that projected activity will occur. There are no restrictions on the ability of the Developer to sell all or portions of the Project to one or more other developers and there can be no assurance now or at the time the Bonds are issued that any subsequent owners will have the financial capability to, or will, commence or complete development on any portion of the Project so acquired

Description of Developer

The sole member and manager of the Developer is DMB Communities, LLC, an Arizona limited liability company, the sole member of which is DMB Realco LLC, an Arizona limited liability company and the manager of which is DMB. Certain unaudited quarterly financial statements of the Developer are set forth in Appendix G.

DMB was formed in 1984 by Drew Brown, Mark Sklar and Bennett Dorrance. DMB comprises a privately held real estate development and investment group continuously active in the acquisition, development and management of a variety of real estate projects and business activities since 1984. From its initial investment in suburban office buildings, DMB later moved into residential lot development and has since constructed and sold in excess of 21,300 residential building lots. DMB's real estate holdings include commercial developments, master-planned communities and recreational resort properties.

In addition to Verrado, DMB is involved in a number of other master-planned communities, including:

DC Ranch/Silverleaf: This 3,700-acre planned community is located in the western foothills of Scottsdale's McDowell Mountains. Approximately 3,100 homesites are proposed, including custom lots, luxury production homes, townhouses and other attached products. The development also contains two 18-hole championship golf courses and associated clubhouses, a K-8 school, an extensive path and trail system and a community recreation center offering basketball, volleyball, tennis, swimming and other activities. DMB is venturing this project with the family who has owned the land for several decades. As of December 31, 2005, 2,950 lots had been sold.

Power Ranch: This 2,000-acre mixed-use residential, commercial and retail master-planned community, located in the Town of Gilbert, Arizona, is proposed to become two distinct communities, tied together by consistent design guidelines, program and project character. Power Ranch is a joint venture between DMB and Sunbelt Holdings. The venture teamed with Shea Communities to develop Trilogy, the project's first phase, a 670-acre active adult, golf course community, which broke ground during the first quarter of 1998 and has sold approximately 3,942 residential homesites through December 31, 2005.

Ladera: This 4,000 acre property is set in historic Rancho Mission Viejo, in Orange County, California. DMB is joint venturing the project with the family that has owned the land since 1882. The community is comprised of several residential villages, each of which has subtly distinguished product mixes, land forms, development patterns, architectural style and landscape character. Community elements include an urban Activity Center, Town Center, Sports Park and numerous "pocket parks." Approximately 1,600 acres are preserved for open space elements such as natural arroyos, hillsides and ridge line trails. As of December 31, 2005, 7,950 of the 8,100 lots in total had been sold.

Santaluz (formerly Black Mountain Ranch): Featuring an 18-hole private golf course, complemented by a mixed-use residential and commercial development plan, this 4,200-acre master-planned community is located in the extreme northern limits of the City of San Diego,

California. Following 10 years of planning and entitlement work under the previous ownership, DMB in partnership with Taylor Woodrow Homes, Inc. has re-oriented the development to reduce the density, resulting in the required site grading also being reduced by a factor of 50%. The new plan takes advantage of the natural terrain to provide larger lots with substantial amounts of open space, together with golf and views. As of December 31, 2005 all 1,121 lots had been sold.

Glenwild: This 880-acre private residential golf community is located in Park City, Utah. The project consists of 199 homesites, a Tom Fazio designed 18-hole Championship Golf Course and a 24,000 square foot clubhouse. As of December 31, 2005, 191 lots had been sold.

Forest Highlands: This 1,100-acre master-planned development, located 8 miles southeast of the City of Flagstaff, Arizona, is a luxury, private residential golf community amidst the world's largest stand of Ponderosa Pine. Through a joint venture with the Forest Highlands Homeowner's Association, the original master plan has been complemented by 170 new custom home sites, an extensive path and trail system, a clubhouse with health and fitness facility and children's center, and "The Meadow," an 18-hole, 7,200-yard Tom Weiskopf-designed golf course. The original golf course, "The Canyon," has been named the No. 1 golf location in Arizona and among the top 50 in America by Golf Digest. As of December 31, 2005 all custom lots had been sold.

Lahontan: The only private residential golf club community in North Lake Tahoe, California, this 720-acre community is centered around an 18-hole Tom Weiskopf-designed golf course and features a variety of sport, recreational and lodging amenities. The project features 450 custom homesites with lots ranging from half an acre to 1.38 acres, a 5-acre recreation center (Camp Lahontan), a community path and trail system, the Lodge at Lahontan (a 24,000 square foot clubhouse and spa) and Martis Creek, a natural trout stream that winds its way through the community. As of December 31, 2005 all custom lots had been sold.

Kukui' ula: This 1,010 acre property is being developed on the southern coastline of the island of Kaua'i, approximately 15 miles southwest of Lihue. The community will consist of approximately 1,300 residential units, a 50,000 square feet plantation style village center, an 18-hole Tom Weiskopf-designed golf course, a 20-acre community park, and a variety of sport, recreational and lodging amenities. Kukui' ula is a joint venture between DMB and A&B Properties, Inc. First Phase homesite sales are expected to begin in late 2006.

Marley Park: This 956 acre master planned development is being developed in Surprise, Arizona and will consist of approximately 3,071 residential units. Planned amenities include a centrally located 45-acre public-use education and a recreation parks complex that is planned to include: Heritage Park, Marley Park Elementary School, and the 6,600 square foot Heritage Club. Marley Park will also include a series of unique neighborhood parks, the Arbor Walk, a community intranet, and a neighborhood marketplace. Additional planned amenities include 1,600-seat open-air amphitheater, lighted baseball and soccer fields, Community rose garden, and Adventure play areas. Sales began in August 2004 with 1,260 homesites sold through December 31, 2005.

The majority of DMB's commercial holdings were sold in 2000. DMB has also been involved in Superstition Springs, a 1,200-acre mixed-use commercial, office, resort, golf course and residential development located in the City of Mesa, Arizona, one of the most concentrated centers of development activity in the greater Phoenix metropolitan area.

OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS

Overlapping General Obligation Bonded Indebtedness

Overlapping general obligation bonded indebtedness is shown below including a breakdown of each overlapping jurisdiction's applicable general obligation bonded indebtedness, net assessed valuation and combined tax rate per $100 assessed valuation. Outstanding bonded indebtedness is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each jurisdiction's assessed valuation which lies within the District's boundaries was derived from information obtained from the Assessor. The information presented for the State of Arizona is preliminary and subject to change. **See "RISK FACTORS - Direct and Overlapping Indebtedness."**

Direct and Overlapping Jurisdiction	2006-2007 Net Secondary Assessed Valuation	Net Outstanding Bonded Debt (a)	Proportion Applicable to the District		2006-2007 Combined Tax Rate Per $100 Assessed (b)
			Approx. Percent	Net Amount	
State of Arizona	$54,436,547,031	None	0.00%	None	$0.0000
Maricopa County (c)	36,294,693,601	None	0.00%	None	1.6800
Maricopa County Community College District	36,294,693,601	$369,320,000	0.12%	$443,184	1.0646
Town of Buckeye	193,594,069	605,000	21.80%	131,890	1.5509
Liberty Elementary School District No. 25	166,080,160	6,625,000	1.27%	84,138	4.0079
Litchfield Elementary School District No. 79	556,867,080	14,350,000	64.65%	9,277,275	3.2683
Saddle Mountain Unified School District No. 90	855,766,948	19,630,000	39.98%	7,848,075	1.3557
Western Maricopa Education Center (West-MEC)	12,801,623,379	None	0.33%	0.0000	0.0500
Verrado Western Overlay Community Facilities District	16,319,992	13,000,000	100.00%	13,000,000	3.3000
Verrado Community Facilities District No. 1 (figures include the Bonds being offered herein)	42,195,614	42,225,000	42,225,000	42,225,000	3.3000
TOTALS				$73,009,561	$19.5774

(a) Includes general obligation bonds outstanding and general obligation bonds scheduled for sale. Does not include municipal improvement districts bond outstanding which are

being paid from special assessments levied against property owners residing within such improvement districts. Bonds supported from enterprise revenues are also excluded.

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 of construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Bureau of Reclamation to deliver Colorado River water to central Arizona and Tucson. The United States and CAWCD recently announced an agreement 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 for amounts paid by CAWCD to the United States against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far 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 the 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 will require certain State of Arizona and federal legislation. Federal enabling legislation was passed in 2004. 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 United States District Court to terminate the agreement and resume litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying payment administrative costs and expenses of CAP and to assist in repayment to the United States of the capital costs of CAP. 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 in the CAWCD. At the date of this Official Statement, the tax levy is limited to 14 cents per $100 of secondary assessed valuation, of which 12 cents is being levied. (See Arizona Revised Statutes, Section 53-3715). There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(b) The combined tax rate includes the tax rate for debt service payments and voter-approved overrides, if any, 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 is based on the primary assessed valuation of the entity.

(c) The County's tax rate includes the $1.1794 county tax rate, the $0.2047 tax rate of the Maricopa County Flood Control District, the $0.1184 tax rate of the Special Healthcare

District, the $0.0507 tax rate of the County's Free Library District, $0.1200 tax rate of the Central Arizona Project and the $0.0068 tax rate for the County's contribution to fire districts.

(d) Additional general obligation bonds may be authorized at subsequent elections for all such political subdivisions.

Source: Individual jurisdictions.

Additional General Obligation Bonded Indebtedness of the District

In addition to the Bonds , the District retains the right to issue, in accordance with the procedures set forth in the Enabling Act, additional series of bonds payable from *ad valorem* taxes. See "SECURITY FOR AND SOURCES OF PAYMENT - *Ad Valorem* Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding." **See also "RISK FACTORS - Direct and Overlapping Debt."**

The Enabling Act provides that the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the bonds. (The District has made a finding that issuance of the Bonds will meet the test set forth above.)

Pursuant to the Election, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed $100,000,000 and will have $57,775,000* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds. Additional indebtedness could be authorized for the District in the future pursuant to other elections.

Additional Overlapping General Obligation Bonded Indebtedness

The District has no control over the amount of additional indebtedness payable from taxes on all or a portion of the property within the District that may be issued in the future by other political subdivisions, or other entities having jurisdiction over all or a portion of the land within the District. Additional indebtedness could be authorized for such overlapping jurisdictions in the future. **See "RISK FACTORS - Direct and Overlapping Debt."**

The following overlapping entities of the District have the indicated authorized but unissued general obligation bonds available for future issuance as of July 1, 2006.

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* Preliminary, subject to change.

Authorized but Unissued
General Obligation Debt

Overlapping Jurisdiction	
Maricopa County CCD	$761,093,000
Verrado Western Overlay District	47,000,000
Town of Buckeye	0
Saddle Mountain Unified School District No. 90	0
Liberty Elementary School District No. 25	7,325,000
Litchfield Park Elementary School District No. 79	0
Verrado CFD District No. 1	57,775,000*

SOURCES AND APPLICATIONS OF FUNDS
(exclusion of accrued interest)

Sources

Par Amount of Bonds

Applications

Cost of Acquisition and Construction
Costs of Issuance
(including Underwriter's
Compensation)
Deposit to Capitalized Interest Fund

Total

RISK FACTORS

General

Investment in the Bonds involves certain risks 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.

The Bonds will be secured solely by ad valorem taxes generated within the District and amounts available pursuant to the Standby Contribution Agreement and the Guaranty. Anyone considering investing in the Bonds should carefully examine this Limited Offering Memorandum, including the Appendices hereto.

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* Preliminary, subject to change.

Investment in the Bonds has substantial risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Limited Offering Memorandum. Security for the Bonds is an unlimited ad valorem property tax pledge of the District; however, the Developer have agreed to contribute moneys sufficient to allow the District to levy a tax rate for the payment of debt service not exceeding $3.00 per $100 of secondary assessed valuation within the District for all general obligation bonds of the District. The Developer is a single purpose entity without any significant assets other than the Project and its ability to develop the Project. Under the Developer's current estimates, it will take approximately 3 years for the tax base to be sufficient at a levy of $3.00 to cover debt service and this assumes that no additional general obligation bonds are sold by the District during such period as are contemplated. Moreover, the Town has approved nineteen other master planned communities which include over 240,000 housing units and has under consideration, five pending master planned communities which include over 18,000 housing units and neighboring communities have significant residential communities under way and contemplated. If the Developer is unable to fund their obligations, the District's ability to collect the taxes necessary to pay debt service cannot be guaranteed and the pace of development will be adversely affected. See, among other sections, "SECURITY AND SOURCES OF PAYMENT," "GENERAL DESCRIPTION OF THE DISTRICT, THE DEVELOPER AND THE PROJECT," "RISK FACTORS" and Appendix G - "CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER".

Forward-Looking Statements

This Limited Offering Memorandum contains certain statements that are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933v and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Official Statement, including without limitation statements that use terminology such as "estimate," "expect," "intend," "anticipate," "believe," "may," "will," "continue" and similar expressions, are forward-looking statements. These forward-looking statements include, among other things, the discussions related to the Developer and the Project and expectations regarding development, government approvals, future operations, revenues, capital resources and expenditures for capital projects. Although the Developer believes that the assumptions upon which the forward-looking statements contained in this Official Statement are based are reasonable, any of the assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions also could be incorrect. All phases of the operations of the Developer involve risks and uncertainties, many of which are outside the control of the Developer and any one which, or a combination of which, could materially affect the results of the Developer's operations and whether the forward-looking statements ultimately prove to be correct. See "Certain Factors Which May Adversely Affect Development; Consequences" below.

No representation or assurance can be given that the Developer will realize revenues in amounts sufficient to make the required payments under the standby contribution agreement or that the District can obtain sufficient tax revenue. The realization of future revenues is dependent upon, among other things, the matters described in the foregoing paragraph and future changes in economic and other conditions that are unpredictable and cannot be

determined at this time. The Underwriter makes no representation as to the accuracy of the projections contained herein nor as to the assumptions on which the projections are based.

Concentration Of Ownership; Subsequent Transfer

There can be no assurance that the Developer has the financial capability to complete development of the Project. Because there can be no assurance that the members of the limited liability company that form the Developer will provide additional funds to the Developer, nor that bank loans will be available to the Developer and sufficient to pay all costs attributable to the Project, the Developer may have to depend on revenues from sales of lots and parcels to generate cash flow and otherwise make funds available to pay all costs associated with the ownership, operation and development of the Project. If the Developer has to depend on sales of lots and parcels to generate cash flow, there can be no assurance that sufficient funds will be available to the Developer to pay all of its obligations and liabilities, including, without limitation, property taxes (including those to be applied to pay the Bonds), as such obligations and liabilities become due and payable.

In addition, the Developer has transferred and intends to continue to transfer ownership of those parcels (or portions thereof) designated for residential development within the District to homebuilders or individual custom lot purchasers prior to completion of development therein. There are no restrictions on the ability of the Developer to sell parcels (or portions thereof). There can be no assurance that any builder will ultimately acquire and develop all of the lots, nor any assurance that any builder will be able to obtain the projected sales prices for any houses to be constructed on the lots. Custom lot purchasers are not required to commence construction within any particular time period after the acquisition of a custom lot. Accordingly, there can be no assurance as to when, or if, custom homes will actually be constructed, nor as to the ultimate fair market value of such homes.

Certain Factors Which May Adversely Affect Development; Consequences

The development of the balance of the Project by the Developer or any purchaser therefrom is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage facilities, telephone and electrical facilities, recreational facilities and street lighting, as well as local in-tract improvements, including site grading. If the Developer or any purchaser therefrom were unable to complete these additional improvements, the ability of the Developer or any purchaser therefrom to sell land would be affected adversely.

The cost of additional improvements plus the public and private in-tract, on-site and off-site improvements may increase the public and private debt for which the land within the District is security. The burden of additional debt would be placed on the land within the District to complete the necessary improvements. See "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS."

Proposed development of property within the District may be affected adversely by changes in general economic conditions, fluctuations in the real estate market, changes in the

income tax treatment of real property ownership and other similar factors. The residential development business particularly including communities such as the Project is highly competitive in the Phoenix metropolitan area. The Project will face competition from a number of competing developments and others throughout the Phoenix metropolitan area, the development plans for which offer lots and parcels in similar communities for a similar target market. A slowdown of the development process and the absorption rate could adversely affect land values (including secondary assessed valuation for the purposes described herein under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District") and reduce the ability or desire of the property owners to pay the ad valorem taxes securing the Bonds. In that event, there could be a default in the payment of principal of, and interest on, the Bonds as well as a resulting bankruptcy of the District.

Vacant land also provides less security to the holders of the Bonds should it be necessary for the District to foreclose due to nonpayment of ad valorem taxes. Furthermore, an inability to develop the remaining land within the District will likely reduce the diversity of ownership on land within the District, making the holders of the Bonds more dependent upon timely payment of the ad valorem taxes levied on the vacant property.

Because of the concentration of ownership noted above, the timely payment of the Bonds depends upon the willingness and ability of the Developer, and any subsequent owners, to pay the ad valorem taxes levied on the vacant property when due. A slowdown or stoppage in the continued development of the District could reduce the willingness and the ability of such owners to pay ad valorem taxes on vacant property and could greatly reduce the value of such property (including secondary assessed valuation for the purposes described herein under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District") in the event it has to be foreclosed upon.

Effect of Valuation of Property

Information is provided herein with respect to the valuation of land within the District. SEE "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District." Such valuation and particularly decreases therein may reduce the willingness of landowners to pay the ad valorem taxes securing the Bonds, as well as adversely affect the interest of potential buyers of such property at any foreclosure sale for purposes of paying such taxes. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District."

Availability of Standby Contribution Agreement

If amounts to be available pursuant to the Standby Contribution Agreement are not available for any reason, the Bonds will be payable only from District ad valorem taxes, resulting in increased District tax rates and increased reliance upon District tax revenues collected within the District to pay principal of and interest on the Bonds. See also "General" above.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the ad valorem taxes of the District could be affected by the existence of other taxes and assessments imposed upon the property. The existing public debt relating to the District is set forth in "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS." The Overlay District is authorized to issue $60 million of general obligation bonds on certain property within the District and has issued the Overlay District Series 2004 Bonds in the principal amount of $13,000,000. In addition, 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 lien created on the property within the District through the levy of ad valorem taxes would be on a parity with the ad valorem taxes securing the Bonds. The imposition of additional parity liens, or junior liens in the case of, for instance, special assessments, may reduce the ability or willingness of the landowners to pay the ad valorem taxes securing the Bonds as well as in the case of failure of payment thereof the existence of buyers of such property at any foreclosure sale for purposes of paying such taxes. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Taxation in the District."

Risk of Extraordinary Mandatory Redemption

The Bonds are subject to early special mandatory redemption without premium in the event of a default under the Standby Contribution Agreement as described herein. See "THE BONDS - Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement."

Bankruptcy and Foreclosure Delays

The payment of the ad valorem taxes securing the Bonds and the ability of the District to foreclose the lien of delinquent unpaid ad valorem taxes 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 ad valorem taxes securing the Bonds 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 principal of, and interest on, the Bonds.

In addition, 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 Standby Contribution Agreement and 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. Bankruptcy or similar occurrence of or to the Developer could result in a temporary or permanent cessation of amounts payable pursuant to the Standby Contribution Agreement. Payment of principal of and interest on the Bonds would then be reliant on amounts available from collection of ad valorem taxes securing the Bonds.

Timing of Completion of the Public Infrastructure

Construction of the Public Infrastructure and the other infrastructure to be constructed by the Developer and dedicated to the District necessary for development is underway and in some instances complete, however, the time for completion of all of such improvements is uncertain. The cost of construction may be affected by factors beyond the Developer's control including strikes, labor shortages, energy shortages, material shortages, inflation, adverse weather conditions, subcontractor defaults, and other unknown contingencies. If cost overruns result in delay of construction, or if other delays are experienced, the Developer may be unable to complete timely all of such necessary improvements.

General Risks of Real Estate Investment

Investments in real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Project will be subject to the risks generally incident to real estate investments. Many factors that may affect the Project, as well as the Developer's operating revenues derived from the Project, are not within the control of the Developer. 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 the Project, which may render the sale of such homes difficult or unattractive; acts of God (which may result in uninsured losses); and other factors beyond the control of the Developer or its affiliates.

The Project cannot be initiated or completed without the Developer obtaining a variety of governmental approvals and permits, most of which have already been obtained. Such permits are necessary to initiate completion of each phase of the Project 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. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developer. See "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER – Project – Governmental Approvals and Agreement."

Environmental Matters

The Project will be subjected to risks arising out of the environmental law 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 the Project resulting from any contamination on the site or from the proximity of the site to other contaminated areas. 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) and the Resource Conservation and Recovery Act (RCRA).

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.

Cancellation of Contracts

The State of Arizona, 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.

LITIGATION

At the time of delivery and payment for the Bonds, appropriate representatives of the District will certify that 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 Indenture and the Bond Resolution, 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 Bond Resolution, 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 Limited Offering Memorandum 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 C attached hereto.

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.

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, a form of which is included herein as Appendix C. (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. See "RISK FACTORS - Bankruptcy and Foreclosure" described herein. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona; for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona; and for the Developer by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona.

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 of 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.

FINANCIAL INFORMATION

Certain unaudited financial information of DMB White Tank, LLC is included in Appendix G.

UNDERWRITING

The Bonds are being purchased by 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 Underwriter will offer and sell the Bonds in a limited distribution only to Qualified Investors who have agreed to the transfer restrictions described herein. See "INVESTOR SUITABILITY STANDARDS" and "TRANSFER RESTRICTIONS." The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and

others at prices lower than the public offering prices stated on the cover page hereof. The offering prices set forth on the cover page hereof may be changed after the initial offering by the Underwriter.

RELATIONSHIPS AMONG PARTIES

Greenberg Traurig, LLP, Phoenix, Arizona, Counsel to the Underwriter and to the Developer, and Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel and Counsel to the District, have acted as bond counsel in other transactions underwritten by the Underwriter or the Financial Advisor to the Town, and have acted as underwriter's counsel to the Underwriter or the Financial Advisor to the Town in other transactions. 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.

The Underwriter and the Financial Advisor to the Town has underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions.

This Limited Offering Memorandum has been approved, executed and delivered by the District.

VERRADO DISTRICT 1 COMMUNITY
FACILITIES DISTRICT

By /s/_____
Chairman, District Board

APPENDIX A

GENERAL ECONOMIC AND FINANCIAL INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA

The following information concerning the Town is for background information only as the District lies within the limits of the Town. The Bonds are not an obligation of the Town in any respect. THE BONDS ARE DIRECT GENERAL OBLIGATIONS OF THE DISTRICT, PAYABLE FROM AD VALOREM TAXES LEVIED AGAINST ALL TAXABLE PROPERTY IN THE DISTRICT, AS DESCRIBED UNDER THE HEADING "SECURITY FOR AND SOURCES OF PAYMENT."

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 1888 and incorporated in 1929, encompasses approximately 240 square miles and sits at an elevation 888 feet above sea level. The Town has approximately 597 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
2005 Estimate*	33,000	3,648,545	6,044,985
2000 Census	8,497	3,072,149	5,130,632
1990 Census	4,436	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, 2005.

Source: Arizona Department of Economic Security, Population Statistics Unit approved February 28, 2006. U.S. Department of Commerce, Bureau of the Census. Buckeye Valley Chamber of Commerce.

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 has been agriculture, but in recent years has changed to more urban activity with the residential development that has been occurring. 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
2006*	4.7%	4.4%	3.0%	N/A
2005	5.1	4.7	4.1	N/A
2004	5.5	5.0	4.4	9.2%
2003	6.0	5.7	5.2	11.3
2002	5.8	6.1	5.6	12.8
2001	4.7	4.7	4.2	9.0

*Data through July 2006.

Source: U.S. Department of Labor Bureau of Labor Statistics.

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	1,100
Wal-Mart Distribution	Retail Warehouse	837
Paradise Waste of Arizona	Waste Management	395
Department of Corrections (Juvenile)	Government	263
Schult Homes Inc.	Mobile Home Manufacturer	230
Rip Griffin's Truck/Travel Center	Commercial Oasis	180
Buckeye Elementary School District	Education	175
Town of Buckeye	Government	128
Buckeye Union High School	Education	128
H-Four Farms	Farm Operation	86
Quincy Joist Company	Manufacturing	65

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

Maricopa County Average Wage and Salary Employment
2003 through 2006

	2003	2004	2005	2006*
Manufacturing	127,300	125,700	127,600	133,200
Natural Resources and Mining	1,100	1,100	**	**
Construction	122,600	142,300	155,500	178,600
Trade, Transportation, and Public Utilities	321,500	326,100	345,400	368,600
Information	36,000	34,500	34,000	32,200
Financial Activities	129,400	135,300	141,300	149,600
Professional and Business Services	254,800	262,000	279,100	314,000
Education and Health Services	159,400	167,300	177,700	185,400
Leisure and Hospitality	152,700	155,300	162,900	174,800
Other Services	61,800	61,700	63,800	67,600
Government	197,200	205,900	208,800	211,200
Total	1,563,800	1,617,200	1,696,100	1,815,200

*Data through June 2006.

** Combined with Construction.

Source: *Arizona's Workforce*, a news release from the Arizona Department of Economic Security, Research Administration.

Town of Buckeye
Sales Tax Collections

Fiscal Year	Amount
2005-06	$14,247,047
2004-05	8,443,984
2003-04	4,809,114
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.

Cash Receipts from Agricultural Marketing
Total Crops and Livestock
Maricopa County, Arizona

Year	Total Receipts
2004	$1,022,736
2003	886,112
2002	792,307
2001	886,169
2000	818,160

Source: *2004 Arizona Agricultural Statistics Bulletin*, Arizona Agricultural Statistics Service, September 2005.

Educational Facilities

Elementary and high school education is available through the Buckeye Elementary School District No. 33 and the Buckeye Union High School District No. 201, respectively. West-Mec provides career and technical education programs which provide

students an educational link to employment and assistance moving into the workforce. 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 each year.

Bank Deposits
Maricopa County
($ in thousands)

Year	Amount
2005	$51,137,882
2004	39,014,589
2003	35,433,174
2002	30,414,427
2001	31,517,775

Source: As of June 30 each year. Federal Deposit Insurance Corporation.

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
2006(a)	$162,418,000	$ 473,000	$13,921,000	$176,812,000
2005	597,407,000	4,089,000	12,422,000	613,918,000
2004	394,647,000	1,516,000	10,070,000	406,233,000
2003	68,411,000	N/A	N/A	68,411,000(b)
2002	20,849,777	N/A	N/A	20,849,777(b)
2001	19,287,101	N/A	N/A	19,287,101(b)

(a) Through the second quarter of 2006.
(b) 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.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2006(a)	1,667
2005	4,262
2004	3,018
2003	570
2002	209
2001	71

(a) Through the second quarter of 2006.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University.

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APPENDIX B

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 Limited Offering Memorandum.

"***Annual Debt Service Requirement***" means for any Fiscal Year, the Debt Service to be paid in such Fiscal Year with respect to the Bonds and any Parity Bonds for payment of principal of and interest on the Bonds and such Parity Bonds during such Fiscal Year, treating any Debt Service due on July 15 of any Fiscal Year as if due in the prior Fiscal Year.

"***Beneficial Owner***" means the purchaser of a beneficial ownership interest in the Bonds, as recorded by entries in the books and records of the Securities Depository and its Participants.

"***Book-Entry Bonds***" means the Bonds which are registered pursuant to the Book-Entry-Only System.

"***Book-Entry-Only System***" means the system of registering all of the Bonds in the name of the Securities Depository or its designee and reflecting the interests of the Beneficial Owners on the books of the Securities Depository and its Participants.

"***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.

"***CEDE***" means CEDE & Co., as nominee of DTC, and any successor nominee of DTC.

"***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations and rulings promulgated pursuant thereto.

"***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 Issuer as required by the Enabling Act.

"***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 the Indenture and the Standby Contribution Agreement, 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, insurance and other credit enhancement 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

and charges and fees in connection with the foregoing as well as costs relating to the election held to authorize the Bonds.

"***Debt Service***" means, with respect to the Bonds or Parity Bonds, collectively, (i) the principal of and interest and premium, if any, thereon when due either at Stated Maturity or redemption in advance of Stated Maturity; (ii) fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds or Parity Bonds; and (iii) amounts due with regard to Rebate with respect to the Bonds or Parity Bonds; and (iv) fees and costs incurred in connection with complying with any undertaking to provide continuing secondary market disclosure if entered into by the Issuer with respect to the Bonds or Parity Bonds.

"***Development Agreement***" means that certain District Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District), dated as of June 19, 2001, by and among the Town of Buckeye, Arizona, the Developer and the Issuer, including any amendments and supplements thereto.

"***Direct Participant***" means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository.

"***DTC***" means The Depository Trust Company, a limited purpose trust company, organized under the laws of the State of New York, and its successors and assigns, as the depository for the Book-Entry Bonds.

"***Governmental Obligations***" means (1) direct obligations of, or obligations the timely payment of principal of which is fully and unconditionally guaranteed by, the United States of America or (2) obligations described in Section 103(a) of the Code, provision for the payment of the principal of and 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 and premium, if any, and interest on such obligations, and which securities described in clause (1) are not available to satisfy any 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 6.02, have been assigned ratings in the highest rating categories of S&P Moody's, but in the case of both Clause (1) and Clause (2) of this paragraph, for purposes of Section 6.02, only if such obligations are non-callable prior to the Maturity of the Bonds or (3) REFCORP STRIPS as defined in "Permitted Investments." Governmental Obligation also includes for purposes other than Section 6.02, a "no load," open-end management investment company or trust (mutual fund), registered with the federal 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, and repurchase agreements secured by the same and which money market fund has a rating by S&P of AAAm-G; AAm; or AAm or better and a rating of Moody's of "VMIG-1" or better.

"***Indirect Participant***" means a person on whose behalf a Direct Participant directly or indirectly holds an interest in the Bonds through the Book-Entry-Only System.

"***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.

"***Maximum Annual Debt Service***" means, at the time of computation, the greatest Annual Debt Service Requirement for the then current or any succeeding Fiscal Year.

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

"***Opinion of Counsel***" means a written opinion of counsel who may (except as otherwise expressly provided in this Indenture) 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 federal income tax law, shall be counsel of national reputation experienced in the field of municipal bonds 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 Owners of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed in advance of their Stated Maturity, 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.

"***Parity Bonds***" means other general obligation bonds of the Issuer, including the 2003 Bonds, which are payable from ad valorem property tax collections on parity with the Bonds.

"***Permitted Investments***" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested:

1. 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.

2. 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:

    a. U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership

    b. Farmers Home Administration - certificates of beneficial ownership

    c. Federal Financing Bank

    d. Federal Housing Administration Debentures

    e. General Services Administration - participation certificates

    f. Government National Mortgage Association ("GNMA") - guaranteed Mortgage-backed bonds; guaranteed pass-through obligations

    g. U.S. Maritime Administration - guaranteed Title XI financing

    h. New Communities Debentures - U.S. Government guaranteed debentures

    i. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

    j. U.S. Department of Housing and Urban Development - Project Notes; Local Authority Bonds

3. 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):

    a. Federal Home Loan Bank System - senior debt obligations

    b. Federal Home Loan Mortgage Corporation - Participation Certificates; senior debt obligations

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

d. Student Loan Marketing Association - senior debt obligations

4. Money market funds registered with the Securities and Exchange Commission, 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 being a rating by Moody's of "VMIG-1" or better.

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

6. 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 by 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 unless each rating agency which has rated the Bonds has confirmed that the rating of such rating agency on the Bonds will not be withdrawn or lowered upon the effective date of such amendment or substitute investment agreement.

7. 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.

8. Repurchase agreements ("Repos") 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.

a. Repos must be between the Issuer and a dealer bank or securities firm

(1) Primary dealers on the Federal Reserve reporting dealer list, or

(2) Banks rated "A" or above by S&P and "A" or above by Moody's.

b. The written repo contract must include the following:

(1) Securities which are acceptable for transfer are:

(a) Direct U.S. government, or

(b) Federal agencies backed by the full faith and credit of the U.S. government

(2) The term of the repo may be up to 180 days

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

(4) Valuation of collateral

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

(b) 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 repo 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%.

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

(1) Repo meets guidelines under state law for legal investment of public funds

11. Governmental Obligations

12. 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.

(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.)

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

"***Rebate***" means the payment system established by Section 148 of the Code with respect to certain arbitrage earnings by a political subdivision or amounts treated as the proceeds of certain obligations of such political subdivision and shall include all costs and expenses incurred in connection with, and allocable to, determining the amount due pursuant to such system.

"***Redemption Date***" when used with respect to any Bond to be redeemed means the date fixed for such redemption.

"***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.

"***Securities Depository***" means DTC as securities depository for the Bonds until a successor securities depository is appointed and thereafter shall mean such successor securities depository.

"***Sinking Fund Installment***" means, with respect to the Bonds, the mandatory sinking fund redemption payments due on the Bonds.

"***S&P***" means Standard & Poor's Corporation, a division of the McGraw-Hill Companies, or any successor thereto.

"***SMMP***" means a "Sophisticated Municipal Market Professional", as such term is defined by the Municipal Securities Rulemaking Board ("MSRB") and without limiting the definition used by the MSRB, generally means a corporation, partnership, trust or other institution, other than a natural person, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management and whom the broker-dealer who is involved in the sale of the Bonds or beneficial interest therein has reasonable grounds to believe: (i) has timely access to available material facts pertaining to the Bonds, (ii) is capable of independently evaluating the investment risk and market value of the Bonds, and (iii) is making independent decisions about its ownership of the Bonds.

"***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 Issuer has granted a security interest to the Trustee in all money and investments held for the credit of the Bond Fund and the Issuer's interest in the Standby Contribution Agreement. The Trustee is required to hold all such property in trust for the benefit of all the Owners.

Funds

Bond Fund. There is created by the Issuer and established with the Trustee, a special fund of the Issuer designated its "District General Obligation Bonds, Series 2006 Bond Fund" (herein referred to as the "Bond Fund") and within the Bond Fund (1) a special account designated the "Series 2006 Tax Account", (2) a special account designated as the "Series 2006 Bond Proceeds Account", (3) a special account designated as the "Series 2006 Developer Payment Account" and (4) as and when applicable, a special account designated as the "Series 2006 Developer Reserve Account".

The Issuer shall, upon receipt, immediately deposit with the Trustee and the Trustee shall deposit to the credit of the special accounts of the Bond Fund:

(1) in the Series 2006 Tax Account, all ad valorem taxes collected by or remitted to the Issuer to pay Debt Service on the Bonds to the extent provided in the Indenture, including collections of delinquent taxes;

(2) in the Series 2006 Bond Proceeds Account, the amount of accrued interest on the Bonds;

(3) in the Series 2006 Developer Payment Account, amounts received as described in (i) and (ii) below;

(4) in the Series 2006 Developer Reserve Account, amounts received as described in (iii) below;

(5) in an existing or new special account of the Bond Fund, as the Issuer shall determine, such other funds as the Issuer shall at its option deem advisable.

Deposits into the Developer Payment Account and Developer Reserve Account shall be as follows:

(i) On or before May 15 (or, if May 15 is not a Business Day, the immediately preceding Business Day) of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit in the Series 2003 Developer Payment Account upon receipt all amounts paid to it pursuant to Section 2.1(A) of the Standby Contribution Agreement.

(ii) On or, if either day is not a Business Day the immediately preceding Business Day, before June 15 and December 15 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall submit a written request (which may be by facsimile or electronic communication) for payment by the Developer under the Standby Contribution Agreement for the difference between the amount in Series 2006 Tax Account plus the amount in the Series 2006 Bond Proceeds Account plus the amount in the Series 2006 Developer Payment Account on such date and the amount necessary to pay Debt Service (without regard to any optional redemption of the Bonds) on the Bonds on the next succeeding July 15 or January 15, as the case may be pursuant to Section 2.1(B) of the Standby Contribution Agreement (a "Tax Contribution Request"). The Trustee shall deposit into the Series 2006 Developer Payment Account upon receipt all amounts paid to it pursuant to a Tax Contribution Request.

(iii) At any time, or from time to time, the Trustee shall deposit into the Series 2006 Developer Reserve Account upon receipt, all amounts paid to it by or on behalf of the Developer constituting the Redemption Price for Bonds.

Funds on deposit in the Bond Fund shall be applied as follows:

(1) Funds on deposit in the Series 2006 Tax Account, the Series 2006 Bond Proceeds Account and the Series 2006 Developer Payment Account, and the investment income attributable thereto, shall be applied solely to pay Debt Service on the Bonds in the amounts and on the dates due.

(2) To the extend funds on deposit in the Series 2006 Tax Account, the Series 2006 Bond proceeds Account and the Series 2006 Developer Payment Account, and the investment income attributable thereto, are less than the amounts required to pay Debt Service, then at the discretion of the Issuer as provided by District Request, at any time or from time to time, funds on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, shall be transferred to the Series 2006 Developer Payment Account to pay Debt Service on the Bonds.

(3) Upon written request of the Issuer and receipt of amounts constituting the Redemption Price of the Bonds, and deposit of such funds in the Series 2006 Developer Reserve Account, the Trustee shall provide notice of redemption to the Owners and thereafter transfer funds on deposit in the Series 2006 Developer Reserve Account to the Series 2006 Developer Payment Account, at such times and in such amounts as are necessary to redeem the Bonds.

(4) To the extent, following payment in full or early redemption (as applicable) of all of the Outstanding Bonds, there are funds remaining on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2006 Developer Payment Account and, after disbursing from the Series 2006 Developer Payment Account to the parties entitled thereto such funds as are necessary to pay all amounts payable by the Developer under the Indenture, shall thereafter disburse any funds remaining on deposit in the Series 2006 Developer Payment Account to the Developer or, in the event of conflicting claims, as a court of competent jurisdiction may direct, and any funds remaining on deposit in the Series 2006 Tax Account and the Series 2006 Bond Proceeds Account to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

(5) To the extent, following the release of the Developer from the Standby Contribution Agreement, remaining on deposit in the Series 2006 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2006 Developer Payment Account and, after disbursing from the Series 2006 Developer Payment Account to the parties entitled thereto such funds as are necessary to pay all amounts payable by the Developer under the Indenture in connection with such release from the Standby Contribution Agreement, shall thereafter disburse any funds remaining on deposit in the Series 2006 Developer Payment Account to the Developer or, in the event of conflicting claims, as a court of competent jurisdiction may direct.

Acquisition and Construction Fund. The Issuer is required to deposit to the Acquisition and Construction Fund the balance of the proceeds of the sale of the Bonds remaining after the deposit of the amounts described above to the Bond Fund. The money deposited to the

Acquisition and Construction Fund is required to be applied to pay the Costs of Issuance and the Costs of Acquisition and Construction and, to the extent the funds deposited to the Acquisition and Construction Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the Issuer to transfer such unexpended proceeds or income to the Bond Fund; provided, however, that if any such amounts remain on deposit in the Acquisition and Construction Fund on October 1, 2009, such amounts shall be transferred by the Trustee to the Bond Fund.

Investment of and Security for Funds. The Indenture provides that money held for the credit of (i) the Bond Fund will be invested by the Trustee in Governmental Obligations and (ii) the Acquisition and Construction Fund will be invested by the Trustee in Permitted Investments. The Trustee will sell or present for redemption any obligations so purchased as an investment pursuant to the Indenture whenever it is necessary to do so in order to provide money to make any payment or transfer of money required thereby. Investments will mature, or will 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 pursuant to the Indenture will be deemed at all times to be a part of such fund. The interest accruing on obligations so purchased and any profit realized from such investment will be credited to such fund and any loss resulting from such investment will be charged to such fund. All money held by the Trustee pursuant to the Indenture will 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 will not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from its own negligence.

Remedies under the Indenture

The Trustee in its discretion, pursuant to the Indenture, may proceed to protect and enforce its rights and the rights of the Owners 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 the Standby Contribution Agreement or in aid of the execution of any power granted in the Indenture or in the Standby Contribution Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce any of the rights of the Trustee or the Owners. In addition to all rights and remedies of any Owners, in the event the Issuer defaults in the payment of the principal of (or premium, if any, on) 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, the Indenture, or in the Standby Contribution Agreement, the Trustee will 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, the Indenture or the Standby Contribution Agreement. 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, therefore, prove costly, time consuming, and difficult to enforce. The rights and

remedies of Owners 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." Furthermore, upon any default under the Standby Contribution Agreement, the Trustee will enforce the remedies contained therein and/or seek payment of a judgment which is in the amount of all outstanding principal of the Bonds and interest on such principal amount to the date of redemption established as described under "THE BONDS – Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement."

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 will pay or cause to be paid to the Trustee for the benefit on the Owners 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 will 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 such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, will be entitled to sue for and recover judgment against the Issuer 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 the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, will be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Bonds, for the benefit of the Owners thereof, and will 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 will affect or impair the lien on the Indenture upon the trust estate or any rights, powers, or remedies of the Trustee thereunder, or any rights, powers, or remedies of the Owners of the Bonds.

Application of Money Collected

Any money collected by the Trustee pursuant to the exercise of remedies under the Indenture or the Standby Contribution Agreement, together with any other sums then held by the Trustee as part of the Trust Estate, will 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 the Indenture;

B. Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds, for principal of and premium, if any, and interest on the Bonds and (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 will be sufficient to pay in full the whole amount so 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 and

C. Third: 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.

Control by Owners

The Owners of a majority in principal amount of any series of Outstanding Bonds will have the right (subject to providing indemnity to the Trustee as described below)

1. to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds of such series and the foreclosure of the Indenture, the sale of the trust estate established pursuant to the Indenture, or otherwise;

2. to require the Trustee to proceed to enforce the Standby Contribution Agreement; and

3. 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 or the Standby Contribution,

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

    c. the Trustee has not determined that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction, and

    d. if the remedy requires the consent of a certain number of the Owners, 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 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 will reimburse the Trustee (but only from amounts pledged under the Indenture) for all of the expenses of the Trustee pursuant to the Indenture.

No Owner of any Bond has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has occurred nor unless such default has become an Event of Default and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers granted, or to institute such action, suit or proceeding in its own name; it being understood and intended that no one or more Owners of the Bonds has the right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Owners of the Bonds then outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner of a Bond to enforce payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any or interest on any such Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner in the Indenture and in the Bonds expressed. For purposes of this provision, so long as the Bonds are held by the Securities Depository pursuant to the Book-Entry-Only System in the Indenture, the Trustee shall be permitted to accept direction from the Beneficial Owners of the Bonds, rather than the Owner, upon receipt by the Trustee of appropriate certification of such Beneficial Ownership.

Each Owner of any Bond by his acceptance thereof will be deemed to have agreed that any court may in its discretion 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 Owner, or group of Owners 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 Owner 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 Owners of any Bonds and, under certain circumstances described in the Indenture, the Issuer and the Trustee may from time to time enter into indentures supplemental to the Indenture or adopt a resolution amending the Bond Resolution or amend the Standby Contribution Agreement (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 Issuer and the assumption by any such successor of the covenants of the Issuer in the Indenture, the Bond Resolution or the Standby Contribution Agreement; (iv) to add to the covenants of the Issuer for the benefit of the Owners of all the Bonds; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture, the Bond Resolution, the Standby Contribution Agreement which may be inconsistent with any other provisions thereof, or to make any other provisions for matters arising thereunder which will not be inconsistent with the provisions thereof, if such actions will not adversely affect the interests of the Owners.

With the consent of the Owners 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 Issuer and the Trustee may also enter into indentures supplemental to the Indenture or resolutions amending the Bond Resolution or the Standby Contribution Agreement for the purpose of adding any other provisions to or changing in any other manner or eliminating any of the provisions of the Indenture or of modifying in another manner the rights of the Owners under the Indenture or the Bond Resolution or the Standby Contribution Agreement. However, no supplemental indenture or amending resolution, without the consent of the Owner of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) 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 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 the Outstanding Bonds the consent of the Owners of which is required for any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement, or the consent of Owners of which is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences; (iii) modify or alter the provisions of the proviso to 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 Owners of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby. 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 or the Standby Contribution Agreement, and any such determination will be conclusive upon each Owner, whether theretofore or thereafter authenticated and delivered under the Indenture. The Trustee will not be liable for any such determination made in good faith.

The Issuer will not enter into any supplemental indenture while the Standby Contribution Agreement is in effect without the prior written consent of the Developer.

Concerning the Trustee

The Trustee has undertaken to perform such duties and only 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, 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 of the Indenture. However, in the case of any such certificates or opinions which by any provision of the Indenture 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 on their face 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, its own negligent failure to act, or its own willful misconduct, except that

1. this paragraph will not be construed to limit the effect of the preceding paragraph;

2. the Trustee will not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, 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 in accordance with the direction of the Owners 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, 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 under the Indenture, 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, 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

    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 Issuer mentioned in the Indenture will be sufficiently evidenced by a request of the Issuer, and any order or resolution of the Issuer may be sufficiently evidenced by a resolution of the board of the Issuer;

3. whenever in the administration of the Indenture the Trustee will deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action described hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of an officer of the Issuer;

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, suffered, or omitted by the Trustee under the Indenture in good faith and in reliance thereon;

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 Owners pursuant to the Indenture, unless such Owners 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, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, 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 determines to make such further inquiry or investigation, it will be entitled to examine the books, records, and premises of the Issuer, personally or by agent or attorney; and

7. the Trustee may execute any of the trusts or powers hereunder or perform any duties under the Indenture either directly or by 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 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 the Indenture 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 the 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 Issuer. If an instrument of acceptance by a successor Trustee will not have been delivered to the Trustee within 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.

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

The Issuer may remove the Trustee at any time.

If the Trustee resigns, is removed, or becomes incapable of acting, the Issuer will promptly appoint a successor Trustee. 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 Owners. 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 Owners 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 will, 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 is so appointed by the Issuer or the Owners and has accepted appointment in the manner hereinafter provided, any Owner who has been a bona fide Owner 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 Issuer, when the following conditions exist:

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

    a. Bonds for the payment of which money has been deposited with the Trustee or a paying agent, as provided by the provisions of the Indenture relating to redemption of the Bonds;

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

    c. Bonds, other than those referred to in the foregoing clauses, for the payment or redemption of which there has been deposited with the Trustee

in accordance with the provisions of the Indenture in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal and interest to the stated maturity or redemption date of such Bonds, as the case may be; and

d. Bonds deemed no longer outstanding as a result of the deposit or escrow or money or Governmental Obligations as described below; and

2. the Issuer has paid or caused to be paid all other sums payable by the Issuer under the Indenture.

Any Bond will be deemed to be no longer outstanding when payment of the principal of such Bond, plus interest thereon to its Maturity (whether such Maturity is 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 and/or REFCORP Strips as such term is defined in the definition of "Permitted Investments" 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 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 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 of such deposit 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 Outstanding Bonds with respect to which such deposit is made will be selected 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, however, (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 Owners 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.

Release of Standby Contribution Agreement

The Standby Contribution Agreement shall be released by the Issuer upon receipt of proof of satisfaction of each of the following conditions:

A. Payment or the provision for payment in full of all outstanding Bonds; or

B. Evidence satisfactory to the Issuer Representative that, for any consecutive two (2) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year in which principal of the Bonds has started to be amortized), a tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer would have been sufficient to pay Maximum Annual Debt Service on the Bonds and all Outstanding Parity Bonds for any subsequent Fiscal Year during which any Bonds are Outstanding plus the historical annual average of amounts necessary to pay all Issuer Administrative Expenses and Issuer Maintenance Expenses for each such Fiscal Year, as such terms are defined in Article 7 of the Development Agreement. For property within the boundaries of the Issuer to be eligible for inclusion in such determination, the property either (i) must be owned by persons or entities other than the Developer or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by the Developer for each such Fiscal Year or (ii) if used for commercial purposes, must have been fully vertically improved for a period of not less than two (2) years and such vertical improvements must be functionally operational for their intended purposes, e.g., leased or available for lease to persons or entities other than the Developer or any person or entity owned or controlled by the Developer or shall comprise one or more operating businesses of the Developer or any person or entity owned or controlled by the Developer (e.g., a golf course and associated facilities), as reasonably determined by the Issuer Representative. The requisite evidence shall consist of a written evidence, prepared by the Issuer Representative upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of:

(i) the actual secondary assessed valuation of the eligible property within the boundaries of the Issuer for each such Fiscal Year; and

(ii) the tax delinquency factor equal to the greater of five percent (5%) or the historic, average, annual percentage delinquency factor for the Issuer as of each such Fiscal Year.

(C) Written approval by the Issuer which shall not be withheld unreasonably.

Upon release by the Issuer of the Standby Contribution Agreement, the Issuer shall so direct the Trustee to release the Standby Contribution Agreement. Upon receipt of such direction from the Issuer, the Trustee shall release the Standby Contribution Agreement whereupon the Developer shall have no further obligations thereunder.

No covenant or agreement contained in the Bonds or Indenture shall be deemed to be the covenant or agreement of any elected or appointed official, officer, director, agent, servant or employee of the Issuer or the Trustee in his or her individual capacity and neither the members

of the governing body of the Issuer nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

If any one or more of the conditions, covenants, or terms contained in the Indenture or required to be observed or performed by or on the part of the Issuer, the Paying Agent or the Trustee shall be contrary to law, then such condition or conditions, such covenant or covenants, or such term or terms shall be null and void and shall be deemed separable from the remaining conditions, covenants, and terms and shall in no way affect the validity or of the Bonds, and the Owners shall retain all the benefit, protection, and security afforded to them thereunder and under all provisions of applicable law. The parties declare that they would have executed and delivered the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause, and phrase thereof and would have authorized the issuance and delivery of the Bonds irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses, or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable, or invalid.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

[Letterhead of Gust Rosenfeld P.L.C.]

(Dated the Date of Initial Delivery of the Bonds)

District Board of the Verrado District 1
Community Facilities District

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) General Obligation Bonds, Series 2006

At your request we have examined the official proceedings leading to the issuance of $_____ aggregate principal amount of District General Obligation Bonds, Series 2006, dated the Date of Delivery, issued by Verrado District 1 Community Facilities District (the "District").

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. 2006-_____, passed and adopted by the District Board on _____ (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 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 and binding general obligation of the District.

4. All taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the bonds without limit as to rate or amount. It is required by law that there be levied, assessed and collected, at the same time and in the same manner as other taxes, an annual tax upon all taxable property in the District sufficient,

together with any money from other sources lawfully available therefor, to pay the principal of and interest on the bonds when due.

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 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.

Bond Counsel

APPENDIX D-1

FORMS OF INVESTOR LETTERS (NON-SMMP)

.....

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

_____, as Trustee

Re: Verrado District 1 Community Facilities District General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is a Qualified Investor (as hereafter defined) and is purchasing, either directly or as beneficial owner in case the bonds are held by a securities depository, one of the captioned bonds (hereinafter referred to as the "Bonds"), such Bond, or beneficial interest therein, being in the original aggregate principal amount of $_____, bearing the number _____. Such purchase is for the account of the undersigned, for the purpose of investment and not with a present intent for distribution or resale.

2. In the event that the undersigned transfers such Bond or any part thereof, the undersigned shall comply with all provisions of the Indenture of Trust and Security Agreement, dated as of _____, 2006 (hereinafter referred to as the "Indenture") from the addressee District (hereinafter referred to as the "Issuer") to the addressee Trustee (or any successor thereto as provided in such Indenture, hereinafter referred to as the "Trustee") as described in the Bonds. The undersigned understands that, unless the transfer restrictions terminate pursuant to the Indenture, a transferee shall be a Qualified Investor, and must sign a letter in the form of this letter and provide such letter to the Trustee before any transfer of any Bond to such transferee will be registered.

3. The undersigned acknowledges that it is one of the following:

(i) a bank as defined in Section 3(a)(2) of the Securities Act of 1933, or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act of 1933; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; plan established and maintained by a state, its political subdivision, or any agency or instrumentality of a state or its political subdivision, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; employee benefit plan within the meaning of the Employee Retirement

Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self directed plan, with investment decisions made solely by persons that are accredited investors;

(ii) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iii) an organization described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of $5,000,000;

(iv) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000 and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth;

(v) a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with the person's spouse in excess of $300,000 in each of those years and who reasonably expects reaching the same income level the current year and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth; or

(vi) an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (i), (ii), (iii), (iv) or (v) above.

Collectively, the purchasers meeting one or more of the criteria set forth above shall be referred to as a "Qualified Investor."

4. The undersigned assumes all responsibility for complying with any applicable federal and state securities laws with respect to any transfer of the Bond or an interest therein, and agrees to hold the Issuer and the Town of Buckeye, Arizona (hereinafter referred to as the "*Town*") harmless for, from and against any and all liabilities claims, damages or losses resulting directly or indirectly from such failure to comply.

5. The undersigned acknowledges that the undersigned has had an opportunity to obtain and has obtained all information necessary and has independently evaluated the factors associated with its investment decision and after such evaluation, the undersigned understood and knew that investment in the Bonds involved certain risks, including but not limited to, limited security and source for payment of the Bonds, the status of development and its impact on taxation for payment of the Bonds, the possible transfer of land by the owners of land in the District, failure or inability of owners to complete proposed development of such land, bankruptcy and foreclosure delays and the probable lack of any secondary market for the Bonds. The undersigned acknowledges that it is experienced in transactions such as those relating to the Bonds and that the undersigned is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds. The undersigned is not relying on the Issuer or the Town in making its decision to purchase the

Bonds and agrees that the Town is not obligated in any manner for the issuance or payment of the Bonds.

6. The undersigned understands that the Bonds (i) are not being registered under the Securities Act of 1933, as amended, in reliance upon certain exemptions set forth in that Act, (ii) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) will not be listed on any stock or other securities exchange, (iv) will not carry any bond rating from any rating service, and (v) are not likely to be readily marketable.

7. The undersigned acknowledges that the Issuer and the Town, their respective officers, directors, council members, advisors, employees and agents of either of the foregoing, have not undertaken to furnish, nor has the undersigned requested, any other information, or to ascertain the accuracy or completeness of any other information that may have been furnished by any other party.

_____

[PURCHASER]

By_____

Printed Name:_____

Title:_____

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APPENDIX D-2

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, National Association, as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2006

1. Please be advised that the undersigned is purchasing one of the captioned bonds or an interest therein (hereinafter referred to as the *"Bonds"*), such Bond being in the original aggregate principal amount of $_____, bearing the number _____. Such purchase is solely for the account of the undersigned, for the purpose of investment and not with an intent for distribution or resale.

2. The undersigned acknowledges that it is a "Qualified Institutional Buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended, with total assets of at least $100 million invested in municipal securities in the aggregate in its portfolio and/or under management.

3. In the event that the undersigned transfers such Bond or any part thereof, the undersigned agrees that such transfer shall be through a "broker," or to a "dealer" or "municipal securities dealer," as those terms are defined in the Securities Exchange Act of 1934.

4. The undersigned acknowledges that it received the Limited Offering Memorandum dated _____ related to the Bonds.

5. The undersigned understands that: (i) the Bonds are not being registered under the Securities Act of 1933, as amended, (ii) the Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) any transfer of the Bonds must comply with federal and state securities laws, (iv) the broker or dealer must sell the Bonds, or interests therein, to sophisticated municipal market professionals, (v) the Bonds will not be listed on any stock or other securities exchange, and (vi) the Bonds will not carry any bond rating from any rating service.

6. The undersigned had access to all information regarding the Bonds and the Issuer that the undersigned deemed material in connection with its evaluation of and decision to purchase the Bonds. The undersigned acknowledges that the undersigned has not requested and neither the Issuer or the Town of Buckeye, Arizona, nor their respective officials, officers, directors, council members, advisors, employees and agents have undertaken to furnish information to the undersigned from any third party in connection with investment in the Bonds.

7. This letter and all rights and responsibilities described in it shall be governed by, and interpreted in accordance with, the laws of the State of Arizona. The federal and state courts of the State of Arizona shall have sole and exclusive jurisdiction over any dispute arising from the purchase and sale of the Bonds.

Name: _____
Printed Name: _____
By: _____
Its: _____

APPENDIX E

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 Trustee, 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 F

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF AUGUST 1, 2006

BY AND AMONG

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

DMB WHITE TANK, LLC

AND

WELLS FARGO BANK, N.A.,
AS TRUSTEE

This **STANDBY CONTRIBUTION AGREEMENT**, dated as of August 1, 2006, is made by and among Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*Issuer*"), DMB White Tank, LLC, an Arizona limited liability company (the "*Developer*") and Wells Fargo Bank, N.A., as trustee (the "*Trustee*") under that certain Indenture of Trust and Security Agreement, dated as of August 1, 2006 (the "*Indenture*").

RECITALS

A. The Issuer is issuing its District General Obligation Bonds, Series 2006 in the aggregate principal amount of $_____ (the "*Bonds*") concurrently herewith under and pursuant to the Indenture.

B. As provided in the Indenture and the Issuer Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District), dated as of June 19, 2001, recorded in the official records of Maricopa County on July 3, 2001, as Instrument No. 2001-0594335, by and among the Issuer, the Town of Buckeye, Arizona (the "*Town*") and the Developer (collectively referred to as the "*District Development Agreement*"), the proceeds derived from the issuance of Bonds of the Issuer are to be used by the Issuer for the "public infrastructure" purposes as provided for in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Enabling Act*").

C. As provided in the District Development Agreement and in the Feasibility Study dated as of August 1, 2006, presented to and approved by the Board on August 15, 2006 (the "*Feasibility Study*"), the Issuer shall provide for a mechanism by which the Developer shall contribute certain amounts for the benefit of the Issuer which shall be considered by the Issuer in levying taxes to pay principal and interest on the Bonds when due ("*Debt Service*") and this Standby Contribution Agreement satisfies the requirements of the District Development Agreement.

D. As provided in § 48-719.E. of the Enabling Act, the Issuer may consider various sources of funds, including private contributions, in determining the Issuer's tax levy.

E. In order to comply with the provisions of the District Development Agreement in respect of the issuance of the Bonds, the Developer does hereby covenant and agree with the Issuer and the Trustee as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. For all purposes of this Standby Contribution Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(A) The terms defined hereinabove, hereinafter and in the Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the Indenture 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 Standby Contribution Agreement as a whole and not to any particular Article, Section, or other subdivision.

Section 1.2 Notices and Other Submittals. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Standby Contribution Agreement by the Issuer, the Trustee, or Developer to be made upon, given or furnished to, or filed with:

(A) 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 N. Apache, Suite A, Buckeye, Arizona 85326, Attention: District Manager, or at any other address previously furnished in writing to such Person by the Issuer,

(B) The Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at Wells Fargo Plaza, MAC S4101-22E, 100 W. Washington Street, 22nd Floor, Phoenix, Arizona 85003, Attention: Corporate Trust Services, or at any other address furnished in writing to such Person by the Trustee, or

(C) The Developer shall be sufficient for every purpose hereunder if in writing and mailed, first class mail postage prepaid, to DMB White Tank, LLC addressed to whichever is appropriate at 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: John Bradley, Vice President, with copies to DMB Associates, Inc., 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: Eneas Kane, Vice President and General Counsel, and Attention: Andrew S. Beams, Vice President, or at any other address previously furnished in writing to such Person by the Developer.

(D) Where this Standby Contribution 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 1.3. 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 1.4. **Successors and Assigns**. All covenants and agreements in this Standby Contribution Agreement by the Issuer, the Trustee and the Developer shall bind their successors and assigns, whether so expressed or not.

Section 1.5. **Severability Clause**. In case any provision in this Standby Contribution 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 1.6. **Benefits of Agreement**. Nothing in this Standby Contribution 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 Standby Contribution Agreement.

Section 1.7. **Governing Law**. This Standby Contribution Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

Section 1.8. **Notice of Section 38-511, Arizona Revised Statutes, as Amended**. The Issuer may, within three (3) years after its execution, cancel this Standby Contribution Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer is, at any time while this Standby Contribution Agreement is in effect, an employee or agent of any of the Trustee or the Developer in any capacity or a consultant to any of the Trustee or the Developer with respect to the subject matter of this Standby Contribution Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer from any of the Trustee or the Developer arising as the result of this Standby Contribution Agreement. No person significantly involved in initiating, negotiating, securing, drafting or creating this Standby Contribution Agreement on behalf of the Issuer shall be or become an employee or agent of any of the Trustee or the Developer in any capacity or a consultant to any of the Trustee or the Developer with respect to the subject matter of this Standby Contribution Agreement.

Section 1.9 **Further Assurances**.

(A) The Issuer, the Trustee and the Developer 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 Standby Contribution Agreement.

(B) The Developer shall cause this instrument and any instruments of further assurance, including financing statements, if any, to be promptly registered and filed, and to be kept registered and filed, and, when necessary, to 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 Issuer hereunder and the Developer shall execute any financing statement, continuation statement or other document required for such purposes.

Section 1.10. Amendments. Pursuant to the provisions established in the Indenture, this Standby Contribution Agreement may be amended by an instrument in writing executed and delivered by each of the Issuer, the Trustee and the Developer.

Section 1.11. Business Days. For purposes of this Standby Contribution Agreement, if any date for any certification, payment, submission or determination is not a Business Day, the applicable certification, payment, submission or determination shall be made or done on the next succeeding day which is a Business Day.

Section 1.12. Termination. Subject to the last sentence of this Section, this Standby Contribution Agreement shall terminate upon the earlier of (A) the payment or the provision for the payment in full of all of the outstanding Bonds or (B) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, for any consecutive two (2) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year in which principal of the Bonds has started to be amortized), a tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer would have been sufficient to pay Maximum Annual Debt Service on the Bonds and all other general obligation bonds of the Issuer outstanding (the "Parity Bonds") for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the Bonds and the Parity Bonds for each such Fiscal Year, as such term is defined in Article 7 of the District Development Agreement. For property within the boundaries of the Issuer to be eligible for inclusion in such determination, the property either (i) must be owned by persons or entities other than the Developer or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by the Developer for each such Fiscal Year or (ii) if used for commercial purposes, must have been fully vertically improved for a period of not less than two (2) years and such vertical improvements must be functionally operational for their intended purposes, e.g., leased or available for lease to persons or entities other than the Developer or any person or entity owned or controlled by the Developer or constituting one or more operating businesses of the Developer or any person or entity owned or controlled by the Developer (e.g., a golf course and associated facilities), as reasonably determined by the Issuer Representative. The requisite evidence shall consist of a written evidence, prepared by the Issuer Representative upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of the actual secondary assessed valuation of the eligible property within the boundaries of the Issuer for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) or the historic, average annual percentage delinquency factor for the Issuer as of each such Fiscal Year and no credit for any fund balances or investment income accruing during each such Fiscal Year. After receipt of proof of satisfaction of such condition required by clause (B) above, the Board may approve in writing such termination, such approval not to be withheld unreasonably.

Section 1.13. Beneficiaries. This Standby Contribution Agreement is entered into by the Developer with the Trustee and the Issuer for the benefit of the Issuer, the Trustee and the Holders, from time to time, of the Bonds, all of whom shall be entitled to enforce performance and observance of this Standby Contribution Agreement to the same extent provided for the enforcement of remedies under the Indenture.

Section 1.14. Integration. This Standby Contribution Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

ARTICLE 2

COVENANTS AND AGREEMENTS

Section 2.1 Payments and Information.

(A) [No payment shall be required to be made by the Developer for any portion of the Debt Service due on January 15, 20__ and July 15, 20__ that has been funded from the proceeds of the Bonds and deposited in the Series 2006 Bond Proceeds Account of the Bond Fund.] In any tax year while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture), the Developer shall pay to the Trustee for the benefit of the owners from time to time of the Bonds on or, if such day is not a Business Day, before May 15 of each year, commencing May 15, 2007, the Annual Developer Payment (as defined below):

Payment on or before May 15: On May 1 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Issuer shall certify to the Trustee the amount of Issuer property taxes which would be produced based upon a tax rate of $3.00 per $100 (or such lower rate as may be permitted in Section 10.01 of the Indenture) of secondary assessed valuation (assuming 95% collection of taxes) based upon such current secondary assessed valuation (the "*Tax Year Tax Amount*"). On May 10 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine (a) the Debt Service (without regard to any optional redemption) due in the next succeeding calendar year on January 15 and July 15 (the "*Next Annual Debt Service Payment*"), (b) the amount in the Bond Fund (as defined in the Indenture) estimated to be available to pay the Next Annual Debt Service Payment, if any, after payment of the current year's July 15th debt service payment (the "*Available Moneys*"), and (c) the remainder, if any, of (i) the Next Annual Debt Service Payment less (ii) the sum of (A) the Available Moneys and (B) the Tax Year Tax Amount (such remainder being referred to as the "*Annual Developer Payment*"). On May 10 (or the immediately preceding Business Day as described above), the Trustee shall submit a request for payment to the Developer of the Annual Developer Payment, which shall be paid by the Developer to the Trustee on or before May 15 and shall be deposited in the Bond Fund pursuant to Section 5.02(B)(1) of the Indenture.

(B) In addition to the requirements set forth in Section 2.1(A) hereof, while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt

Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture), the Developer shall pay to the Trustee for the benefit of the owners from time to time of the Bonds on or, if either day is not a Business Day, before December 24 and June 24 of each year the December Developer Payment and the June Developer Payment (as such terms are defined below), as necessary:

(i) **Payment on or before December 24**: On December 15 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference, if any, between the amount in the Bond Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding January 15 (such difference being the "*December Developer Payment*").

(ii) **Payment on or before June 24**: On June 15 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference, if any, between the amount in the Bond Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding July 15 (such difference being the "*June Developer Payment*").

(C) All payments by the Developer under this Section 2.1 shall be paid by the Developer to the Trustee in immediately available funds composed of lawful money of the United States of America and deposited in the Bond Fund.

(D) For the purpose of calculating the amounts due from the Developer hereunder, budgeted tax collections and actual tax collections shall be allocated first to the payment of Debt Service with respect to the Bonds and thereafter, if money is available, to the payment of Debt Service with respect to the 2003 Bonds.

Section 2.2. **Nature of Obligations**. The obligations of the Developer under this Standby Contribution Agreement shall be absolute and unconditional and shall remain in full force and effect until the Developer is released pursuant to Section 1.12. Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Developer:

(A) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer or of the Developer under the District Development Agreement or any other agreement between the Issuer and the Developer; or

(B) the failure to give notice to the Developer of the occurrence of an event of default under the terms and provisions of this Standby Contribution Agreement, the Indenture, the District Development Agreement; or

(C) the waiver of the payment, performance or observance by the Issuer or the Developer of any of the obligations, covenants or agreements of any of them contained in the Indenture, the District Development Agreement, this Standby Contribution Agreement; or

(D) the extension of the time for payment of any principal of, premium, if any, or interest on any Bond or the extension or renewal of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture, the District Development Agreement, this Standby Contribution Agreement, whether or not with notice to the Developer; or

(E) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture, the District Development Agreement; or

(F) the taking or the omission of any of the actions referred to in the Indenture, the District Development Agreement, this Standby Contribution Agreement (other than as set forth in Section 2.1 hereof); or

(G) any failure, omission, delay or lack on the part of the Issuer or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Issuer or the Trustee in this Standby Contribution Agreement (except as set forth in Section 2.1 hereof), the Indenture, the District Development Agreement, or any other act or acts on the part of the Issuer, the Trustee or any of the owners from time to time of the Bonds; or

(H) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustment of, or other similar proceedings affecting the Developer or the Issuer or any of the assets of either of them or any allegation or contest of the validity of this Standby Contribution Agreement, the Indenture or the District Development Agreement in any such proceeding; or

(I) the release or discharge of the Developer or the Issuer from the performance or observance of any obligation, covenant or agreement contained in the District Development Agreement or the Indenture by operation of and to the extent permitted by law; or

(J) to the extent permitted by law, the release or discharge of the Developer from the performance or observance of any obligation, covenant or agreement contained in this Standby Contribution Agreement by operation of law; or

(K) the default or failure of the Developer fully to perform any of its obligations set forth in this Standby Contribution Agreement or the District Development Agreement; or

(L) the invalidity of the District Development Agreement, the Indenture or the Bonds.

Section 2.3. **No Set Off**. Except as otherwise provided herein, no monetary set-off, reduction or diminution of an obligation, or any defense of any kind or nature which the

Developer has or may have against the Issuer or the Trustee or which the Issuer may have against the Trustee shall be available hereunder to the Developer against the Trustee.

Section 2.4. **Remedies**. Upon the occurrence of any failure by the Developer to timely pay or cause to be paid or deposited with the Trustee any amounts payable by the Developer hereunder, then and in any such event, the Trustee shall make a demand against the Developer under this Standby Contribution Agreement and, upon the Developer's failure to pay or perform the obligation which is the subject of such demand within the 10-day notice period, the Trustee shall proceed in accordance with Article VII and the other applicable provisions of the Indenture, and shall not be required to proceed against or exhaust any other remedies which it may have against the Issuer, the Developer, any guarantor or any other person, firm or corporation, or to resort to any other security held by the Issuer or the Trustee. Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

Section 2.5. **Waiver of Notice; Payment of Expenses**. The Developer hereby expressly waives notice from the Trustee or the owners from time to time of any of the Bonds of their acceptance and reliance on this Standby Contribution Agreement. To the extent permitted by applicable law, the Developer agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Standby Contribution Agreement following any default on the part of the Developer hereunder, whether the same shall be enforced by suit or otherwise.

Section 2.6. **Incorporation By Reference**. The Issuer, the Trustee and the Developer acknowledge and agree that this Standby Contribution Agreement is subject to the Indenture and shall be deemed to incorporate by reference all applicable provisions including, without limitation, the applicable provisions in Articles III, IV, V, VI and VII of the Indenture.

ARTICLE 3

THE TRUSTEE AND THE ISSUER

Section 3.1. **Acceptance of Trusts**. The Trustee hereby accepts the trusts imposed upon it by this Standby Contribution Agreement and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture but only upon and subject to the terms and conditions set forth in Article VIII of the Indenture.

Section 3.2. **Issuer Acceptance**. The Issuer hereby accepts the application of the amounts contributed by the Developer pursuant to the provisions of this Standby Contribution Agreement and shall take such actions as are necessary to accomplish the purposes set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this Standby Contribution Agreement to be executed in their respective corporate names by their respective officers, thereunto duly authorized and their respective corporate seals to be hereto affixed as of the date first above written.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By_____
District Manager

ATTEST:

_____
District Clerk

DMB WHITE TANK, LLC

By_____
John L. Bradley
Vice-President, DMB Associates, Inc., an Arizona corporation; Manager of DMB Realco LLC, an Arizona limited Liability company, Manager of DMB White Tank LLC

WELLS FARGO BANK, N.A., as Trustee

By_____

Its_____

APPENDIX G

CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER

These financial statements of the Developer are the most recent quarterly unaudited financial statements (excluding footnotes).

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DMB White Tank, LLC
Balance Sheet
Unaudited
June 30, 2006

	Current Balance	Prior Yr End
ASSETS		
Cash and cash equivalents	$ 856,241	$ 1,733,917
Accounts receivable	466,022	3,745,662
Related party receivable	272,775	251,717
Prepaid expenses	5,547,419	2,989,187
Refundable deposits	487,167	296,687
Real estate under development	64,230,229	56,584,657
Land held for investment	3,691,403	3,687,958
Land held for future development	3,352,547	3,347,856
Property and equipment, net	1,901,631	2,044,235
Other long term assets	22,329	22,329
Total Assets	$ 80,827,764	$ 74,704,204
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable	$ 197,807	$ 643,177
Accrued liabilities	6,656,545	7,908,738
Retention payable	93,925	93,925
Related party payable	437,165	492,830
Notes and interest payable	(512,813)	-
Deferred revenue	24,052,240	41,587,240
Total Liabilities	$ 30,924,868	$ 50,725,909
Members' equity	$ 36,015,295	$ 24,424,749
Net Income	13,887,601	(446,453)
Total Members' Equity	$ 49,902,896	$ 23,978,295
Total Liabilities and Members' Equity	$ 80,827,764	$ 74,704,204

DMB White Tank, LLC
Income Statement
Unaudited
Month Ended June 30, 2006

	Month To Date	Year To Date
REVENUES		
Land sales	$ 273,791	$ 2,221,782
Land GAAP revenue adjustment	17,535,000	17,535,000
Supplemental land revenue	1,897,056	9,072,889
Development fee income	450,000	834,000
Total Revenue	$ 20,155,847	$ 29,663,671
COST OF SALES		
Land	$ 12,602,942	12,665,333
Commissions	(7,911)	95,481
Closing costs	---	4,364
Selling costs	---	84,318
Total Cost of Sales	$ 12,595,031	$ 12,849,496
EXPENSES		
General and administrative	$ 119,020	726,094
Marketing	202,263	2,011,464
Depreciation/amortization expense	175,131	175,131
Total Expense	$ 496,414	$ 2,912,689
OTHER INCOME AND (EXPENSE)		
Taxes and fees	---	(13,885)
Total Other	---	$ (13,885)
Net Income (Loss)	$ 7,064,402	$ 13,887,601

DMB White Tank, LLC
Statement of Cash Flows
Unaudited
For the 6 Months Ended June 30, 2006

	Month to Date	Year to Date
OPERATING ACTIVITES		
Net income (loss)	$ 7,064,402	$ 13,887,601
Adjustments to reconcile net income (loss) to net cash:		
Depreciation and amortization	$ 175,131	$ 175,131
Changes in operating assets and libilities:		
Accounts receivable	(121,373)	3,279,640
Related party receivables	453,261	(21,058)
Prepaid expenses	(643,654)	(2,558,232)
Other assets	(30,539)	(190,481)
Real estate under development	7,037,041	(7,645,572)
Accounts payable	(295,992)	(445,370)
Accrued liabilities	-	(1,252,193)
Related party payable	(289,910)	(55,665)
Deferred revenue	(17,535,000)	(17,535,000)
Net cash provided by (used in) operating activites	$ (4,186,634)	$ (12,361,199)
INVESTING ACTIVITES		
Fixed asset acquisitions	$ (15,316)	$ (32,528)
Investment acquistions	-	(8,136)
Proceeds from the sale of investments	-	-
Net cash provided by (used in) investing activities	$ (15,316)	$ (40,664)
FINANCING ACTIVITES		
Payments and advances on notes payable	$ 28,515	$ (512,813)
Contributions	6,489,000	30,489,000
Distributions	(2,167,000)	(18,452,000)
Net cash provided by (used in) financing activities	$ 4,350,515	$ 11,524,187
Net increase (decrease) in cash and cash equivalents	$ 148,564	$ (877,676)
Cash and cash equivalents, beginning of period	$ 707,676	$ 1,733,917
Cash and cash equivalents, end of period	$ 856,241	$ 856,241

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 ■

October 17, 2006

District Board
Verrado District 1 Community Facilities District
100 North Apache
Suite A
Buckeye, Arizona 85326

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

Honorable Board:

At your request we have examined the official proceedings leading to the issuance of $18,600,000 aggregate principal amount of District General Obligation Bonds, Series 2006, dated October 17, 2006, issued by the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*").

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. 04-06, passed and adopted by the District Board on September 19, 2006 (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 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 and binding general obligation of the District.

4. All taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the bonds without limit as to rate or amount. It is required by law that there be levied, assessed and collected, at the same time and in the same manner as other taxes, an annual tax upon all taxable property in the District sufficient, together with any money from other sources lawfully available therefor, to pay the principal of and interest on the bonds when due.

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 Indenture and to collection of taxes 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
Keith C. Hoskins
Bond Counsel

KCH:jlu
680294

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

KEITH C. HOSKINS
602.257.7967
FAX: 602.340.1538
khoskins@*gustlaw.com*

October 17, 2006

RBC Dain Rauscher, Inc., doing business
under the name RBC Capital Markets
2398 E. Camelback Road
Phoenix, Arizona 85016

Re: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

WE HAVE ACTED as Bond Counsel to Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "*Issuer*") in connection with the issuance this date by the Issuer of bonds designated its District General Obligation Bonds, Series 2006, in the aggregate principal amount of $18,600,000 (hereinafter referred to as the "*Bonds*") and otherwise as counsel to the Issuer. 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 September 19, 2006 (hereinafter referred to as the "*Resolution*") and an Indenture of Trust and Security Agreement, dated as of October 1, 2006 (hereinafter referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank Arizona, N.A., as trustee (hereinafter referred to as the "*Trustee*"); (ii) are the subject of an Limited Offering Memorandum, dated October 5, 2006 (hereinafter referred to as the "*Limited Offering Memorandum*") and (iii) are being sold pursuant to a Purchase Contract, dated October 5, 2006 (hereinafter referred to as the "*Purchase Contract*"), by and between the Issuer and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets (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 Purchase Contract;

(i) An executed copy of the Limited Offering Memorandum;

(iii) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Purchase Contract);

(iv) An executed copy of the Indenture;

(v) An executed copy of a Standby Contribution Agreement dated as of October 1, 2006 by and among the Issuer, Trustee and DMB White Tank, LLC (hereinafter referred to as the *"Developer"*);

(vi) An executed copy of the First Amendment dated as of July 1, 2006 to Standby Contribution Agreement dated as of April 1, 2003 by and among the Issuer, Developer and Trustee;

(vii) An executed copy of a Blanket Letter of Representations, dated April 10, 2003 (hereinafter referred to as the "*Letter*"), by and between the Issuer and The Depository Trust Company;

(v) Such other agreements, certificates (including particularly, but not by way of limitation, representations of the Developer, opinions (including particularly, but not by way of limitation, opinion of counsel of the Developer 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

(vi) 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 Developer relating to the Limited Offering Memorandum 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 Limited Offering

Memorandum (including, as applicable, the Preliminary Limited Offering Memorandum, dated September 27, 2006 (the "*Preliminary Limited Offering Memorandum*"), with respect to the Bonds) and (d) to carry out and consummate the transactions contemplated by the Limited Offering Memorandum, 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 Limited Offering Memorandum (including, as applicable, the Preliminary Limited Offering Memorandum) 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 Limited Offering Memorandum.

4. The Issuer has duly (a) adopted the Resolution, and (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 Limited Offering Memorandum, the Bond Resolution, the District Documents and the Bonds. 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. Based solely upon a search of the records of the Superior Court in and for the State of Arizona, County of Maricopa and the United States District Court for the District of Arizona through October 9, 2006, 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 Limited Offering Memorandum, 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 Limited Offering Memorandum) or (iii) contesting in any way the completeness or accuracy of the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum. Further, there are no lawsuits pending or threatened against the Issuer which question the right of the Issuer to levy, receive and pledge ad valorem property 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 Limited Offering Memorandum, the Bond Resolution, the District Documents or the Bonds.

7. The information contained in the Limited Offering Memorandum on the cover thereof, under the headings "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT (excluding "Property Valuations" under the caption "Ad Valorem Taxation in the District"), "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE – The District," "LITIGATION," and "TAX EXEMPTION" therein and in Appendix C - "FORM OF LEGAL OPINION OF BOND COUNSEL," and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" 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.

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.

GUST ROSENFELD P.L.C.

Keith C. Hoskins
For the Firm

KCH:jlu
680291

Greenberg Traurig

October 17, 2006

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $18,600,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006

This opinion is rendered pursuant to the Purchase Contract, dated October 5, 2006 (the "Purchase Contract"), by and between Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "District") and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (hereinafter referred to as the "Underwriter"), relating to the purchase by the Underwriter from the District of its $18,600,000 District General Obligation Bonds, Series 2006 (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 Limited Offering Memorandum relating to the Bonds (hereinafter referred to as the "Limited Offering Memorandum"). 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 Limited Offering Memorandum. That assistance involved, among other things, inquiries concerning various legal and related matters, our review of certain corporate

ALBANY
AMSTERDAM
ATLANTA
BOCA RATON
BOSTON
BRUSSELS*
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN*
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PHILADELPHIA
PHOENIX
ROME*
SACRAMENTO
SILICON VALLEY
TALLAHASSEE
TOKYO*
TYSONS CORNER
WASHINGTON, D.C.
WEST PALM BEACH
ZURICH
*Strategic Alliance
Tokyo Office/Strategic Alliance

records, documents and proceedings and our participation in discussions with your representatives and other persons involved in the preparation of information for the Limited Offering Memorandum and representatives of the District and the Developer (as defined in the Limited Offering Memorandum) concerning the contents of the Limited Offering Memorandum 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 Limited Offering Memorandum, 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 Limited Offering Memorandum, 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 Limited Offering Memorandum, in light of the circumstances under which such statements were made, not misleading. Reference in this paragraph to the Limited Offering Memorandum does not include the information contained in the Limited Offering Memorandum on the cover thereof, under the heading 'TAX EXEMPTION thereto nor the financial information or other technical or statistical data included in the Limited Offering Memorandum or its Appendices nor to any information with respect to the Developer, as to all of which we express no opinion.

Respectfully submitted,

Greenberg Traurig, LLP

PHX 327681110v1 10/16/2006

Greenberg Traurig

October 17, 2006

District Board
Verrado District 1 Community Facilities District
(Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006, in the amount of $18,600,000.00 (hereinafter referred to as the "**Bonds**")

Ladies and Gentlemen:

We have acted as special counsel to DMB White Tank, LLC, an Arizona limited liability company (hereinafter referred to as "**DMB-WT**") and the constituent members of DMB-WT 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 October 5, 2006 (hereinafter referred to as the "**Purchase Contract**"), by and between Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "**District**") and RBC Dain Rauscher, Inc. (hereinafter referred to as the "**Purchaser**"). Any capitalized term used and not defined herein shall have the meaning assigned to it in the Purchase Contract.

For purposes of this opinion, we have examined the following documents and instruments:

1. Limited Offering Memorandum issued by the District, dated October 5, 2006, (hereinafter referred to as the "**Limited Offering Memorandum**");

2. Indenture of Trust and Security Agreement, by and between the District and Wells Fargo Bank, N.A., as Trustee (hereafter referred to as the "**Trustee**"), dated as of October 1, 2006 (hereinafter referred to as the "**Indenture**");

3. Verrado District 1 Community Facilities District Standby Contribution Agreement, by and among the District, DMB-WT, and Trustee, dated as of

ALBANY
AMSTERDAM
ATLANTA
BOCA RATON
BOSTON
BRUSSELS*
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN*
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PHILADELPHIA
PHOENIX
ROME*
SACRAMENTO
SILICON VALLEY
TALLAHASSEE
TOKYO*
TYSONS CORNER
WASHINGTON, D.C.
WEST PALM BEACH
ZURICH
*Strategic Alliance
Tokyo-Office/Strategic Alliance

October 1, 2006 (hereafter referred to as the "**Standby Contribution Agreement**");

4. (Series 2003 Bonds) First Amendment to the Standby Contribution Agreement, by and among District, DMB-WT, ABD Investments Limited Partnership, and Trustee, dated as of July 1, 2006;

5. Opinion of Counsel from Fennemore Craig, dated October 17, 2006, in reference to the (Series 2003 Bonds) First Amendment to the Standby Contribution Agreement and ABD Investments Limited Partnership for the benefit of Purchaser, the District, and for the reliance by the law firm of Greenberg Traurig (to which we expressly refer, and upon which we rely, for the opinions expressed therein) (hereafter referred to as the "**Fennemore Craig ABD Opinion**");

6. (Series 2003 Bonds) Consent of Bond Holders to First Amendment to the Standby Contribution Agreement;

7. Developer Indemnity Letter, by DMB-WT, dated as of October 17, 2006, (hereinafter referred to as the "**Developer Indemnity Agreement**");

8. Closing Certificate of the Town of Buckeye dated as of October 17, 2006;

9. Closing Certificate of District and Certificate as to Tax Matters dated as of October 17, 2006;

10. Closing Certificate of Developer, by DMB-WT, dated as of October 17, 2006, in favor of the District and the Purchaser (hereinafter referred to as the "**Developer Closing Certificate**");

11. Owner's Certificate of Market Value, by DMB-WT, dated as of October 17, 2006;

12. Resolution of the District authorizing the issuance of the Bonds; approving the form and authorizing the execution and delivery of the Indenture, Purchase Contract, Standby Contribution Agreement, a First Amendment to the Standby Contribution Agreement; 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, dated September 19, 2006, (hereinafter referred to as the "**Bond Resolution**");

13. Articles of Organization of DMB-WT, dated November 20, 1998, as filed with the Arizona Corporation Commission on November 20, 1998, as File

No. L-0858094-6, Amended and Restated Articles of Organization of DMB-WT, dated October 12, 1999, as filed with the Arizona Corporation Commission on November 1, 1999, as File No. L-0858094-6, and First Amendment to the Amended and Restated Articles of Organization of DMB-WT dated December 31, 2005, as filed with the Arizona Corporation Commission on January 9, 2006, as File No. L-0858094-6 (*copies enclosed*);

14. Operating Agreement of DMB-WT dated October 12, 1999, by DMB Realco LLC, an Arizona limited liability company (hereinafter referred to as "**Realco**"), as a Member and the sole Manager including, per §2.2(a) of the Operating Agreement, Designation of Independent Member (Thomas L. May) by Realco as Manager of DMB-WT, executed by Realco on March 19, 2002, Approved by Caterpillar Foundation of Designation of Independent Member, executed by Caterpillar Foundation on March 19, 2002, and Independent Member Approval and Acceptance of the Operating Agreement, executed by Thomas L. May, on March 19, 2002, as the Independent Member (hereinafter referred to as "**DMB-WT Operating Agreement**") (*copy enclosed*);

15. Certificate of Good Standing of DMB-WT, issued by the Arizona Corporation Commission on July 18, 2006 (*copy enclosed*);

16. Certificate of Andrew S. Beams, the Vice President of DMB Associates, Inc., an Arizona corporation (hereinafter referred to as "**DMB Associates**"), which is (i) the Manager of Realco, the sole Member of DMB Communities LLC, an Arizona limited liability company (hereinafter referred to as "**Communities**"), and (ii) the Manager of Communities, which is the Manager and sole Member of DMB-WT, dated as of October 17, 2006, in favor of the undersigned (hereinafter referred to as the "**Certificate of Officer**") (*copy enclosed*);

17. Written Consent of Member of DMB-WT, dated as of October 17, 2006, by DMB Associates, as Manager of Communities, as the sole Member (pertaining to the sale of the captioned Bonds) (*copy enclosed*);

18. Articles of Organization of Communities, dated October 3, 2005, as filed with the Arizona Corporation Commission on November 1, 2005, as File No. L-1239310-4 (*copy enclosed*);

19. Certificate of Good Standing of Communities, issued by the Arizona Corporation Commission on July 18, 2006 (*copy enclosed*);

20. Certificate of Andrew S. Beams, the Vice President of DMB Associates, which is (i) the Manager of Realco, the sole Member of Communities, and

(ii) the Manager of Communities, dated as of October 17, 2006, attesting as to Communities matters (*copy enclosed*);

21. Written Consent of Member of Communities, dated October 17, 2006, by DMB Associates, as Manager of Realco, as the sole Member (pertaining to the sale of the captioned Bonds) (*copy enclosed*);

22. Master Agreement For Certain Contributions, Distributions and Purchases of Ownership Interests, dated as of January 1, 1994, by and among Drew M. Brown, Mark N. Sklar, Bennett Dorrance, individually, and Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended in its entirety on March 2, 1990;

23. Articles of Organization of Realco, dated May 14, 1997, as filed with the Arizona Corporation Commission on May 14, 1997, as File No. L-0807920-8, and Amended & Restated Articles of Organization of Realco, dated as of April 8, 2003, as filed with the Arizona Corporation Commission on April 8, 2003, as File No. L-0807920-8 (*copy enclosed*);

24. Operating Agreement of Realco, dated May 14, 1997, among DMB Associates, as the Manager of Realco, and Drew Brown, Mark Sklar, and Bennett Dorrance as the Trustee of the Dorrance 1995 Issue Trust created under the Dorrance 1995 Issue Trust Agreement dated as of September 7, 1995, as Members of Realco, as amended by Amended and Restated Operating Agreement of Realco, dated May 9, 2000, among DMB Associates, as the Manager of Realco, and Drew M. Brown, as Trustee of the Brown Family Trust dated August 30, 1980, as amended, Mark N. Sklar, as Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended, and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, as Co-Trustees of the Dorrance 1995 Issue Trust, as Members of Realco;

25. Exercise of Power to Merge Trust dated November 3, 1998, merging The Dorrance 1995 Issue Trust dated September 7, 1995, into The Dorrance 1995 Issue Trust dated November 2, 1998;

26. Confirmation of Assignment of Membership Interest in Realco and Acceptance of Operating Agreement by The Dorrance 1995 Issue Trust created under the Dorrance 1995 Issue Trust Agreement dated as of September 7, 1995, to The Dorrance 1995 Trust created under Trust Agreement dated November 2, 1998, and effective as of November 3, 1998;

27. Assignment of Membership Interest in Realco and Acceptance of Operating Agreement by Mark N. Sklar to the Mark N. Sklar Trust created under the Mark N. Sklar Trust Agreement dated May 18, 1972, as amended, dated as of April 21, 2000;

28. Consent of Members Without A Special Meeting dated as of April 21, 2000, consenting to the transfer of Membership Interest of Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended and the admission of the Mark N. Sklar Trust as a Substituted Member;

29. Assignment of Membership Interest in Realco and Acceptance of Operating Agreement by Drew M. Brown to the Brown Family Trust created under the Brown Family Trust Agreement dated August 30, 1980, as amended, dated as of May 8, 2000;

30. Consent of Members Without A Special Meeting dated as of May 8, 2000, consenting to the transfer of Membership Interest of Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended and the admission of the Brown Family Trust as a Substituted Member;

31. Majority Written Consent of Members Realco, effective as of June 19, 2001, executed on behalf of the Dorrance 1995 Issue Trust dated September 7, 1995, the Brown Family Trust dated August 30, 1980, as amended, and the Mark N. Sklar Trust dated May 18, 1972, as amended, authorizing the formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

32. Unanimous Consent of the Manager and Members of Realco dated April 7, 2003, authorizing the formation of DMB-WT, designation of Realco as sole initial Manager and Member of DMB-WT, execution and delivery of the Trust Agreement by Realco on behalf of DMB-WT, and designation of Thomas L. May as an Independent Director of DMB-WT;

33. Opinion of Counsel from Fennemore Craig, dated October 17, 2006, in with reference to the Realco Trusts and Shareholder Trusts for the benefit of Purchaser, the District, and for the reliance by the law firm of Greenberg Traurig (to which we expressly refer, and upon which we rely, for the opinions expressed therein) (hereinafter referred to as the "**Fennemore Craig Trust Opinion**") (*copy enclosed*);

34. Certificate of Good Standing of Realco, issued by the Arizona Corporation Commission on July 18, 2006 (*copy enclosed*);

35. Certificate of Andrew S. Beams, the Vice President of DMB Associates, Manager of Realco, dated as of October 17, 2006, attesting as to Realco matters (*copy enclosed*);

36. Unanimous Written Consent of the Manager and Members of Realco, effective as of October 17, 2006 (pertaining to the issuance and sale of the captioned Bonds) (*copy enclosed*);

37. Articles of Incorporation of DMB Associates, dated January 21, 1985, as filed with the Arizona Corporation Commission on January 23, 1985, as File No. 172559, Articles of Amendment to the Articles of Incorporation of DMB Associates dated April 4, 1988, as filed with the Arizona Corporation Commission on June 10, 1988, as File No. 172559-6, Articles of Amendment to the Articles of Incorporation of DMB Associates dated December 18, 1990, as filed with the Arizona Corporation Commission on February 14, 1991, as File No. 172559-2, Articles of Amendment to the Articles of Incorporation of DMB Associates dated July 30, 1999, as filed with the Arizona Corporation Commission on August 30, 1999, as File No. 0172559-6, Articles of Amendment to the Articles of Incorporation of DMB Associates dated May 1, 2002, as filed with the Arizona Corporation Commission on June 11, 2002, as File No. 0172559-6 (*copies enclosed*);

38. Bylaws of DMB Associates, adopted by the Board of Directors on January 22, 1985 (*copies enclosed*);

39. Stock Purchase and Redemption Agreement dated February 14, 1991, by and among DMB Associates, Drew M. Brown, Mark N. Sklar, and Bennett Dorrance, Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended and Acceptance by Laurie E. Brown, JoAnn Sklar and Jacquelynn Dorrance (*copies enclosed*);

40. Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 of the Bylaws pertaining to the annual meeting of the shareholders (*copies enclosed*);

41. Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting, dated April 21, 2000, consenting to the transfer of the voting and non-voting stock owned individually by Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended (*copies enclosed*);

42. Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting, dated as of May 8, 2000, consenting to the transfer of the voting and non-voting stock owned individually by Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended (*copies enclosed*);

43. Unanimous Written Consent of Board of Directors of DMB Associates, as Manager of Realco, as Manager of DMB-WT, effective as of June 19, 2001, authorizing the formation of the WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District (*copies enclosed*);

44. Consent in Lieu of Annual Meeting of Shareholders of DMB Associates, dated December 7, 2005, pertaining to the election of Drew M. Brown,

Bennett Dorrance and Mark N. Sklar as Directors of DMB Associates (*copies enclosed*);

45. Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates, dated December 7, 2005, pertaining to the election of officers of DMB Associates (*copies enclosed*);

46. Consent to Resolutions in Lieu of Meeting of Board of Directors of DMB Associates, dated January 1, 2006, pertaining to the election of Dirk W. Ellsworth as an officer of DMB Associates (*copies enclosed*);

47. Certificate of Incumbency of Andrew S. Beams, Vice President of DMB Associates dated August 31, 2006 (*copy enclosed*);

48. Certificate of Good Standing of DMB Associates, issued by the Arizona Corporation Commission on July 18, 2006 (*copy enclosed*);

49. Certificate of Andrew S. Beams, the Vice President of DMB Associates, dated as of October 17, 2006, attesting as to DMB Associates matters (*copy enclosed*); and

50. Unanimous Written Consent of the Board of Directors of DMB Associates, effective as of October 17, 2006 (pertaining to the issuance and sale of the captioned Bonds) (*copy enclosed*).

Such other documents and instruments, and such other information from representatives of DMB-WT, as we have considered necessary or appropriate for the purposes of this opinion (hereinafter referred to, collectively, as "**Due Inquiry**").

The documents listed in paragraphs 13 through 50 above are hereinafter referred to as the "**Developer and Entity and Authorization Documents.**" Whenever any portion of this opinion is limited to the existence or absence of fact based upon our actual knowledge, it is limited to our actual knowledge of the existence or absence of such fact after Due Inquiry.

In rendering the following opinions, we have assumed:

(a) The genuineness of all signatures to the Developer Closing Certificate, the Developer Indemnity Agreement, the Certificate of Officer, the Developer and Entity and Authorization Documents, the Fennemore Craig ABD Opinion and the Fennemore Craig Trust Opinion, and the legal capacity of each natural person executing any of the Developer Closing Certificate, the Developer Indemnity Agreement, the Certificate of Officer, the Developer and Entity and Authorization Documents, the Fennemore Craig ABD Opinion and the Fennemore Craig Trust Opinion (referred to herein, collectively or individually, as "**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 DMB-WT, as applicable, and that the transactions contemplated by the Documents are fully authorized by all necessary action by or on behalf of the parties thereto other than DMB-WT, as applicable, and are in compliance with all laws, rules or regulations governing the parties thereto other than DMB-WT, as applicable;

(d) That all of the parties to the Documents other than DMB-WT, as applicable, 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 such Documents by such parties and to the consummation of the transactions described therein by such parties;

(e) The Documents constitute an integrated agreement between the parties to those Documents with respect to the matters contained therein and that the same accurately describe and contain 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 all parties to the Documents will perform their respective obligations and enforce their respective rights thereunder in circumstances and in a manner which is commercially reasonable and in accordance with applicable law;

(g) The truth and accuracy of all of the representations and warranties of all parties contained in the Documents;

(h) The truth and accuracy of all reports and other documents prepared by third party consultants relating to the transactions that are the subject of the Documents, including relating to any of the property within the District or that is the subject of the Documents;

(i) That, with respect to the enforceability of the Documents by a court of another jurisdiction, such court would apply Arizona law, and would determine that the application of Arizona substantive law is not contrary to a fundamental policy of the law of such other jurisdiction;

(j) That the applicable Documents, immediately after delivery, will be properly filed or recorded in the appropriate governmental offices, that the recipient will timely file all necessary continuation statements, and that all fees, charges and taxes due and owing as of this date have been paid; and

(k) Where tangible personal property is to be acquired after the date hereof, that a security interest in created under any after-acquired property clause(s) of the applicable Documents.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is our opinion that:

1. DMB-WT is a limited liability company, duly organized and existing under the laws of the State of Arizona (hereinafter referred to as the "**State**") and has the requisite limited liability company power and authority under the laws of the State: (i) to execute and deliver, perform its obligations under, and consummate all transactions contemplated by, the Documents; and (ii) to own and operate its properties and assets as described in the Limited Offering Memorandum, and (iii) to carry out its business as such business is currently being conducted as described in the Limited Offering Memorandum.

2. DMB-WT and its constituent members have taken all necessary limited liability company, corporate and partnership action, as applicable, to authorize (i) the execution, delivery and performance of the Documents by DMB-WT, and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

3. The Documents have been duly and validly authorized, executed and delivered by DMB-WT, are in full force and effect as of the date hereof, and constitute the legal, valid and binding obligations of DMB-WT, enforceable against DMB-WT, in accordance with their terms.

4. The execution and delivery by DMB-WT of the Documents, and the performance of the respective obligations of DMB-WT thereunder (a) does not and will not conflict with or result in a violation of, or a default pursuant to, the Developer Entity and Authorization Documents, and (b) to our actual knowledge, do not and will not conflict with or result in a violation of any other contract, indenture, instrument or agreement to which DMB-WT is a party or by which it or its properties or assets are bound, or conflict with any judgment, order or other government action or decree to which DMB-WT or its properties or assets are subject, which, in any of the above cases, would materially and adversely affect the execution, delivery and/or or performance of the agreements and obligations of DMB-WT under the Documents.

5. To our actual knowledge (i) no additional material approval, authorization, or other action by, or filing with, any federal, State or local governmental authority that has jurisdiction over DMB-WT is required in connection with the execution and delivery by DMB-WT of the Documents, or consummation of the transactions contemplated thereby, and (ii) DMB-WT has obtained all consents, approvals and authorizations, and has made all filings, required by applicable federal, State and/or local governmental authorities in order to own and operate the respective properties and assets of DMB-WT as described in the Limited Offering Memorandum and to carry out its business as such business is currently being conducted as described in the Limited Offering Memorandum, except for

such actions, approvals, authorizations, consents and orders that DMB-WT would expect to obtain in the ordinary course of its or their business.

6. To our actual knowledge, DMB-WT is not in violation of any provision of, or in default under, its organizational documents or any other agreement or instrument, the violation of which or default under which would materially and adversely affect the execution, delivery and/or performance of the agreements and obligations of DMB-WT under the Documents.

7. To our actual knowledge, there are no legal or governmental actions, proceedings, inquiries or investigations pending or overtly threatened by any governmental authorities or to which DMB-WT is a party or of which any property or asset of DMB-WT is subject which, if determined adversely to DMB-WT, would individually or in the aggregate materially and adversely affect the execution and delivery, and/or performance of the agreements and obligations of DMB-WT under the Documents, or materially and adversely affect the validity or enforceability of the Documents against DMB-WT.

8. To our actual knowledge, the information pertaining to DMB-WT and the Verrado master-planned community (referred to therein as the "Project"), contained in the Limited Offering Memorandum including under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" and sub-heading "The Standby Contribution Agreement", the heading "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" and sub-heading "Phase I and Phase II Public Infrastructure", the headings "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER", "RISK FACTORS", "LITIGATION" and "FINANCIAL INFORMATION" and in Appendix A - "INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA" (solely as related to statements that are specific to DMB-WT), respectively, does not contain any untrue statement of 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; provided, however, we have not undertaken to independently determine the accuracy, completeness or fairness of the statements contained therein, except as and to the extent provided in this opinion, 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.

The phrase "actual knowledge" as used herein means solely the knowledge of attorneys in this firm who have performed services in respect of the transactions provided for by the Documents referred to herein and knowledge ascertained from our review of the Documents, as well as the results of third-party searches of the records of the State and Maricopa County (so-called "UCC searches") and the Arizona Federal District Court, United States Bankruptcy Court and the Maricopa County Superior Court (so-called "litigation searches") concerning DMB-WT, Communities, Realco and DMB Associates.

The opinions set forth above are subject to the following qualifications and limitations:

(i) Enforceability of the Documents may be subject to or limited by bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium, arrangement or other laws or court decisions relating to or affecting the rights of creditors' generally;

(ii) Enforceability of certain rights and remedies in the 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 may determine that certain waivers, procedures, remedies, indemnities and other provisions of the Documents are unenforceable under or limited by Arizona law;

(iii) Certain waivers, procedures, remedies, indemnities and other provisions of the Documents may be unenforceable under or limited by Arizona law; however, subject to the other qualifications and limitations expressed herein, such law will not, in our opinion, render invalid as a whole or substantially prevent the practical realization of the benefits intended by the Documents if the other parties act in good faith and in a commercially reasonable manner in the performance and enforcement of the Documents and otherwise in accordance with the requirements of applicable law, except for the economic consequences of any procedural delay or of any application of the doctrines of penalty and forfeiture, and except that the principles of guaranty and suretyship may prevent the practical realization of the benefits intended by indemnity and guarantee provisions in the Documents; and

(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.

We are expressing no opinion as to:

(a) The financial capability or condition of DMB-WT, Communities, Realco, or DMB Associates or their financial ability to perform under Documents;

(b) The enforceability of any indemnity provision with respect to any claims or other matters that result from the negligence or misconduct of any indemnitee or the failure of any indemnitee to act in a commercially reasonable manner;

(c) The compliance of the Documents, or the offer and sale of the Bonds, or any of the transactions provided for in the Documents, with any federal or state securities or tax law or regulation;

(d) With the sole exception of those matters addressed in our opinion to our actual knowledge, any federal or state securities, tax, environmental or health or safety laws, rules or regulations, or any county or municipal ordinances;

(e) The title to or the priority of any lien or security interest created by the Documents, or with respect to the Bonds or with respect to the real and personal property, and other collateral, that is the subject of the Documents; or

(f) The effect on DMB-WT, Communities, Realco or DMB Associates, or the transactions that are the subject of the Documents, if any, of the provisions of A.R.S. §43-1152, et seq.

We are qualified to practice law only in the State and, we do not purport to express any opinion herein concerning any law other than the laws of the State. With respect to the laws of the State, 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. Any opinion as to the enforceability of any document is limited to enforceability as between the original parties thereto. We do not render any opinion with respect to any matters other than those expressly set forth above.

This opinion is being furnished to and solely for the benefit of the addressees and only with respect to the transactions that are the subject Documents. Accordingly, this opinion 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; provided that we consent to the references made to this firm in the Limited Offering Memorandum.

Respectfully submitted,

Greenberg Traurig, LLP

Rebecca Lynne Burnham

Articles of Organization of DMB-WT

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 2 0 1998

DATE APPR Mayala Wyatt
TERM
BY 11/20/98
L-0 858 094-6

ARTICLES OF ORGANIZATION
DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company (the "Company") formed by this instrument is "DMB White Tank, LLC." dt DR

2. Office; Agent. The address of the Company's registered office in Arizona is 4201 North 24th Street, Suite 120, Phoenix, AZ 85016. The name and business address of the Company's statutory agent are FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company are:

DMB Realco LLC
4201 North 24th Street
Suite 120
Phoenix, AZ 85016

6. Name and Address of Sole Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company.

7. Additional Matters. The Company is authorized to engage in any and all business authorized by law. Any person dealing with the Company may rely, without further inquiry, on the identity of the manager set forth in these Articles of Organization, until such time as they are amended in accordance with applicable law to reflect a change in the identity of the manager. The manager, acting alone and without the requirement for further resolutions or agreements evidencing such authority, shall have the authority to execute and deliver documents and instruments on behalf of the Company, all of which shall be binding on the Company. Without limiting the generality of the foregoing, the manager is specifically authorized on behalf of the Company to buy and sell property, enter into purchase agreements (including subdivision trust agreements), record instruments affecting title to property, borrow money, issue evidences of indebtedness, encumber the Company's assets (by deed of trust, mortgage, security interest, public or private financing, assessment liens, improvement districts, community facility districts or otherwise), settle disputes, obtain licenses and permits, make applications for governmental approvals, grant and obtain options, and otherwise deal with the assets of the Company in the same manner in which an individual could deal with his own assets, and in connection therewith exercise all rights and

remedies and perform all obligations of the Company under any applicable documents or instruments entered into by the Company. Without further action or joinder by any person or entity, the manager may enter into resolutions on behalf of the Company for any matters authorized under law, setting forth in greater detail actions authorized by the Company, and such resolutions may be relied on absolutely by any person or entity to whom they are delivered.

Dated November 20, 1998.

Gregg Hanks

Gregg Hanks

FC Service Corporation, having been designated to act as Statutory Agent of DMB White Tank, LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

FC Service Corporation,
an Arizona corporation

By Gregg Hanks

Gregg Hanks
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913

PHX/GHANKS/905499.1/26043.001
11/20/98

10/29/99 10:34 ☎480 367 7001

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 01 1999

DATE APPR 11-1-99
TERM
BY Mary Baines
L-0858094-6

AMENDED AND RESTATED ARTICLES OF ORGANIZATION DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-633, the undersigned states as follows:

1. Name; Prior Filings. The name of the limited liability company (the "Company") affected by this instrument is "DMB White Tank, LLC." Articles of Organization were filed on behalf of the Company with the Arizona Corporation Commission on November 20, 1998, as File Number L-0858094-6.

2. Office; Agent. The address of the Company's registered office in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and business address of the Company's statutory agent are PC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company (the "Manager") are:

DMB Realco LLC
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

6. Name and Address of Certain Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company that owns a twenty percent or greater interest in the capital or profits of the Company.

7. Additional Matters. Under the Company's operating agreement of even date herewith (the "Operating Agreement"), the Manager is required to designate an "Independent Member" who shall have the right to grant or withhold consent to each of the following actions by the Company (which may be taken by the Company only if there is an Independent Member and the Manager and Independent Member affirmatively vote to cause the Company to so act), for so long as the Company has any rights or obligations under the Master Agreement or holds any interest in the Trust Agreement (as those terms are defined on Exhibit A):

(a) engage in any business or activity other than those set forth on Exhibit A;

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(b) dissolve or liquidate, in whole or in part at any time prior to December 31, 2050 (except as provided in paragraph 7(e)(iv) below), or consolidate or merge with or into any other person or entity, or convey or transfer its properties and assets substantially as an entirety to any person or entity or change its legal structure;

(c) acquire all, or substantially all, of the assets or capital stock or other ownership interest of any other entity (except for an entity wholly-owned by the Company whose sole purpose is to engage in activities authorized under Exhibit A);

(d) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file, or consent to, a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any substantial part of its property, or make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take limited liability company action in furtherance of any such action; or

(e) authorize the amendment of the Operating Agreement to (i) provide for any additional managers other than the Manager provided for hereunder; (ii) enlarge or alter the permitted business purposes of the Company as provided on Exhibit A; (iii) amend or repeal the restrictions on Company action as describe in this paragraph 7; or (iv) permit or cause the Company to dissolve or to liquidate; except that upon the insolvency of, or the institution of voluntary or involuntary bankruptcy proceedings involving, the Company which are not dismissed within sixty days, the Company shall dissolve.

8. Effect on Articles. This instrument supersedes in their entirety the Articles, effective as of the date set forth below.

Dated October 12, 1999.

DMB Realco LLC, an
Arizona limited liability company,
Manager of DMB White Tank, LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an
Arizona corporation, Manager

By: _____
Its: Executive Vice President

Exhibit A

(a) Investigate the acquisition of certain real property located in Maricopa County, Arizona (the "Property"), as more particularly defined and described in the Operating Agreement, and in connection therewith enter into one or more access agreements and agreements with consultants and advisers to assist the Company in such investigation;

(b) Acquire fee title to one or more parcels of real property located in Maricopa County, Arizona, in the vicinity of the Property (the "Related Parcels," and together with the Property, the "Properties");

(c) Enter into a Master Agreement (the "Master Agreement") with Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"), pertaining to the Properties, and all agreements contemplated by or referred to in the Master Agreement;

(d) Enter into an agreement with Caterpillar, Inc., a Delaware corporation, pertaining to certain matters relating to the Properties (the "Caterpillar Agreement");

(e) Upon the satisfaction of the applicable requirements, terms and conditions of the Master Agreement, enter into a Trust Agreement (the "Trust Agreement"), in the form attached as an exhibit to the Master Agreement, and any and all other documents or agreements contemplated by the Master Agreement and the Trust Agreement, and cause the Property and the Easement Rights (as defined in the Operating Agreement) to be conveyed to the trustee under the Trust Agreement (the "Trustee");

(f) Develop a mixed-use real estate project on the Properties (the "Project");

(g) In connection with the exercise of the Company's rights under the Master Agreement and the Trust Agreement and the development of the Project undertake and/or direct the Trustee under the Trust Agreement to undertake (or to take actions necessary to permit or facilitate the Company in undertaking) each and every one of the following actions:

(i) master plan, zone, rezone and subdivide all or any part of the Properties, and in connection therewith cause the Properties to be annexed into a town or city and enter into development agreements, community master plans or ordinances, or other similar arrangements;

(ii) obtain or develop a water supply and distribution system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and delivery of water to the Project;

(iii) develop a sanitary sewer system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and/or provision of a sewer system or sewer services to the Project;

(iv) obtain utility services of every kind and nature for the Project, including, without limitation, natural gas, electricity, cable television, telephone and communications services of every kind and nature;

(v) obtain any and all entitlements, permits and authorizations necessary or convenient for the development of the Project and in connection therewith make applications and filings and enter into agreements and stipulations of every kind and nature with governmental authorities having jurisdiction over the Project;

(vi) construct infrastructure and related improvements on all or any part of the Properties and/or the property that is subject to the Easement Rights and offsite improvements of every kind and nature (including, without limitation, a freeway interchange, roadways, water and sewer facilities and other improvements of any kind or nature) to other properties to facilitate or enhance in any manner the development of the Project or the value of the Properties;

(vii) improve and develop all or any part of the Properties into residential lots or superpads;

(viii) construct, own, operate and manage one or more golf courses on the Properties and acquire, maintain and dispose of furniture, fixtures and equipment relating to such golf courses;

(ix) establish membership programs for the golf courses and other improvements, facilities or amenities at the project and administer the same;

(x) construct dwelling units, office buildings, retail buildings, sales centers, restaurants, sports and recreational facilities, trails, pathways and other vertical improvements of every kind or nature on portions of the Properties;

(xi) grant easements or other property rights by documents that are customarily recorded with respect to all or any part of the Properties, establish homeowners' and similar associations, and subject all or any part of the Properties to covenants, conditions, restrictions, improvement districts, community facilities districts and similar arrangements;

(xii) hold all or any part of the Properties for investment;

(xiii) obtain community facilities district financing for the Project on terms and conditions authorized under the Trust Agreement ("Authorized CFD Financing"), and in connection therewith, take each and every action authorized or permitted under the Trust Agreement with respect to such financing;

(xiv) acquire access easements, rights of way and similar property rights or interests necessary or desirable in connection with the development of the Properties;

(xv) own, operate, manage, lease, maintain, repair, replace, sell, exchange, dedicate, donate, transfer, assign or otherwise dispose of all or any part of the Properties or the Project (including, without limitation, any golf course or other improvements constructed on the Properties);

(h) retain contractors, consultants and employees to assist the Company in any and all activities of the Company as necessary or convenient to accomplish the purposes of the Company;

(i) enter into contracts, agreements and other arrangements of any kind or nature as are necessary or convenient to accomplish the purposes of the Company;

(j) provide bonds, surety arrangements, guarantees and other financial commitments of any kind or nature and lend money or advance credit as necessary or advisable for the development of the Project;

(k) exercise all of the Company's rights and remedies and perform all of the Company's duties and obligations under any agreement entered into pursuant to the foregoing provisions of this Exhibit A and, without limiting the generality of the foregoing, exercise any right and take any action which the Company is authorized or permitted to take under the Master Agreement, the Trust Agreement, the Caterpillar Agreement and any other agreement referred to therein or executed and delivered in connection therewith; and

(l) engage and direct the Trustee under the Trust Agreement to engage in any and all activities that are necessary, convenient or incidental to the accomplishment of the foregoing business purposes;

all on terms and conditions determined by the Manager, in its sole and absolute discretion, without the joinder or consent of any other Person (including, without limitation, the Independent Member).

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
EXECUTIVE SECRETARY

JOANNE C. MACDONNELL
DIRECTOR, CORPORATIONS DIVISION

11-01-99

Re DMB WHITE TANK, LLC

We are pleased to notify you that your Articles of Amendment/Restated Articles of organization were filed on 11-1-99 If the publication box has been checked, you must publish a copy of the Articles of amendment/Restated Articles WITHIN SIXTY (60) DAYS from the filing date noted above. The publication must be in a newspaper of general circulation in the county in which you are doing business for three consecutive publications..

An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the filing date noted above.

If you have any questions or need further information, please contact us at (602) 542-3135 or Toll Free (Arizona resident only) at 1-800-345-5819.

[ ] Must be Published

Very truly yours,

Mary Baines
Examiner Corporate Filings
Corporation Division
1300 W Washington St
Phoenix Arizona 85007

JAN 0 9 2006

FILE NO. L-0858094-6

FIRST AMENDMENT TO AMENDED AND RESTATED ARTICLES OF ORGANIZATION OF DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-632, the undersigned, being the former and current managers of DMB White Tank, LLC, an Arizona limited liability company, state as follows:

1. Name. The name of the limited liability company (the "Company") affected by this instrument is DMB White Tank, LLC.

2. Prior Filings. Articles of Organization (the "Original Articles") were filed on behalf of the Company with the Arizona Corporation Commission on November 20, 1998, at File No. L-0858094-6. The Original Articles were superseded by Amended and Restated Articles of Organization filed with the Arizona Corporation Commission on November 1, 1999 (the "Restated Articles").

3. Amendments to Articles. Sections 5 and 6 of the Restated Articles are hereby amended in their entirety to read as follows:

5. Name and Address of Manager. The name and address of the manager of the Company (the "Manager") are:

DMB Communities LLC,
an Arizona limited liability company
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

6. Name and Address of Certain Member. DMB Communities LLC, whose address is set forth above, is the only member of the Company that owns a twenty percent or greater interest in the capital or profits of the Company.

4. Effect of Amendment. This First Amendment amends and supersedes all contrary provisions of the Restated Articles. Except as amended hereby, the Restated Articles shall remain in full force and effect.

Dated as of December 31, 2005.

FORMER MANAGER:

DMB Realco LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an Arizona corporation, Manager

By: Mary S. Alexander
Its: Vice President

NEW MANAGER:

DMB Communities LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an Arizona corporation, Manager

By:
Its:

Operating Agreement of DMB-WT

OPERATING AGREEMENT
OF
DMB WHITE TANK, LLC

This Operating Agreement (this "Agreement") is entered into as of October 12, 1999, by DMB Realco LLC, an Arizona limited liability company ("Realco"), as a Member and the sole Manager of DMB White Tank, LLC, an Arizona limited liability company (the "Company"), and shall bind the successors and assigns of Realco and any other Person who may acquire an interest as a Member in or Manager of the Company.

ARTICLE 1
THE LIMITED LIABILITY COMPANY

1.1 Definitions. Capitalized terms appearing in this Agreement and not otherwise defined herein shall have the meanings given those terms in Section 7.7.

1.2 Organization. The Company was formed as a manager-managed limited liability company upon the filing of articles of organization (the "Articles") with the Arizona Corporation Commission on November 20, 1998. Concurrently with the execution of this Agreement, the Company is filing amended and restated articles of organization (the "Amended Articles") with the Arizona Corporation Commission. The Company shall execute any required amendments to the Amended Articles and make or do all filings, recordings and other acts that may be appropriate to comply with the operation of the Company under the Act.

1.3 Company Name. The name of the Company is DMB White Tank, LLC. All business of the Company shall be conducted in the Company's name.

1.4 Place of Business. The address of the office at which all of the records of the Company shall be kept and the principal place of business of the Company shall be 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258, or at such other place or places within the State of Arizona as may be determined by the Manager.

1.5 Agent for Service of Process. The agent for service of process on the Company shall be FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012, or such other Person as shall be designated from time to time by the Manager.

1.6 Purpose. The purposes of the Company and the character of its business are to:

(a) Investigate the acquisition of certain real property located in Maricopa County, Arizona (the "Property"), as more particularly described in the Master Agreement, and in connection therewith enter into one or more access agreements and agreements with consultants and advisers to assist the Company in such investigation;

(b) Acquire fee title to one or more parcels of real property located in Maricopa County, Arizona, in the vicinity of the Property (the "Related Parcels," and together with the Property, the "Properties");

(c) Enter into a Master Agreement (the "Master Agreement") with Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"), pertaining to the Property, and all agreements contemplated by or referred to in the Master Agreement;

(d) Enter into an Agreement to Remediate Certain Environmental Conditions (the "Remediation Agreement") with Caterpillar, Inc., a Delaware corporation, pertaining to certain conditions on the Property;

(e) Upon the satisfaction of the applicable requirements, terms and conditions of the Master Agreement, enter into a Trust Agreement (the "Trust Agreement"), in the form attached as an exhibit to the Master Agreement, and any and all other documents or agreements contemplated by the Master Agreement and the Trust Agreement, and cause the Property and the Easement Rights (as defined in the Master Agreement) to be conveyed to the trustee under the Trust Agreement (the "Trustee");

(f) Develop a mixed-use real estate project on the Properties (the "Project");

(g) In connection with the exercise of the Company's rights under the Master Agreement and the Trust Agreement and the development of the Project undertake and/or direct the Trustee under the Trust Agreement to undertake (or to take actions necessary to permit or facilitate the Company in undertaking) each and every one of the following actions:

(i) master plan, zone, rezone and subdivide all or any part of the Properties, and in connection therewith cause the Properties to be annexed into a town or city and enter into development agreements, community master plans or ordinances, or other similar arrangements;

(ii) obtain or develop a water supply and distribution system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and delivery of water to the Project;

(iii) develop a sanitary sewer system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and/or provision of a sewer system or sewer services to the Project;

(iv) obtain utility services of every kind and nature for the Project, including, without limitation, natural gas, electricty, cable television, telephone and communications services of every kind and nature;

(v) obtain any and all entitlements, permits and authorizations necessary or convenient for the development of the Project and in connection therewith make applications and filings and enter into agreements and stipulations of every kind and nature with governmental authorities having jurisdiction over the Project;

(vi) construct infrastructure and related improvements on all or any part of the Properties and/or the property that is subject to the Easement Rights and offsite

improvements of every kind and nature (including, without limitation, a freeway interchange, roadways, water and sewer facilities and other improvements of any kind or nature) to other properties to facilitate or enhance in any manner the development of the Project or the value of the Properties;

(vii) improve and develop all or any part of the Properties into residential lots or superpads;

(viii) construct, own, operate and manage one or more golf courses on the Properties and acquire, maintain and dispose of furniture, fixtures and equipment relating to such golf courses;

(ix) establish membership programs for the golf courses and other improvements, facilities or amenities at the project and administer the same;

(x) construct dwelling units, office buildings, retail buildings, sales centers, restaurants, sports and recreational facilities, trails, pathways and other vertical improvements of every kind and nature on portions of the Properties;

(xi) grant easements or other property rights by documents that are customarily recorded with respect to all or any part of the Properties, establish homeowners' and similar associations, and subject all or any part of the Properties to covenants, conditions, restrictions, improvement districts, community facilities districts and similar arrangements;

(xii) hold all or any part of the Properties for investment;

(xiii) obtain community facilities district financing for the Project on terms and conditions authorized under the Trust Agreement ("Authorized CFD Financing"), and in connection therewith, take each and every action authorized or permitted under the Trust Agreement with respect to such financing;

(xiv) acquire access easements, rights of way and similar property rights or interests necessary or desirable in connection with the development of the Properties;

(xv) own, operate, manage, lease, maintain, repair, replace, sell, exchange, dedicate, donate, transfer, assign or otherwise dispose of all or any part of the Properties or the Project (including, without limitation, any golf course or other improvements constructed on the Properties);

(h) retain contractors, consultants and employees to assist the Company in any and all activities of the Company as necessary or convenient to accomplish the purposes of the Company;

(i) enter into contracts, agreements and other arrangements of any kind or nature as are necessary or convenient to accomplish the purposes of the Company;

(j) provide bonds, surety arrangements, guarantees and other financial commitments of any kind or nature and lend money or advance credit as necessary or advisable for the development of the Project;

(k) exercise all of the Company's rights and remedies and perform all of the Company's duties and obligations under any agreement entered into pursuant to the foregoing provisions of this Section 1.6 and, without limiting the generality of the foregoing, exercise any right and take any action which the Company is authorized or permitted to take under the Master Agreement, the Trust Agreement, the Remediation Agreement and any other agreement referred to therein or executed and delivered in connection therewith; and

(l) engage and direct the Trustee under the Trust Agreement to engage in any and all activities that are necessary, convenient or incidental to the accomplishment of the foregoing business purposes;

all on terms and conditions determined by the Manager, in its sole and absolute discretion, without the joinder or consent of any other Person (including, without limitation, the Independent Member).

1.7 Powers. The Company is authorized to engage in all activities permitted by the Act, to the extent deemed necessary, convenient, incidental or advisable by the Manager to the accomplishment of the purpose of the Company as set forth in Section 1.6.

ARTICLE 2
SPECIAL PURPOSE PROVISIONS

2.1 Limited Purposes. The Company is a special purpose entity that has been organized and will be operated for the sole and exclusive purposes set forth in Section 1.6.

2.2 Independent Member.

(a) Designation of Independent Member. Prior to the execution of the Master Agreement by the Company, the Manager shall designate one or more individuals to act as a member (an "Independent Member") of the Company for the sole purpose of voting on matters described in Section 2.3(a). If the Independent Member then serving resigns or is removed in accordance with Section 2.2(d) or (e), the Manager shall designate a replacement Independent Member prior to the effective date of such resignation or removal. If the Independent Member then serving dies or becomes incapacited, the Manager shall designate a replacement Independent Member not later than thirty days following the date on which the Manager obtains actual knowledge of such death or incapacity. Any Independent Member designated from time to time by the Manager shall be subject to the approval of Foundation, which approval shall not be unreasonably withheld, conditioned or delayed. Any disagreement regarding whether Foundation has unreasonably withheld or conditioned its approval to the Independent Member designated by the Manager shall be subject to resolution in accordance with the procedures set forth in Sections 5.4 and 6 of the Trust Agreement.

(b) Qualifications of Independent Member. Each Independent Member shall be an individual who, except in his or her capacity as an Independent Member of the Company, is not and has not been before such individual's appointment as an Independent Member: (i) a member, manager, stockholder, partner, director, officer or employee of the Company or any of its Affiliates; (ii) affiliated with a significant customer, consultant, independent contractor or supplier of the Company or its Affiliates; or (iii) a Family Member of any Person described in clause (i) or (ii) above.

(c) Execution of Agreement. Each Independent Member shall sign a counterpart signature page to this Agreement, in the form attached hereto, whereby such Person agrees to all terms and conditions of this Agreement that are applicable to the Individual Member.

(d) Resignation of Independent Member. An Independent Member may resign as such at any time by giving written notice of resignation to the Manager; provided that such resignation shall not be effective until the date specified in the notice of resignation, which shall be no earlier than thirty days following delivery of such notice. An Independent Member shall and must give a notice of resignation at such time as he or she develops a relationship described in Section 2.2(b)(i), (ii) or (iii) with the Company, its Affiliates or Family Members of Persons specified in Section 2.2(b)(iii).

(e) Removal of Independent Member. An Independent Member may be removed for "cause" by the Manager; provided that such removal shall not be effective until a replacement Independent Member has been designated in accordance with Section 2.2(a). For purposes of this Agreement, "cause" shall mean and be limited to (i) the employment of the Independent Member by a competitor of the Company or its Affiliates, (ii) the conviction or a plea of guilty by the Independent Member to a felony, or (iii) failure of the Independent Member to exercise its voting rights under this Agreement after a written request by the Manager to do so, if such failure continues for more than fifteen days following any such request.

(f) Rights and Obligations. The sole rights and obligations of the Independent Member shall be to vote for or against matters requiring the affirmative vote of the Independent Member under Section 2.3(a). Notwithstanding any contrary provision of this Agreement or the Act, the Independent Member shall have no obligation to make capital contributions or to render services of any kind or nature to or for the benefit of the Company and shall have no economic rights or any other interests as a Member of the Company. The Independent Member shall have no rights of a member of a limited liability company granted under the Act, other than the voting rights specifically conferred on the Independent Member under this Section 2.2, and shall have no right to vote or to grant or withhold consent to any other matter relating to the Company. The Company shall have no obligation to provide financial information or reports to the Independent Member or to include the Independent Member in any meetings relating to the Company or its business; provided that the Manager shall give written notice to the Independent Member of any meeting to be convened for the purpose of considering any matter on which the Independent Member is entitled to vote pursuant to Section 2.3(a), at least fifteen days prior to the date of such meeting, and shall provide the Independent Member with such information as the Independent Member may reasonably request in connection with any meeting convened for such purpose.

2.3 Restrictions on Company Action. Notwithstanding any other provision of this Agreement to the contrary and any provision of law that would so empower the Company:

(a) Acts Requiring Consent of Independent Member. For so long as the Company has any rights or obligations under the Master Agreement or holds any interest in the Trust Agreement, the Company shall not have the authority to do any of the following unless there is an Independent Member, and the Manager and Independent Member affirmatively vote to cause the Company to so act:

(i) engage in any business or activity other than those set forth in Section 1.6;

(ii) dissolve or liquidate, in whole or in part at any time prior to December 31, 2050 (except as provided in Section 2.3(a)(v)(D)), or consolidate or merge with or into any other person or entity, or convey or transfer its properties and assets substantially as an entirety to any person or entity or change its legal structure;

(iii) acquire all, or substantially all, of the assets or capital stock or other ownership interest of any other entity (except for an entity wholly-owned by the Company whose sole purpose is to engage in activities authorized under Section 1.6);

(iv) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file, or consent to, a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any substantial part of its property, or make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take limited liability company action in furtherance of any such action;

(v) authorize the amendment of this Agreement to (A) provide for any additional managers other than the Manager provided for hereunder; (B) enlarge or alter the permitted business purposes of the Partnership as provided in Section 1.6; (C) amend or repeal the restrictions on Company action in this Section 2.3; or (D) permit or cause the Company to dissolve or to liquidate; except that upon the insolvency of, or the institution of voluntary or involuntary bankruptcy proceedings involving, the Company which are not dismissed within sixty days, the Company shall dissolve.

(b) Prohibited Acts. The Company shall not do any of the following (each of which shall be deemed to be prohibited hereby):

(i) incur any indebtedness, secured or unsecured, other than (A) Authorized CFD Financing obtained on terms and conditions permitted under the Trust Agreement, and (B) trade and operational debt, payables or other obligations incurred in the ordinary course of business with trade creditors, contractors or other Persons providing goods or

services for the benefit of the Project, provided that such indebtedness shall be paid when due (and no indebtedness other than Authorized CFD Financing may be secured by the Project);

(ii) make any loans to any third party (including an Affiliate); or

(iii) grant or cause to be granted a security interest of any nature whatsoever in the Company's assets or the Project other than (A) as required under the Trust Agreement, or (B) as permitted in the Trust Agreement with respect to Authorized CFD Financing.

(c) Maintenance of Separate Business. The Company shall at all times:

(i) maintain bank accounts, payroll, books, financial statements, accounting records and other company documents and records separate from those of any other Person (including any Affiliate of the Company);

(ii) not commingle the Company's funds or other assets with those of any other Person (including any Affiliate of the Company);

(iii) act solely in its name and through its the Manager and its authorized officers and agents and in all respects hold itself out to the public as a legal entity separate and distinct from any other Person (including any Affiliate of the Company);

(iv) maintain, to the best of its ability, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(v) segregate its individual assets from those of any other Person (including an Affiliate of the Company);

(vi) make investments directly or by brokers engaged and paid by the Company or its agents;

(vii) pay its own liabilities, including all administrative expenses and compensation to employees, consultants or agents, and all operating expenses, from its own separate assets;

(viii) not hold itself out to be responsible for the debts or obligations of any other Person;

(ix) not engage in any transacton with an Affiliate of the Company, other than as specifically authorized under the Trust Agreement or otherwise for goods or services provided to the Company by an Affiliate on arm's-length terms;

(x) pay from the Company's assets all obligations and indebtedness of any kind incurred by the Company;

(xi) abide by all limited liability company formalities, including the maintenance of current records of Company affairs;

(xii) cause its financial statements to be prepared in a manner that indicates the separate existence of the Company and its assets and liabilities;

(xiii) pay all its liabilities when due; and

(xiv) not assume or guaranty the obligations or liabilities of any Member or Affiliate of the Company.

(d) Additional Covenants. The Manager shall make decisions with respect to the business and daily operations of Company independent of and not dictated by any other Person, including Affiliates of the Company. The Members shall not assume or guarantee any obligations or liabilities of the Company.

ARTICLE 3
CAPITAL CONTRIBUTIONS

The Members shall make capital contributions to the Company from time to time as determined by the Manager in its sole discretion, which contributions shall be due within five business days following the Manager's written request therefor; provided that the Independent Member shall have no obligation to make capital contributions or to advance or provide funds to the Company.

ARTICLE 4
DISTRIBUTIONS

During the term of the Company, cash and property shall be distributed to the Members at such times and in such amounts as are determined by the Manager; provided that (a) no distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, and (b) no Independent Member shall be entitled to receive any distributions from the Company.

ARTICLE 5
MANAGEMENT OF THE COMPANY

Except as provided in Article 2, the business and affairs of the Company shall be managed solely by Realco, as Manager. Subject to Article 2, the Manager shall have full and complete authority, power and discretion to make any and all decisions and to do any and all things which it deems to be necessary or advisable to accomplish the business and objectives of the Company, consistent with the purpose of the Company as set forth in Section 1.6. Without limiting the generality of the foregoing, the Manager shall have the authority on behalf of the Company to undertake each and every activity that is within the scope of the purpose or powers of the Company set forth in Section 1.6. Notwithstanding any provision of this Agreement to the contrary, the signature of Realco, as Manager of the Company, shall be sufficient to convey title to

any property owned by the Company or to execute any document, agreement or instrument that is to be binding on the Company. Subject to Article 2, any Person dealing with the Company may rely (without further inquiry and without the need for formal Company resolutions or other evidence of authority) upon the acts of the Manager as binding on the Company with respect to all matters pertaining to the Company. Without limiting the generality of the foregoing, but subject to Article 2, the Manager (acting on behalf of the Company) is authorized to direct the Trustee under the Trust Agreement as to all matters on which the Company is entitled to act thereunder.

ARTICLE 6
DISSOLUTION AND WINDING UP

6.1 Dissolution Events. The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Dissolution Events"):

(a) Subject to Article 2, at the written direction of the Manager at any time;

(b) The happening of an event requiring dissolution of the Company under Section 2.3(a)(v)(d); or

(c) The happening of any other event that makes it unlawful or impossible to carry on the business of the Company.

The Company shall not dissolve or terminate upon the occurrence of any event of withdrawal (as set forth in Section 29-733 of the Act) with respect to any Member or Manager and upon the occurrence of an event of withdrawal with respect to the last remaining Member, the successors to the last remaining Member shall automatically become Members and shall continue the Company.

6.2 Notice of Winding Up. As soon as possible following the occurrence of a Dissolution Event, if the Company is not continued, a representative of the Company shall execute and file a notice of winding up with the Arizona Corporation Commission.

6.3 Winding Up. Upon a Dissolution Event, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors, but the separate existence of the Company shall continue until articles of termination have been filed with the Arizona Corporation Commission or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

6.4 Liquidation and Distribution of Assets. The Manager (or its successor in interest) shall be responsible for overseeing the winding up and liquidation of the Company and shall take full account of the Company's liabilities and assets upon a Dissolution Event. Any assets not required to discharge any liabilities of the Company shall be distributed to the Members (or their successors in interest). Upon the completion of the winding up, liquidation and distribution of the Company's assets the Company shall be deemed terminated. The Company shall comply

with any applicable requirements of the Act pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

6.5 Articles of Termination. When all Company debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the Company's remaining property and assets have been distributed to the Members (or their successor in interest), articles of termination shall be executed and filed on behalf of the Company with the Arizona Corporation Commission in the manner provided in the Act.

ARTICLE 7
MISCELLANEOUS

7.1 Limitation on Liability. The Members' liability for the debts and obligations of the Company shall be strictly limited as set forth in Section 29-651 of the Act and other applicable law.

7.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their legal representatives, successors, transferees and assigns.

7.3 Headings. Article and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

7.4 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

7.5 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

7.6 Governing Law. The laws of the State of Arizona shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Members and Manager of the Company.

7.7 Defined Terms. The following terms shall have the meanings set forth below:

"Act" means the Arizona Limited Liability Company Act, as set forth in A.R.S. § 29-601, et seq., as amended from time to time.

"Affiliate" means, with respect to any Person (a) any Person directly or indirectly controlling, controlled by or under common control with such Person (for this purpose, a Person shall be deemed to control another Person if it owns ten percent or more of the outstanding securities or equity interests in such other Person), (b) any Person owning or controlling ten percent or more of the outstanding securities or equity interests in such Person, (c) any officer, director, partner, manager, trustee or beneficiary of such Person, (d) any Person who is an officer,

director, partner, manager, trustee, beneficiary or holder of ten percent or more the outstanding securities or equity interests in any Person described in clauses (a) through (c) above, or (e) any Family Member of any Person described in clauses (a) through (d) above.

"Agreement" has the meaning given that term in the introductory paragraph on page 1.

"Amended Articles" has the meaning given that term in Section 1.2.

"Articles" has the meaning given that term in Section 1.2.

"Authorized CFD Financing" has the meaning given that term in Section 1.6(f)(xiii).

"Bankruptcy Action" means (a) taking any action that might cause the Company to become insolvent; (b) (i) commencing any case or other action on behalf of the Company relating to bankruptcy, insolvency, reorganization or relief of debtors generally; (ii) instituting proceedings to have the Company adjudicated as bankrupt or insolvent; (iii) consenting to the institution of bankruptcy or insolvency proceedings against the Company; (iv) filing a petition or consenting to a petition seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation or other relief on behalf of the Company of its debts under any federal or state law relating to bankruptcy; (v) seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Company or a substantial portion of its properties; (vi) making any assignment for the benefit of the Company's creditors; or (vii) taking any action or causing the Company to take any action in furtherance of any of the foregoing.

"Company" has the meaning given that term in the introductory paragraph on page 1.

"Dissolution Event" has the meaning given that term in Section 6.1.

"Family Member" means, with respect to any Person the parents of such Person and any lineal descendants of the parents of such Person (whether by birth or adoption).

"Foundation" has the meaning given that term in Section 1.6(b).

"Independent Member" has the meaning given that term in Section 2.2.

"Manager" means Realco or any other Person unanimously approved by the Members as the "Manager" of the Company, but only if the designation of such Person as Manager is also reflected by an amendment to the Articles filed with the Arizona Corporation Commission in accordance with the Act.

"Master Agreement" has the meaning given that term in Section 1.6(b).

"Member" means Realco and any Person subsequently admitted as a member of the Company pursuant to the Act and this Agreement. The term "Member" as used herein shall not be deemed to refer to or include any Independent Member.

"Person" means any individual, partnership, corporation, trust, limited liability company or other entity.

"Project" has the meaning given that term in Section 1.6(e).

"Properties" has the meaning given that term in Section 1.6(b).

"Property" has the meaning given that term in Section 1.6(a).

"Realco" has the meaning given that term in the introductory paragraph on page 1.

"Related Parcels" has the meaning given that term in Section 1.6(b).

"Remediation Agreement" has the meaning given that term in Section 1.6(c).

"Trust Agreement" has the meaning given that term in Section 1.6(d).

"Trustee" has the meaning given that term in Section 1.6(d).

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Manager/Member

DMB Realco LLC, an Arizona
limited liability company

By: DMB Associates, Inc., an
Arizona corporation, Manager

By: _____
Its: Executive Vice President

DESIGNATION OF INDEPENDENT MEMBER

Pursuant to Section 2.2(a) of the Operating Agreement of DMB White Tank, LLC dated as of October 12, 1999 (the "Operating Agreement"), DMB Realco LLC, an Arizona limited liability company, as the "Manager" of DMB White Tank, LLC, an Arizona limited liability company (the "Company"), hereby designates Thomas L. May as the current "Independent Member" of the Company, as such term is defined in the Operating Agreement.

Dated this 19th day of March, 2002.

DMB Realco LLC, an Arizona
limited liability company, Manager

By: DMB Associates, Inc., an
Arizona corporation, Manager

By: _____
Charley Fredericks,
Vice President

Approval:

Pursuant to Section 2.2(a) of the Operating Agreement,
the undersigned approves the designation of Thomas L. May
as the current Independent Member of the Company

Caterpillar Foundation, an Illinois not-for-profit corporation

By: _____
Thomas L. May, Vice President

APPROVAL AND ACCEPTANCE
BY INDEPENDENT MEMBER

The undersigned hereby agrees to be bound by all terms and conditions that are applicable to the "Independent Member" under the Operating Agreement to which this Approval and Acceptance is attached:

THOMAS L. MAY
Printed Name

Signature

3/19/2002
Date

Address for Notices:

c/o Caterpillar Inc.
100 N.E. Adams Street
Peoria, Illinois 61629-9320

Certificate of Good Standing of DMB-WT

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

****DMB WHITE TANK, LLC****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 20th day of November 1998.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence 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 18th Day of July, 2006, A. D.

Executive Director

Order Number: 78742

Certificate of Andrew S. Beams

CERTIFICATE

Andrew S. Beams, the Vice President of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is (i) the Manager and Member of DMB Realco LLC, an Arizona limited liability company ("**Realco**"), which is the sole Member of DMB Communities LLC, an Arizona limited liability company ("**Communities**"), and (ii) the Manager of Communities, which is the Manager and sole Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**"), being the duly qualified and active Vice President of DMB Associates, hereby represents, warrants, covenants and certifies to Greenberg Traurig, LLP, an Arizona professional limited liability partnership ("**Greenberg Traurig**"), for purposes of Greenberg Traurig rendering its opinion (the "**Opinion Letter**") to Wells Fargo Bank Arizona, N.A. and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) in connection with the issuance, sale and purchase of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bond Transaction**"), as follows:

1. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Trust Agreement Documents**"): Trust Agreement, dated March 19, 2002, creating Trust No. B176, among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee ("**Trustee**"), Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), and DMB-WT, as Second Beneficiary ("**Second Beneficiary**"), and all exhibits, appendices, and side letter agreements thereto, as the same has been amended and restated pursuant to that certain Amended and Restated Trust Agreement, dated August 31, 2006 (the "**Trust Agreement**"); and there are no further amendments, modifications, supplements, restatements or replacements of the Trust Agreement, including that none of Fidelity National Title Insurance Company, as Trustee, Caterpillar Foundation, as First Beneficiary, nor DMB-WT, as Second Beneficiary, has taken or omitted to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the Trust Agreement, or result in the dissolution of the trust established thereby;

2. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB-WT Documents**"):

a) Articles of Organization of DMB White Tank, LLC, as an Arizona limited liability company, dated November 20, 1998, filed with the Arizona Corporation Commission on November 20, 1998, as File No. L-0858094-6;

b) Amended and Restated Articles of Organization of DMB White Tank, LLC, as an Arizona limited liability company, dated October 12, 1999, filed with the Arizona Corporation Commission on November 1, 1999, as File No. L-0858094-6;

c) Operating Agreement of DMB White Tank, LLC, dated October 12, 1999, by Realco as a Member and the sole Manager including, per §2.2(a) of the Operating Agreement, Designation of Independent Member (Thomas L. May) by Realco as Manager of DMB-WT, executed by Realco on March 19, 2002; Approval by Caterpillar Foundation of Designation of Independent Member, executed by Caterpillar Foundation on March 19,

2002; and Independent Member Approval and Acceptance of the Operating Agreement, executed by Thomas L. May, on March 19, 2002, as the Independent Member;

d) First Amendment to the Amended and Restated Articles of Organization of DMB White Tank, LLC, as an Arizona limited liability company, dated December 31, 2005, filed with the Arizona Corporate Commission on January 9, 2006, as File No. L-0858094-6; and

e) Certificate of Good Standing of DMB White Tank, LLC, an Arizona limited liability company, issued July 18, 2006.

With the exception of the DMB-WT Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB-WT Documents, including that none of Realco nor DMB Associates nor Communities has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB-WT Document, or result in the dissolution of DMB-WT, and, to the best knowledge of the undersigned, the DMB-WT Documents remain in full force and effect;

3. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Communities Documents**"):

a) Articles of Organization of DMB Communities LLC, as a limited liability company, dated October 3, 2005, filed with the Arizona Corporate Commission on November 1, 2005, as File No. L-1239310-4; and

b) Certificate of Good Standing of DMB Communities LLC, an Arizona limited liability company, issued July 18, 2006.

4. Greenberg Traurig has been provided with an accurate and complete copy of the Master Agreement for Certain Contributions, Distributions and Purchases of Ownership Interests, dated January 1, 1994, by and among Drew M. Brown, Mark N. Sklar and Bennett Dorrance, individually and Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended in its entirety on March 2, 1990 (the "**Master Agreement**"). There are no amendments, modifications, supplements, restatements or replacements of the Master Agreement, including that none of Drew M. Brown, Mark N. Sklar nor Bennett Dorrance has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of the Master Agreement and, to the best knowledge of the undersigned, the Master Agreement remains in full force and effect.

5. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Realco Documents**"):

a) Articles of Organization of DMB Realco LLC, as an Arizona limited liability company, dated May 14, 1997, filed with the Arizona Corporation Commission on May 14, 1997, as File No. L-0807920-8;

b) Amended and Restated Articles of Organization of DMB Realco LLC, as an Arizona limited liability company, dated April 8, 2003, filed with the Arizona Corporation Commission on April 8, 2003, as File No. L-0807920-8;

c) Operating Agreement of DMB Realco LLC, dated May 14, 1997, among DMB Associates, as the Manager of Realco, and Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of The Dorrance 1995 Issue Trust dated September 7, 1995, as Members of Realco;

d) Amended and Restated Operating Agreement of DMB Realco LLC, dated May 9, 2000, among DMB Associates, as the Manager of Realco, and Drew M. Brown, as Trustee of the Brown Family Trust dated August 30, 1980, as amended, Mark N. Sklar, as Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended, and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, as Co-Trustees of the Dorrance 1995 Issue Trust, as Members of Realco;

e) Exercise of Power to Merge Trust dated November 3, 1998, merging The Dorrance 1995 Issue Trust dated September 7, 1995, into The Dorrance 1995 Issue Trust dated November 2, 1998;

f) Confirmation of Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by The Dorrance 1995 Issue Trust created under The Dorrance 1995 Issue Trust Agreement dated as of September 7, 1995, to The Dorrance 1995 Issue Trust created under Trust Agreement dated November 2, 1998, and effective as of November 3, 1998 ("**Dorrance 1995 Issue Trust**");

g) Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by Mark N. Sklar to the Mark N. Sklar Trust created under the Mark N. Sklar Trust Agreement dated May 18, 1972, as amended, dated April 21, 2000 ("**Sklar Trust**");

h) Consent of Members Without A Special Meeting dated April 21, 2000, consenting to the transfer of the Membership Interest of Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended and the admission of the Mark N. Sklar Trust as a Substituted Member;

i) Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by Drew M. Brown to the Brown Family Trust created under the Brown Family Trust Agreement dated August 30, 1980, as amended, dated May 8, 2000 ("**Brown Family Trust**");

j) Consent of Members Without A Special Meeting dated May 8, 2000, consenting to the transfer of the Membership Interest of Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended and the admission of the Brown Family Trust as a Substituted Member;

k) Majority Written Consent of DMB Realco LLC, an Arizona limited liability company, effective as of June 19, 2001, executed on behalf of the Dorrance 1995 Issue Trust dated September 7, 1995, the Brown Family Trust dated August 30, 1980, as amended, and the Mark N. Sklar Trust dated May 18, 1972, as amended, authorizing the formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Unanimous Consent of the Manager and Members of DMB Realco LLC, dated April 7, 2003, authorizing the formation of DMB-WT, designation of Realco as sole initial Manager and Member of DMB-WT, execution and delivery of the Trust Agreement

by Realco on behalf of DMB-WT, and designation of Thomas L. May as an Independent Director of DMB-WT;

m) Opinion of Counsel from Fennemore Craig, dated October 17, 2006, with reference to the Realco Trusts and Shareholder Trusts for the benefit of RBC Dain Rauscher Inc., Verrado District 1 Community Facilities District, and for reliance by the law firm of Greenberg Traurig, LLP; and

n) Certificate of Good Standing of DMB Realco LLC, an Arizona limited liability company, issued July 18, 2006.

With the exception of the Realco Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the Realco Documents, including that none of Associates nor any of the Members has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any Realco Document, or result in the dissolution of Realco, and, to the best knowledge of the undersigned, the Realco Documents remain in full force and effect;

6. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB Associates Documents**"):

a) Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated January 21, 1985, filed with the Arizona Corporation Commission on January 23, 1985, as File No. 172559;

b) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated April 4, 1988, filed with the Arizona Corporation Commission on June 10, 1988, as File No. 172559-6;

c) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated December 18, 1990, filed with the Arizona Corporation Commission on February 14, 1991, as File No. 172559-2;

d) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated July 30, 1999, filed with the Arizona Corporation Commission on August 30, 1999, as File No. 0172559-6;

e) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated May 1, 2002, filed with the Arizona Corporation Commission on June 11, 2002, as File No. 0172559-6;

f) Bylaws of DMB Associates, Inc., adopted by the Board of Directors on January 22, 1985;

g) Stock Purchase and Redemption Agreement dated February 14, 1991, by and among DMB Associates, Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended ("**Dorrance 1989 Trust**") and Acceptance by Laurie E. Brown, JoAnn Sklar, and Jacquelynn Dorrance;

h) Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 of the Bylaws pertaining to the annual meeting of the shareholders;

i) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated April 21, 2000, consenting to the transfer of the voting and non-voting stock

owned individually by Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended;

j) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000, consenting to the transfer of the voting stock and non-voting stock owned individually by Drew M. Brown to the Brown Family Trust, dated August 30, 1980, as amended;

k) Unanimous Written Consent of Board of Directors of DMB Associates, Inc., an Arizona corporation, as Manager of Realco, as Manager of DMB-WT, effective as of June 19, 2001, authorizing the formation of the WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Consent in Lieu of Annual Meeting of Shareholders dated December 7, 2005, pertaining to the election of Drew M. Brown, Bennett Dorrance and Mark N. Sklar as Directors of DMB Associates;

m)Consent in Lieu of Annual Meeting of Board of Directors dated December 7, 2005, pertaining to the election of officers of DMB Associates;

n) Consent to Resolutions in Lieu of Meeting of Board of Directors dated January 1, 2006, pertaining to the election of Dirk W. Ellsworth as an officer of DMB Associates;

o) Certificate of Incumbency of Andrew S. Beams, Vice President of DMB Associates dated August 1, 2006; and

p) Certificate of Good Standing of DMB Associates, Inc., an Arizona corporation, issued July 18, 2006.

With the exception of the DMB Associates Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB Associates Documents, including that none of the officers, directors nor shareholders has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB Associates Document, or result in the dissolution of DMB Associates, and, to the best knowledge of the undersigned, the DMB Associates Documents remain in full force and effect;

7. The undersigned, Andrew S. Beams, is Vice President of DMB Associates, which is (i) the Manager and Member of Realco, which is the sole Member of Communities, and (ii) the Manager of Communities, which is the Manager and sole Member of DMB-WT, is familiar with the corporate, limited liability company, partnership and trust books and records of DMB Associates, Realco, DMB-WT and Communities, including the Trust Agreement Documents, the DMB-WT Documents, the Communities Documents, the Master Agreement, the Realco Documents and the DMB Associates Documents (collectively, the "**Operative Documents**") and, to the best knowledge of the undersigned, acting in such capacity:

(a) With respect to the Operative Documents, all signatures thereon are genuine, all actions of the signatories thereto have been duly authorized and such Operative Documents constitute the valid and binding obligations of the parties thereto, all parties to the Operative Documents have obtained all necessary consents, authorizations,

approvals, permits and certificates required as a condition to the execution and delivery of same, each of the Operative Documents (as applicable) constitutes an integrated agreement between the parties thereto with respect to the matters contained therein and accurately describes and contains all of the agreements and understandings between the parties thereto with respect to such matters, 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 any of the Operative Documents (except as expressly provided for in the Operative Documents) and all representations and warranties of all parties contained in the Operative Documents are true and accurate.

(b) The execution and delivery of this Certificate and the Bond Transaction Documents by or on behalf of DMB-WT, Realco, Communities and/or DMB Associates, as applicable, will not conflict with or result in a violation of any agreement, contract, indenture, undertaking or instrument to which any of DMB-WT, Communities, Realco, DMB Associates, the Dorrance 1995 Issue Trust, the Dorrance 1989 Trust, the Brown Family Trust, the Sklar Trust, or any constituent member, director, shareholder, trustee or beneficiary thereof, is a party or by which it or its assets or interests are bound.

(c) Except as already obtained and/or as reflected in the DMB-WT Documents, the Communities Documents, the Realco Documents and the DMB Associates Documents, respectively, no consent, approval, authorization, or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by or on behalf of DMB-WT of the Bond Transaction Documents, or the payment and performance of the agreements and obligations of DMB-WT thereunder.

(d) None of the Trustee, First Beneficiary or Second Beneficiary are in violation of any provision of, or in default under, the Trust Agreement Documents, or any other agreement, undertaking or instrument to which the Trust is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance.

(e) None of DMB Associates or any Shareholder is in violation of any provision of, or in default under, the DMB Associates Documents, or any other agreement, undertaking or instrument to which DMB Associates or any Shareholder is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance.

(f) None of Realco or any Member is in violation of any provision of, or in default under, the Realco Documents, or any other agreement, undertaking or instrument to which Realco or any Member is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance.

(g) Communities is not in violation of any provision of, or in default under, the Communities Documents, or any other agreement, undertaking or instrument to which Communities is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance.

(h) DMB-WT is not in violation of any provision of, or in default under, the DMB-WT Documents, or any other agreement, undertaking or instrument to which DMB-WT is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance.

(i) The information pertaining to DMB-WT, and the Verrado master-planned community (referred to therein as the "Project") contained in the Preliminary Limited Offering Memorandum including under the headings "RISK FACTORS", "LITIGATION" and "FINANCIAL INFORMATION" and in Appendix A - "INFORMATION REGARDING THE TOWN OF BUCKEYE, ARIZONA" 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.

(j) DMB-WT, Communities, Realco and DMB Associates have paid all income taxes, fines, jeopardy or fraud assessments, and interest due from any of them and payable to the State of Arizona.

[Signature Page to follow]

Dated as of the 31st day of ~~August~~ October, 2006.

Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation, (i) Manager and Member of DMB Realco LLC, the sole Member of DMB Communities LLC and (ii) Manager of DMB Communities LLC, the Manager and sole Member of DMB White Tank, LLC

Written Consent of Member of DMB-WT

WRITTEN CONSENT OF MEMBER
OF
DMB WHITE TANK, LLC,
an Arizona limited liability company

The undersigned Member of DMB WHITE TANK, LLC, an Arizona limited liability company (the "**Company**"), hereby adopts the following resolution, effective as of ~~August~~ October 17, 2006.

WHEREAS, pursuant to a Limited Offering Memorandum dated October 17, 2006, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bonds**"), to provide funds to (i) construct and finance the acquisition of certain public infrastructure within the District, (ii) to pay certain funded interest on the Bonds, and (iii) pay costs of issuance relating to the Bonds (the "**Bond Issuance**");

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance that the Company make certain representations and agreements, including agreeing to provide certain financial assurances to the District in connection with the Bond Issuance;

WHEREAS, the Bond Issuance will directly or indirectly benefit the Company and its Member;

WHEREAS, the undersigned Member of the Company is authorized to act on behalf of the Company with respect to all matters that are the subject of this Consent.

NOW THEREFORE, BE IT RESOLVED, that the Company has determined that the making of certain representations and agreements and the giving of certain financial assurances in connection with the Bond Issuance is in the best interest of the Company;

FURTHER RESOLVED, that any of the following officers of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is (i) the Manager of DMB Communities LLC, an Arizona limited liability company ("**Communities**"), and (ii) the Manager and Member of DMB Realco LLC, an Arizona limited liability company ("**Realco**"), which is the sole Member of Communities, which is the Manager and sole Member of the Company, is hereby authorized and directed to negotiate, execute and deliver, in the name and on behalf of the Company, such certificates, agreements, documents or instruments as he may deem necessary or appropriate in his sole discretion to consummate the Bond Issuance including, without limitation, the Standby Contribution Agreement and the Closing Certificate of the Company, in such

form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President
Eneas A. Kane	Executive Vice President/Assistant Secretary;

FURTHER RESOLVED, that any of the officers named above, and each of them, acting alone, are hereby authorized to incur and pay all expenses relating to the Bond Issuance as shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the undersigned Member hereby ratifies and approves any actions previously taken by or at the request of John Bradley, Vice President, Andrew S. Beams, Vice President, Eneas A. Kane, Executive Vice President and Assistant Secretary, the Company, Communities, Realco and/or DMB Associates, on behalf of the Company, in connection with the Bond Issuance, and any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental and hereto;

FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

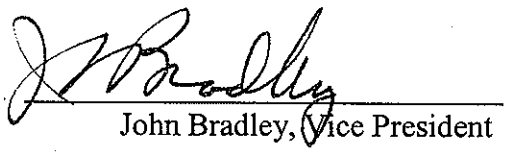
FURTHER RESOLVED, that a copy of these resolutions may be delivered to the District or any other person in connection with the Bond Issuance and these resolutions shall remain in full force and effect until the District's receipt of further resolutions of the Member revoking these resolutions.

[Signature Page to follow]

MEMBER:

DMB Communities LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an Arizona corporation,
Its: Manager

By: : 
John Bradley, Vice President

Articles of Organization of Communities

AZ CORPORATION COMMISSION
FILED

"EXP"

NOV 0 1 2005

FILE NO. L-1259310-4

ARTICLES OF ORGANIZATION
DMB COMMUNITIES LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company (the "Company") formed by this instrument is "DMB Communities LLC."

2. Office Agent. The address of the Company's known place of business in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and street address of the Company's statutory agent are PIQ Holdings, Inc., an Arizona corporation, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

3. Management. Management of the Company is vested in one manager.

4. Name and Address of Manager. The name and address of the manager of the Company are DMB Associates, Inc., an Arizona corporation, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

5. Name and Address of Sole Member. DMB Realco LLC, an Arizona limited liability company, whose address is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258, is the sole member of the Company.

6. Additional Matters. The Company is authorized to engage in any and all business authorized by law. Any person dealing with the Company may rely, without further inquiry, on the identity of the manager set forth in these Articles of Organization, until such time as they are amended in accordance with applicable law to reflect a change in the identity of the manager. The manager, acting alone and without the requirement for further resolutions or agreements evidencing such authority, shall have the authority to execute and deliver documents and instruments on behalf of the Company, all of which shall be binding on the Company. Without limiting the generality of the foregoing, the manager is specifically authorized on behalf of the Company to buy and sell property, enter into purchase agreements (including subdivision trust agreements), record instruments affecting title to property, borrow money, issue evidences of indebtedness, encumber the Company's assets (by deed of trust, mortgage, security interest, public or private financing, assessment liens, improvement districts, community facility districts or otherwise), settle disputes, obtain licenses and permits, make applications for governmental approvals, grant and obtain options, and otherwise deal with the assets of the Company in the same manner in which an individual could deal with his own assets, and in connection therewith exercise all rights and remedies and perform all obligations of the Company under any applicable documents or instruments entered into by the Company. The manager is also specifically authorized to cause the Company to acquire interests in one or more other entities and to exercise all of the Company's rights, power and authority with respect to such entities, including, without limitation, causing such entities to take any actions described in the immediately preceding sentence. Without further action or joinder by any person or entity, the manager may enter into resolutions on behalf of the Company for any matters authorized under law, setting forth in greater detail actions authorized by the

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Company, and such resolutions may be relied on absolutely by any person or entity to whom they are delivered.

Dated October 3, 2005.

PIQ Holdings, Inc.,
an Arizona corporation

By: _____
Its: Vice President

PIQ Holdings, Inc., having been designated to act as Statutory Agent of DMB Communities LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

PIQ Holdings, Inc.,
an Arizona corporation

By: _____
Its: Vice President

7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

Certificate of Good Standing of Communities

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

****DMB COMMUNITIES LLC****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 1st day of November 2005.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence 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 18th Day of July, 2006, A. D.

Executive Director

Order Number: 78744

Certificate of Andrew S. Beams

CERTIFICATE

Andrew S. Beams, the Vice President of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is (i) the Manager and Member of DMB Realco LLC, an Arizona limited liability company ("**Realco**"), which is the sole Member of DMB Communities LLC, an Arizona limited liability company ("**Communities**"), and (ii) the Manager of Communities, being the duly qualified and active Vice President of DMB Associates, hereby represents, warrants, covenants and certifies to Greenberg Traurig, LLP, an Arizona professional limited liability partnership ("**Greenberg Traurig**"), for purposes of Greenberg Traurig rendering its opinion (the "**Opinion Letter**") to Wells Fargo Bank Arizona, N.A. and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) in connection with the issuance, sale and purchase of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bond Transaction**"), as follows:

1. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Trust Agreement Documents**"): Trust Agreement, dated March 19, 2002, creating Trust No. B176, among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee ("**Trustee**"), Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), and DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**"), as Second Beneficiary ("**Second Beneficiary**"), and all exhibits, appendices, and side letter agreements thereto, as the same has been amended and restated pursuant to that certain Amended and Restated Trust Agreement dated August 31, 2006 (the "**Trust Agreement**"); and there are no further amendments, modifications, supplements, restatements or replacements of the Trust Agreement, including that none of Fidelity National Title Insurance Company, as Trustee, Caterpillar Foundation, as First Beneficiary, nor DMB-WT, as Second Beneficiary, has taken or omitted to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the Trust Agreement, or result in the dissolution of the trust established thereby;

2. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Communities Documents**"):

a) Articles of Organization of DMB Communities LLC, as a limited liability company, dated October 3, 2005, filed with the Arizona Corporate Commission on November 1, 2005, as File No. L-1239310-4; and

b) Certificate of Good Standing of DMB Communities LLC, an Arizona limited liability company, issued July 18, 2006.

3. Greenberg Traurig has been provided with an accurate and complete copy of the Master Agreement for Certain Contributions, Distributions and Purchases of Ownership Interests, dated January 1, 1994, by and among Drew M. Brown, Mark N. Sklar and Bennett Dorrance, individually and Bennett Dorrance, as Trustee of the Bennett

Dorrance Trust dated April 21, 1989, as amended in its entirety on March 2, 1990 (the "**Master Agreement**"). There are no amendments, modifications, supplements, restatements or replacements of the Master Agreement, including that none of Drew M. Brown, Mark N. Sklar nor Bennett Dorrance has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of the Master Agreement and, to the best knowledge of the undersigned, the Master Agreement remains in full force and effect.

4. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Realco Documents**"):

a) Articles of Organization of DMB Realco LLC, as an Arizona limited liability company, dated May 14, 1997, filed with the Arizona Corporation Commission on May 14, 1997, as File No. L-0807920-8;

b) Amended and Restated Articles of Organization of DMB Realco LLC, as an Arizona limited liability company, dated April 8, 2003, filed with the Arizona Corporation Commission on April 8, 2003, as File No. L-0807920-8;

c) Operating Agreement of DMB Realco LLC, dated May 14, 1997, among DMB Associates, as the Manager of Realco, and Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of The Dorrance 1995 Issue Trust dated September 7, 1995, as Members of Realco;

d) Amended and Restated Operating Agreement of DMB Realco LLC, dated May 9, 2000, among DMB Associates, as the Manager of Realco, and Drew M. Brown, as Trustee of the Brown Family Trust dated August 30, 1980, as amended, Mark N. Sklar, as Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended, and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, as Co-Trustees of the Dorrance 1995 Issue Trust, as Members of Realco;

e) Exercise of Power to Merge Trust dated November 3, 1998, merging The Dorrance 1995 Issue Trust dated September 7, 1995, into The Dorrance 1995 Issue Trust dated November 2, 1998;

f) Confirmation of Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by The Dorrance 1995 Issue Trust created under The Dorrance 1995 Issue Trust Agreement dated as of September 7, 1995, to The Dorrance 1995 Issue Trust created under Trust Agreement dated November 2, 1998, and effective as of November 3, 1998 ("**Dorrance 1995 Issue Trust**");

g) Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by Mark N. Sklar to the Mark N. Sklar Trust created under the Mark N. Sklar Trust Agreement dated May 18, 1972, as amended, dated April 21, 2000 ("**Sklar Trust**");

h) Consent of Members Without A Special Meeting dated April 21, 2000, consenting to the transfer of the Membership Interest of Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended and the admission of the Mark N. Sklar Trust as a Substituted Member;

i) Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by Drew M. Brown to the Brown Family Trust

created under the Brown Family Trust Agreement dated August 30, 1980, as amended, dated May 8, 2000 ("**Brown Family Trust**");

j) Consent of Members Without A Special Meeting dated May 8, 2000, consenting to the transfer of the Membership Interest of Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended and the admission of the Brown Family Trust as a Substituted Member;

k) Majority Written Consent of DMB Realco LLC, an Arizona limited liability company, effective as of June 19, 2001, executed on behalf of the Dorrance 1995 Issue Trust dated September 7, 1995, the Brown Family Trust dated August 30, 1980, as amended, and the Mark N. Sklar Trust dated May 18, 1972, as amended, authorizing the formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Unanimous Consent of the Manager and Members of DMB Realco LLC, dated April 7, 2003, authorizing the formation of DMB-WT, designation of Realco as sole initial Manager and Member of DMB-WT, execution and delivery of the Trust Agreement by Realco on behalf of DMB-WT, and designation of Thomas L. May as an Independent Director of DMB-WT;

m) Opinion of Counsel from Fennemore Craig, dated October 17, 2006, with reference to the Realco Trusts and Shareholder Trusts for the benefit of RBC Dain Rauscher Inc, Verrado District 1 Community Facilities District, and for reliance by the law firm of Greenberg Traurig, LLP; and

n) Certificate of Good Standing of DMB Realco LLC, an Arizona limited liability company, issued July 18, 2006.

With the exception of the Realco Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the Realco Documents, including that none of Associates nor any of the Members has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any Realco Document, or result in the dissolution of Realco, and, to the best knowledge of the undersigned, the Realco Documents remain in full force and effect;

5. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB Associates Documents**"):

a) Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated January 21, 1985, filed with the Arizona Corporation Commission on January 23, 1985, as File No. 172559;

b) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated April 4, 1988, filed with the Arizona Corporation Commission on June 10, 1988, as File No. 172559-6;

c) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated December 18, 1990, filed with the Arizona Corporation Commission on February 14, 1991, as File No. 172559-2;

d) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated July 30, 1999, filed with the Arizona Corporation Commission on August 30, 1999, as File No. 0172559-6;

e) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated May 1, 2002, filed with the Arizona Corporation Commission on June 11, 2002, as File No. 0172559-6;

f) Bylaws of DMB Associates, Inc., adopted by the Board of Directors on January 22, 1985;

g) Stock Purchase and Redemption Agreement dated February 14, 1991, by and among DMB Associates, Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended ("**Dorrance 1989 Trust**") and Acceptance by Laurie E. Brown, JoAnn Sklar, and Jacquelynn Dorrance;

h) Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 of the Bylaws pertaining to the annual meeting of the shareholders;

i) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated April 21, 2000, consenting to the transfer of the voting and non-voting stock owned individually by Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended;

j) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000, consenting to the transfer of the voting stock and non-voting stock owned individually by Drew M. Brown to the Brown Family Trust, dated August 30, 1980, as amended;

k) Unanimous Written Consent of Board of Directors of DMB Associates, Inc., an Arizona corporation, as Manager of Realco, as Manager of DMB-WT, effective as of June 19, 2001, authorizing the formation of the WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Consent in Lieu of Annual Meeting of Shareholders dated December 7, 2005, pertaining to the election of Drew M. Brown, Bennett Dorrance and Mark N. Sklar as Directors of DMB Associates;

m)Consent in Lieu of Annual Meeting of Board of Directors dated December 7, 2005, pertaining to the election of officers of DMB Associates;

n) Consent to Resolutions in Lieu of Meeting of Board of Directors dated January 1, 2006, pertaining to the election of Dirk W. Ellsworth as an officer of DMB Associates;

o) Certificate of Incumbency of Andrew S. Beams, Vice President of DMB Associates dated August 1, 2006; and

p) Certificate of Good Standing of DMB Associates, Inc., an Arizona corporation, issued July 18, 2006.

With the exception of the DMB Associates Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB Associates Documents, including that none of the officers, directors nor shareholders has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB Associates Document, or result in the

dissolution of DMB Associates, and, to the best knowledge of the undersigned, the DMB Associates Documents remain in full force and effect;

6. The undersigned, Andrew S. Beams, is Vice President of DMB Associates, which is (i) the Manager and Member of Realco, which is the sole Member of Communities, and (ii) the Manager of Communities, is familiar with the corporate, limited liability company, partnership and trust books and records of DMB Associates, Realco, and Communities, including the Trust Agreement Documents, the Communities Documents, the Master Agreement, the Realco Documents and the DMB Associates Documents (collectively, the "**Operative Documents**") and, to the best knowledge of the undersigned, acting in such capacity:

(a) With respect to the Operative Documents, all signatures thereon are genuine, all actions of the signatories thereto have been duly authorized and such Operative Documents constitute the valid and binding obligations of the parties thereto, all parties to the Operative Documents have obtained all necessary consents, authorizations, approvals, permits and certificates required as a condition to the execution and delivery of same, each of the Operative Documents (as applicable) constitutes an integrated agreement between the parties thereto with respect to the matters contained therein and accurately describes and contains all of the agreements and understandings between the parties thereto with respect to such matters, 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 any of the Operative Documents (except as expressly provided for in the Operative Documents) and all representations and warranties of all parties contained in the Operative Documents are true and accurate.

(b) The execution and delivery of this Certificate and the Bond Transaction Documents by or on behalf of Communities, Realco and/or DMB Associates, as applicable, will not conflict with or result in a violation of any agreement, contract, indenture, undertaking or instrument to which any of Communities, Realco, DMB Associates, the Dorrance 1995 Issue Trust, the Dorrance 1989 Trust, the Brown Family Trust, the Sklar Trust, or any constituent member, director, shareholder, trustee or beneficiary thereof, is a party or by which it or its assets or interests are bound.

(c) Except as already obtained and/or as reflected in the Communities Documents, the Realco Documents and the DMB Associates Documents, respectively, no consent, approval, authorization, or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by or on behalf of Communities of the Bond Transaction Documents, or the payment and performance of the agreements and obligations of Communities thereunder.

(d) None of the Trustee, First Beneficiary or Second Beneficiary are in violation of any provision of, or in default under, the Trust Agreement Documents, or any other agreement, undertaking or instrument to which the Trust is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse

affect, on the execution, delivery, payment and performance of the agreements and obligations of Communities in connection with the Bond Issuance.

(e) None of DMB Associates or any Shareholder is in violation of any provision of, or in default under, the DMB Associates Documents, or any other agreement, undertaking or instrument to which DMB Associates or any Shareholder is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of Communities in connection with the Bond Issuance.

(f) None of Realco or any Member is in violation of any provision of, or in default under, the Realco Documents, or any other agreement, undertaking or instrument to which Realco or any Member is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of Communities in connection with the Bond Issuance.

(g) Communities is not in violation of any provision of, or in default under, the Communities Documents, or any other agreement, undertaking or instrument to which Communities is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of Communities in connection with the Bond Issuance.

(h) The information pertaining to DMB-WT, and the Verrado master-planned community (referred to therein as the "Project") contained in the Preliminary Limited Offering Memorandum including under the headings "RISK FACTORS", "LITIGATION" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" 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.

(i) Communities, Realco and DMB Associates have paid all income taxes, fines, jeopardy or fraud assessments, and interest due from any of them and payable to the State of Arizona.

[Signature Page to follow]

Dated as of the 17th day of ~~August~~ October, 2006.

Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation, (i) Manager and Member of DMB Realco LLC, the sole Member of DMB Communities LLC and (ii) Manager of DMB Communities LLC

Written Consent of Member of Communities

WRITTEN CONSENT OF MEMBER
OF
DMB COMMUNITIES LLC,
an Arizona limited liability company

The undersigned Member of DMB COMMUNITIES LLC, an Arizona limited liability company (the "**Company**"), hereby adopts the following resolution, effective as of ~~August~~ October 17, 2006.

WHEREAS, the Company is the Manager and sole Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated October 17, 2006, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bonds**"), to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, (ii) to pay certain funded interest on the Bonds, and (iii) pay costs of issuance relating to the Bonds (the "**Bond Issuance**");

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance that the Company make certain representations and agreements, including agreeing to provide certain financial assurances to the District in connection with the Bond Issuance;

WHEREAS, the Bond Issuance will directly or indirectly benefit the Company and its Member;

WHEREAS, the undersigned Member of the Company is authorized to act on behalf of the Company with respect to all matters that are the subject of this Consent.

NOW THEREFORE, BE IT RESOLVED, that the Company has determined that the making of certain representations and agreements and the giving of certain financial assurances in connection with the Bond Issuance is in the best interest of the Company;

FURTHER RESOLVED, that any of the following officers of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is (i) the Manager of the Company and (ii) the Manager and Member of DMB Realco LLC, an Arizona limited liability company ("**Realco**"), which is the sole Member of the Company, is hereby authorized and directed to negotiate, execute and deliver, in the name and on behalf of the Company, such certificates, agreements, documents or instruments as he may deem necessary or appropriate in his sole discretion to consummate the Bond Issuance

including, without limitation, the Standby Contribution Agreement and the Closing Certificate of the Company, in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President
Eneas A. Kane	Executive Vice President/Assistant Secretary;

FURTHER RESOLVED, that any of the officers named above, and each of them, acting alone, are hereby authorized to incur and pay all expenses relating to the Bond Issuance as shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the undersigned Member hereby ratifies and approves any actions previously taken by or at the request of John Bradley, Vice President, Andrew S. Beams, Vice President, Eneas A. Kane, Executive Vice President and Assistant Secretary, DMB-WT, the Company, Realco and/or DMB Associates on behalf of the Company, on behalf of DMB-WT, in connection with the Bond Issuance, and any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental and hereto;

FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

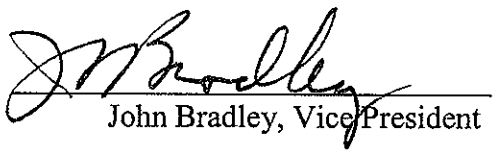
FURTHER RESOLVED, that a copy of these resolutions may be delivered to the District or any other person in connection with the Bond Issuance and these resolutions shall remain in full force and effect until the District's receipt of further resolutions of the Member revoking these resolutions.

[Signature Page to follow]

MEMBER:

DMB Realco LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an Arizona corporation,
Its: Manager

By: : 
John Bradley, Vice President

Articles of Organization of Realco

STATE OF ARIZONA
ACC/FAX
DATE FILED

MAY 14 1997

DATE APPR 5-14-97
TERM
BY Cheryl Leon

ARTICLES OF ORGANIZATION
DMB REALCO LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company formed by this instrument is "DMB Realco LLC".

OKMF

L-0807920-8

2. Office; Agent. The address of the limited liability company's registered office in Arizona is 4201 North 24th Street, Suite 120, Phoenix, Arizona 85016. The name and business address of the statutory agent of the limited liability company are FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012 (Attn: Gregg Hanks).

3. Statement of Membership. There are or will be two or more members of the limited liability company at the time it is formed.

4. Dissolution. The latest date upon which the limited liability company is to dissolve is December 31, 2050.

5. Management. Management of the limited liability company is vested in a manager.

6. Name and Address of Manager. The name and address of the manager of the limited liability company at the time of its formation are as follows:

DMB Associates, Inc.
4201 North 24th Street
Suite 120
Phoenix, Arizona 85016

7. Names and Addresses of Certain Members. The name and address of each member who owns a twenty percent or greater interest in the capital or profits of the limited liability company at the time of its formation are as follows:

The Dorrance 1995 Issue Trust, dated
September 7, 1995
4201 North 24th Street
Suite 120
Phoenix, Arizona 85016

Dated May 14,1997.

Gregg Hanks

Gregg Hanks

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

RENZ D. JENNINGS
COMMISSIONER

ARIZONA CORPORATION COMMISSION

GEOFFREY E. GONSHER
EXECUTIVE SECRETARY

FENNEMORE CRAIG
3003 N CENTRAL AVE #2600
PHOENIX, AZ 85012

RE: DMB REALCO LLC
File Number: L-0807920-8

We are pleased to notify you that your Articles of Organization were filed on May 14, 1997.

You must publish a notice of the filing or your Articles of Organization WITHIN (60) DAYS from the filing date noted above. The publication must be in a newspaper of general circulation in the county of the known place of business, for three (3) consecutive publications.

For your convenience we have provided a Notice of Publication form. Please complete this form, in its entirety, and submit to the newspaper of your choice. An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the file date.

If you have any questions or need further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,

CHERYL LEON
Examiner
Corporations Division
Arizona Corporation Commission

LL:13
Rev: 4/97

AZ. CORP. COMMISSION
FILED

APR 0 8 2003

APPR. Latha Hawkins
TERM
DATE 4-8-03
L-0807920-8

AMENDED AND RESTATED ARTICLES OF ORGANIZATION DMB REALCO LLC

Pursuant to A.R.S. § 29-633, the undersigned manager of DMB Realco LLC, an Arizona limited liability company (the "Company"), states as follows for the purpose of amending and restating in their entirety the Articles of Organization which were filed on behalf of the Company with the Arizona Corporation Commission on May 14, 1997, as Document No: L-0807920-8:

1. Name. The name of the Company is "DMB Realco LLC".

2. Office; Agent. The address of the Company's registered office in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and business address of the Company's statutory agent are Eneas A. Kane, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

3. Management. Management of the Company is vested in a manager.

4. Name and Address of Manager. The name and address of the Company's manager are as follows:

DMB Associates, Inc.
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

5. Names and Addresses of Certain Members. As of November 3, 1998, the name and address of each member who owns a twenty percent or greater interest in the capital or profits of the Company are as follows:

The Dorrance 1995 Issue Trust,
Jacquelynn W. Dorrance, Trustee
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

Dated April 8, 2003.

DMB Associates, Inc., an Arizona corporation, Manager
of DMB Realco LLC, an Arizona limited liability company

By: Eneas A. Kane
Its: V.P. General Counsel

The undersigned, having been designated to act as Statutory Agent of DMB Realco I, L.L.C, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

Encas A. Kane

7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

Opinion of Counsel from Fennemore Craig

FENNEMORE CRAIG, P.C.

3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913
(602) 916-5000

Gregg Hanks
Direct Phone: (602) 916-5309
Direct Fax: (602) 916-5509
ghanks@fclaw.com

Law Offices
Phoenix (602) 916-5000
Tucson (520) 879-6800
Nogales (520) 281-3480
Las Vegas (702) 692-8000

October 17, 2006

Rebecca L. Burnham, Esq.
Greenberg Traurig, LLP
2375 East Camelback Road, Suite 700
Phoenix, Arizona 85016

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Verrado District 1 Community Facilities District
c/o Town of Buckeye, Arizona
100 Apache, Suite A
Buckeye, Arizona 85326

Re: $18,600,000 Verrado District 1 Community Facilities (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2006 (hereinafter referred to as the "Bonds")

Ladies and Gentlemen:

We have acted as special counsel to the Dorrance 1995 Issue Trust created under the Dorrance 1995 Issue Trust Agreement dated November 2, 1998, as amended (the "Dorrance 1995 Issue Trust"), the Brown Family Trust created under the agreement entitled Drew M. Brown and Laurie E. Brown Revocable Trust and dated August 30, 1980, as amended (the "Brown Trust"), and the Mark N. Sklar Trust created under the Mark N. Sklar Trust Agreement dated May 18, 1972, as amended (the "Sklar Trust," together with the Dorrance 1995 Issue Trust and the Brown Trust, the "Trusts"), on matters relating to their execution and delivery of the Consent (as such term is defined below), in connection with the issuance and sale of the captioned Bonds sold pursuant to a Purchase Contract dated October 4, 2006 by and between RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter") and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "District").

In this connection, we have reviewed the following documents (the "Documents"):

1. Unanimous Written Consent of the Manager and Members of DMB Realco LLC, an Arizona limited liability company, in the form attached hereto as Exhibit A (the "Consent");

2. Trustee's Certificate (Dorrance 1995 Issue Trust) dated as of October 5, 2006, and the documents referred to therein;

4. Certified Abstract of Portions of Trust Agreement, with respect to the Dorrance 1995 Issue Trust Agreement, dated as of October 13, 2006;

5. Trustee's Certificate (Brown Family Trust) dated as of October 5, 2006 and the documents referred to therein;

6. Certified Abstract of Portions of Trust Agreement, with respect to the Brown Family Trust Agreement, dated as of October 13, 2006;

7. Trustee's Certificate (Mark N. Sklar Trust) dated as of October 5, 2006;

8. Certified Abstract of Portions of Trust Agreement, with respect to the Mark N. Sklar Trust Agreement, dated as of October 13, 2006; and

9. Such other documents and instruments as we have considered necessary or appropriate for the purposes of this opinion.

In rendering the following opinions, we have assumed (i) the genuineness of all signatures to the Documents, (ii) the legal capacity of each natural person executing any of the Documents, (iii) the authenticity and completeness of Documents submitted as originals and the conformity to originals of Documents submitted as copies, and (iv) the truth and accuracy of all of the representations and warranties of all parties contained in the Documents.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is our opinion that:

a. Each of the Trusts is a trust duly created and existing under the laws of the State of Arizona (the "State").

b. Each of the Trusts has the requisite trust power and authority under the laws of the State to execute and deliver the Consent and to authorize the transactions set forth therein.

c. Each of the Trusts has taken all necessary trust action to authorize (i) the execution and delivery of the Consent, and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

d. The execution and delivery by the Trusts of the Consent (i) do not and will not result in a violation of any provision of, or in default under, the applicable trust agreements that create the Trusts, or (ii) to our knowledge do not and will not conflict with or result in a violation of any agreement or other instrument to which any of the Trusts is a party or by which any of the Trusts or the properties of any of the Trusts are bound, which, in any of the above cases, would materially and adversely affect the execution or delivery of the Consent or the Trusts' authorization of the transactions described therein.

e. To our knowledge (i) no additional material approval, authorization, or other action by, or filing with, any federal, State or local governmental authority that has jurisdiction over the Trusts is required in connection with the execution and delivery by the Trusts of the Consent, or the authorization by the Trusts of the transactions contemplated thereby and, (ii) the Trusts have obtained all consents, approvals and authorizations, and have made all filings, required by applicable federal, State and/or local governmental authorities in order to own and operate their respective properties and assets.

f. To our knowledge, none of the Trusts in is in violation of any provision of, or in default under, the applicable trust agreements that create the Trusts or any other agreement or instrument, the violation of which or default under which would materially and adversely affect the execution or delivery by the Trusts of the Consent or the Trusts' authorization of the transactions described therein.

g. 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 any of the Trusts is a party or of which any property of any of the Trusts is subject, which if determined adversely to any of the Trusts would, individually or in the aggregate, materially and adversely affect the execution and delivery of the Consent or the Trusts' authorization of the transactions described therein.

Whenever any portion of this opinion is limited to the existence or absence of fact based upon our knowledge, it is limited to the actual knowledge of attorneys in our firm working on matters relating to the Trusts and knowledge ascertained from our review of the Documents.

We are qualified to practice law only in the State of Arizona and do not purport to express any opinion herein concerning any law other than the laws of the State of Arizona. With respect to the law of the State of Arizona, 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 the enforceability of any documents relating to the Bonds or with respect to any matters other than those expressly set forth above.

This opinion is being furnished to you solely for the benefit of the Underwriter and the District, and for reliance by the law firm of Greenberg Traurig LLP in connection with the opinion to be rendered by it to the Underwriter and the District with respect to the Bonds. This opinion may not be relied upon by any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

FENNEMORE CRAIG, P.C.

Fennemore Craig, P.C.

GH/RPR

1410044.2/26043.269

Exhibit A

UNANIMOUS WRITTEN CONSENT
OF THE MANAGER AND MEMBERS
OF
DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being the Manager and all of the Members of DMB REALCO LLC, an Arizona limited liability company (the "**Company**"), hereby adopt the following resolutions by unanimous written consent, pursuant to Section 5.5 of the Operating Agreement of the Company, effective as of ~~August~~ October 17, 2006;

WHEREAS, the Company is the sole Member of DMB Communities LLC, an Arizona limited liability company ("**Communities**");

WHEREAS, Communities is the Manager and sole Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated October 17, 2006, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bonds**"), to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, (ii) to pay certain funded interest on the Bonds, and (iii) pay costs of issuance relating to the Bonds (the "**Bond Issuance**");

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance that the Company make certain representations and agreements, including agreeing to provide certain financial assurances to the District in connection with the Bond Issuance;

WHEREAS, the Bond Issuance will directly or indirectly benefit the Company and its Members.

NOW THEREFORE, BE IT RESOLVED, that the Company has determined that the making of certain representations and agreements and the giving of certain financial assurances in connection with the Bond Issuance is in the best interest of the Company;

FURTHER RESOLVED, that any of the following officers of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is the Manager and Member of the Company, is hereby authorized and directed to negotiate, execute and deliver, in the name and on behalf of the Company, such authorizations, certificates, documents or instruments as such officer may deem necessary or appropriate in his sole discretion to meet the requirements of the District and to consummate the Bond Issuance including,

Exhibit A

UNANIMOUS WRITTEN CONSENT
OF THE MANAGER AND MEMBERS
OF
DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being the Manager and all of the Members of DMB REALCO LLC, an Arizona limited liability company (the "**Company**"), hereby adopt the following resolutions by unanimous written consent, pursuant to Section 5.5 of the Operating Agreement of the Company, effective as of ~~August~~ October 17, 2006;

WHEREAS, the Company is the sole Member of DMB Communities LLC, an Arizona limited liability company ("**Communities**");

WHEREAS, Communities is the Manager and sole Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated October 17, 2006, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bonds**"), to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, (ii) to pay certain funded interest on the Bonds, and (iii) pay costs of issuance relating to the Bonds (the "**Bond Issuance**");

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance that the Company make certain representations and agreements, including agreeing to provide certain financial assurances to the District in connection with the Bond Issuance;

WHEREAS, the Bond Issuance will directly or indirectly benefit the Company and its Members.

NOW THEREFORE, BE IT RESOLVED, that the Company has determined that the making of certain representations and agreements and the giving of certain financial assurances in connection with the Bond Issuance is in the best interest of the Company;

FURTHER RESOLVED, that any of the following officers of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is the Manager and Member of the Company, is hereby authorized and directed to negotiate, execute and deliver, in the name and on behalf of the Company, such authorizations, certificates, documents or instruments as such officer may deem necessary or appropriate in his sole discretion to meet the requirements of the District and to consummate the Bond Issuance including,

without limitation, the Standby Contribution Agreement and the Closing Certificate and such other certificates, agreements, instruments, or documents as he may deem necessary or desirable, all such certificates, agreements, instruments and documents to be in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and to perform all acts in connection therewith, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President
Eneas A. Kane	Executive Vice President/Assistant Secretary;

FURTHER RESOLVED, that any of the officers named above, and each of them, acting along, are hereby authorized to pay all expenses relating to the Bond Issuance as in his judgment shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the Manager and Members hereby ratify and approve any actions previously taken by or at the request of John Bradley, Vice President, Andrew S. Beams, Vice President, Eneas A. Kane, Executive Vice President and Assistant Secretary, DMB-WT, Communities, the Company or DMB Associates, on behalf of Company, on behalf of Communities, on behalf of DMB-WT and in connection with the Bond Issuance, and any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental and hereto;

FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

FURTHER RESOLVED, that a copy of these resolutions may be delivered to the District or any other person in connection with the Bond Issuance and these resolutions shall remain in full force and effect until the District's receipt of further resolutions of the Members revoking these resolutions.

[Signature Page to follow]

MANAGER:

DMB Associates Inc., an Arizona corporation

By: _____
John Bradley, Vice President

MEMBERS:

The Dorrance 1995 Issue Trust dated November 2, 1998

By: _____
Jacquelynn W. Dorrance, Co-Trustee

Brown Family Trust dated August 30, 1980, as amended

By: _____
Drew M. Brown, Trustee

Mark N. Sklar Trust dated May 18, 1972, as amended

By: _____
Mark N. Sklar, Trustee

DMB Associates Inc., an Arizona corporation

By: _____
John Bradley, Vice President

Certificate of Good Standing of Realco

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

****DMB REALCO LLC****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 14th day of May 1997.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence 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 18th Day of July, 2006, A. D.

Executive Director

Order Number: 78745

Certificate of Andrew S. Beams

CERTIFICATE

Andrew S. Beams, the Vice President of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is the Manager and Member of DMB Realco LLC, an Arizona limited liability company ("**Realco**"), being the duly qualified and active Vice President of DMB Associates, hereby represents, warrants, covenants and certifies to Greenberg Traurig, LLP, an Arizona professional limited liability partnership ("**Greenberg Traurig**"), for purposes of Greenberg Traurig rendering its opinion (the "**Opinion Letter**") to Wells Fargo Bank Arizona, N.A. and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) in connection with the issuance, sale and purchase of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bond Transaction**"), as follows:

1. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Trust Agreement Documents**"): Trust Agreement, dated March 19, 2002, creating Trust No. B176, among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee ("**Trustee**"), Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), and DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**"), as Second Beneficiary ("**Second Beneficiary**"), and all exhibits, appendices, and side letter agreements thereto, as the same has been amended and restated pursuant to that certain Amended and Restated Trust Agreement, dated August 31, 2006 (the "**Trust Agreement**"); and there are no further amendments, modifications, supplements, restatements or replacements of the Trust Agreement, including that none of Fidelity National Title Insurance Company, as Trustee, Caterpillar Foundation, as First Beneficiary, nor DMB-WT, as Second Beneficiary, has taken or omitted to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the Trust Agreement, or result in the dissolution of the trust established thereby;

2. Greenberg Traurig has been provided with an accurate and complete copy of the Master Agreement for Certain Contributions, Distributions and Purchases of Ownership Interests, dated January 1, 1994, by and among Drew M. Brown, Mark N. Sklar and Bennett Dorrance, individually and Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended in its entirety on March 2, 1990 (the "**Master Agreement**"). There are no amendments, modifications, supplements, restatements or replacements of the Master Agreement, including that none of Drew M. Brown, Mark N. Sklar nor Bennett Dorrance has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of the Master Agreement and, to the best knowledge of the undersigned, the Master Agreement remains in full force and effect.

3. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Realco Documents**"):

a) Articles of Organization of DMB Realco LLC, as an Arizona limited liability company, dated May 14, 1997, filed with the Arizona Corporation Commission on May 14, 1997, as File No. L-0807920-8;

b) Amended and Restated Articles of Organization of DMB Realco LLC, as an Arizona limited liability company, dated April 8, 2003, filed with the Arizona Corporation Commission on April 8, 2003, as File No. L-0807920-8;

c) Operating Agreement of DMB Realco LLC, dated May 14, 1997, among DMB Associates, as the Manager of Realco, and Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of The Dorrance 1995 Issue Trust dated September 7, 1995, as Members of Realco;

d) Amended and Restated Operating Agreement of DMB Realco LLC, dated May 9, 2000, among DMB Associates, as the Manager of Realco, and Drew M. Brown, as Trustee of the Brown Family Trust dated August 30, 1980, as amended, Mark N. Sklar, as Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended, and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, as Co-Trustees of the Dorrance 1995 Issue Trust, as Members of Realco;

e) Exercise of Power to Merge Trust dated November 3, 1998, merging The Dorrance 1995 Issue Trust dated September 7, 1995, into The Dorrance 1995 Issue Trust dated November 2, 1998;

f) Confirmation of Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by The Dorrance 1995 Issue Trust created under The Dorrance 1995 Issue Trust Agreement dated as of September 7, 1995, to The Dorrance 1995 Issue Trust created under Trust Agreement dated November 2, 1998, and effective as of November 3, 1998 ("**Dorrance 1995 Issue Trust**");

g) Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by Mark N. Sklar to the Mark N. Sklar Trust created under the Mark N. Sklar Trust Agreement dated May 18, 1972, as amended, dated April 21, 2000 ("**Sklar Trust**");

h) Consent of Members Without A Special Meeting dated April 21, 2000, consenting to the transfer of the Membership Interest of Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended and the admission of the Mark N. Sklar Trust as a Substituted Member;

i) Assignment of Membership Interest in DMB Realco LLC and Acceptance of Operating Agreement by Drew M. Brown to the Brown Family Trust created under the Brown Family Trust Agreement dated August 30, 1980, as amended, dated May 8, 2000 ("**Brown Family Trust**");

j) Consent of Members Without A Special Meeting dated May 8, 2000, consenting to the transfer of the Membership Interest of Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended and the admission of the Brown Family Trust as a Substituted Member;

k) Majority Written Consent of DMB Realco LLC, an Arizona limited liability company, effective as of June 19, 2001, executed on behalf of the Dorrance 1995 Issue Trust dated September 7, 1995, the Brown Family Trust dated August 30, 1980, as amended, and the Mark N. Sklar Trust dated May 18, 1972, as amended, authorizing the formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Unanimous Consent of the Manager and Members of DMB Realco LLC, dated April 7, 2003, authorizing the formation of DMB-WT, designation of Realco as sole initial Manager and Member of DMB-WT, execution and delivery of the Trust Agreement by Realco on behalf of DMB-WT, and designation of Thomas L. May as an Independent Director of DMB-WT;

m) Opinion of Counsel from Fennemore Craig, dated October 17, 2006, with reference to the Realco Trusts and Shareholder Trusts for the benefit of RBC Dain Rauscher Inc, Verrado District 1 Community Facilities District, and for reliance by the law firm of Greenberg Traurig, LLP; and

n) Certificate of Good Standing of DMB Realco LLC, an Arizona limited liability company, issued July 18, 2006.

With the exception of the Realco Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the Realco Documents, including that none of Associates nor any of the Members has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any Realco Document, or result in the dissolution of Realco, and, to the best knowledge of the undersigned, the Realco Documents remain in full force and effect;

4. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB Associates Documents**"):

a) Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated January 21, 1985, filed with the Arizona Corporation Commission on January 23, 1985, as File No. 172559;

b) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated April 4, 1988, filed with the Arizona Corporation Commission on June 10, 1988, as File No. 172559-6;

c) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated December 18, 1990, filed with the Arizona Corporation Commission on February 14, 1991, as File No. 172559-2;

d) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated July 30, 1999, filed with the Arizona Corporation Commission on August 30, 1999, as File No. 0172559-6;

e) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated May 1, 2002, filed with the Arizona Corporation Commission on June 11, 2002, as File No. 0172559-6;

f) Bylaws of DMB Associates, Inc., adopted by the Board of Directors on January 22, 1985;

g) Stock Purchase and Redemption Agreement dated February 14, 1991, by and among DMB Associates, Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended ("**Dorrance 1989 Trust**") and Acceptance by Laurie E. Brown, JoAnn Sklar, and Jacquelynn Dorrance;

h) Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 of the Bylaws pertaining to the annual meeting of the shareholders;

i) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated April 21, 2000, consenting to the transfer of the voting and non-voting stock owned individually by Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended;

j) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000, consenting to the transfer of the voting stock and non-voting stock owned individually by Drew M. Brown to the Brown Family Trust, dated August 30, 1980, as amended;

k) Unanimous Written Consent of Board of Directors of DMB Associates, Inc., an Arizona corporation, as Manager of Realco, as Manager of DMB-WT, effective as of June 19, 2001, authorizing the formation of the WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Consent in Lieu of Annual Meeting of Shareholders dated December 7, 2005, pertaining to the election of Drew M. Brown, Bennett Dorrance and Mark N. Sklar as Directors of DMB Associates;

m)Consent in Lieu of Annual Meeting of Board of Directors dated December 7, 2005, pertaining to the election of officers of DMB Associates;

n) Consent to Resolutions in Lieu of Meeting of Board of Directors dated January 1, 2006, pertaining to the election of Dirk W. Ellsworth as an officer of DMB Associates;

o) Certificate of Incumbency of Andrew S. Beams, Vice President of DMB Associates dated August 1, 2006; and

p) Certificate of Good Standing of DMB Associates, Inc., an Arizona corporation, issued July 18, 2006.

With the exception of the DMB Associates Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB Associates Documents, including that none of the officers, directors nor shareholders has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB Associates Document, or result in the dissolution of DMB Associates, and, to the best knowledge of the undersigned, the DMB Associates Documents remain in full force and effect;

5. The undersigned, Andrew S. Beams, is Vice President of DMB Associates, which is the Manager and Member of Realco, is familiar with the corporate, limited liability company, partnership and trust books and records of DMB Associates and Realco, including the Trust Agreement Documents, the Master Agreement, the Realco Documents and the DMB Associates Documents (collectively, the "**Operative Documents**") and, to the best knowledge of the undersigned, acting in such capacity:

(a) With respect to the Operative Documents, all signatures thereon are genuine, all actions of the signatories thereto have been duly authorized and such

Operative Documents constitute the valid and binding obligations of the parties thereto, all parties to the Operative Documents have obtained all necessary consents, authorizations, approvals, permits and certificates required as a condition to the execution and delivery of same, each of the Operative Documents (as applicable) constitutes an integrated agreement between the parties thereto with respect to the matters contained therein and accurately describes and contains all of the agreements and understandings between the parties thereto with respect to such matters, 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 any of the Operative Documents (except as expressly provided for in the Operative Documents) and all representations and warranties of all parties contained in the Operative Documents are true and accurate.

(b) The execution and delivery of this Certificate and the Bond Transaction Documents by or on behalf of Realco and/or DMB Associates, as applicable, will not conflict with or result in a violation of any agreement, contract, indenture, undertaking or instrument to which any of Realco, DMB Associates, the Dorrance 1995 Issue Trust, the Dorrance 1989 Trust, the Brown Family Trust, the Sklar Trust, or any constituent member, director, shareholder, trustee or beneficiary thereof, is a party or by which it or its assets or interests are bound.

(c) Except as already obtained and/or as reflected in the Realco Documents and the DMB Associates Documents, respectively, no consent, approval, authorization, or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by or on behalf of Realco of the Bond Transaction Documents, or the payment and performance of the agreements and obligations of Realco thereunder.

(d) None of the Trustee, First Beneficiary or Second Beneficiary are in violation of any provision of, or in default under, the Trust Agreement Documents, or any other agreement, undertaking or instrument to which the Trust is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of Realco in connection with the Bond Issuance.

(e) None of DMB Associates or any Shareholder is in violation of any provision of, or in default under, the DMB Associates Documents, or any other agreement, undertaking or instrument to which DMB Associates or any Shareholder is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of Realco in connection with the Bond Issuance.

(f) None of Realco or any Member is in violation of any provision of, or in default under, the Realco Documents, or any other agreement, undertaking or instrument to which Realco or any Member is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the

execution, delivery, payment and performance of the agreements and obligations of Realco in connection with the Bond Issuance.

(g) The information pertaining to DMB-WT, and the Verrado master-planned community (referred to therein as the "Project") contained in the Preliminary Limited Offering Memorandum including under the headings "RISK FACTORS", "LITIGATION" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" 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.

(h) Realco and DMB Associates have paid all income taxes, fines, jeopardy or fraud assessments, and interest due from either of them and payable to the State of Arizona.

Dated as of the 17th day of ~~August~~ October, 2006.

Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation, Manager and Member of DMB Realco LLC

Unanimous Written Conset of the Manager and Members of Realco

UNANIMOUS WRITTEN CONSENT
OF THE MANAGER AND MEMBERS
OF
DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being the Manager and all of the Members of DMB REALCO LLC, an Arizona limited liability company (the "**Company**"), hereby adopt the following resolutions by unanimous written consent, pursuant to Section 5.5 of the Operating Agreement of the Company, effective as of ~~August~~ October 17, 2006;

WHEREAS, the Company is the sole Member of DMB Communities LLC, an Arizona limited liability company ("**Communities**");

WHEREAS, Communities is the Manager and sole Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated October 17, 2006, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bonds**"), to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, (ii) to pay certain funded interest on the Bonds, and (iii) pay costs of issuance relating to the Bonds (the "**Bond Issuance**");

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance that the Company make certain representations and agreements, including agreeing to provide certain financial assurances to the District in connection with the Bond Issuance;

WHEREAS, the Bond Issuance will directly or indirectly benefit the Company and its Members.

NOW THEREFORE, BE IT RESOLVED, that the Company has determined that the making of certain representations and agreements and the giving of certain financial assurances in connection with the Bond Issuance is in the best interest of the Company;

FURTHER RESOLVED, that any of the following officers of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is the Manager and Member of the Company, is hereby authorized and directed to negotiate, execute and deliver, in the name and on behalf of the Company, such authorizations, certificates, documents or instruments as such officer may deem necessary or appropriate in his sole discretion to meet the requirements of the District and to consummate the Bond Issuance including,

without limitation, the Standby Contribution Agreement and the Closing Certificate and such other certificates, agreements, instruments, or documents as he may deem necessary or desirable, all such certificates, agreements, instruments and documents to be in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and to perform all acts in connection therewith, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President
Eneas A. Kane	Executive Vice President/Assistant Secretary;

FURTHER RESOLVED, that any of the officers named above, and each of them, acting along, are hereby authorized to pay all expenses relating to the Bond Issuance as in his judgment shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the Manager and Members hereby ratify and approve any actions previously taken by or at the request of John Bradley, Vice President, Andrew S. Beams, Vice President, Eneas A. Kane, Executive Vice President and Assistant Secretary, DMB-WT, Communities, the Company or DMB Associates, on behalf of Company, on behalf of Communities, on behalf of DMB-WT and in connection with the Bond Issuance, and any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental and hereto;

FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

FURTHER RESOLVED, that a copy of these resolutions may be delivered to the District or any other person in connection with the Bond Issuance and these resolutions shall remain in full force and effect until the District's receipt of further resolutions of the Members revoking these resolutions.

[Signature Page to follow]

MANAGER:

DMB Associates Inc., an Arizona corporation

By: _____
John Bradley, Vice President

MEMBERS:

The Dorrance 1995 Issue Trust dated November 2, 1998

By: _____
Jacquelynn W. Dorrance, Co-Trustee

Brown Family Trust dated August 30, 1980, as amended

By: _____
Drew M. Brown, Trustee

Mark N. Sklar Trust dated May 18, 1972, as amended

By: _____
Mark N. Sklar, Trustee

DMB Associates Inc., an Arizona corporation

By: _____
John Bradley, Vice President

Articles of Incorporation of DMB Associates

AZ. CORP. COMMISSION
FOR THE STATE OF AZ.
DELIVERED

JAN 23 4 25 PM '85

FILED BY Gracie Mendoza
DATE FILED 2-12-85
TERM _____
DATE _____

172559

ARTICLES OF INCORPORATION

OF

DMB ASSOCIATES, INC.

We, the undersigned incorporators, having associated ourselves together for the purpose of forming a corporation under the laws of the State of Arizona, hereby adopt the following articles of incorporation.

I.

The name of the corporation shall be:

DMB Associates, Inc.

II.

This corporation is organized for the purpose of transacting any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as amended from time to time. The corporation initially intends to conduct the business of providing administrative and fee-collection services to property management and development firms.

III.

The corporation shall have authority to issue 1000 common shares without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

IV.

The initial Board of Directors shall consist of three members and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and qualify are:

Bennett Dorrance	7124 N. 46th Street Paradise Valley, AZ 85253
Mark N. Sklar	4431 E. Sunset Phoenix, AZ 85028
Drew M. Brown	4501 E. Lafayette Phoenix, AZ 85018

V.

The names and addresses of the incorporators are:

Bennett Dorrance	7124 N. 46th Street Paradise Valley, AZ 85253
Mark N. Sklar	4431 E. Sunset Phoenix, AZ 85028
Drew M. Brown	4501 E. Lafayette Phoenix, AZ 85018

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

VI.

Fennemore, Craig, von Ammon, Udall & Powers, A Professional Corporation, organized under the laws of the State of Arizona, 1700 First Interstate Bank Plaza, 100 West Washington Street, Phoenix, Arizona 85003, is hereby appointed the initial statutory agent for the corporation for the State of Arizona.

VII.

The corporation's known place of business shall be 4203 E. Indian School Road, Suite 140, Phoenix, Arizona.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto affixed their signatures this 21st day of January, 1985.

Bennett Dorrance

Bennett Dorrance

Mark N. Sklar

Mark N. Sklar

Drew M. Brown

Drew M. Brown

AZ CORP COMMISSION
FILED STATE OF AZ.

JUN 10 3 52 PM '88

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
DMB ASSOCIATES, INC.

Pursuant to the provisions of A.R.S. § 10-061, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

FIRST: The document attached hereto as Exhibit A and by this reference incorporated herein sets forth an Amendment to the Articles of Incorporation, which was adopted by the shareholders of the corporation on April 4, 1988, in the manner prescribed by the Arizona Business Corporation Act.

SECOND: Seventy-five (75) common shares without par value were outstanding at the time of adoption of the Amendment and the number of shares entitled to vote thereon was Seventy-five (75).

THIRD: The designation and number of outstanding shares of each class or series entitled to vote thereon as a class or series were as follows:

CLASS OR SERIES	NUMBER OF SHARES
Common	75

FOURTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such amendment was as follows:

CLASS OR SERIES	NUMBER OF SHARES FOR	NUMBER SHARES AGAINST
Common	75	-0-

FIFTH: The Amendment does not provide for an exchange, reclassification or cancellation of issued shares.

SIXTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED: April 14, 1988.

By _____
Drew M. Brown, President

By _____
Mark N. Sklar, Secretary

EXHIBIT A

The following is added to the Articles of Incorporation as Article VIII:

"VIII. LIMITATION OF DIRECTOR LIABILITY. No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director; provided, however, that this Article shall not eliminate or limit the liability of a director for (i) any breach of the director's duty of loyalty to the corporation or its shareholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) authorizing the unlawful payment of a dividend or other distribution on the corporation's capital stock or the unlawful purchase of its capital stock; (iv) a violation of Arizona Revised Statutes Section 10-041 -- Director conflicts of interest; or (v) any transaction from which the director derived an improper personal benefit. This Article shall not eliminate or limit the liability of a director for any act or omission occurring before August 18, 1987."

STATE OF ARIZONA
ACC/FAX
DATE FILED

FEB 14 1991

DATE APPR 2/14/91
TERM
BY Sonia Sheen

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF DMB ASSOCIATES, INC.

172559-2

Pursuant to the provisions of A.R.S. § 10-061, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

FIRST: The name of the corporation is DMB Associates, Inc.

SECOND: The document attached hereto as Exhibit A and by this reference incorporated herein sets forth an Amendment to the Articles of Incorporation.

THIRD: The amendment set forth in Exhibit A was unanimously adopted by the shareholders of the corporation as of December 18, 1990, in the manner prescribed by the Arizona Business Corporation Act.

FOURTH: Seventy-five (75) common shares without par value were outstanding at the time of adoption of the Amendment and the number of shares entitled to vote thereon was seventy-five (75).

FIFTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such Amendment as follows:

CLASS OR SERIES	NUMBER OF SHARES IN FAVOR	NUMBER OF SHARES AGAINST
Common	75	-0-

SIXTH: The Amendment does not provide for an exchange, reclassification, or cancellation of issued shares.

SkEVENTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED as of December 18, 1990.

By: _____
Drew M. Brown, President

By: _____
Mark N. Sklar, Secretary

EXHIBIT A

The text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

> The corporation shall have authority to issue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue one thousand (1,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

FEB 14 '91 09:20 FENNEMORE CRAIG

STATE OF ARIZONA
ACC. FEE
DATE FILED

FEB 14 1991

DATE APPR 2/14/91
TERM
BY [signature]

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF DMB ASSOCIATES, INC.

Pursuant to the provisions of A.R.S. § 10-061, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

172559-6

FIRST: The name of the corporation is DMB Associates, Inc.

SECOND: The document attached hereto as Exhibit A and by this reference incorporated herein sets forth an Amendment to the Articles of Incorporation.

THIRD: The amendment set forth in Exhibit A was unanimously adopted by the shareholders of the corporation as of December 18, 1990, in the manner prescribed by the Arizona Business Corporation Act.

FOURTH: Seventy-five (75) common shares without par value were outstanding at the time of adoption of the Amendment and the number of shares entitled to vote thereon was seventy-five (75).

FIFTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such Amendment as follows:

CLASS OF SERIES	NUMBER OF SHARES IN FAVOR	NUMBER OF SHARES AGAINST
Common	75	-0-

SIXTH: The Amendment does not provide for an exchange, reclassification, or cancellation of issued shares.

SEVENTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED as of December 18, 1990.

By: [signature]
Drew M. Brown, President

By: [signature]
Mark N. Sklar, Secretary

EXHIBIT A

The text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

> The corporation shall have author ty to insue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue one thousand (1,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

AZ. CORP COMMISSION
FILED

AUG 30 1999

APPR Jen Pettle
TERM
DATE 8/30/99
01725594-6

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF DMB ASSOCIATES, INC.

Pursuant to the provisions of A.R.S. § 10-1006, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

FIRST: The name of the corporation is DMB Associates, Inc.

SECOND: The document attached hereto as Exhibit A and by this referenced incorporated herein sets forth an Amendment to the Articles of Incorporation.

THIRD: The amendment set forth in Exhibit A was unanimously adopted by the shareholders of the corporation as of July 30, 1999, in the manner prescribed by the Arizona Business Corporation Act.

FOURTH: Seventy-four (74) nonvoting common shares without par value and three (3) voting common shares were outstanding at the time of adoption of the Amendment. The number of shares entitled to vote thereon was three (3).

FIFTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such Amendment as follows:

CLASS OR SERIES	NUMBER OF SHARES IN FAVOR	NUMBER OF SHARES AGAINST
Common Voting	3	-0-

SIXTH: The Amendment does not provide for an exchange, reclassification, or cancellation of issued shares.

SEVENTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED as of July 30, 1999.

By: _____
Drew M. Brown, President

By: _____
Mark N. Sklar, Secretary

EXHIBIT A

The Text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

The corporation shall have authority to issue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue fifty thousand (50,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

JUN-14-2002 15:25

STATE OF ARIZONA
ACC/FAX
DATE FILED

JUN 11 2002

DATE APPR 6/11/02
TERM
BY [illegible] - 0172559-6

ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION OF
DMB ASSOCIATES, INC.

Pursuant to the provisions of A.R.S. § 10-1006, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

FIRST: The name of the corporation is DMB Associates, Inc.

SECOND: The document attached hereto as Exhibit A and by this referenced incorporated herein sets forth an Amendment to the Articles of Incorporation.

THIRD: The amendment set forth in Exhibit A was unanimously adopted by the shareholders of the corporation as of May 1, 2002, in the manner prescribed by the Arizona Business Corporation Act.

FOURTH: Twenty-eight thousand, nine hundred ninety-five (28,995) nonvoting common shares without par value and three (3) voting common shares were outstanding at the time of adoption of the Amendment. The number of shares entitled to vote thereon was three (3).

FIFTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such Amendment as follows:

CLASS OR SERIES	NUMBER OF SHARES IN FAVOR	NUMBER OF SHARES AGAINST
Common Voting	3	-0-

SIXTH: The Amendment does not provide for an exchange, reclassification, or cancellation of issued shares.

SEVENTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED as of May 1, 2002.

By: [signature]
Drew M. Brown, President

By: [signature]
Mark N. Sklar, Secretary

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06/28/02 09:39 ☎4803677001

EXHIBIT A

The Text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

The corporation shall have authority to issue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue five hundred thousand (500,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

Bylaws of DMB Associates

BYLAWS

OF

DMB ASSOCIATES, INC.

ARTICLE I

General

Section 1.01. Location. The location of the principal office of the corporation shall be in Phoenix, Arizona, but it may have other offices at such places throughout the world as the business of the corporation may require and as the Board of Directors shall deem to be expedient.

Section 1.02. Seal. The corporate seal of the corporation shall be a circular disc with the name of the corporation, the year of its organization and the word "Arizona" thereon.

Section 1.03. Fiscal Year. The fiscal year shall end on January 31 of each year.

ARTICLE II

Shares

Section 2.01. Issuance of Shares. The Board of Directors may issue shares for such consideration, expressed in dollars, as the Board shall fix from time to time, except that shares having a par value may not be issued for less than the par value. The consideration for the issuance of shares may be paid to the corporation, in whole or in part, in cash, in other property, tangible or intangible, or in labor or services actually performed for the corporation. Shares shall be deemed to be fully paid and non-assessable when payment of the consideration has been received by the corporation. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares. In the absence of bad faith in the valuation of the consideration, the judgment of the Board of Directors as to the value of the consideration received for the shares shall be conclusive. No certificate shall be issued for any share until the share is fully paid.

Section 2.02. Stock Certificates. Subject to the provisions of the articles of incorporation, certificates representing shares shall be in such form as may from time to

time be prescribed by the Board of Directors, shall be numbered and entered in the books in the order issued, and shall be signed by the President or a Vice-President and the Secretary or Assistant Secretary and sealed with the corporate seal. To the extent permitted by law, the signatures or the seal may be facsimile.

Section 2.03. Transfers of Shares. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation, by any amendment thereof, or by a shareholders' agreement. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 2.04. Lost Certificates. Each certificate issued shall be surrendered before a new certificate in lieu thereof shall be issued, except in the case of the loss or destruction of a certificate, in which case a new certificate may be issued in place of the certificate lost or destroyed upon furnishing an affidavit reciting the circumstances of the loss or destruction and upon the furnishing of a bond of indemnity to the corporation, with or without surety, which is satisfactory to the directors.

ARTICLE III

Meetings of Shareholders

Section 3.01. General. All meetings of the shareholders shall be held at the principal office of this corporation in the State of Arizona or at such other place as stated in the notice or waiver of notice of the meeting.

Section 3.02. Voting of Shares. At all meetings a shareholder may vote in person or may be represented and vote by a duly authorized attorney-in-fact or by a proxy in writing filed with the Secretary before voting.

Section 3.03. Annual Meeting. An annual meeting of the shareholders shall be held on the first Friday in January of each year unless that day is a legal holiday, in which event the meeting will be held on the next business day. Before or after the date specified in the previous sentence, the directors may designate another date for the annual meeting, which may be before or after the specified date. The shareholders may by waiver of notice and consent designate another date for the

Note: The annual meeting of shareholders was changed to the first Wednesday of December, or the next business day if a legal holiday, pursuant to a Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998.

annual meeting, which may be before or after the date specified by this Section or designated by the directors.

Section 3.04. Special Meetings. Special meetings of the shareholders may be called by the President, or a Vice-President, by vote of the Board of Directors, or by one or more shareholders who hold, in the aggregate, at least one-tenth of all the shares of the capital stock entitled to vote at the meeting.

Section 3.05. Notice of Meetings. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by an officer of the corporation at the direction of the person or persons calling the meeting, to each shareholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the shareholder at his address as it appears on the share transfer books of the corporation. When a meeting is adjourned to another time or place notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.06. Waiver of Notice. Whenever notice of a meeting is required to be given to any shareholder of the corporation under these bylaws, a waiver thereof in writing signed by the shareholder entitled to the notice, whether before or after the time stated therein, shall be equivalent to the giving of the notice. Attendance at a meeting by a shareholder in person or by a duly authorized attorney-in-fact or voting by a shareholder at a meeting by a proxy shall constitute waiver of notice of the meeting, except when the shareholder or attorney-in-fact attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.07. Action by Shareholders Without a Meeting. Any action required to be taken at a meeting of the shareholders of the corporation, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting

if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote on the subject. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of shareholders at a duly convened meeting.

Section 3.08. Quorum. At any meeting of the shareholders the presence, in accordance with Section 3.02 of these bylaws, of a majority of the shares entitled to vote shall constitute a quorum. All shares represented and entitled to vote on any single subject matter which may be brought before the meeting shall be counted for the purposes of a quorum. Only those shares entitled to vote on a particular subject matter shall be counted for the purposes of voting on that subject matter. Business may be conducted once a quorum is present and may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum. Unless the vote of a greater number or voting by classes is required by law or the articles of incorporation or these bylaws, the affirmative vote of the majority of the shares then represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders; provided, however, that if the shares then represented are less than required to constitute a quorum, the affirmative vote must be such as would constitute a majority if a quorum were present and provided further, the affirmative vote of a majority of the shares then present is sufficient in all cases to adjourn a meeting.

ARTICLE IV

Board of Directors

Section 4.01. General. The business and affairs of the corporation shall be managed by a Board of Directors of not less than three directors nor more than five directors, the number to be three unless a different number is fixed by the shareholders.

Section 4.02. Election of Directors and Filling Vacancies. A Board of Directors shall be elected by ballot at the annual meeting of the shareholders. Every shareholder entitled to vote in accordance with Section 3.02 of these bylaws shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or by distributing such votes on the same principle among

any number of such candidates. A director shall serve until the next annual meeting of shareholders or until removed or until his successor is elected and qualified. The Board of Directors may fill any vacancy occurring on the Board of Directors from whatever cause in the interval between the annual meetings of the shareholders; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the Board of Directors, if not already filled, or substitute some other person to fill the vacancy, in which case the term of office of the person elected by the Board of Directors shall forthwith terminate.

Section 4.03. General Powers. The Board of Directors shall have the power to control and manage all of the affairs and property of the corporation and to exercise, in addition to the powers and authorities expressly conferred upon it by these bylaws or by the articles of incorporation, all powers as may be exercised, and to do all such things that may be done by the corporation which are not expressly reserved to the shareholders, as permitted by the laws of the State of Arizona. It may restrict, enlarge or otherwise modify the powers and duties of any or all of the officers of this corporation. Without limiting the generality of the foregoing, the Board of Directors may fix record dates for determining shareholders of various classes having the right to notice of and to vote at meetings and adjournments thereof, or the right to receive dividends or other distributions, or the right to give consents to or to dissent from certain actions or for any other purpose for which record dates are or might be relevant and to determine whether or not transfer books should be closed in connection therewith.

Section 4.04. Quorum. A majority of the total number for the time being of the Board of Directors, but in no case less than two directors, shall constitute a quorum for the transaction of business, but a lesser number may adjourn the meeting sine die or to a stated time and place, and a majority of the members present at any meeting at which a quorum is present shall decide any question brought before such meeting except as otherwise may be provided by law. Any director shall be counted as present for quorum purposes at any regular or special meeting of directors and as voting with the majority, if the director subsequently approves and signs the minutes of the meeting.

Section 4.05. Regular Meeting. A regular meeting of the Board of Directors shall be held without notice following the adjournment of the annual meeting of the shareholders or any special meeting held in lieu thereof on the same day and at the same place as such annual or special meeting.

Section 4.06. Special Meeting. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one has been appointed, or the President, or a Vice-President or, at the request of two members of the Board of Directors, by the Secretary. Notice of any special meeting shall be given to each director stating the time, place and purpose of the meeting in one of the following ways: (a) by communicating actual notice to the director at least twenty-four (24) hours before the time of such meeting, or (b) by written notice thereof left at or telegraphed to a usual place of business of the director or to his residence, in either case at least forty-eight (48) hours before the time of such meeting, or (c) by placing a written notice in the mail, postage prepaid, addressed to a usual place of business of the director or to his residence, in any such case at least seventy-two (72) hours before the time of such meeting. Any person who has given notice hereunder may make an affidavit that the notice was given, which, as to the facts stated, shall be conclusive.

Section 4.07. Waiver of Notice. Notice of any meeting of the Board of Directors and of the business to be transacted may be waived in writing before or after the meeting by any director, and the presence of any director at any meeting of the Board of Directors shall be deemed a waiver of notice by him of the meeting and of the business to be transacted unless objection is made by him at the time and noted on the records of the meeting of the Board of Directors.

Section 4.08. Place of Directors' Meetings. Meetings of the Board of Directors, regular or special, may be held either within or without the State of Arizona and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

Section 4.09. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the directors or of a committee may be taken without a meeting if all directors or committee members, as the case may be, consent thereto in writing. Such consent shall have the same effect as a unanimous vote at a duly convened meeting of the Board of Directors or of a committee, as the case may be.

Section 4.10. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the Board of Directors, a majority of a full Board of Directors may exercise the powers of the Board of Directors.

Section 4.11. Removal. Any director may be removed from the Board of Directors with or without cause, subject only to limitations provided by law.

ARTICLE V

Committees

Section 5.01. General. The Board of Directors, by resolution adopted by a majority of all of the members of the Board of Directors, may designate from among its members one or more committees, each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, but no committee shall have the authority of the Board of Directors in reference to the following matters:

(a) The submission to shareholders of any action that requires shareholders' authorization or approval.

(b) The filling of vacancies on the Board of Directors or on any committee of the Board of Directors.

(c) The amendment or repeal of the bylaws, or the adoption of new bylaws.

(d) The fixing of compensation of directors for serving on the Board or on any committee of the Board of Directors.

The Board of Directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 5.02. Tenure. Each member of any committee established under this Article V shall hold office until the next regular annual meeting of the Board of Directors following his or her resignation and until his or her successor is elected and qualified.

Section 5.03. Meetings. Regular meetings of committees established under this Article V shall be held without notice at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon giving notice to other members of the committee in the manner provided in Section 4.06 for special meetings of the Board of Directors.

Section 5.04. Quorum. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must

be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

ARTICLE VI

Officers

Section 6.01. General. The officers of the corporation shall consist of a President, Vice-President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. In addition, the Board of Directors may, without limitation, elect other officers as it may from time to time find necessary or convenient for the transaction of the corporation's business and may elect the officers and fix their powers and duties. All officers shall serve at the pleasure of the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 6.02. Chairman of the Board. The Board of Directors may appoint a Chairman of the Board of Directors who shall, when present, preside at all meetings of shareholders and directors and shall have such other powers and duties as are vested in him by the Board of Directors.

Section 6.03. President. Except as provided in Section 6.02, the President shall preside at all meetings of the shareholders and directors at which he is present, sign with the Secretary or Assistant Secretary certificates of shares, except as the same may be signed by a Vice-President, and have such other powers and duties as are usually vested in the office of President of a corporation or as may be vested in him by vote of the Board of Directors.

Section 6.04. Vice-President. A Vice-President shall, in the absence or disability of the President, discharge all the duties of that office and may sign certificates of shares with the Secretary or an Assistant Secretary and have such other powers and duties as may be vested in him by vote of the Board of Directors.

Section 6.05. Secretary. The Secretary shall keep accurate minutes of all meetings of the shareholders, all meetings of the Board of Directors and the meetings of any executive committee and shall perform all the duties commonly incident to his office and shall have such other powers as the Board of Directors shall from time to time determine. The Secretary shall keep the seal of the corporation and the corporation's minute record. The Secretary shall also keep the book of blank certificates of shares, make out all certificates

of shares to be issued and make appropriate record entries of all share transactions; provided, however, that any of the duties of the Secretary set forth in this sentence may be delegated by the Board of Directors to a transfer agent or registrar. The Secretary or an Assistant Secretary shall sign with the President or a Vice-President all share certificates. The Secretary shall serve all notices required either by law or by the bylaws of the corporation and in case of his absence or refusal or neglect so to do then notices may be served by any person thereunto directed by the President. In the absence of the Secretary or an Assistant Secretary, a Secretary pro tem may be appointed to perform the duties of the Secretary.

Section 6.06. Treasurer. The Treasurer shall have charge of the funds of the corporation and shall be the general financial agent of the corporation. The Treasurer shall keep or cause to be kept full and accurate accounts of the financial affairs of the corporation, shall render or cause to be rendered a statement of the financial affairs of the corporation at each annual meeting of the shareholders and to the Board of Directors whenever it may require. The Treasurer shall have such other powers and perform such other duties as the Board of Directors shall from time to time determine.

Section 6.07. Bonds. The Board of Directors may require the Treasurer and any other officer to give a bond to the corporation with good and sufficient surety for the faithful performance of his respective duties.

ARTICLE VII

Amendment of Bylaws

Section 7.01. Amendments. The shareholders shall have the power to alter, repeal or amend these bylaws or adopt new bylaws at any regular meeting or at any special meeting called for that purpose, upon the affirmative vote of the holders of the majority of the shares entitled to vote thereon. Any amendment made to a bylaw shall be noted on the margin of the bylaw amended, referring to the page of the record where the amendment appears.

CERTIFICATE OF ADOPTION

The foregoing bylaws were duly adopted by the Board of Directors of DMB Associates, Inc. pursuant to a written consent of the directors dated January 22, 1985.

Drew M Brown
Secretary

ORIGINAL

BYLAWS

(prior to Consent to Annual Meeting change dated December 2, 1998)

BYLAWS

OF

DMB ASSOCIATES, INC.

ARTICLE I

General

Section 1.01. Location. The location of the principal office of the corporation shall be in Phoenix, Arizona, but it may have other offices at such places throughout the world as the business of the corporation may require and as the Board of Directors shall deem to be expedient.

Section 1.02. Seal. The corporate seal of the corporation shall be a circular disc with the name of the corporation, the year of its organization and the word "Arizona" thereon.

Section 1.03. Fiscal Year. The fiscal year shall end on January 31 of each year.

ARTICLE II

Shares

Section 2.01. Issuance of Shares. The Board of Directors may issue shares for such consideration, expressed in dollars, as the Board shall fix from time to time, except that shares having a par value may not be issued for less than the par value. The consideration for the issuance of shares may be paid to the corporation, in whole or in part, in cash, in other property, tangible or intangible, or in labor or services actually performed for the corporation. Shares shall be deemed to be fully paid and non-assessable when payment of the consideration has been received by the corporation. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares. In the absence of bad faith in the valuation of the consideration, the judgment of the Board of Directors as to the value of the consideration received for the shares shall be conclusive. No certificate shall be issued for any share until the share is fully paid.

Section 2.02. Stock Certificates. Subject to the provisions of the articles of incorporation, certificates representing shares shall be in such form as may from time to

time be prescribed by the Board of Directors, shall be numbered and entered in the books in the order issued, and shall be signed by the President or a Vice-President and the Secretary or Assistant Secretary and sealed with the corporate seal. To the extent permitted by law, the signatures or the seal may be facsimile.

Section 2.03. Transfers of Shares. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation, by any amendment thereof, or by a shareholders' agreement. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 2.04. Lost Certificates. Each certificate issued shall be surrendered before a new certificate in lieu thereof shall be issued, except in the case of the loss or destruction of a certificate, in which case a new certificate may be issued in place of the certificate lost or destroyed upon furnishing an affidavit reciting the circumstances of the loss or destruction and upon the furnishing of a bond of indemnity to the corporation, with or without surety, which is satisfactory to the directors.

ARTICLE III

Meetings of Shareholders

Section 3.01. General. All meetings of the shareholders shall be held at the principal office of this corporation in the State of Arizona or at such other place as stated in the notice or waiver of notice of the meeting.

Section 3.02. Voting of Shares. At all meetings a shareholder may vote in person or may be represented and vote by a duly authorized attorney-in-fact or by a proxy in writing filed with the Secretary before voting.

Section 3.03. Annual Meeting. An annual meeting of the shareholders shall be held on the first Friday in January of each year unless that day is a legal holiday, in which event the meeting will be held on the next business day. Before or after the date specified in the previous sentence, the directors may designate another date for the annual meeting, which may be before or after the specified date. The shareholders may by waiver of notice and consent designate another date for the

annual meeting, which may be before or after the date specified by this Section or designated by the directors.

Section 3.04. Special Meetings. Special meetings of the shareholders may be called by the President, or a Vice-President, by vote of the Board of Directors, or by one or more shareholders who hold, in the aggregate, at least one-tenth of all the shares of the capital stock entitled to vote at the meeting.

Section 3.05. Notice of Meetings. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by an officer of the corporation at the direction of the person or persons calling the meeting, to each shareholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the shareholder at his address as it appears on the share transfer books of the corporation. When a meeting is adjourned to another time or place notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.06. Waiver of Notice. Whenever notice of a meeting is required to be given to any shareholder of the corporation under these bylaws, a waiver thereof in writing signed by the shareholder entitled to the notice, whether before or after the time stated therein, shall be equivalent to the giving of the notice. Attendance at a meeting by a shareholder in person or by a duly authorized attorney-in-fact or voting by a shareholder at a meeting by a proxy shall constitute waiver of notice of the meeting, except when the shareholder or attorney-in-fact attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.07. Action by Shareholders Without a Meeting. Any action required to be taken at a meeting of the shareholders of the corporation, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting

if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote on the subject. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of shareholders at a duly convened meeting.

Section 3.08. Quorum. At any meeting of the shareholders the presence, in accordance with Section 3.02 of these bylaws, of a majority of the shares entitled to vote shall constitute a quorum. All shares represented and entitled to vote on any single subject matter which may be brought before the meeting shall be counted for the purposes of a quorum. Only those shares entitled to vote on a particular subject matter shall be counted for the purposes of voting on that subject matter. Business may be conducted once a quorum is present and may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum. Unless the vote of a greater number or voting by classes is required by law or the articles of incorporation or these bylaws, the affirmative vote of the majority of the shares then represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders; provided, however, that if the shares then represented are less than required to constitute a quorum, the affirmative vote must be such as would constitute a majority if a quorum were present and provided further, the affirmative vote of a majority of the shares then present is sufficient in all cases to adjourn a meeting.

ARTICLE IV

Board of Directors

Section 4.01. General. The business and affairs of the corporation shall be managed by a Board of Directors of not less than three directors nor more than five directors, the number to be three unless a different number is fixed by the shareholders.

Section 4.02. Election of Directors and Filling Vacancies. A Board of Directors shall be elected by ballot at the annual meeting of the shareholders. Every shareholder entitled to vote in accordance with Section 3.02 of these bylaws shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or by distributing such votes on the same principle among

any number of such candidates. A director shall serve until the next annual meeting of shareholders or until removed or until his successor is elected and qualified. The Board of Directors may fill any vacancy occurring on the Board of Directors from whatever cause in the interval between the annual meetings of the shareholders; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the Board of Directors, if not already filled, or substitute some other person to fill the vacancy, in which case the term of office of the person elected by the Board of Directors shall forthwith terminate.

Section 4.03. General Powers. The Board of Directors shall have the power to control and manage all of the affairs and property of the corporation and to exercise, in addition to the powers and authorities expressly conferred upon it by these bylaws or by the articles of incorporation, all powers as may be exercised, and to do all such things that may be done by the corporation which are not expressly reserved to the shareholders, as permitted by the laws of the State of Arizona. It may restrict, enlarge or otherwise modify the powers and duties of any or all of the officers of this corporation. Without limiting the generality of the foregoing, the Board of Directors may fix record dates for determining shareholders of various classes having the right to notice of and to vote at meetings and adjournments thereof, or the right to receive dividends or other distributions, or the right to give consents to or to dissent from certain actions or for any other purpose for which record dates are or might be relevant and to determine whether or not transfer books should be closed in connection therewith.

Section 4.04. Quorum. A majority of the total number for the time being of the Board of Directors, but in no case less than two directors, shall constitute a quorum for the transaction of business, but a lesser number may adjourn the meeting sine die or to a stated time and place, and a majority of the members present at any meeting at which a quorum is present shall decide any question brought before such meeting except as otherwise may be provided by law. Any director shall be counted as present for quorum purposes at any regular or special meeting of directors and as voting with the majority, if the director subsequently approves and signs the minutes of the meeting.

Section 4.05. Regular Meeting. A regular meeting of the Board of Directors shall be held without notice following the adjournment of the annual meeting of the shareholders or any special meeting held in lieu thereof on the same day and at the same place as such annual or special meeting.

Section 4.06. Special Meeting. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one has been appointed, or the President, or a Vice-President or, at the request of two members of the Board of Directors, by the Secretary. Notice of any special meeting shall be given to each director stating the time, place and purpose of the meeting in one of the following ways: (a) by communicating actual notice to the director at least twenty-four (24) hours before the time of such meeting, or (b) by written notice thereof left at or telegraphed to a usual place of business of the director or to his residence, in either case at least forty-eight (48) hours before the time of such meeting, or (c) by placing a written notice in the mail, postage prepaid, addressed to a usual place of business of the director or to his residence, in any such case at least seventy-two (72) hours before the time of such meeting. Any person who has given notice hereunder may make an affidavit that the notice was given, which, as to the facts stated, shall be conclusive.

Section 4.07. Waiver of Notice. Notice of any meeting of the Board of Directors and of the business to be transacted may be waived in writing before or after the meeting by any director, and the presence of any director at any meeting of the Board of Directors shall be deemed a waiver of notice by him of the meeting and of the business to be transacted unless objection is made by him at the time and noted on the records of the meeting of the Board of Directors.

Section 4.08. Place of Directors' Meetings. Meetings of the Board of Directors, regular or special, may be held either within or without the State of Arizona and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

Section 4.09. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the directors or of a committee may be taken without a meeting if all directors or committee members, as the case may be, consent thereto in writing. Such consent shall have the same effect as a unanimous vote at a duly convened meeting of the Board of Directors or of a committee, as the case may be.

Section 4.10. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the Board of Directors, a majority of a full Board of Directors may exercise the powers of the Board of Directors.

Section 4.11. Removal. Any director may be removed from the Board of Directors with or without cause, subject only to limitations provided by law.

ARTICLE V

Committees

Section 5.01. General. The Board of Directors, by resolution adopted by a majority of all of the members of the Board of Directors, may designate from among its members one or more committees, each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, but no committee shall have the authority of the Board of Directors in reference to the following matters:

(a) The submission to shareholders of any action that requires shareholders' authorization or approval.

(b) The filling of vacancies on the Board of Directors or on any committee of the Board of Directors.

(c) The amendment or repeal of the bylaws, or the adoption of new bylaws.

(d) The fixing of compensation of directors for serving on the Board or on any committee of the Board of Directors.

The Board of Directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 5.02. Tenure. Each member of any committee established under this Article V shall hold office until the next regular annual meeting of the Board of Directors following his or her resignation and until his or her successor is elected and qualified.

Section 5.03. Meetings. Regular meetings of committees established under this Article V shall be held without notice at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon giving notice to other members of the committee in the manner provided in Section 4.06 for special meetings of the Board of Directors.

Section 5.04. Quorum. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must

be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

ARTICLE VI

Officers

Section 6.01. General. The officers of the corporation shall consist of a President, Vice-President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. In addition, the Board of Directors may, without limitation, elect other officers as it may from time to time find necessary or convenient for the transaction of the corporation's business and may elect the officers and fix their powers and duties. All officers shall serve at the pleasure of the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 6.02. Chairman of the Board. The Board of Directors may appoint a Chairman of the Board of Directors who shall, when present, preside at all meetings of shareholders and directors and shall have such other powers and duties as are vested in him by the Board of Directors.

Section 6.03. President. Except as provided in Section 6.02, the President shall preside at all meetings of the shareholders and directors at which he is present, sign with the Secretary or Assistant Secretary certificates of shares, except as the same may be signed by a Vice-President, and have such other powers and duties as are usually vested in the office of President of a corporation or as may be vested in him by vote of the Board of Directors.

Section 6.04. Vice-President. A Vice-President shall, in the absence or disability of the President, discharge all the duties of that office and may sign certificates of shares with the Secretary or an Assistant Secretary and have such other powers and duties as may be vested in him by vote of the Board of Directors.

Section 6.05. Secretary. The Secretary shall keep accurate minutes of all meetings of the shareholders, all meetings of the Board of Directors and the meetings of any executive committee and shall perform all the duties commonly incident to his office and shall have such other powers as the Board of Directors shall from time to time determine. The Secretary shall keep the seal of the corporation and the corporation's minute record. The Secretary shall also keep the book of blank certificates of shares, make out all certificates

of shares to be issued and make appropriate record entries of all share transactions; provided, however, that any of the duties of the Secretary set forth in this sentence may be delegated by the Board of Directors to a transfer agent or registrar. The Secretary or an Assistant Secretary shall sign with the President or a Vice-President all share certificates. The Secretary shall serve all notices required either by law or by the bylaws of the corporation and in case of his absence or refusal or neglect so to do then notices may be served by any person thereunto directed by the President. In the absence of the Secretary or an Assistant Secretary, a Secretary pro tem may be appointed to perform the duties of the Secretary.

Section 6.06. Treasurer. The Treasurer shall have charge of the funds of the corporation and shall be the general financial agent of the corporation. The Treasurer shall keep or cause to be kept full and accurate accounts of the financial affairs of the corporation, shall render or cause to be rendered a statement of the financial affairs of the corporation at each annual meeting of the shareholders and to the Board of Directors whenever it may require. The Treasurer shall have such other powers and perform such other duties as the Board of Directors shall from time to time determine.

Section 6.07. Bonds. The Board of Directors may require the Treasurer and any other officer to give a bond to the corporation with good and sufficient surety for the faithful performance of his respective duties.

ARTICLE VII

Amendment of Bylaws

Section 7.01. Amendments. The shareholders shall have the power to alter, repeal or amend these bylaws or adopt new bylaws at any regular meeting or at any special meeting called for that purpose, upon the affirmative vote of the holders of the majority of the shares entitled to vote thereon. Any amendment made to a bylaw shall be noted on the margin of the bylaw amended, referring to the page of the record where the amendment appears.

CERTIFICATE OF ADOPTION

The foregoing bylaws were duly adopted by the Board of Directors of DMB Associates, Inc. pursuant to a written consent of the directors dated January 22, 1985.

Drew M Brown
Secretary

Stock Purchase and Redemption Agreement

STOCK PURCHASE AND REDEMPTION AGREEMENT

DATE: February 14, 1991

PLACE: Scottsdale, Arizona

PARTIES: DMB ASSOCIATES, INC., an Arizona corporation (herein referred to as the "Company"), DREW M. BROWN ("Brown"), MARK N. SKLAR ("Sklar"), and BENNETT DORRANCE, Trustee of the Bennett Dorrance Trust, dated April 21, 1989, as amended ("Dorrance") (herein each individually referred to as a "Primary Stockholder" and collectively referred to as the "Primary Stockholders").

RECITALS:

A. The Primary Stockholders are the owners of all of the outstanding voting and nonvoting common stock of the Company, consisting of 30 shares of voting common stock (the "Voting Shares") and 780 shares of nonvoting common stock (the "Nonvoting Shares", together with the Voting Shares, the "Shares").

B. The Shares are held in the following proportions:

	Voting Shares	Nonvoting Shares
Brown	1	24
Sklar	1	24
Dorrance	1	24
	3	72

C. The Primary Stockholders or Related Persons (hereinafter defined) to the Primary Stockholders are also officers and directors of the Company. The Primary Stockholders desire to provide for the continuity of the management of the Company, and to this end they have determined that it is desirable to restrict the transfer of the Shares during the lifetime of the Primary Stockholders and of certain Related Persons to the Primary Stockholders and, under certain circumstances, to provide a program for the purchase of the Shares from the Primary Stockholders and any other person who becomes a Stockholder (hereinafter defined), all on the terms and conditions provided herein.

D. For ease of reference, certain capitalized terms appearing in this Agreement have the meanings provided in the glossary set forth as paragraph 29 hereof.

AGREEMENTS:

1. Restrictions on Transfer of Shares.

1.1 Restriction. Except as hereinafter specifically permitted, no Stockholder shall sell, assign, pledge, hypothecate, encumber or otherwise voluntarily transfer in any manner or by any means whatever ("Transfer"), either directly or indirectly, all or any part of his interest in the Shares without the prior written consent of the Company and all Primary Stockholders. Any purported Transfer not made in accordance with this paragraph 1 shall automatically be deemed null and void.

1.2 Permitted Transfers. The provisions of paragraph 1.1 shall not apply to Transfers of Nonvoting Shares by one Primary Stockholder to another Primary Stockholder or to a Related Person to the transferring Primary Stockholder, whether or not for adequate consideration, provided that no such transferees shall subsequently Transfer the Nonvoting Shares transferred to them, whether or not for adequate consideration, except as a return to the original Primary Stockholder of such Nonvoting Shares. Any permitted transferee under this paragraph 1.2 shall execute, acknowledge and deliver to the Company and to each other Stockholder such instruments as the Company's Board of Directors may reasonably deem necessary or advisable to effect the Transfer of Nonvoting Shares to the transferee, including, without limitation, the written acceptance and adoption by such transferee of the provisions of this Agreement. In addition, a permitted transferee shall pay a transfer fee to the Company in an amount sufficient to cover all reasonable expenses connected with the Transfer of Nonvoting Shares to the transferee. Voting Shares shall at all times be subject to the limitations of paragraph 1.1 and are not transferable to a Related Party or other Primary Stockholder pursuant to this paragraph 1.2

1.3 Subchapter S Restrictions. The Company has elected to be taxed under subchapter S of the Internal Revenue Code of 1986, as amended. Notwithstanding anything to the contrary contained herein, no transfer of Shares shall be made by any Stockholder that might cause the loss of the subchapter S election by the Company, without the consent of all Primary Stockholders, and any transfer without such consent shall be null and void ab initio.

1.4 Effect of Transfer. If the consent required by paragraph 1.1 is granted, or if a Transfer is otherwise permitted under paragraph 1.2, it shall in no manner relieve the transferring Stockholder of any of his obligations under this Agreement and the transferee shall accept such Shares subject to all the restrictions, terms and conditions contained in this Agreement, as if such transferee were a party hereto.

2. Mandatory Redemption of Voting Shares. Upon the death or Mental Incapacity of a Primary Stockholder, the Company

hall purchase, and the successors to the Voting Shares of the deceased or mentally incapacitated Primary Stockholder shall sell, all of the Voting Shares (the "Subject Voting Shares") owned by the deceased or incapacitated Primary Stockholder immediately prior to his death or the determination of his Mental Incapacity. The Company shall be deemed to have invoked the valuation procedure of paragraph 6 on the date thirty days following the Option Notice Date (as defined in paragraph 3.2) with respect to the deceased or mentally incapacitated Primary Shareholder, unless an election to invoke such valuation procedure has already been made pursuant to paragraph 3.3 before such date. The purchase price for the Subject Voting Shares shall be determined in accordance with paragraph 7, and closing of such purchase shall proceed in accordance with paragraph 8. If the Company does not have sufficient unreserved and unrestricted surplus to purchase all of the Subject Voting Shares, the remaining Primary Stockholders shall be obligated to purchase all Subject Voting Shares that the Company is unable to purchase, with such obligation to be borne by such remaining Primary Stockholders in proportion to their then ownership of Voting Shares, or in such other proportions as they otherwise agree.

3. Option to Purchase Shares.

3.1 General. Upon the occurrence of a Triggering Event with respect to any Stockholder (an "Offering Stockholder"), the Company and any Primary Stockholders with respect to whom a Triggering Event has not occurred ("Option Stockholders") shall have the right, but not the obligation, to purchase all, but not less than all, of (i) the Nonvoting Shares owned by the Offering Stockholder immediately prior to the Triggering Event, and (ii) if the Triggering Event is an event other than the death or Mental Incapacity of the Offering Stockholder, the Voting Shares, if any, owned by the Offering Stockholder immediately prior to the Triggering Event (such Nonvoting Shares and Voting Shares being referred to herein as the "Offered Shares"), on the terms and conditions set forth in this paragraph 3.

3.2 Required Notice. An Offering Stockholder shall give written notice (the "Option Notice") to the Company and the Option Stockholders immediately upon the occurrence of a Triggering Event. If the Offering Stockholder fails to give an Option Notice, the Option Notice shall be deemed to have been given and received on the date on which the Company and all Option Stockholders have received actual notice of the occurrence of the Triggering Event. The date on which the Option Notice is actually given or, if applicable, is deemed to have been given, is referred to herein as the "Option Notice Date."

3.3 Election. The Company or any Option Stockholder may invoke the valuation procedure of paragraph 6 by giving written notice of such election to the Offering Stockholder within thirty days after the Option Notice Date or any anniversary of the Option Notice Date.

3.4 Option Procedure. The Option Stockholders shall have fifteen days following any Valuation Date (as defined in paragraph 6.4) within which to elect to purchase the Offered Shares. If more than one Option Stockholder elects to purchase the Offered Shares, then the Option Stockholders shall have the right to purchase the Offered Shares in proportion to their then ownership of Voting Shares, or in such other proportions as they may agree. If the Option Stockholders do not elect to purchase the Offered Shares within the foregoing fifteen-day period, the Company shall have an additional fifteen days following the Valuation Date within which to elect to purchase the Offered Shares. The purchase price for the Offered Shares shall be determined in accordance with paragraph 7, and closing of any purchase of the Offered Shares shall proceed in accordance with paragraph 8. If the Option Stockholders and the Company do not elect to purchase all of the Offered Shares, the Offering Stockholder may retain the Offered Shares, subject to all other terms and conditions of this Agreement, including without limitation subsequent applications of this paragraph 3 and paragraph 4.

3.5 Special Rule. If the Triggering Event giving rise to an option to purchase the Offered Shares pursuant to this paragraph 3 is an event described in part (vi) of the definition of Triggering Event, the Offered Shares shall be deemed to refer only to the community property interest of the Offering Stockholder's spouse in any Shares and to any of the Offering Stockholder's Shares that are awarded to the Offering Stockholder's spouse or the spouse's representative.

4. Option to Sell Nonvoting Shares.

4.1 General. Five years following the Option Notice Date with respect to the death or Mental Incapacity of a Primary Stockholder, the representative, successors, Related Persons and/or other permitted transferees under paragraph 1 of such deceased or mentally incapacitated Primary Stockholder (collectively the "Successor Stockholders") shall have the right to require any remaining Primary Stockholders (the "Remaining Stockholders") to purchase all or any part of the Nonvoting Shares held by the Successor Stockholders (the "Put Shares"), on the terms and conditions set forth in this paragraph 4. The Successor Stockholders shall act by majority vote with respect to any decision or election arising under or relating to this paragraph 4 (including, without limitation, valuation matters under paragraph 6), and any act or decision approved by majority vote shall be binding on all such Successor Shareholders.

4.2 Election. The Successor Stockholders may invoke the valuation procedures of paragraph 6 by giving written notice of such election to the Remaining Stockholders within thirty days after the fifth or any subsequent anniversary of the Option Notice Date with respect to the death or Mental Incapacity of the predecessor Primary Stockholder.

4.3 Option Procedure. If a Valuation Date occurs after the fifth anniversary of the Option Notice with respect to the death or Mental Incapacity of a Primary Stockholder, and if the Company and Offering Stockholders fail to make a purchase election described in paragraph 3.4 within thirty days following such Valuation Date, the Successor Stockholders of the deceased or mentally incapacitated Primary Stockholder shall have an additional fifteen days following the Valuation Date within which to elect to sell the Put Shares to the Remaining Stockholders. Following such election, the Remaining Stockholders shall be obligated to purchase the Put Shares in proportion to their then ownership of Voting Shares or in such other proportions as they may agree. The purchase price for the Put Shares shall be determined in accordance with paragraph 7, and closing of any purchase of the Put Shares shall proceed in accordance with paragraph 8. If, for any reason, the Remaining Stockholders fail to close on the purchase of the Put Shares within the time prescribed under paragraph 8, the Successor Stockholders, as their sole remedy, may elect to (i) dissolve the Company and to cause a receiver to be appointed to liquidate the Company's assets and wind up its affairs, by giving notice of such election to the Remaining Stockholders at any time following their failure to close, or (ii) to purchase all, but not less than all of the Shares owned by the Remaining Stockholders, for a purchase price determined in accordance with paragraph 7, by tendering the entire purchase price in cash within ninety days following the Remaining Stockholders' failure to close. As an alternative to the elections described in the immediately preceding sentence, the Stockholders (or their successors) may agree to purchases of fewer than all of a Stockholder's Shares, or to a full or partial redemption of such Shares by the Company, in exchange for cash or property, or other similar arrangements, provided that no party shall be required to agree to such alternative arrangements. If the Successor Stockholders do not elect within the prescribed election period to sell the Put Shares, they may retain the Put Shares subject to all other terms and conditions of this Agreement, including without limitation subsequent applications of paragraph 3 and this paragraph 4.

5. Attribution. The death or Mental Incapacity of Bennett Dorrance shall be deemed to be the death or Mental Incapacity of Dorrance, and any Triggering Event with respect to Bennett Dorrance shall be deemed to be a Triggering Event with respect to Dorrance, for purposes of paragraphs 2, 3 and 4. Any Shares owned by a Related Person of a Primary Stockholder shall be accorded the same treatment that applies to such Primary Stockholder under paragraph 3. Accordingly, any election by the Company or the Option Stockholders pursuant to paragraph 3.4 to purchase the Offered Shares of an Offering Stockholder shall be deemed to be an offer to purchase all Shares owned by all Related Persons of the Offering Stockholder, and such purchase shall be consummated by the Company, Option Stockholders and the affected Related Persons in accordance with the provisions of paragraph 3.

6. Valuation of Shares.

6.1 Determined By Parties. For a period of sixty days following an election (or deemed election) pursuant to paragraph 2, 3.2 or 4.2 to invoke the valuation procedures of this paragraph 6, the Affected Parties (hereinafter defined) shall negotiate in good faith to agree upon the value per Share of the Company as of the date the applicable valuation election (or deemed election) was made under paragraph 2, 3.2 or 4.2. In making such determination, the parties shall consider the fair market value of the Company's assets, taken as a whole, less all liabilities, exclusive of any goodwill or other intangible asset that does not have a book value for accounting purposes, and any life insurance proceeds payable to the Company on the life of a deceased Primary Stockholder. The value of each Share shall be its proportionate ownership interest of the Company, and no premium or discount shall be applied with respect to the differences of the voting rights associated with the Voting Shares and Nonvoting Shares.

6.2 By Delivered Appraisal.

6.2.1 General. If the Affected Parties are unable to agree upon the value per Share of the Company within the sixty-day period described in paragraph 6.1, the value per Share shall be based on the book value of the Company, determined in accordance with generally accepted accounting principles, consistently applied, by the Company's independent certified public accountant(s) (the "Accountant"), whose determination shall be binding and conclusive, adjusted as of the date the applicable valuation election (or deemed election) was made under paragraphs 2, 3 or 4, as follows:

(i) to reflect the fair market value of any real property and improvements thereon owned by the Company;

(ii) to reflect the fair market value of partnership interests owned by the Company, such interests to be the amounts that would be received by the Company if each such partnership sold all of its assets at their fair market value, satisfied all of its liabilities (including loans from its partners) and distributed the remaining proceeds to its partners in full liquidation of the partnership;

(iii) to reflect the fair market value of any marketable securities or any other security (other than an interest in a partnership);

(iv) to reflect all of the Company's fixed liabilities;

(v) to reflect any reserve for liabilities of the Company that are contingent as of the effective

late of the valuation, the need for and amount of the reserve to be determined by resolution of the Board of Directors; and

(vi) if the book value is being determined for purposes of setting a purchase price for Shares upon the death of a Primary Stockholder, to reflect that the book value shall not include the proceeds of any life insurance owned by the Company on the life of the deceased Primary Shareholder.

Notwithstanding the foregoing, if the purchase price for Shares is deferred by agreement of the parties pursuant to paragraph 7, the deferred purchase price may be reduced to reflect liabilities of the Company that were contingent on the effective date of the valuation, but that have subsequently become fixed liabilities; provided, however that such contingent liabilities have not previously been reserved against pursuant to subparagraph 6.2.1(v) hereof.

6.2.2 Appraisal. If the Affected Parties do not agree timely on a value per Share under Section 6.1, the Affected Parties shall, within fifteen days following the end of the sixty-day period prescribed in such paragraph, unanimously select a Qualified Appraiser or Appraisers to determine the fair market value of the real property, partnership interests and securities as set forth in Section 6.2.1. If the Affected Parties are unable to agree upon a Qualified Appraiser(s) within the foregoing fifteen-day period, then at the election of any Affected Party, the selection of a Qualified Appraiser(s) shall be submitted to arbitration in accordance with the Rules of the American Arbitration Association (or any successor organization) then in effect. If real property, partnership interests and/or securities are owned by the Company, the Affected Parties may agree on, or arbitrate for the selection of, more than one Qualified Appraiser. Following his or their selection, the Qualified Appraiser(s) shall be instructed to determine as soon as practicable the fair market value of the real property, partnership interests (determined in accordance with subparagraph 6.2.1(ii)) and securities, taking into account all relevant factors with respect to the sale of assets or properties similar in nature, including the amount of any commissions and/or closing costs customarily paid in Maricopa County, Arizona with respect to the sale of similar assets or properties. The Qualified Appraiser shall not, however, consider discounts for minority interests or nonmarketability.

6.2.3 Computation of Value. The value per Share of the Company shall be determined by the Accountant within thirty days after receipt of the final valuation reports from the Qualified Appraiser(s). The Accountant shall deliver to all Affected Parties a statement showing the Company's book value, as adjusted, and the supporting items and computations, including without limitation, a copy of all appraisals relied on ("Accountant's Certification").

6.2.4 Expenses. The parties acknowledge that the preferred method for determining the value per Share of the Company is by agreement of the Affected Parties pursuant to paragraph 6.1. All Affected Parties shall negotiate in good faith to reach such agreement. If an appraisal is required under this paragraph 6.2, each Affected Party shall deliver to the Company and to all other Affected Parties, on or before the expiration of the sixty-day period described in paragraph 6.1, a written statement ("Valuation Statement") setting forth a value per Share that is acceptable to such Affected Party. To encourage an arms-length agreement on value, the parties agree that all expenses of the appraisals process shall be borne on a pro rata basis by any Affected Parties who fail to submit Valuation Statements in a timely manner and any Affected Parties who submit Valuation Statements reflecting a value per Share which is not within five percent of the final value per Share determined pursuant to this paragraph 6.2.

6.3 Definition of Affected Parties. For purposes of this paragraph 6, "Affected Parties" shall mean (i) all Primary Stockholders, (ii) the Company, (iii) the successors to the Voting Shares of a deceased or mentally incapacitated Primary Stockholder, (iv) the Offering Stockholders or their successors, and (v) for any valuation procedure commenced five years following the Option Notice Date with respect to a deceased or mentally incapacitated Primary Stockholder, the Successor Stockholders.

6.4 Full Value. For purposes of paragraphs 2, 3 and 4, it is understood and agreed among the parties hereto that the price per Share determined in accordance with paragraph 6.1 or 6.2, as applicable, is the full value of each Share and shall be binding upon all Stockholders, including Related Persons of the Primary Stockholders and any other Stockholders, whether or not such persons were Affected Parties. The date on which the Affected Parties agree on a value per Share pursuant to paragraph 6.1, or, if applicable, the date of delivery of the Accountant's Certification pursuant to paragraph 6.2.3, is referred to herein as the "Valuation Date."

7. Computation and Payment of Purchase Price. The purchase price for Shares being purchased and sold pursuant to paragraphs 2, 3 and 4 shall equal the price per Share, determined in accordance with paragraph 6, multiplied by the number of Shares being purchased and sole. The purchase price shall be paid by the purchasing Stockholders or Company, as applicable, to the selling Stockholder in cash, unless otherwise agreed by the Stockholders and Company, as applicable, at the closing of such purchase. Payment of the purchase price shall be made against delivery by the selling Stockholder of instruments of transfer or assignment of the subject Shares in form reasonably acceptable to the purchasing Stockholders or Company, as applicable. The Shares shall be conveyed to the purchasing Stockholders or Company, as applicable, free and clear of any liens, claims or encumbrances.

8. Closing. Closing of the purchase of Shares pursuant to paragraphs 2, 3 or 4 shall be held at the offices of the Company and shall be on the date and at the time selected by the parties, which in no event shall be later than ninety days following the Valuation Date.

9. Insurance.

9.1 Purchase of Insurance. The Company or any Primary Stockholder shall have the right to purchase insurance on the lives of any of the Primary Stockholders; and such policies shall be listed in Exhibit "A" attached hereto and made a part of this Agreement, along with substitution or withdrawal of life insurance policies subject to this Agreement. In the event that the Company or any Primary Stockholder decides to purchase life insurance on any Primary Stockholder, such Primary Stockholder hereby agrees to cooperate fully by performing all the requirements of the life insurance company which are necessary conditions precedent to the issuance of life insurance policies. The provisions of this paragraph 8 shall apply to Dorrance as though Bennett Dorrance were a Primary Stockholder in lieu of Dorrance.

9.2 Purchase of Insurance Policy. In the event that any Primary Stockholder ceases to be a party to this Agreement, by virtue of sale of his stock during his lifetime or otherwise, such Primary Stockholder shall have the right to purchase from the Company or another Primary Stockholder any insurance policies which the Company owns or another Primary Stockholder on his life. He will pay the Company for such policies a price equal to the cash surrender value of the policy at the date he offers to purchase such policy. Upon payment of such purchase price, the Company or Primary Stockholder shall deliver the policy to the purchasing Primary Stockholder and execute any necessary instruments of transfer. In the event that a former Primary Stockholder has not offered to buy the policies on his own life within sixty (60) days after the sale of his stock, the Company or any Primary Stockholder shall be authorized to make whatever disposition of policies on the life of such Primary Stockholder which it deems fit and appropriate.

9.3 Stockholder Obligation. If the Company owns insurance on a Primary Stockholder, and at the time insurance proceeds are received by the Company, the Company is indebted to that Primary Stockholder, or a Related Person of such Primary Stockholder, the proceeds shall first be used to pay such obligation before being applied under any other provision hereof.

10. Endorsement of Stock Certificates. All certificates of capital stock of the Company shall be endorsed as follows:

> "The shares of stock evidenced by this certificate are subject to, and are transferable only in compliance with, that certain Stock Purchase and

Redemption Agreement, dated February 14, 1991 by and between DMB ASSOCIATES, INC., and its Stockholders, a copy of which is on file with the Company and will be furnished to a requesting party within five (5) days after written request."

11. Restrictions on Successors. Any transferee of Shares, whether by gift, sale, bequest, inheritance, foreclosure, execution, or otherwise, shall automatically be deemed to be a party to this Agreement, without the execution of any additional instruments, and shall be bound by the terms and conditions of this Agreement as if such transferee were an original party hereto. Nothing in this paragraph 11 shall be deemed or construed to permit Transfers of Shares otherwise restricted or prohibited under this Agreement.

12. Issuance of Shares. The Company agrees that so long as this Agreement remains in force and effect, it will not sell or issue any additional Shares unless the purchaser or transferee becomes a party to this Agreement and the Shares so purchased become subject to the restrictions set forth herein. Each Stockholder individually agrees that in his capacity as Stockholder and in his capacity as an officer and/or director he will not cause or attempt to cause the Company to breach the covenant set forth in this Section 12.

13. Notices. All offers, exercises of options, acceptances, and notices under this Agreement shall be in writing and shall be considered to have been received when delivered personally, or when deposited in the mail if sent by certified or registered mail, return receipt requested, to the addresses set forth below, or to such other addresses that may be specified in writing to all parties hereto in accordance with this paragraph 13.

14. Voting. No Stockholder may participate in any vote as an officer, director, or Stockholder of the Company involving the possible acquisition by the Company of any of his Shares pursuant to this Agreement.

15. Gender. All words used in any gender in this Agreement shall extend to and include all genders.

16. Governing Law. This Agreement is made and is intended to be performed in the State of Arizona and it shall in all respects be governed by and construed in accordance with the laws of that state.

17. Entire Contract. This Agreement sets forth the entire agreement of the parties and supersedes any and all previous oral or written agreements regarding the transactions contemplated hereby.

18. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Stockholders and their heirs, personal representatives, and permitted successors, assigns, and transferees. The Shares of the Company standing in the name of the same Stockholders may be deemed to be community property or their spouses may have some other interest therein. Their spouses have signed the Acceptance attached hereto and hereby made a part of this Agreement, and have agreed to be bound by the terms hereof with respect to all of the Shares standing in the names of their spouses and to do all things necessary to carry out the terms hereof as though they were named herein as Stockholders. Each Stockholder agrees that if his spouse shall predecease him or if he and his spouse shall become divorced, he will purchase his deceased or divorced spouse's interest in the Shares, if any, for such price and upon such terms and conditions as may be agreed, and in the absence of agreement, at the same price determined in paragraphs 6 and 7 and upon terms provided in paragraphs 7 and 8 for the purchase of Shares by the Company or other Stockholders, unless his deceased spouse has at or before death transferred or bequeathed her interest in the Shares to him or to a trust under the terms of which disposition of the Shares can be made only under the terms of this Agreement, with the Stockholder having the sole and exclusive right to vote such Shares for all purposes whatsoever during his lifetime.

19. Further Instruments. A duly authorized officer of the Company and the Stockholders or their representatives shall make, execute, and deliver any documents necessary to carry out this Agreement.

20. Specific Performance. The parties agree that the Shares are unique property, that a remedy at law for non-performance of obligations under this Agreement is not adequate, and that such obligations may be specifically enforced.

21. Modification or Waiver. No modification of this Agreement shall be deemed effective unless in writing and signed by the parties hereto. No waiver shall be effective unless in writing and executed by the party against whom enforcement of the waiver is sought. This Agreement may be amended by written instrument signed by all living Stockholders, provided, however, that no such amendment shall affect the rights and obligations of any deceased Stockholder.

22. Headings. The headings in this Agreement have been inserted for convenience only and shall not affect the meaning or interpretation of any provision in this Agreement.

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

24. Severability. If for any reason any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid, unenforceable, illegal, or inoperable, its invalidity shall not affect the validity and effect of the other provisions hereof.

25. Termination. This Agreement shall terminate and the Shares shall be released from the terms of this Agreement should any of the following occur:

(a) Sale of all of the Shares of the Company to a third party;

(b) Written agreement of the Company and the then living Stockholders, provided, however, that no such termination shall affect the rights and obligations of any Stockholder then deceased;

(c) Cessation of the Company's business; or

(d) Bankruptcy, receivership, or dissolution of the Company.

Upon termination of this Agreement for any of the reasons set forth above, the Shares held by each Stockholder shall be surrendered to the Company and the Company shall issue new certificates for the same number of Shares, but without the restrictive legend required herein.

26. Time of Essence. Time is of the essence of this Agreement.

27. Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any party to this Agreement.

28. Attorneys' Fees. If any litigation arises in connection with this Agreement, any prevailing party to such litigation shall be reimbursed by the other party or parties for all costs and expenses of such litigation, including reasonable attorneys' fees to be fixed by the court, and the amount of such costs and expenses shall be added to the amount of such judgment. For purposes of this paragraph, the term "prevailing party" shall mean, in the case of the plaintiff, one who is successful in obtaining substantially all of the relief sought by the plaintiff, and in the case of the defendant, one who is successful in defeating substantially all of the relief sought by the plaintiff.

29. Glossary. For purposes of this Agreement, the following terms shall have the meanings specified in this paragraph 29; the singular shall be deemed to refer to the plural,

the masculine gender to the feminine and neuter, and vice versa, as the context may require.

"Accountant" shall have the meaning provided in paragraph 6.2.1 hereof.

"Affected Parties" shall have the meaning provided in paragraph 6.3 hereof.

"Bennett Dorrance" means Bennett Dorrance, an individual.

"Brown" means Drew M. Brown, an individual.

"Company" means DMB Associates, Inc., an Arizona corporation.

"Dorrance" means Bennett Dorrance, Trustee of the Bennett Dorrance Trust, dated April 21, 1989, as amended in its entirety on March 2, 1990, and his duly appointed successor trustees.

"Mental Incapacity" means, with regard to any Stockholder, a determination by a court of competent jurisdiction, in a final non-appealable order, that the Stockholder is an "incapacitated person," as defined in A.R.S. § 14-1501, or any statute in place thereof adopted in Arizona, or by a court of competent jurisdiction in any other state under a statute comparable to A.R.S. § 14-5101.

"Nonvoting Shares" shall have the meaning provided in Recital A hereof.

"Offered Shares" and "Offering Stockholder" shall have the meanings provided in paragraph 3.1 hereof.

"Option Notice" and "Option Notice Date" shall have the meanings provided in paragraph 3.2 hereof.

"Option Stockholders" shall have the meaning provided in paragraph 3.1 hereof.

"Primary Stockholders" means Brown, Sklar and Dorrance. Primary Stockholder means any of the Primary Stockholders, individually.

"Qualified Appraiser" means a disinterested appraiser with not less than ten years experience in appraising assets or properties similar in nature to the assets being appraised. With respect to any real property held directly by the Company, or indirectly by the Company through a partnership, "Qualified Appraiser" means a disinterested appraiser who is a member of the American Institute of Real Estate Appraisers (or any successor association of comparable standing if such institute is

not then in existence), with not less than ten years experience in appraising similar real property developments.

"Related Party" means the spouse and issue of a Primary Stockholder, any trust established for the benefit of a Primary Stockholder, his spouse or issue, or, in the case of Dorrance, Bennett Dorrance, his spouse and issue and any trust established for the benefit of Bennett Dorrance, his spouse and his issue.

"Sklar" means Mark N. Sklar, an individual.

"Stockholder" means any person or entity who owns Shares. "Stockholders" means all such persons or entities.

"Transfer" shall have the meaning provided in paragraph 1.1.

"Triggering Event" means, with regard to the Stockholder involved, the occurrence of any of the following events:

(i) any purported Transfer by the Stockholder of all or any part of such Stockholder's Shares in a manner not expressly permitted by this Agreement or any assignment or transfer of a Stockholder's Shares by operation of law (except an assignment or transfer resulting from the death or Mental Incapacity of a Partner);

(ii) the filing of a suit or delivery of a notice by the Stockholder to terminate or dissolve the Company at any time;

(iii) the appointment of a personal representative of the estate of a deceased Stockholder;

(iv) the appointment of a guardian or representative following the determination of the Mental Incapacity of a Stockholder;

(v) in the case of Dorrance, the occurrence of an event described in part (iii) or (iv) of this definition with respect to Bennett Dorrance;

(vi) the termination of the marital relationship of the Stockholder by the death of such Stockholder's spouse, divorce, or otherwise, but only with respect to any interest in the Shares awarded to the Stockholder's spouse or the spouse's representative (provided that the occurrence of an event described herein with respect to Bennett Dorrance shall be deemed to apply to Dorrance and to any Shares awarded to Bennett Dorrance's spouse or her representative); or

(vii) any material breach of the terms of this Agreement by the Stockholder which is not cured within thirty days following written notice thereof from the Company or any Primary Stockholder.

"Valuation Date" shall have the meaning provided in paragraph 6.4 hereof.

"Voting Shares" shall have the meaning provided in Recital A hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

CORPORATION: DMB ASSOCIATES, INC., an Arizona corporation

By: _____
Drew M. Brown, President

SHAREHOLDERS:

_____
Bennett Dorrance, Trustee of the Bennett Dorrance Trust, dated April 21, 1989, as amended in its entirety on March 2, 1990
4201 N. 24th Street, Ste. 120
Phoenix, Arizona 85016

_____
Drew M. Brown
4201 N. 24th Street, Ste. 120
Phoenix, Arizona 85016

_____
Mark N. Sklar
4201 N. 24th Street, Ste. 120
Phoenix, Arizona 85016

ACCEPTANCE

The undersigned, being the wives of Drew M. Brown, Mark N. Sklar and Bennett Dorrance, have read the foregoing Stock Purchase and Redemption Agreement, and each agrees: (a) to be bound by and to comply with all the terms of such Agreement; (b) to execute a Will leaving her community property interest, if any, in the capital stock ("Stock") of DMB Associates, Inc., owned by her husband and herself, to her husband if she predeceases him; (c) to cooperate in the sale or redemption of all of the Stock owned by her husband and herself upon the death or mental incapacity of her husband if she is living; and (d) to allow her husband to retain the Stock, if any, presently owned by herself and her husband as community property in the event of divorce, it being understood that such retention of Stock shall not effect her right to her share of the total community property estate. In the case of Jacquelynn Dorrance, this Acceptance shall be deemed to apply to her community property interest, if any, in the Stock owned by Bennett Dorrance as Trustee of the Bennett Dorrance Trust dated April 21, 1988, as amended. This Acceptance shall not be deemed to create a community property interest in Stock where no such interest existed independently of this Acceptance or to alter any community property interest in the Stock, except to subject such interest in the Stock to the terms of this Acceptance.

Laurie E. Brown, wife of
Drew M. Brown

JoAnn Sklar, wife of
Mark N. Sklar

Jacquelynn Dorrance, wife of
Bennett Dorrance

EXHIBIT "A"

SCHEDULE OF INSURANCE

Insurer	Policy Number	Insured	Amount
None			

Consent in Lieu of Annual Meeting of Shareholders

DMB ASSOCIATES, INC.

CONSENT IN LIEU OF ANNUAL
MEETING OF SHAREHOLDERS

December 2, 1998

Pursuant to Ariz. Rev. Stat. § 10-704, the undersigned, being all of the shareholders of DMB Associates, Inc., an Arizona corporation (the "Corporation"), hereby unanimously consent to the adoption of the following resolutions in lieu of holding an annual meeting:

RESOLVED, that the following individuals be, and they hereby are, elected to serve as directors of the Corporation, at the pleasure of the shareholders, until the next meeting of the shareholders or until their successors are duly appointed:

Drew M. Brown
Bennett Dorrance
Mark N. Sklar

FURTHER RESOLVED, that the first sentence of Section 3.03 of the Bylaws of the Corporation is hereby deleted and the following is inserted in its place:

Section 3.03. Annual Meeting. An annual meeting of the shareholders shall be held on the first Wednesday in December of each year unless that day is a legal holiday, in which event the meeting will be held on the next business day.

The Secretary of the Corporation is hereby authorized to note this Amendment on the margin of the bylaw amended to refer to the page of record where this Amendment appears.

FURTHER RESOLVED, that all acts of the Corporation, its officers and members of the Board of Directors are hereby affirmed, approved and ratified.

Mark N. Sklar

Drew M. Brown

Bennett Dorrance

Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended

SHAREHOLDERS

Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated April 21, 2000

DMB ASSOCIATES, INC.

JOINT CONSENT OF BOARD OF DIRECTORS
AND SHAREHOLDERS IN LIEU OF
SPECIAL MEETING

Pursuant to Ariz. Rev. Stat. §§ 10-704 and 10-821, the undersigned, being all of the members of the Board of Directors and shareholders of DMB Associates, Inc., an Arizona corporation (the "Corporation"), other than Mark N. Sklar, hereby unanimously consent to the adoption of the following resolutions in lieu of holding a meeting:

WHEREAS, Mark N. Sklar is the individual owner of one (1) share share of voting stock (the "Voting Stock") and twenty-four (24) shares of non-voting stock (the "Non-Voting Stock) of the Corporation;

WHEREAS, Mark N. Sklar wishes to transfer all of his right, title and interest in the Voting Stock and Non-Voting Stock to the Mark N. Sklar Trust dated May 18, 1972, as amended;

WHEREAS, Section 1.1 of the Stock Purchase and Restriction Agreement of the Corporation, dated February 14, 1991, provides that a shareholder may not transfer all or any part of his interest in the shares without the prior written consent of the Corporation and all shareholders;

THEREFORE, BE IT RESOLVED, the undersigned directors of the Corporation hereby consent to the transfer of the Voting Stock and Non-Voting Stock, which is owned individually by Mark N. Sklar, to the Mark N. Sklar Trust dated May 18, 1972, as amended;

FURTHER RESOLVED, the undersigned shareholders hereby consent to the transfer of the Voting Stock and Non-Voting Stock, which is owned individually by Mark N. Sklar, to the Mark N. Sklar Trust dated May 18, 1972, as amended.

FURTHER RESOLVED, that the officers of the Corporation be, and hereby are, authorized and directed to issue certificates representing such shares to the Mark N. Sklar Trust dated May 18, 1972, as amended, upon receipt of the referenced stock certificates properly endorsed to reflect the transfer of such shares from Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended.

DATED this 21st day of April, 2000.

Drew M. Brown, Director

Bennett Dorrance, Director

Drew M. Brown, Shareholder

Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended, Shareholder

I, Mark N. Sklar, Trustee of the Mark N. Sklar Trust, dated May 18, 1972, hereby agree to be bound by the terms and conditions of the Stock Purchase and Restriction Agreement dated February 14, 1991.

Mark N. Sklar, Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended

Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000

DMB ASSOCIATES, INC.

JOINT CONSENT OF BOARD OF DIRECTORS
AND SHAREHOLDERS IN LIEU OF
SPECIAL MEETING

Pursuant to Ariz. Rev. Stat. §§ 10-704 and 10-821, the undersigned, being all of the members of the Board of Directors and shareholders of DMB Associates, Inc., an Arizona corporation (the "Corporation"), other than Drew M. Brown, hereby unanimously consent to the adoption of the following resolutions in lieu of holding a meeting:

WHEREAS, Drew M. Brown is the individual owner of one (1) share share of voting stock (the "Voting Stock") and twenty-four (24) shares of non-voting stock (the "Non-Voting Stock) of the Corporation;

WHEREAS, Drew M. Brown wishes to transfer all of his right, title and interest in the Voting Stock and Non-Voting Stock to the Brown Family Trust dated August 30, 1980, as amended;

WHEREAS, Section 1.1 of the Stock Purchase and Restriction Agreement of the Corporation, dated February 14, 1991, provides that a shareholder may not transfer all or any part of his interest in the shares without the prior written consent of the Corporation and all shareholders;

THEREFORE, BE IT RESOLVED, the undersigned directors of the Corporation hereby consent to the transfer of the Voting Stock and Non-Voting Stock, which is owned individually by Drew M. Brown, to the Brown Family Trust dated August 30, 1980, as amended;

FURTHER RESOLVED, the undersigned shareholders hereby consent to the transfer of the Voting Stock and Non-Voting Stock, which is owned individually by Drew M. Brown, to the Brown Family Trust dated August 30, 1980, as amended;

FURTHER RESOLVED, that the officers of the Corporation be, and hereby are, authorized and directed to issue certificates representing such shares to the Brown Family Trust dated August 30, 1980, as amended, upon receipt of the referenced stock certificates properly endorsed to reflect the transfer of such shares from Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended.

DATED this 8th day of May, 2000.

Mark N. Sklar, Director

Bennett Dorrance, Director

Mark N. Sklar, Trustee of the Mark N. Sklar Trust dated 5/18/72, as amended, Shareholder

Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended, Shareholder

I, Drew M. Brown, Trustee of the Brown Family Trust dated August 30, 1980, as amended, hereby agree to be bound by the terms and conditions of the Stock Purchase and Restriction Agreement dated February 14, 1991.

Drew M. Brown, Trustee of the Brown Family Trust dated August 30, 1980, as amended

Unamious Written Consent of Board of Directors of DMB Associates

UNANIMOUS WRITTEN CONSENT
OF
THE BOARD OF DIRECTORS

OF

DMB ASSOCIATES, INC.
an Arizona corporation

The undersigned, being all of the directors of DMB ASSOCIATES, INC., an Arizona corporation (the "**Corporation**"), hereby adopt the following resolutions effective June 19, 2001.

WHEREAS, the Corporation is the Manager of DMB Realco LLC, an Arizona limited liability company ("**Realco**");

WHEREAS, Realco is the Manager of DMB White Tank, LLC, an Arizona limited liability company ("**White Tank**");

WHEREAS, pursuant to (i) Section 11.11 of that certain Master Agreement dated September 30, 1999 between Caterpillar Foundation, an Illinois not-for-profit corporation ("**Caterpillar**"), and White Tank (the "**Master Agreement**") and as anticipated in Section 8 of that certain Trust Agreement between Fidelity National Title Insurance Company, a California corporation, as the initial Trustee, Caterpillar, as the First Beneficiary, and White Tank, as the Second Beneficiary attached as Exhibit C to the Master Agreement; and (ii) Section 3.2 and Exhibit F of that certain Pre-Annexation and Development Agreement by and between the Town of Buckeye, an Arizona municipal corporation ("**Buckeye**") and White Tank, as Developer, recorded November 26, 1999 in the Official Records of Maricopa County, Arizona under Document No. 99-1071208, White Tank proposes to form two tax levying community facilities districts in Buckeye, as authorized under A.R.S. §48-701, et seq., to be known as WhiteStone District 1 Community Facilities District ("**District 1 CFD**") and WhiteStone Western Overlay Community Facilities District (the "**Western Overlay CFD**") (collectively, the formation of the District 1 CFD and the Western Overlay CFD are hereinafter referred to as the "**CFD Formation**");

WHEREAS, the CFD Formation directly or indirectly benefits the Corporation;

WHEREAS, White Tank has prepared a proposed General Plan for approval by the District Board of WhiteStone District 1 Community Facilities District (the "**District 1 Board**") and the District Board of WhiteStone Western Overlay Community Facilities District (the ("**Western Overlay Board**") upon the CFD Formation;

WHEREAS, upon a resolution of the District 1 Board approving the proposed General Plan, the District 1 Board will call a special bond and operation and

maintenance ad valorem tax election for the District 1 CFD to authorize the issuance of general obligation bonds in an amount not to exceed $100,000,000 (the "**District 1 Bond Election**");

WHEREAS, upon a resolution of the Western Overlay Board approving the proposed General Plan, the Western Overlay Board will call a special bond and operation and maintenance ad valorem tax election for the Western Overlay CFD to authorize the issuance of general obligation bonds in an amount not to exceed $60,000,000 (the "**Western Overlay Bond Election**").

NOW THEREFORE, BE IT RESOLVED, that the Corporation has determined that the CFD Formation is in the best interest of the Corporation;

FURTHER RESOLVED, that John L. Bradley, the Vice President of the Corporation, which is the Manager of Realco, which is the Manager of White Tank, is hereby authorized and directed to negotiate, execute and deliver, in the name and on behalf of the Corporation, such certificates, agreements, documents, applications or instruments as he may deem necessary or appropriate in his sole discretion to consummate the CFD Formation including, but not limited to, the (i) Petition for Formation and Petition for Adoption of Resolutions Ordering and Declaring Formation of WhiteStone District 1 Community Facilities District; (ii) General Plan for the Proposed Whitestone District 1 Community Facilities District; (iii) Petition for Formation and Petition for Adoption of Resolutions Ordering and Declaring Formation of WhiteStone Western Overlay Community Facilities District; and (iv) General Plan for the Proposed WhiteStone Western Overlay Community Facilities District, in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved;

FURTHER RESOLVED, that John L. Bradley is hereby authorized and directed to execute and deliver, in the name and on behalf of the Corporation, such certificates, agreements, documents, applications or instructions as he may deem necessary or appropriate in his sole discretion to effectuate and facilitate the authorization to issue bonds and the assessment of ad valorem taxes that are the subject of the District 1 Bond Election and the Western Overlay Bond Election, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved;

FURTHER RESOLVED, that John L. Bradley is hereby authorized to incur and pay all expenses relating to the CFD Formation as in his sole judgment shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the Directors hereby ratify and approve any actions previously taken by or at the request of John L. Bradley, the Corporation and/or Realco, on behalf of White Tank, in connection with the CFD Formation, including any actions taken prior to the adoption of these resolutions by or on behalf of the Corporation and all other actions incidental and hereto;

FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

FURTHER RESOLVED, that a copy of these resolutions may be delivered to the Buckeye or any other person in connection with the CFD Formation and/or the Bond Elections and these resolutions shall remain in full force and effect until the Buckeye's receipt of further resolutions of the Directors revoking these resolutions.

Bennett Dorrance, Director

Mark N. Sklar, Director

Drew M. Brown, Director

Consent in Lieu of Annual Meeting of Shareholders of DMB Associates

DMB ASSOCIATES, INC.

CONSENT IN LIEU OF ANNUAL
MEETING OF SHAREHOLDERS

December 7, 2005

Pursuant to Ariz. Rev. Stat. § 10-704, the undersigned, being all of the shareholders of DMB Associates, Inc., an Arizona corporation (the "Corporation"), hereby unanimously consent to the adoption of the following resolutions in lieu of holding an annual meeting:

RESOLVED, that the following individuals be, and they hereby are, elected to serve as directors of the Corporation, at the pleasure of the shareholders, until the next meeting of the shareholders or until their successors are duly appointed:

Drew M. Brown
Bennett Dorrance
Mark N. Sklar

FURTHER RESOLVED, that the lawful acts of the Corporation, its officers and members of the Board of Directors of the Corporation during the previous year be, and they hereby are, ratified, approved and confirmed in all respects.

DATED as of the 7th day of December, 2005.

Mark N. Sklar, Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended

Drew M. Brown, Trustee of The Brown Family Trust dated August 30, 1980, as amended

Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended

SHAREHOLDERS

Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates

DMB ASSOCIATES, INC.

CONSENT IN LIEU OF ANNUAL
MEETING OF BOARD OF DIRECTORS

December 7, 2005

Pursuant to Ariz. Rev. Stat. § 10-821, the undersigned, being all of the directors of DMB Associates, Inc., an Arizona corporation (the "Corporation"), hereby unanimously consent to the adoption of the following resolutions in lieu of holding an annual meeting:

RESOLVED, that the following individuals be, and they hereby are, elected to serve as officers of the Corporation, at the pleasure of the Board of Directors, until the next meeting of the Board of Directors or until their successors are duly appointed:

Drew M. Brown	-	President
Bennett Dorrance	-	Treasurer
Mark N. Sklar	-	Vice President/Secretary
Michael A. DeBell	-	Executive Vice President/Assistant Secretary
Timothy A. Kaehr	-	Executive Vice President/Assistant Secretary
James C. Hoselton	-	Vice President
Eneas A. Kane	-	Executive Vice President/Assistant Secretary
Terry D. Randall	-	Vice President
Charley Freericks	-	Vice President
Fawn E. Medesha	-	Vice President - Information Systems
John Bradley	-	Vice President
Brent E. Herrington	-	Vice President
Michael J. Roberts	-	Vice President
Richard A. Holtzman	-	Vice President
Andrew S. Beams	-	Vice President
Nickolas A. Taratsas	-	Vice President
Mary S. Alexander	-	Vice President
Irene Carroll	-	Vice President
Nadine Corrigan Naliboff	-	Vice President
Thomas E. Lucas	-	Vice President
Robert A Mayhew	-	Vice President
Karrin Kunasek Taylor	-	Vice President

FURTHER RESOLVED, that the lawful acts of the officers of the Corporation during the previous year be, and they hereby are, ratified, approved and confirmed in all respects.

DATED as of the 7th day of December, 2005.

Mark N. Sklar, Director

Drew M. Brown, Director

Bennett Dorrance

Bennett Dorrance, Director

DIRECTORS

Consent to Resolutions in Lieu of Meeting

DMB ASSOCIATES, INC.

CONSENT TO RESOLUTIONS IN LIEU OF
MEETING OF BOARD OF DIRECTORS

Pursuant to Ariz. Rev. Stat. § 10-821, the undersigned, being all of the directors of DMB Associates, Inc., an Arizona corporation (the "Corporation"), hereby unanimously consent to the adoption of the following resolutions in lieu of holding meeting:

RESOLVED, that the following individual is, and he hereby is, elected to serve as an additional officer of the Corporation, at the pleasure of the Board of Directors, until the next meeting of the Board of Directors or until his successor is duly appointed:

Dirk W. Ellsworth - Vice President

FURTHER RESOLVED, that the authority granted pursuant to that certain Consent to Resolutions in Lieu of Meeting of Board of Directors (pertaining to execution of documents) is hereby rescinded.

DATED as of the 1st day of January, 2006.

Mark N. Sklar, Director

Drew M. Brown, Director

Bennett Dorrance, Director

DIRECTORS

Certificate of Incumbency of Andrew S. Beams

DMB ASSOCIATES, INC.
CERTIFICATE OF INCUMBENCY

The undersigned, being the duly authorized and acting Vice President of DMB Associates, Inc., an Arizona corporation (the "**Corporation**"), does hereby certify that he is authorized to execute this Certificate on behalf of the Corporation and further certifies that the following persons are elected Directors of the Corporation and their true signatures appear opposite their name:

Name	Signature
Drew M. Brown	
Mark N. Sklar	
Bennett Dorrance	

IN WITNESS WHEREOF, I have hereunto set my hand as of the 31st day of August, 2006.

Andrew S. Beams, Vice President

I, Mark N. Sklar, Vice President and Secretary of the Corporation, do hereby certify that Andrew S. Beams is a duly elected Vice President of the Corporation, that he occupies such office on the date hereof and that the signature of Andrew S. Beams is his true and correct signature.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 31st day of August, 2006.

Mark N. Sklar, Vice President and Secretary

Certificate of Good Standing of DMB Associates

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

****DMB ASSOCIATES, INC.****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on January 23, 1985.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved 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 Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence 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 18th Day of July, 2006, A. D.

Executive Director

Order Number: 78740

Certificate of Andrew S. Beams

CERTIFICATE

Andrew S. Beams, the Vice President of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), being the duly qualified and active Vice President of DMB Associates, hereby represents, warrants, covenants and certifies to Greenberg Traurig, LLP, an Arizona professional limited liability partnership ("**Greenberg Traurig**"), for purposes of Greenberg Traurig rendering its opinion (the "**Opinion Letter**") to Wells Fargo Bank Arizona, N.A. and Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) in connection with the issuance, sale and purchase of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bond Transaction**"), as follows:

1. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Trust Agreement Documents**"): Trust Agreement, dated March 19, 2002, creating Trust No. B176, among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee ("**Trustee**"), Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), and DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**"), as Second Beneficiary ("**Second Beneficiary**"), and all exhibits, appendices, and side letter agreements thereto, as the same has been amended and restated pursuant to that certain Amended and Restated Trust Agreement, dated August 31, 2006 (the "**Trust Agreement**"); and there are no further amendments, modifications, supplements, restatements or replacements of the Trust Agreement, including that none of Fidelity National Title Insurance Company, as Trustee, Caterpillar Foundation, as First Beneficiary, nor DMB-WT, as Second Beneficiary, has taken or omitted to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the Trust Agreement, or result in the dissolution of the trust established thereby;

2. Greenberg Traurig has been provided with an accurate and complete copy of the Master Agreement for Certain Contributions, Distributions and Purchases of Ownership Interests, dated January 1, 1994, by and among Drew M. Brown, Mark N. Sklar and Bennett Dorrance, individually and Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended in its entirety on March 2, 1990 (the "**Master Agreement**"). There are no amendments, modifications, supplements, restatements or replacements of the Master Agreement, including that none of Drew M. Brown, Mark N. Sklar nor Bennett Dorrance has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of the Master Agreement and, to the best knowledge of the undersigned, the Master Agreement remains in full force and effect.

3. Greenberg Traurig has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB Associates Documents**"):

a) Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated January 21, 1985, filed with the Arizona Corporation Commission on January 23, 1985, as File No. 172559;

b) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated April 4, 1988, filed with the Arizona Corporation Commission on June 10, 1988, as File No. 172559-6;

c) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated December 18, 1990, filed with the Arizona Corporation Commission on February 14, 1991, as File No. 172559-2;

d) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated July 30, 1999, filed with the Arizona Corporation Commission on August 30, 1999, as File No. 0172559-6;

e) Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., as an Arizona corporation, dated May 1, 2002, filed with the Arizona Corporation Commission on June 11, 2002, as File No. 0172559-6;

f) Bylaws of DMB Associates, Inc., adopted by the Board of Directors on January 22, 1985;

g) Stock Purchase and Redemption Agreement dated February 14, 1991, by and among DMB Associates, Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended ("**Dorrance 1989 Trust**") and Acceptance by Laurie E. Brown, JoAnn Sklar, and Jacquelynn Dorrance;

h) Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 of the Bylaws pertaining to the annual meeting of the shareholders;

i) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated April 21, 2000, consenting to the transfer of the voting and non-voting stock owned individually by Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended;

j) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000, consenting to the transfer of the voting stock and non-voting stock owned individually by Drew M. Brown to the Brown Family Trust, dated August 30, 1980, as amended;

k) Unanimous Written Consent of Board of Directors of DMB Associates, Inc., an Arizona corporation, as Manager of DMB Realco LLC, an Arizona limited liability company ("**Realco**"), as Manager of DMB-WT, effective as of June 19, 2001, authorizing the formation of the WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) Consent in Lieu of Annual Meeting of Shareholders dated December 7, 2005, pertaining to the election of Drew M. Brown, Bennett Dorrance and Mark N. Sklar as Directors of DMB Associates;

m)Consent in Lieu of Annual Meeting of Board of Directors dated December 7, 2005, pertaining to the election of officers of DMB Associates;

n) Consent to Resolutions in Lieu of Meeting of Board of Directors dated January 1, 2006, pertaining to the election of Dirk W. Ellsworth as an officer of DMB Associates;

o) Certificate of Incumbency of Andrew S. Beams, Vice President of DMB Associates dated August 1, 2006; and

p) Certificate of Good Standing of DMB Associates, Inc., an Arizona corporation, issued July 18, 2006.

With the exception of the DMB Associates Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB Associates Documents, including that none of the officers, directors nor shareholders has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB Associates Document, or result in the dissolution of DMB Associates, and, to the best knowledge of the undersigned, the DMB Associates Documents remain in full force and effect;

4. The undersigned, Andrew S. Beams, is Vice President of DMB Associates, is familiar with the corporate, limited liability company, partnership and trust books and records of DMB Associates, including the Trust Agreement Documents, the Master Agreement, and the DMB Associates Documents (collectively, the "**Operative Documents**") and, to the best knowledge of the undersigned, acting in such capacity:

(a) With respect to the Operative Documents, all signatures thereon are genuine, all actions of the signatories thereto have been duly authorized and such Operative Documents constitute the valid and binding obligations of the parties thereto, all parties to the Operative Documents have obtained all necessary consents, authorizations, approvals, permits and certificates required as a condition to the execution and delivery of same, each of the Operative Documents (as applicable) constitutes an integrated agreement between the parties thereto with respect to the matters contained therein and accurately describes and contains all of the agreements and understandings between the parties thereto with respect to such matters, 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 any of the Operative Documents (except as expressly provided for in the Operative Documents) and all representations and warranties of all parties contained in the Operative Documents are true and accurate.

(b) The execution and delivery of this Certificate and the Bond Transaction Documents by or on behalf of DMB Associates, as applicable, will not conflict with or result in a violation of any agreement, contract, indenture, undertaking or instrument to which any of DMB Associates, the Dorrance 1995 Issue Trust, the Dorrance 1989 Trust, the Brown Family Trust, the Sklar Trust, or any constituent member, director, shareholder, trustee or beneficiary thereof, is a party or by which it or its assets or interests are bound.

(c) Except as already obtained and/or as reflected in the DMB Associates Documents, respectively, no consent, approval, authorization, or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by or on behalf of DMB Associates of the

Bond Transaction Documents, or the payment and performance of the agreements and obligations of DMB Associates thereunder.

(d) None of the Trustee, First Beneficiary or Second Beneficiary are in violation of any provision of, or in default under, the Trust Agreement Documents, or any other agreement, undertaking or instrument to which the Trust is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB Associates in connection with the Bond Issuance.

(e) None of DMB Associates or any Shareholder is in violation of any provision of, or in default under, the DMB Associates Documents, or any other agreement, undertaking or instrument to which DMB Associates or any Shareholder is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB Associates in connection with the Bond Issuance.

(f) The information pertaining to DMB-WT, and the Verrado master-planned community (referred to therein as the "Project") contained in the Preliminary Limited Offering Memorandum including under the headings "RISK FACTORS", "LITIGATION" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" 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.

(g) DMB Associates has paid all income taxes, fines, jeopardy or fraud assessments, and interest due and payable to the State of Arizona.

Dated as of the 17th day of ~~August~~ October, 2006.

Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation

Unanimous Written Consent of the Board of Directors of DMB Associates

UNANIMOUS WRITTEN CONSENT
OF
THE BOARD OF DIRECTORS
OF
DMB ASSOCIATES, INC.
an Arizona corporation

The undersigned, being all of the Directors of DMB ASSOCIATES, INC., an Arizona corporation (the "**Corporation**"), hereby adopt the following resolutions effective as of ~~August~~ October 17, 2006.

WHEREAS, the Corporation is the Manager and Member wof DMB Realco LLC, an Arizona limited liability company ("**Realco**");

WHEREAS, Realco is the sole Member of DMB Communities LLC, an Arizona limited liability company ("**Communities**");

WHEREAS, the Corporation is the Manager of Communities;

WHEREAS, Communities is the Manager and sole Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**")

WHEREAS, pursuant to a Limited Offering Memorandum dated October 17, 2006, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell District General Obligation Bonds, Series 2006, in an amount not to exceed $19,750,000.00 (the "**Bonds**"), to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, (ii) to pay certain funded interest on the Bonds, and (iii) pay costs of issuance relating to the Bonds (the "**Bond Issuance**");

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance that the Corporation make certain representations and agreements, including agreeing to provide certain financial assurances to the District in connection with the Bond Issuance;

WHEREAS, the Bond Issuance will directly or indirectly benefit the Corporation and its Shareholders.

NOW THEREFORE, BE IT RESOLVED, that the Corporation has determined that the making of certain representations and agreements and the giving of certain financial assurances in connection with the Bond Issuance is in the best interest of the Company;

FURTHER RESOLVED, that any of the following officers of the Corporation is hereby authorized and directed to negotiate, execute and deliver, in the

name and on behalf of the Corporation, such certificates, agreements, documents or instruments as he may deem necessary or appropriate in his sole discretion to consummate the Bond Issuance including, without limitation, the Standby Contribution Agreement and the Closing Certificate of the Corporation, in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President
Eneas A. Kane	Executive Vice President/Assistant Secretary;

FURTHER RESOLVED, that any of the officers named above, and each of them, acting alone, are hereby authorized to incur and pay all expenses relating to the Bond Issuance as in their sole judgment shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the Directors hereby ratify and approve any actions previously taken by or at the request of John Bradley, Vice President, Andrew S. Beams, Vice President, Eneas A. Kane, Executive Vice President and Assistant Secretary, DMB-WT, Communities, Realco and/or Corporation, on behalf of the Corporation, on behalf of Realco, on behalf of Communities, on behalf of DMB-WT, in connection with the Bond Issuance, and any actions taken prior to the adoption of these resolutions by or on behalf of the Corporation and all other actions incidental and hereto;

FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

FURTHER RESOLVED, that a copy of these resolutions may be delivered to the District or any other person in connection with the Bond Issuance and these resolutions shall remain in full force and effect until the District's receipt of further resolutions of the Directors revoking these resolutions.

[Signature Page to follow]

BOARD OF DIRECTORS

Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director