$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

Closing: April 16, 2003

CLOSING INDEX

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

1. County Assessor's Certificate.

2. Appraiser's Restricted Report – Limited Appraisal.

3. A. Agenda for meeting of March 4, 2003; Resolution No. 01-03 approving the Feasibility Study, dated June 21, 2002, Amended and Restated as of March 4, 2003 regarding the issuance and sale of the Bonds to RBC Dain Rauscher Inc., as the purchaser of the Bonds (the "*Purchaser*")
   B. Affidavit of publication of notice of hearing
   C. Feasibility Study, Amended and Restated as of March 4, 2003.

4. Agenda for meeting of March 26, 2003; Resolution No. 02-03 authorizing the issuance and sale of the Bonds to the Purchaser in accordance with the Purchase Contract.

5. Purchase Contract.

6. Indenture of Trust and Security Agreement.

7. UCC Financing Statement.

8. Standby Contribution Agreement.

9. Guaranty.

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

11. Closing Certificate of Town of Buckeye, Arizona.

12. Acknowledgement and Request for Authentication.

13. Certificate Regarding Indebtedness.

14. Closing Certificate of DMB White Tank, LLC.

15. Owner's Certificate of Market Value.

16. Owner's Indemnity Letter.

17. Owner's Indemnity Letter pertaining to Article 8 of the Development Agreement.

18. Closing Certificate of Guarantor.

19. Guarantor's Indemnity Letter.

20. Trustee's Certificate of Completion and Authentication and receipt of unissued Bonds; evidence of authority and incumbency.

21. Receipt of Trustee.

22. Debt Retirement Schedule.

23. Settlement, Delivery and Closing Procedures.

24. Certificate of Underwriter Regarding Initial Offering Price of the Bonds to the Public and as to Yield.

25. Receipt for Bonds.

26. Blanket Letter of Representations.

27. Purchasers' Certificates of Sophisticated Municipal Market Professionals.

28. Specimen bond.

29. Bloomberg Screen pertaining to the Bonds.

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

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

32. Opinion of Counsel to Underwriter (Greenberg Traurig).

33. Opinion of Counsel to Owner (Storey & Burnham; Fennemore Craig).

34. Opinion of Counsel to the Guarantor (Storye & Burnham; Fennemore Craig).

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

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

37. Limited Offering Memorandum dated April 10, 2003.

38. Preliminary Limited Offering Memorandum dated March 28, 2003.

39. Issuer's Request.

40. Memorandum of Understanding.

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

Gust Rosenfeld P.L.C. (CD)
Wells Fargo Bank Arizona, N.A. (CD)
RBC Dain Rauscher Inc. (CD)
Clerk, Verrado District 1 Community Facilities District (1 paper, 1 CD)
Treasurer, Verrado District 1 Community Facilities District (CD)
DMB White Tank, LLC (Owner) (CD)
Greenberg Traurig, LLP (Underwriter's counsel) (1 paper, 1 CD)
Storey & Burnham (Owner's counsel) (CD)
Strong Funds (Qualified Investor) (CD)

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

COUNTY 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, is $ 11,229,896 .

DATED: April 16, 2003.

MARICOPA COUNTY ASSESSOR

Fred Kelly

SWR:gmh 476885 04/03/03

Burke Hansen, LLC
REAL ESTATE APPRAISERS & CONSULTANTS

DATE: April 8, 2003

TO: Verrado District One Community Facilities District
Attn: Mr. Scott Ruby
201 East Washington Street, Suite 800
Phoenix, Arizona

FROM: Frank R. Kleinman, MAI, CRE
Stephen E. Niebling
BURKE HANSEN, LLC
2700 North Central Avenue, 9th Floor
Phoenix, Arizona

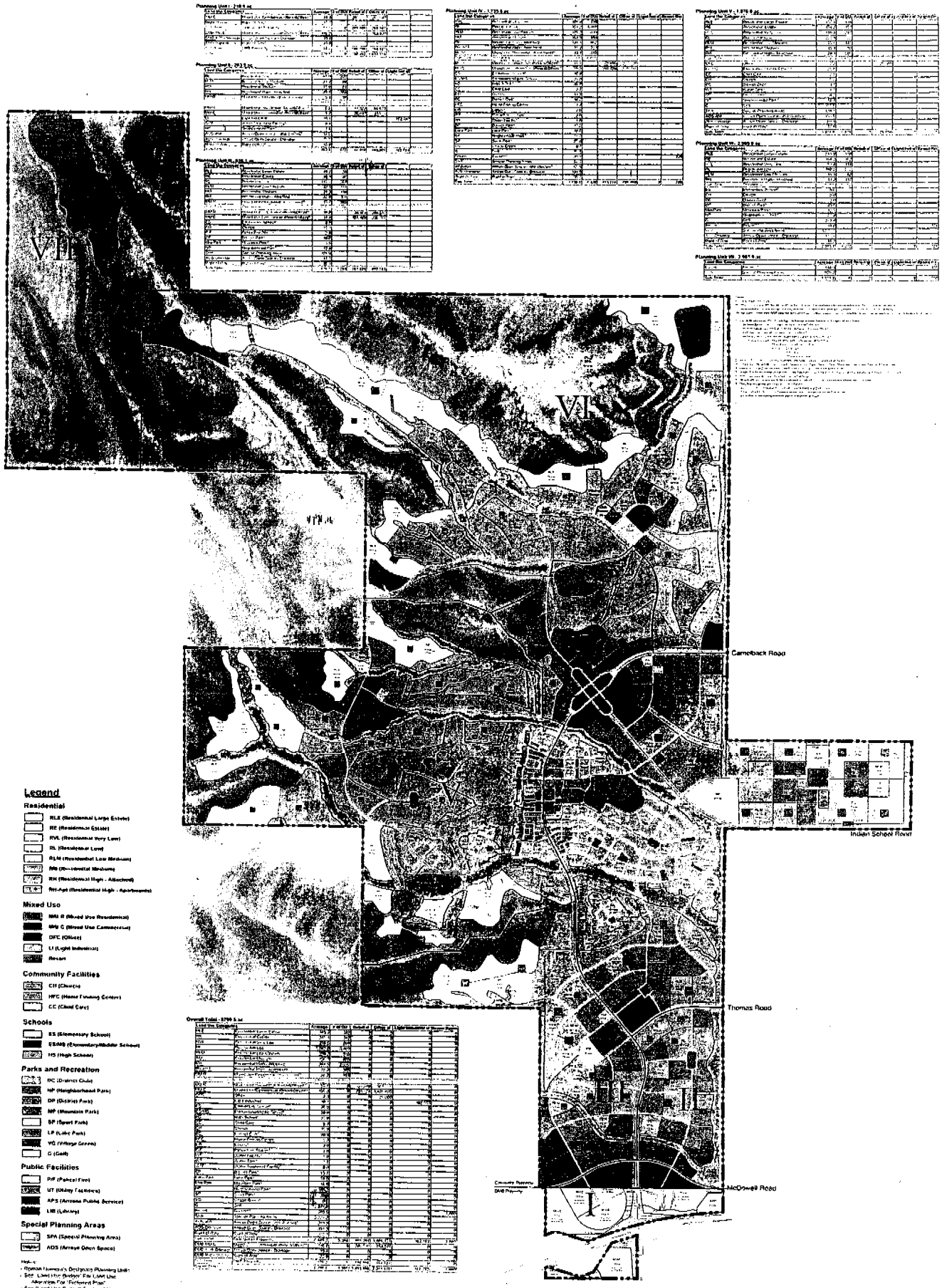
REGARDING: Restricted Report – Limited Appraisal On Verrado – An 8,800± Acre Master-Planned Community in Buckeye, Arizona.

INTRODUCTION AND PURPOSE:

Identification of the Subject Property: The subject of this restricted report – limited appraisal is Verrado, an 8,800± acre master-planned community within the boundaries of the Town of Buckeye in the western part of metropolitan Phoenix, Arizona. The configuration and boundaries of the community are illustrated on Exhibit 1, an approved development plan illustrating the various land uses to be developed within this phased community. Its location in the western part of metropolitan Phoenix is indicated on Exhibit 2.

Purpose: The purpose of this Restricted Report – Limited Appraisal is to address the "as is" market value of the 8,800-acre subject property in terms of "not less than;" i.e., the market value reported is not intended to represent the most probable price the property would bring in a competitive and open market but rather a number representing the very lowest end of a reasonable market value range.

It is relevant to note the estimated "floor" value reported below reflects the fact the land uses and densities illustrated in Exhibit 1 have been arrived at in concert with the Town of Buckeye. The entitlements illustrated in Exhibit 1 represent an increment of value which is reflected in the market value estimate.

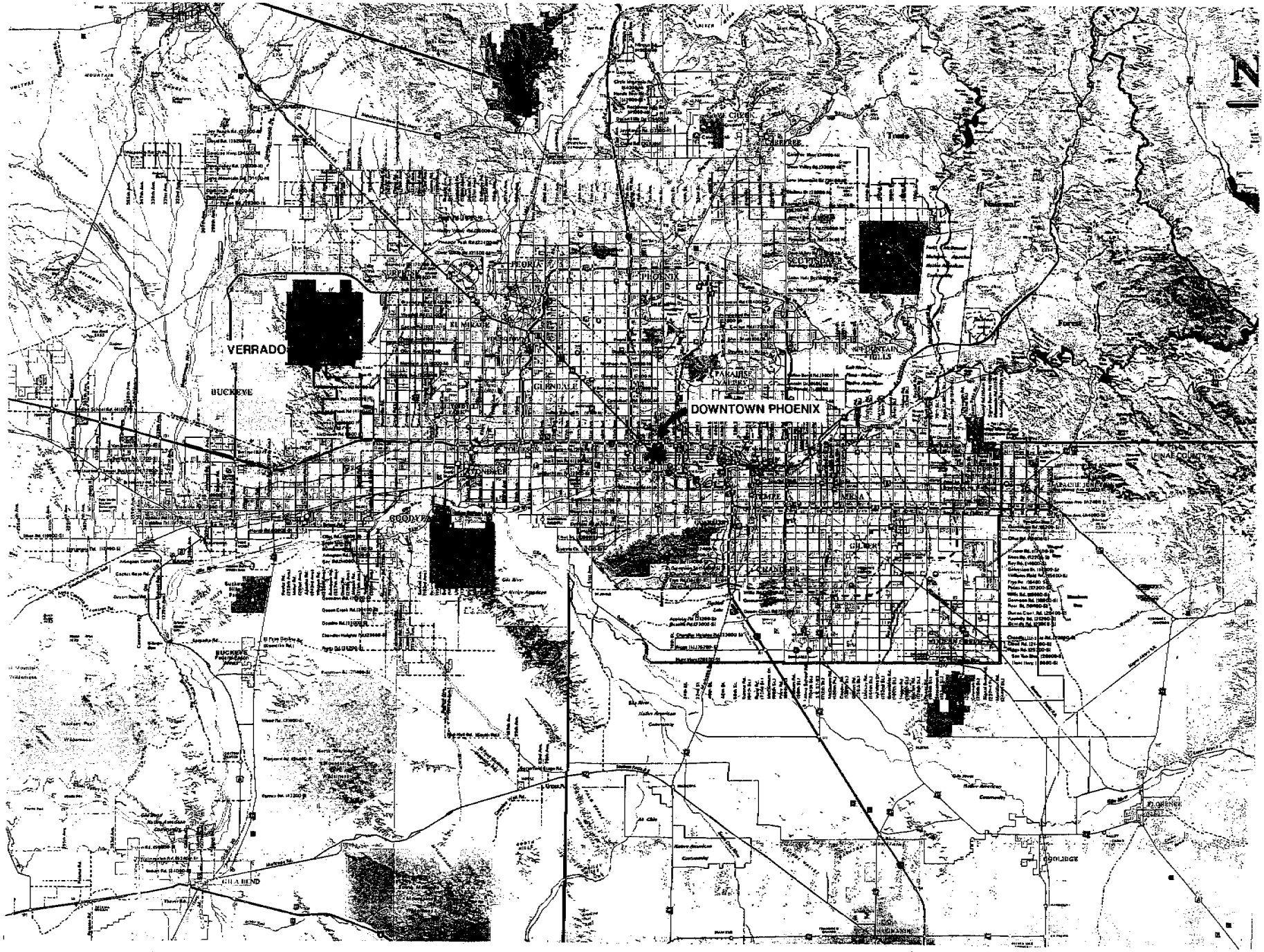


Approved Development Plan -
Parcel Map

Verrado

Buckeye, Arizona

EDAW


VERRADO
DOWNTOWN PHOENIX
BUCKEYE
PEORIA
PHOENIX
GLENDALE
GOODYEAR
MESA
CHANDLER
GILA BEND
COOLIDGE
FLORENCE
PINAL COUNTY
N

INTENDED USE OF THE REPORT: It is understood this report will be used in connection with the market value verification required in the issuance of the Verrado District One Community Facilities District general obligation bonds.

INTEREST VALUED: Fee Simple

EFFECTIVE DATE OF VALUE: April 8, 2003

APPRAISAL DEVELOPMENT AND REPORTING PROCESS: In the process of preparing this report, the appraisers met with a representative of the owner/developer and the land broker who will be responsible for marketing the property. The 8,800-acre property was inspected by the use of aerial photographs some of which were less than seven days old. The topography of the property is varied and parts are somewhat inaccessible. The use of aerial photographs provided the most efficient way to visually inspect the whole property.

The property is vacant, as that term is typically used, however, approximately $28,000,000 of hard costs have been expended for infrastructure work with an additional $21,000,000 to be completed with funds from the proceeds of the bond offering. It is specifically noted, the $28,000,000 for infrastructure work is exclusive of soft costs.

HIGHEST AND BEST USE: The subject property is unusual almost to the degree of being unique. Two important physical characteristics influencing its highest and best use include:

- Its varying topography. Subject includes part of the White Tank Mountains range and consequently provides the opportunity of developing residential subdivisions which are entirely different from those associated with the flat "agricultural" lands of the West Valley. It is merely noted the developer has a very successful track record in developing real estate in the North Scottsdale area having somewhat similar physical characteristics.

- Size; the second important physical characteristic is that subject includes 8,800± acres, one of the largest blocks of contiguous ownership in metropolitan Phoenix. The density of various parts of subject vary significantly because of the varying terrain; i.e., there are parts that because of slope limitations will never be developed.

The highest and best use of the subject property is for development as a master-planned community. The dominant use characteristic will be

residential, however, as indicated in Exhibit 1, it is correctly described as a mixed-use community.

ESTIMATED FLOOR VALUE:

Included within the entitlements which have currently been approved are 13,000 residential units, the "as is" market value of which are estimated at $8,000 to $10,000 per unit (lot). Adopting the lower figure of $8,000 equates to a total market value of $104,000,000, which does not include the hard costs of the infrastructure currently in place or the land designated for other uses.

It is concluded the current floor market value of the subject property is not less than $132,000,000.

ASSUMPTIONS AND LIMITING CONDITIONS:

1. As agreed on with the client prior to the preparation of this appraisal, this is a limited appraisal because it invokes the Departure Provision of the Uniform Standards of Professional Appraisal Practice. As such, information pertinent to the valuation has not been considered and/or the full valuation process has not been applied. Depending on the type and degree of limitations, the reliability of the value conclusion provided herein may be reduced.

2. This is a restricted appraisal report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. As such, its presents no discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated. The appraiser is not responsible for unauthorized use of this report.

   Furthermore, in accordance with prior agreement between the client and the appraisers, this report is the result of a limited appraisal process in that certain allowable departures from specific guidelines of the Uniform Standards of Professional Appraisal Practice were invoked. The intended user of this report is warned that the reliability of the value conclusion provided may be affected to the degree there is departure from specific guidelines of USPAP.

3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

4. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

7. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.

11. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

12. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

13. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

14. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, of urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

15. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

16. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

17. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only the property written qualification and only in its entirety.

19. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

CERTIFICATION: We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of The Appraisal Foundation, and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8. We have not made a personal inspection of the property that is the subject of this report.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Frank R. Kleinman has completed the requirements of the continuing education program of the Appraisal Institute.
11. No one provided significant professional assistance to the person(s) signing this report.

Respectfully submitted,

Frank R. Kleinman, MAI, CRE
Certified General Real Estate Appraiser
Arizona Certificate No. 30207, Exp. 8/31/04

Stephen E. Niebling
Certified General Real Estate Appraiser
Arizona Certificate No. 30879, Exp. 3/31/05

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

AGENDA

March 4, 2003

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

1. Call to order.

2. Note attendance.

3. MINUTES:
   Minutes of meeting held on July 16, 2002 presented for Board review and approval.

4. APPROVE OR RATIFY EXPENDITURES

5. BUSINESS:

   A. Board will conduct a Public Hearing on the amended and restated feasibility report submitted in connection with the proposed issuance of general obligation bonds by the District
      (1) Open public hearing
      (2) Staff overview
      (3) Receive public comment
      (4) Close public hearing

   B. Board will consider, for possible action, adoption of Resolution No. 01-03 APPROVING THE AMENDMENT AND RESTATEMENT OF THE FEASIBILITY AND BENEFITS STUDY RELATING TO THE DISTRICT IN ORDER TO ADD IMPROVEMENTS TO THE LIST OF INFRASTRUCTURE IMPROVEMENTS AND UPDATE INFORMATION AND APPROVING THE SALE OF BONDS TO SOPHISTICATED MUNICIPAL MARKET PARTICIPANTS AND AN INCREASE IN CAPITALIZED INTEREST.

   C. Board will consider, for possible action, approval of the Construction Trust Account Agreement, the Construction Manager at Risk Contract for Pre-Construction, Construction Management and Construction Services and Addendum No. 1 to the Construction Manager at Risk Contract for Pre-Construction, Construction Management and Construction Services, and Indemnity Letter revising Section 8.1 of the Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado Western Overlay Community Facilities District).

6. CITIZEN COMMENTS/APPEARANCES FROM THE FLOOR

7. ADJOURNMENT

RESOLUTION NO. 01-03

RESOLUTION OF THE BOARD OF DIRECTORS OF VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), APPROVING THE AMENDMENT AND RESTATEMENT OF THE FEASIBILITY AND BENEFITS STUDY RELATING TO THE DISTRICT IN ORDER TO ADD IMPROVEMENTS TO THE LIST OF INFRASTRUCTURE IMPROVEMENTS AND UPDATE INFORMATION AND APPROVING THE SALE OF BONDS TO SOPHISTICATED MUNICIPAL MARKET PARTICIPANTS AND AN INCREASE IN CAPITALIZED INTEREST.

WHEREAS, pursuant to Section 48-715, Arizona Revised Statues ("*A.R.S.*"), as amended, the Board of Directors (the "*Board*") of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), has approved the feasibility study dated June 21, 2002 (the "*Feasibility Study*") submitted by DMB White Tank, LLC (the "*Developer*") 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 not to exceed $24,000,000 aggregate principal amount of general obligation bonds of the District. The Feasibility Study included, among other things, a description of certain public infrastructure to be acquired or constructed (collectively, such infrastructure is referred to as the "*Project*") 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.

WHEREAS, since June 21, 2002, certain progress has been made on the matters described in the original Feasibility Study thus necessitating the submission by the Developer of the Feasibility Study, Amended and Restated as of March 4, 2003 (collectively, the Feasibility Study, as amended and restated as of March 4, 2003, is hereafter referred to as the "*Restated Feasibility Study*"); and

WHEREAS, the Board has conducted a duly noticed public hearing pertaining to the Restated Feasibility Study and now the Board wishes to approve the Restated Feasibility Study in order to add more infrastructure improvements to the list of such improvements in the original Feasibility Study and to update other matters contained therein.

WHEREAS, the Restated Feasibility Study has been on file with the District Clerk not less than ten days prior to the public hearing.

WHEREAS, pursuant to the terms of the Development, Financing Participation and Intergovernmental Agreement No. 1 (the "*Development Agreement*"), the District's unrated Bonds are required to be sold to accredited investors or qualified institutional buyers (as such terms are defined by the U.S. Securities laws and regulations) who deliver a letter certifying certain facts set forth in Section 6.4 of the Development Agreement (the "*Investor Letter*"); all transfers of the Bonds require the transferee to execute an Investor Letter. The Developer has requested the Board to allow the Bonds to be sold to "sophisticated municipal market participants" ("*SMMP*") (as specifically defined by the Municipal Securities Rulemaking Board, which definition includes, among other factors, only institutions with total assets of at least $100

million invested in municipal securities in the aggregate in its portfolio and/or under management) and require that the Investor Letter only be required to be executed in the initial sale to a SMMP.

BE IT RESOLVED BY THE DISTRICT BOARD OF THE VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), that

Section 1. Approval of Restated Feasibility Study. Based on the review by the Board and the presentation of the Restated Feasibility Study to the Board, the Restated Feasibility Study is hereby adopted and approved in the form on file with the District Clerk and submitted to the Board. The publication by the District Clerk of the notice of the hearing on the Restated Feasibility Study is hereby ratified and approved.

Section 2. Approval of Terms Relating to the Plan of Finance. The Restated Feasibility Study provides for estimated capitalized interest equal to twelve months; however, in light of the date the Bonds are expected to be sold and the District's fiscal year, this Board hereby approves a financing structure that capitalizes interest from the proceeds of the Bonds for a period commencing on the dated date of the Bonds to and including July 15, 2004.

Notwithstanding the provisions of Section 6.4 of the Development Agreement, this Board hereby authorizes the Bonds, contemplated to be issued in the Restated Feasibility Study, to be sold or transferred only through brokers, dealers or municipal securities dealers, as those terms are defined in the Securities Exchange Act of 1934 in authorized denominations of $100,000 of principal and integral multiples of $5,000 in excess thereof to SMMPs. The Board hereby waives the requirement for each transferee to deliver an Investor Letter, such Investor Letter shall be delivered only in connection with the initial sale to the SMMPs.

PASSED, ADOPTED AND APPROVED on March 4, 2003.

District Chairman

District Clerk

SWR:gmh 470752.2 02/24/03

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 March 4, 2003, and that a quorum was present thereat and that the vote thereon was 7 ayes and 0 nays; 0 did not vote or were absent.

District Clerk

SWR:gmh 470752.2 02/24/03

AFFIDAVIT OF PUBLICATION

I, Ida White, Publisher of the Buckeye Valley News, published weekly at Buckeye, Maricopa County, Arizona, do solemnly swear that a copy Notice Of Consecutive Public Hearings – Sundance Community Facilities District, Verrado District 1 Community Facilities District, Verrado Western Overlay Community Facilities District To Be Held March 4, 2003 L.L.C. published in the regular and entire issue of said newspaper, for One (1) consecutive week(s), commencing with the issue date February 20, 2003 and ending with the issue dated February 20, 2003.

Ida White

Subscribed and sworn to before me this 20 day of February 2003

Sharon L. Butler
(NOTARY PUBLIC)

My Commission Expires
May 12, 2005

OFFICIAL SEAL
SHARON L. BUTLER
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires May 12, 2005

NOTICE OF PUBLIC HEARINGS

TO THE GENERAL PUBLIC AND THE MEMBERS OF THE BOARDS OF DIRECTORS OF THE SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), THE VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), AND THE VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA):

NOTICE IS HEREBY GIVEN that the Board of Directors of (1) Sundance Community Facilities District (Town of Buckeye, Arizona), (2) Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) and (3) Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) will each meet consecutively on March 4, 2003, commencing promptly after the adjournment of the Buckeye Town council meeting (the Town council meeting commences at 7:00 p.m.) and will be held in the Town of Buckeye Council Chambers, 100 North Apache, Buckeye, AZ 85326. The Sundance Community Facilities District Board of Directors will conduct a public hearing on, and to consider and review a feasibility report relative to a proposed project to be financed by the issuance of the District's Assessment District No. 2, Special Assessment Revenue Bonds, Series 2003. The Verrado District 1 Community Facilities District Governing Board and the Verrado Western Overlay Community Facilities District Governing Board will each consider an amendment to their respective feasibility reports dated June 21, 2002, such amendment to add additional infrastructure improvements to the list of infrastructure improvements to be financed by the issuance of their respective general obligation bonds and update certain information. A copy of each such feasibility report may be reviewed at the office of the District Clerk, 100 North Apache, Buckeye, AZ 85326.

Published in the Buckeye Valley News February 20, 2003

FEASIBILITY STUDY

Dated June 21, 2002

AMENDED AND RESTATED AS OF
MARCH 4, 2003

For The Issuance of
Not to Exceed
$24,000,000 Principal Amount

of

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

DISTRICT GENERAL OBLIGATION BONDS

SERIES 2003

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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 District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") in connection with the proposed issuance by the District of its District General Obligation Bonds, Series 2003 (the "**2003 Bonds**") in an aggregate principal amount not to exceed $24,000,000, 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 2003 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, acquire, operate and maintain such public infrastructure and estimated schedules for completion of such public infrastructure (**Section Four**); (iv) a map or description of the area to be benefited by such public infrastructure (**Section Five**); and (v) estimates of District revenues and a plan for financing the public infrastructure (**Section Six**).

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 2003 Bonds. This Feasibility Study does not attempt to address the quality of the 2003 Bonds as investments or the likelihood of repayment of the 2003 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 "**Project**"). The 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 by Jackrabbit Trail on the east, all within the Town of Buckeye, Arizona. 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 Verrado and comprise approximately 8,800 acres. A map of the Project, depicting the District boundaries is included in Section Five. 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, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**Western Overlay District**") was 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.

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.

The Developer has one member. The member and the sole manager of Developer is DMB Realco LLC, an Arizona limited liability company ("Realco"), the members of which are The Brown Family Trust dated August 30, 1980, as amended, The Mark N. Sklar Trust dated May 18, 1972, as amended, and The Dorrance 1995 Issue Trust dated September 7, 1995. The manager of Realco is DMB.

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 3,600 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 4,000 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. The project broke ground in 1994 and has sold approximately 1,100 residential homesites through December 31, 2002.

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 662 residential homesites through December 31, 2002. The second community, a 1,330 acre master-planned single family community broke ground in early 2001 and has sold approximately 1,643 residential homesites through December 31, 2002.

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. The project broke ground in 1998 and has sold approximately 4,539 residential homesites through December 31, 2002.

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. The project broke ground in 1999 and has sold 543 residential homesites through December 31, 2002.

Glenwild: This 880-acre private residential golf community is located in Park City, Utah. The project consists of 198 homesites, a Tom Fazio designed 18-hole Championship Golf Course and a 24,000 square foot clubhouse. The project broke ground in 2000 and has sold 90 residential homesites through December 31, 2002.

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, 2002 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, 2002 all custom lots had been sold.

DMB is also involved in the ownership of the Century Plaza Hotel and the St. Regis LA in Los Angeles. Commercial and office developments in which DMB has invested or otherwise been involved include Centerpoint (the 8-block, 1.2 million square foot mixed-use commercial and professional office project, which served as a cornerstone for the downtown revitalization effort of the City of Tempe, Arizona, begun in the 1980s); Three Gateway (215,000 square foot office building in the City of Phoenix, Arizona); The Financial Plaza (300,000 square foot office building, the first "high rise" to be constructed in the City of Mesa, Arizona); 24th Place (68,000 square foot "garden" office project, located in the City of Phoenix, Arizona); and 3131-3133 Camelback (295,000 square foot office and retail building, located on a prime corner in the Camelback Corridor area of the City of Phoenix, Arizona). 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.

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 and 1,000 resort rooms. The current plan for the Project includes 9,560 residential units, 4 million square feet of commercial and 1,000 resort rooms including 1,792 residential units in Phase I.

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**"). The District IGA was entered into in connection with the formation of the District on June 19,2001, followed by an election by the landowners (Developer and Foundation) authorizing the issuance of bonds, which was completed on August 7, 2001.

Direct access from Interstate 10 to the Project will be provided by means of a spread diamond traffic interchange that will be constructed pursuant to that certain Agreement (JPA 00-79) dated October 5, 2001 between Developer and the State of Arizona, acting by and through its Department of Transportation ("**ADOT**") (the "**Interchange**"). The Interchange is included in the Public Infrastructure that is the subject of this Feasibility Study with construction expected to commence on or about September, 2002 and to be completed on or about September, 2003. The Interchange will include some public infrastructure, primarily landscaping, the maintenance and repair of which is expected to exceed ADOT standards for traffic interchange improvements such as the Interchange. In view of the benefit to the District of this Public Infrastructure, it is presently anticipated that, subject to the approval of the District Board as provided for in the District IGA, the District will enter into an intergovernmental agreement with ADOT, prior to the issuance of the 2003 Bonds, whereby a portion of the District operations and maintenance tax proceeds will be used to offset the additional costs incurred by ADOT to perform above-standard maintenance and repair work (the "**ADOT Agreement**").

Traffic circulation to and through the Project will be provided through construction of roadways pursuant to the Updated Master Street and Circulation Plan (prepared by Kirkham Michael dated October 17, 2001 under Project No. 0011935) (the "**Master Street Plan**"). The Maricopa Association of Governments recommended approval of the Master Street Plan on December 12, 2001.

Approximately six miles of the roadways to be constructed as part of Phase I of the Project are included in the Public Infrastructure that is the subject of this Feasibility Study. Construction of the roadways to be constructed as part of Phase I of the Project is expected to commence on or about February, 2003 and to be completed on or about December, 2004.

Improvement of land within the Project is subject to a Section 401/404 Permit issued January 16, 2002 by the Army Corps of Engineers under Permit No. 974-0218-RWF. Additionally, drainage improvements will be constructed pursuant to the Volume 2.02A Planning Unit Drainage Plan for Portions of Planning Units IV & V (Phase 1) and Update to Master Drainage Plan of Verrado (prepared by Wood, Patel & Associates Inc., DRAFT dated October 17, 2001) (the "**Master Drainage Plans**"). Some of the drainage improvements to be constructed as part of Phase I of the Project are included in the Public Infrastructure that is the subject of this Feasibility Study. Construction of the drainage improvements is expected to commence on or about February, 2003 and to be completed on or about December, 2004.

Water and wastewater facilities, infrastructure and service will be provided pursuant to that certain Caterpillar Property Water/Wastewater Agreement between 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. The Arizona Corporation Commission issued an Opinion and Order under Decision No. 64307, effective December 28, 2001, extending the AAWC's Certificate of Convenience and Necessity to include the Project. The Arizona Department of Water Resources ("**DWR**") issued an Analysis of Assured Water Supply, effective January 10, 2001, whereby DWR determined on the basis of a hydrologic study that there is adequate groundwater available to serve the Project with a Certificate of Assured Water Supply to be obtained prior to each subdivision plat approval. The Town adopted Resolution No. 15-02, on April 23, 2002, ordering and calling a special franchise election to grant a franchise to AAWC, to provide water and wastewater services to, inter alia, the Project, on September 10, 2002. The Town adopted Resolution 38-02 on September 25, 2002 confirming the special franchise election vote in favor of the grant of franchise and by the results of the election authorized by the execution of the Grant of Franchise by the Town of Buckeye to Arizona America Water Company. The Grant of Franchise was executed and adopted by the Town Council and approved by the Mayor on April 23, 2002.

Electric service to the Project will be provided pursuant to a Memorandum of Understanding between Developer and Arizona Public Service Company. Gas service to the Project will be provided by Southwest Gas. Telecommunications service to the Project will be provided pursuant to a Technology Services and Marketing Agreement between Developer and Cox Communications dated December 5, 2002. Conduit and other facilities for the dry utilities will be constructed and installed concurrently with the Phase I infrastructure.

The Developer estimates that approximately $165,100,000 will be required to complete Phase I of the Project, consisting of approximately $5,800,000 in land acquisition costs, approximately $80,700,000 in Offsite and Backbone Infrastructure costs (inclusive of $26,500,000 in Public Infrastructure), approximately $24,100,000 in Amenity Improvements (inclusive of $2,300,000 in Public Infrastructure), and approximately $54,500,000 in planning, entitlements, engineering and administrative and other costs.

As of December 31, 2002, the Developer has invested approximately $63,900,000 in the Project and estimates that an additional $101,200,000 will be required to complete Phase I. The funds invested to date consist of approximately $5,200,000 in land acquisition costs, approximately $20,800,000 in Offsite and Backbone Infrastructure costs (including approximately $3,300,000 in Public Infrastructure), approximately $2,400,000 in Amenity Improvements and approximately $35,500,000 in planning, entitlements, engineering and administrative and other costs. See Table No. 1 below.

The additional $101,200,000 required to complete Phase I of the Project, consists of approximately $600,000 in land acquisition costs, approximately $59,900,000 in Offsite and Backbone Infrastructure costs (including approximately $23,200,000 in Public Infrastructure costs), approximately $21,700,000 in Amenity Improvements (including approximately $2,300,000 in Public Infrastructure) and $19,000,000 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, general obligation bonds issued by the Western Overlay District in the amount of approximately $7,500,000, net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer.

TABLE No 1
Phase I of Verrado – (District 1)
Development Status as of December 31, 2002

Activity	Amounts invested as of December 31, 2002	Status
Land Acquisition Costs	**$ 5,187,943**	Estimated completion by 12/04
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Traffic Interchange	$ 3,354,361	Estimated completion by 6/03
Phase I Mass Grade	11,904,277	Completed 12/02
Offsite Potable Water	1,663,329	Estimated completion by 10/03
Phase I Water Storage Tank	627,113	Estimated completion by 10/03
Tuthill Collector Sewer	492,970	Estimated completion by 10/03
Backbone (roads & utilities)	422,781	Estimated completion by 10/03
Wastewater Treatment Plant	58,377	Estimated completion by 2/04
Hillside Disturbance Mitigation	344,803	Estimated completion by 10/03
Parcel Collector Infrastructure	591,513	Estimated completion by 12/04
Floodway Improvements	187,389	Estimated completion by 10/03
Other	1,183,537	Estimated completion by 12/04
	$ 20,830,450	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course	$ 1,853,240	Estimated completion by 10/03
Golf Course Clubhouse	140,954	Estimated completion by 10/03
District Core Retail/Residential Center	456,144	Estimated completion by 10/03
Phase I District Club	40,381	Estimated completion by 10/03
Home Finding Center	14,367	Estimated completion by 10/03
Parks, Path and Trail System	491	Estimated completion by 10/03
	$ 2,379,577	
Planning, Entitlement, Engineering, Administrative and Other Costs	**$ 35,459,507**	Estimated completion by 12/04
Total Invested at December 31, 2002	**$ 63,857,477**	

Source: The Developer.

As of the date of this Feasibility Study, Developer is in negotiations with several homebuilders for the sale of approximately 800 residential subdivision lots, representing approximately $20,000,000 in land sale revenue. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately $139,000 to $400,000.

Custom homes are expected to sell for higher prices. No homes (custom and subdivision) are constructed or occupied as of December 31, 2002. [1]

In December 2002, the Developer started construction on a two and three-level mixed use development, which will consist of a 32,000 square feet neighborhood retail center and 45 apartment units. The estimated completion date for the project is October 2003.

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1 As of the date of this Feasibility Study, Developer is in negotiations with several homebuilders, some of which have purchased and developed residential housing in other DMB development projects. Projected absorption is also based on various internal project analyses, conducted by the Developer's project team based on, among other things, market analysis performed by recognized industry experts including R.L. Brown and Charles Lesser and Company. Notwithstanding the foregoing or anything in this Feasibility Study to the contrary, no homebuilders or other prospective purchasers have entered into binding contracts nor have they agreed to final pricing and there can be no assurance now or at the time the Bonds are issued that the projected activity will be realized or that subsequent landowners will have the financial capability to, or will, commence or complete development on any portion of the Project acquired.

Development is expected to occur in seven phases over a 15-year period. The Project's grand opening, Phase I, is tentatively scheduled for October, 2003. Phase II is anticipated to commence in late 2006. Projected development within the District for all of the Project, for various categories of use, is indicated in ***Table No. 2***.

TABLE NO. 2
District 1-All Phases
Projected Development

	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Single Family (units)[2]	248	553	577	561	560	594	530	522	618
Single Family (cumulative)	248	801	1,378	1,939	2,499	3,093	3,622	4,144	4,761
Multi-Family (units)	18	66	77	129	225	211	141	282	72
Multi-Family (cumulative)	18	84	161	290	515	726	867	1,149	1,221
Total Residential	266	619	654	690	785	805	671	804	690
Cumulative Residential	266	885	1,539	2,229	3,014	3,819	4,489	5,293	5,982
Commercial (Acre)	--	--	28	7	54	38	24	16	41
Commercial (cumulative)	--	--	28	35	88	127	150	167	208

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Single Family (units)[2]	627	610	513	529	232	96	41	--	--
Single Family (cumulative)	5,388	5,998	6,511	7,040	7,272	7,368	7,409	7,409	7,409
Multi-Family (units)	60	182	153	365	120	50	--	--	--
Multi-Family (cumulative)	1,281	1,463	1,616	1,981	2,101	2,151	2,151	2,151	2,151
Total Residential	687	792	666	894	352	146	41	--	--
Cumulative Residential	6,669	7,461	8,127	9,021	9,373	9,519	9,560	9,560	9,560
Commercial (Acre)	111	16	16	16	16	16	12	3	--
Commercial (cumulative)	319	335	352	368	384	400	412	415	415

[2] 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 one-year 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 or anything in this Feasibility Study to the contrary, there can be no assurance now or at the time the Bonds are issued that any sales will be consummated or that the 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.

SECTION TWO

DESCRIPTION
OF
PUBLIC INFRASTRUCTURE

DESCRIPTION OF PUBLIC INFRASTRUCTURE

The Public Infrastructure that will be acquired, constructed or financed with the proceeds of the 2003 Bonds and acquired, constructed or financed by the District shall consist of public infrastructure located in the Town that benefits residents of the District. The Public Infrastructure includes the construction of the following improvements[1]:

A. A spread diamond traffic interchange on Interstate 10.

B. The easterly two lanes of a 2.1-mile segment of Verrado Way leading north from the freeway interchange to Osborn Wash. This segment of Verrado Way will be expanded to a four lane arterial roadway in future phases.

   A 4.4-mile network of two-lane collector roadways to provide vehicle access and circulation throughout the east half of the Phase I development area from Verrado Way. These roadways are identified as Lost Creek Road, Sunrise Lane, Park Street, Acacia Way, Main Street, Village Street, School Hill Road, Sentinel Drive and Roadway "A".

C. Dry utility trench & conduit, street lights and storm drain as needed for the 6.5-mile network of arterial and collector roadway and landscape improvements.

D. A path and trails system consisting of multiple-use paths along the arterial and collector roadways, and within the Lineal Park system for pedestrians and bicyclists.

E. Roadway landscaping for the 6.5-mile network of arterial and collector roadways.

F. Culvert structures for the arterial and collector roadway crossings at Bulldozer, Osborn and Tractor wash.

G. Flood control improvements consisting of embankment, channelization, bank protection, grade control structures and landscaping for 4 miles of Bulldozer, Tuthill, Osborn and Tractor wash.

H. A retention basin improvement within the Phase I development area.

I. A 10-acre District Park within the Phase I development area.

J. A 28-acre Lineal Park system around the perimeter of the Phase I development area, along Osborn, Tuthill and Tractor wash.

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1 Concurrently with the District's issuance of the 2003 Bonds, it is anticipated that the Western Overlay District will issue general obligation bonds to finance and construct or acquire public infrastructure located in or benefiting the Western Overlay District, which public infrastructure may include portions of the Public Infrastructure described herein (and vice versa). In the event 2003 Bond proceeds are not sufficient to acquire, construct or finance all of the Public infrastructure described, portions of Segment J, the 28-acre Lineal Park, may be deferred, at the option of the Developer.

K. Grade separated pedestrian underpass crossings at two locations within the multiple-use path system at intersections with arterial and collector roadways.

Possible Additional Public Infrastructure[2]:

L. The remaining two lanes of a 2.1-mile segment of Verrado Way leading north from the freeway interchange to Osborn Wash, and a 0.3-mile extension of Verrado Way, north of Tractor Wash to Indian School Road.

   A 2.1-mile segment of Indian School Road, a four-lane arterial roadway, leading west from Jackrabbit Trail to Verrado Way.

   A 0.5-mile total extension of Sunrise Lane, Park Street and Acacia Way to Indian School Road.

M. Extension of the dry utility trench and conduit, as needed for the additional arterial and collector roadway and landscape improvements.

N. Extension of the multiple-use paths along the additional arterial and collector roadways.

O. Extension of the roadway landscaping for the additional arterial and collector roadways.

P. Extension of the flood control improvements and landscaping for the 0.9-mile south reach of Tuthill wash.

Q. Additional storm drain improvements for the 9.0-mile network of arterial and collector roadways.

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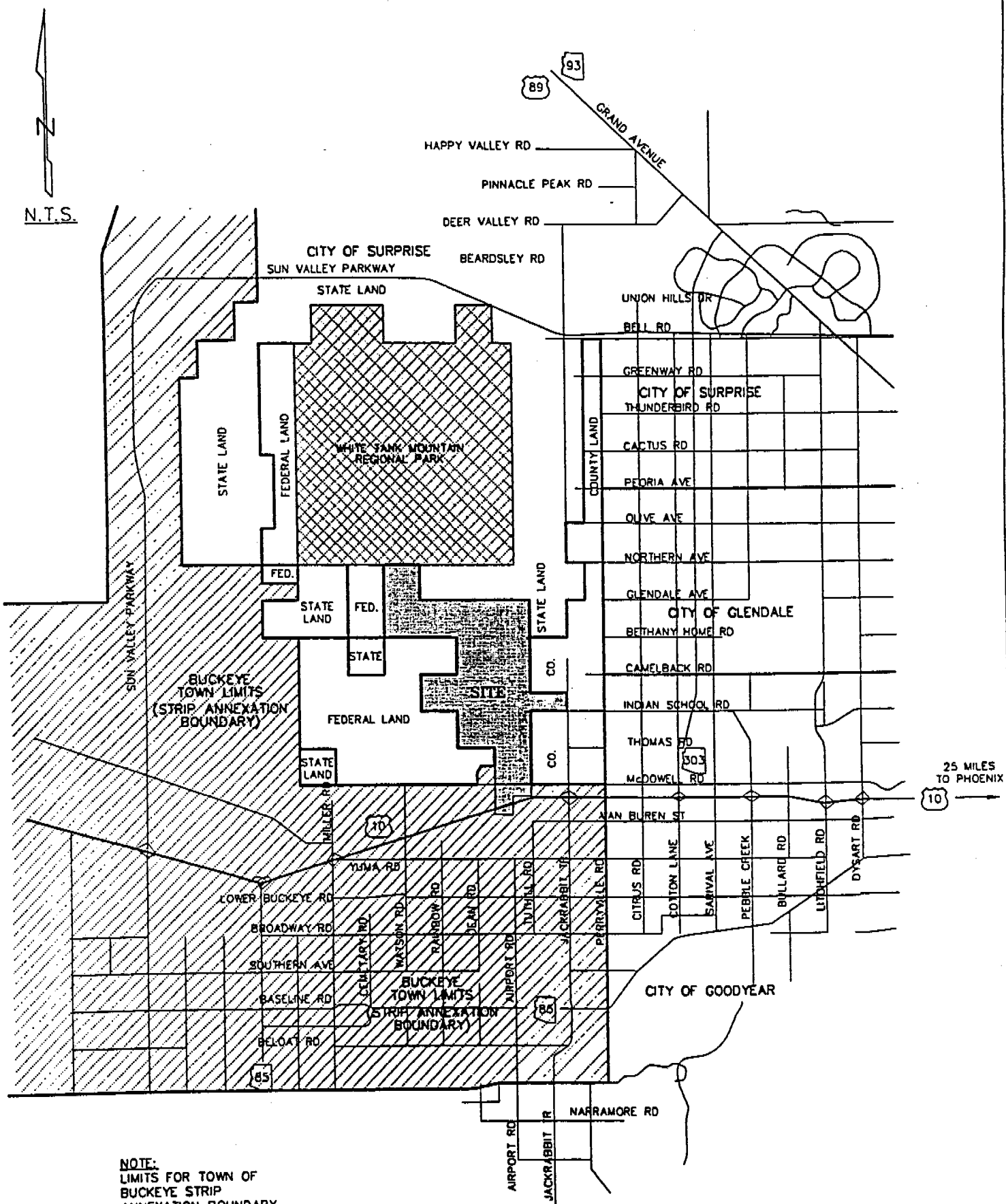
2 In the event 2003 Bond proceeds are in excess of the amounts needed to acquire, construct or finance the Public Infrastructure included in Segments A-K above, the proceeds will be applied to all or portions of Segments L-Q.

SECTION THREE

MAP SHOWING LOCATION OF DISTRICT, PROJECT AND PUBLIC INFRASTRUCTURE

Attached are maps depicting the District, the Project and the general location of the Public Infrastructure to be financed through the District.



NOTE:
LIMITS FOR TOWN OF BUCKEYE STRIP ANNEXATION BOUNDARY ARE APPROXIMATE.

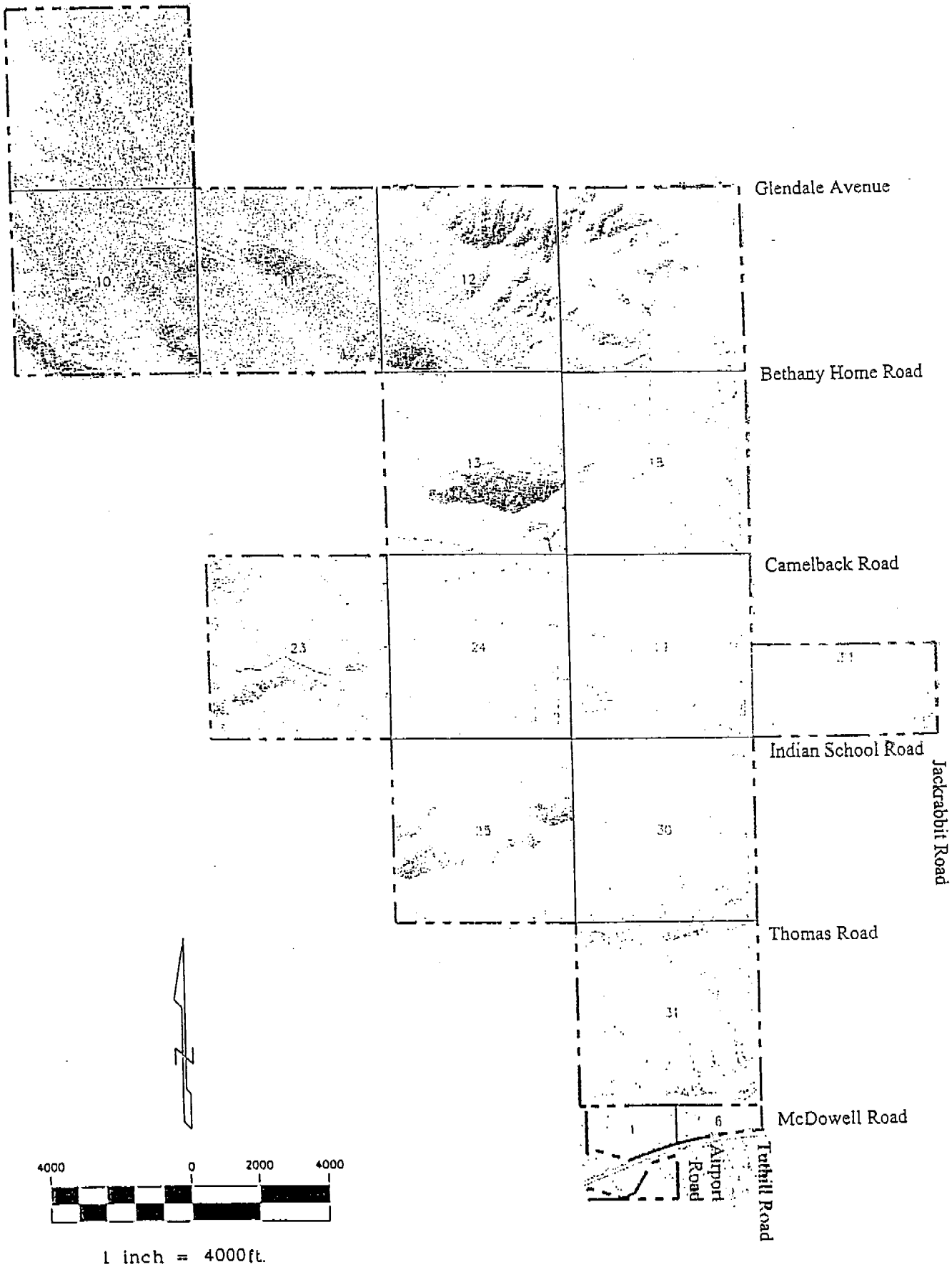
EDAW

DMB

Figure 1
Regional Location Map

VERRADO
BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 535-8400



VERRADO DISTRICT 1
COMMUNITY FACILITIES DISTRICT

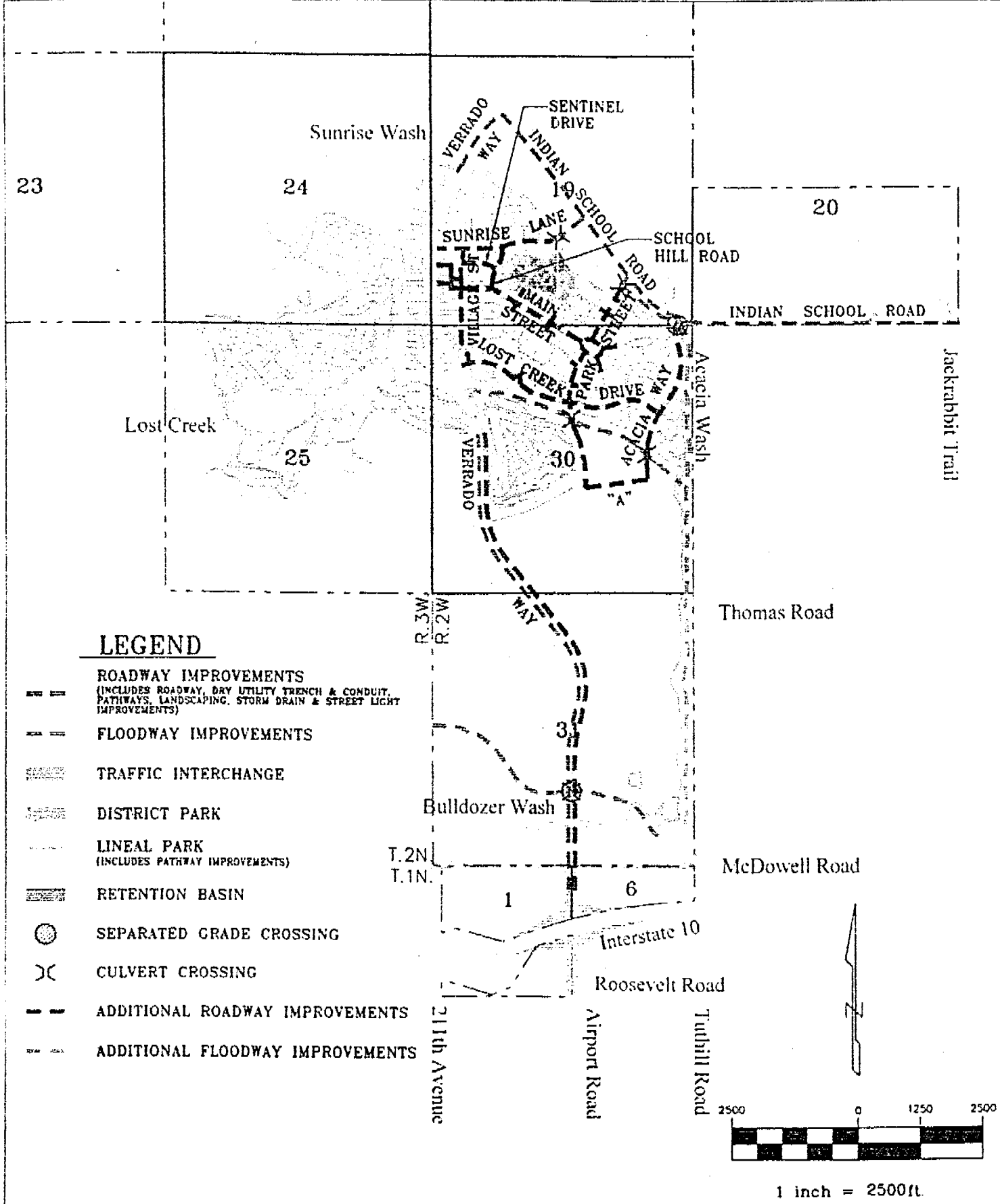
VERRADO

BUCKEYE, ARIZONA

DMB

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

05/02/02



DMB

AMENDED INFRASTRUCTURE EXHIBIT FOR DISTRICT 1

VERRADO

BUCKEYE, ARIZONA

WOOD/PATEL

SECTION FOUR

ESTIMATE OF COSTS AND TIMETABLE FOR PUBLIC INFRASTRUCTURE

Attached is ***Table No. 3***, reflecting estimated costs of the various components of the Public Infrastructure to be financed by the 2003 Bonds. It is anticipated that contracts to construct the Public Infrastructure that will be financed by the 2003 Bonds have been or will be entered into from November, 2002 through June, 2003 and will be completed as of the Estimated Completion Dates reflected on the attached schedule.

Wood, Patel & Associates, Inc.

TABLE NO. 3
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
TOTAL PROJECT SUMMARY*
(Estimated Cost of Public Infrastructure / Timetable)

ITEM	DESCRIPTION	QTY	UNIT	CONSTRUCTION COST	ESTIMATED CONTRACT AWARD DATE	ESTIMATED COMPLETION DATES**
A	Traffic Interchange	1	-	$ 7,237,000	November, 2002	June, 2003
B	Roadway Improvements	6.5	miles	$ 2,508,000	February, 2003	December, 2004
C	Dry Utility Trench & Conduit, Street Lights and storm drain as necessary for roadway and landscape improvements	-	-	$ 2,911,000	February, 2003	December, 2004
D	Multi-Use Path System	-	-	$ 993,000	February, 2003	December, 2004
E	Roadway Landscaping	-	-	$ 2,751,000	February, 2003	December, 2004
F	Culvert Crossings	6	-	$ 428,000	February, 2003	December, 2004
G	Floodway Improvements	4.0	miles	$ 1,875,000	February, 2003	December, 2004
H	Retention Basins	1	-	$ 65,000	February, 2003	December, 2004
I	District Park	10	acres	$ 920,000	June, 2003	December, 2004
J	Lineal Park	28	acres	$ 1,251,000	February, 2003	December, 2004
K	Grade Separated Pedestrian Crossings	2	-	$ 372,000	February, 2003	December, 2004
	SUBTOTAL			**$ 21,311,000**		
L	Additional Roadway Improvements	5.0	miles	$ 2,172,000	September, 2004**	September, 2005
M	Additional Dry Utility Trench & Conduit, as necessary for roadway and landscape improvements	-	-	$ 774,000	September, 2004**	September, 2005
N	Additional Multi-Use Path System	-	-	$ 772,000	September, 2004**	September, 2005
O	Additional Roadway Landscaping	-	-	$ 7,711,000	April, 2004**	September, 2005
P	Additional Floodway Improvements	0.9	miles	$ 1,568,000	September, 2005**	May, 2006
Q	Additional Storm Drain System	-	-	$ 2,168,000	September, 2004**	September, 2005
	SUBTOTAL			**$ 15,165,000**		
	TOTAL PAYMENT			**$ 36,476,000**		

* In the event 2003 Bond proceeds are not sufficient to acquire, construct or finance all of the Public Infrastructure described, portions of Segment J, the 28-acre Lineal Park, May be deferred, at the option of Developer. In the event 2003 Bond proceeds are in excess of the amounts needed to acquire, construct or finance the Public Infrastructure included in Segments A-K above, the proceeds may be applied to all or portions of Segments L-Q.

Attached is ***Table No. 4***, reflecting projected operation and maintenance costs for the Public Infrastructure that is the subject of this Feasibility Study

Table No.4
Verrado
District 1 Projected O and M Cash Flows
6/19/02

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Expenses:																		
Administrative (1)	250,000	150,000	154,500	159,135	163,909	168,826	173,891	179,108	184,481	190,016	195,716	201,587	207,635	213,864	220,280	226,888	233,695	240,70
Interchange	-	98,269	101,217	104,254	107,381	110,603	113,921	117,338	120,858	124,484	128,219	132,065	136,027	140,108	144,311	148,641	153,100	157,69
way Improvements	-	243,727	251,039	258,570	266,327	274,317	282,546	291,023	299,753	308,746	318,008	327,549	337,375	347,496	357,921	368,659	379,719	391,11
Use Path System	-	7,845	8,080	8,323	8,572	8,830	9,095	9,367	9,648	9,938	10,236	10,543	10,859	11,185	11,521	11,866	12,222	12,58
way Landscaping	-	166,514	171,509	176,655	181,954	187,413	193,035	198,826	204,791	210,935	217,263	223,781	230,494	237,409	244,531	251,867	259,423	267,20
t Park	-	81,275	83,713	86,225	88,811	91,476	94,220	97,047	99,958	102,957	106,045	109,227	112,504	115,879	119,355	122,936	126,624	130,42
Park	-	112,981	116,370	119,862	123,457	127,161	130,976	134,905	138,952	143,121	147,415	151,837	156,392	161,084	165,916	170,894	176,021	181,30
Costs	-	710,611	731,929	753,887	776,504	799,799	823,793	848,507	873,962	900,181	927,186	955,002	983,652	1,013,161	1,043,556	1,074,863	1,107,109	1,140,32

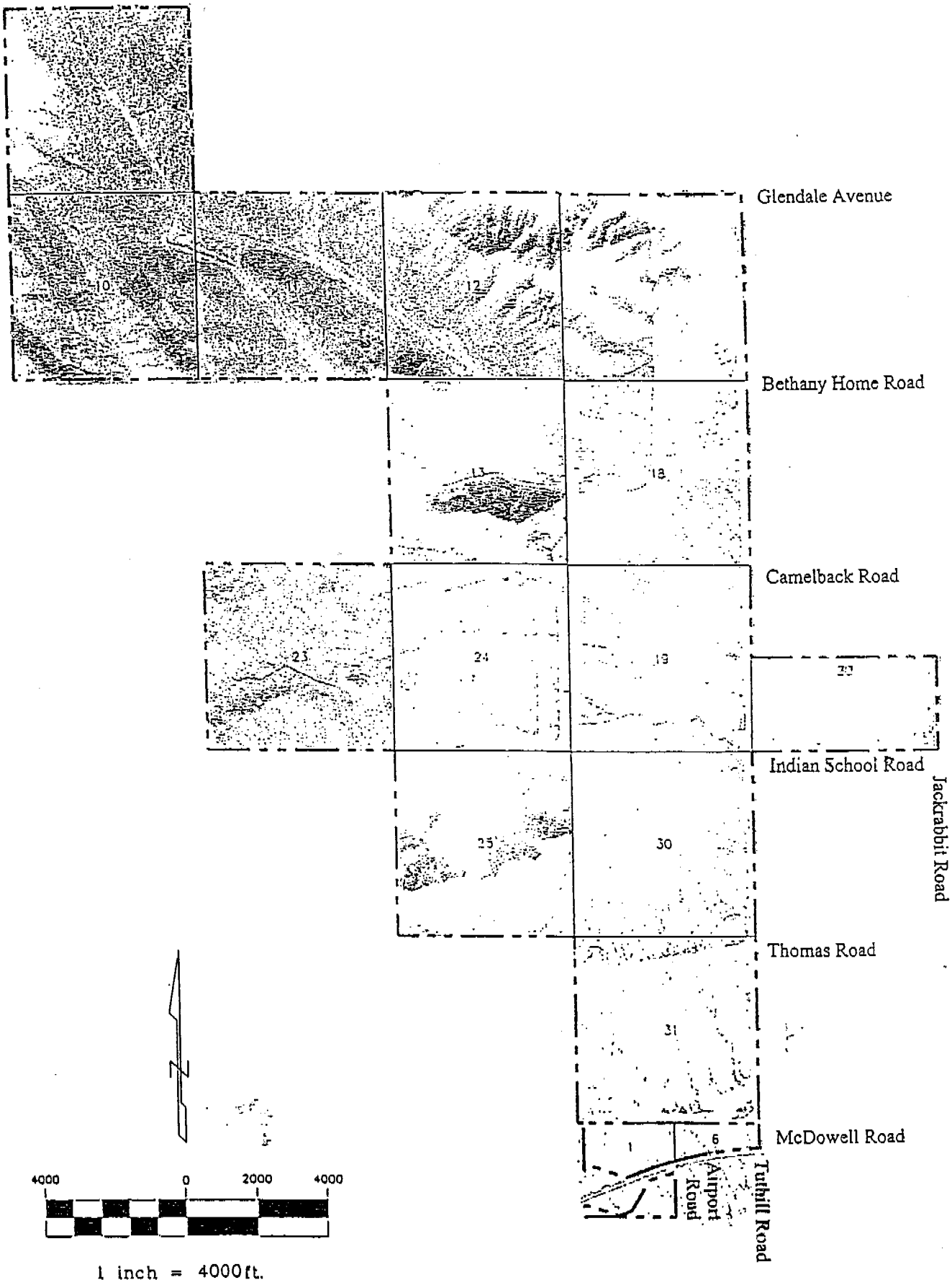
e [1]: Includes Projected Municipal Service Costs and Municipality Overhead, in current dollars, based on Initial Budget (as such term is defined in the District IGA), and District Consulting Costs, in current dollars, based on actual costs incurred to date. These amounts are payable to the District on the basis of actual time and curred. These are estimates only and there can be no assurance that actual costs will be consistent with these estimates.

Costs are inflated at at 3% annual rate starting 2005

Projected operations and maintenance expenses for the Public Infrastructure that is the subject of this Feasibility Study are preliminary estimates only, based primarily on data provided by third parties concerning historical operations and maintenance costs for similar public infrastructure, and there can be no assurance that the ost of operating the Public Infrastructure that is the subject of this Feasibility Study will correspond to these estimates. Pursuant to the District IGA, if and when a Standard Municipality Expense (as such term is defined in the District IGA) is established, the District will no longer be responsible for the applicable costs of operting taining such Public Infrastructure. Pursuant of the District IGA, the District will have no further obligation to contribute to the costs of operating and maintaining the Public Infrastructure within a Maintenance Area that has achieved the Maintenance Threshold (as such terms are defined in the District IGA).

SECTION FIVE

MAP OF AREA TO BE BENEFITED



DMB

VERRADO DISTRICT 1
COMMUNITY FACILITIES DISTRICT

VERRADO

BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and
Land Surveyors
(602) 335-8500

05/02/02

SECTION SIX

PLAN OF FINANCE

Attached is ***Table No. 4***, reflecting projected operation and maintenance costs for the Public Infrastructure that is the subject of this Feasibility Study

PLAN OF FINANCE

The Public Infrastructure will be acquired, constructed and financed 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 2003 Bonds and to the extent necessary to comply with federal and State law.

(1) Formation and Authorization.

(a) The Town Council, in response to a petition from the owners of 100% of the property within the District, adopted a resolution forming the District on June 19, 2001.

(b) A bond election was held on August 7, 2001 to authorize $100,000,000 of District general obligation bonds to be issued in series over time.

(2) Existing Debt.

The District currently has no outstanding debt.

(3) Proposed Bond Sale.

It is proposed that the District issue general obligation bonds in a total principal amount not to exceed $24,000,000. The 2003 Bonds are expected to be issued in April 2003.

(4) Sources and Use of Funds.

SOURCES:

Series 2003 Bonds (not to exceed $24,000,000)		$24,000,000
USES: ***(See Section Two)***		
Subtotal		**$21,998,100**
Estimated Cost of Issuance (including underwriter's discount) [1]	$ 859,843	
Estimated Capitalized interest (12-months)	$1,142,057	
Subtotal		**$ 2,001,900**
TOTAL		**$24,000,000**

1 Costs of insuring the 2003 Bonds to an "A" rating or better may be added.

(5) Use of Proceeds.

The proceeds from the sale of the 2003 Bonds will be applied by the District to finance, acquire and/or construct the Public Infrastructure, as described in Sections Two and Four of this Feasibility Study.

(6) Sale of the 2003 Bonds

The 2003 Bonds will have a 25-year maturity, with the initial 60 months being interest only and the principal amortized over the next 20 years. Pursuant to the Act, the 2003 Bonds will not be sold as part of a public offering unless sufficient credit enhancement with respect to the Bonds is obtained.

If the 2003 Bonds are sold without credit enhancement, the 2003 Bonds will be un-rated, will not be publicly sold and will be sold in minimum $100,000 denominations and only to qualified purchasers executing an investor letter and will be sold subject to transfer restrictions. On the date of this Feasibility Study, it is estimated that the average coupon rate on the 2003 Bonds under such sale conditions would be 7.25% per annum (the maximum interest rate on the 2003 Bonds permitted under the election is 12% per annum).

Developer may obtain credit enhancement for the 2003 Bonds, which may consist of one or more of a direct pay letter of credit, standby letter of credit and/or insurance policy or other credit enhancement method, pursuant to which the 2003 Bonds would be rated "A" or better and the 2003 Bonds would be publicly sold. On the date of this Feasibility Study, it is estimated that the average interest rate on the 2003 Bonds if "AA" rated would be 5.10% per annum and if "AAA" rated would be 5.0% per annum. Further, it is estimated that the credit enhancement fees would be no more than 1.5% per annum.

Given a District tax rate of $3.00 per $100 of secondary assessed valuation and estimated secondary assessed valuation of the land within the District for the tax year 2003-2004, it is anticipated that the tax revenues of the District will not be sufficient to pay the interest portion of the debt service of the 2003 Bonds until approximately June 30, 2010 (assuming the 2003 Bonds are sold un-rated). Until the tax revenues of the District are sufficient to pay the debt service on the 2003 Bonds, payments will be made by the Developer pursuant to a Standby Contribution Agreement in amounts sufficient to maintain the District Tax Rate at $3.00 for debt service as described under "District Tax Rate" below, or sufficient to reimburse any credit enhancement provider for amounts paid pursuant to the credit enhancement (and the fees related to the credit enhancement), less taxes collected at the $3.00 rate. The Developer's payment obligations under the Standby Contribution Agreement will be guaranteed by ABD Investments, L.P., an Arizona limited partnership ("**ABD**"), pursuant to a Guaranty. The 2003 Bonds may also be sold with original issue discount.

(7) District Assessed Valuation

The amount of secondary valuation for 2002-2003 is $99,137.

(8) District Tax Rate

Beginning in fiscal year 2002-2003, the District will levy a tax of $0.30 per $100 of secondary assessed valuation on all taxable property within the District to pay certain operations and maintenance costs of the District and beginning in fiscal year 2003 – 2004, the Districts will levy a tax of up to $3.00 per $100 of secondary assessed valuation on all of the taxable property within the District. The amount equal to $3.00 per $100 of secondary assessed valuation will be used to pay debt service on the proposed 2003 Bonds and any additional bonds issued pursuant to authorization (the "**District Tax Rate**").

The secondary assessed valuation of land within the District as projected by the Maricopa County Assessor for the fiscal year 2003-2004, given a $3.00 levy (exclusive of the $.30 per $100 of secondary assessed valuation), will not be sufficient to provide for the interest payment of the 2003 Bonds. It is expected that by the time principal amortization begins, the tax base will not be sufficient or provide for the payment of the full debt service of the 2003 Bonds. ***See Table No. 5.***

To the extent a tax levy of $3.00 per $100 secondary assessed valuation produces insufficient revenue to provide for the debt service on the 2003 Bonds, the Developer and/or DMB, pursuant to a Standby Contribution Agreement, will provide additional monies necessary to maintain the District Tax Rate. The Developer's payment obligations under the Standby Contribution Agreement will be guaranteed by ABD, Investments, L.P., an Arizona limited partnership ("**ABD**") pursuant to a Guaranty. The Standby Contribution Agreement and the Guaranty will be in effect for the life of the 2003 Bonds or until the $3.00 portion of the tax levy produces 100% of the maximum annual debt service with respect to all outstanding general obligation bonds of the District and the District agrees to release the Developer and ABD from their respective obligations.

As provided above, an amount up to $0.30 per $100 secondary assessed valuation will be used to pay certain operations and maintenance costs of the District as described in the District IGA. ***See Table No. 5.***

(9) Absorption.

See Table No. 2.

(10) Homeowner Obligation.

Based on an average home price of $280,000 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 $754 annually, or $63 per month.

Table 5
District 1 CFD's
Projected Absorption, Revenue and Debt Service Schedule

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
District 1																									
Cumulative Absorption based on COE [Units] [6]																									
Residential Absorption (Lots)	-	-	266	855	1,539	2,229	3,014	3,819	4,489	5,293	5,982	6,669	7,461	8,127	9,021	9,373	9,519	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560
Non-Residential Absorption (Acres)	-	-	-	-	28	35	66	127	150	167	208	319	335	352	368	384	400	412	415	415	415	415	415	415	415
Cumulative Full Market Values ($000's) [2]																									
Residential Full Market Values	-	-	-	75,047	249,686	428,821	595,794	766,759	946,158	1,100,030	1,292,760	1,461,987	1,638,183	1,852,995	2,046,060	2,378,806	2,548,057	2,645,918	2,664,746	2,664,746	2,664,746	2,664,746	2,664,746	2,664,746	2,664,746
Non-Residential Full Market Values	-	-	-	-	-	43,987	55,458	141,993	202,746	240,517	256,498	332,448	510,313	536,293	562,273	588,254	614,234	640,214	658,700	662,697	662,697	662,697	662,697	662,697	662,697
Total Full Market Values	-	-	-	75,047	249,686	470,788	651,251	908,152	1,148,903	1,340,547	1,559,258	1,794,415	2,148,496	2,389,288	2,608,334	2,967,059	3,162,291	3,286,132	3,323,446	3,327,443	3,327,443	3,327,443	3,327,443	3,327,443	3,327,443
Full Cash Value [3]	-	-	-	61,538	204,742	386,046	534,026	744,685	942,100	1,099,248	1,278,581	1,471,420	1,761,767	1,959,216	2,138,833	2,432,989	2,593,079	2,694,628	2,725,226	2,728,503	2,728,503	2,728,503	2,728,503	2,728,503	2,728,503
Assessed Value [4]	-	-	-	6,154	20,474	44,012	60,224	81,860	118,148	139,309	160,638	188,033	238,945	261,885	283,043	315,654	334,859	348,208	353,543	354,362	354,362	354,362	354,362	354,362	354,362
Assessed Value Per $100	-	-	-	62	205	440	602	818	1,181	1,393	1,606	1,880	2,389	2,619	2,830	3,157	3,349	3,482	3,535	3,544	3,544	3,544	3,544	3,544	3,544
Inflation Adj. Assessed Value Per $100 [5]	-	-	-	65	224	495	696	1,097	1,465	1,767	2,096	2,527	3,308	3,734	4,157	4,775	5,217	5,588	5,844	6,033	6,214	6,400	6,592	6,790	6,994
CFD Tax Revenue Received ($000's) [6]																									
District 1 - Tax Revenue ($ 3.00 / $'s Per $100)	-	-	-	-	86	537	1,340	1,947	3,130	4,078	5,115	6,098	7,394	9,692	10,983	12,226	14,041	15,464	16,622	17,487	18,096	18,641	19,281	19,777	20,376
District 1 - O&M Revenue ($ 0.36)	-	-	-	-	10	54	134	195	313	408	512	610	739	969	1,098	1,223	1,404	1,546	1,662	1,749	1,810	1,864	1,920	1,978	2,037
Bond Issuance Net Proceeds ($000's) [7]																									
Issue Amount ($ 24,000)	21,998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Requirement ($000's) [8]																									
Annual Debt Service	-	-	(1,713)	(1,713)	(1,713)	(2,263)	(2,264)	(2,262)	(2,263)	(2,262)	(2,263)	(2,267)	(2,266)	(2,266)	(2,263)	(2,265)	(2,262)	(2,262)	(2,263)	(2,263)	(2,263)	(2,262)	(2,264)	(2,261)	(2,265)

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 including RL Brown and Robert Charles Lesser.
[2] Non-Residential Acres full market values are calculated 12 months following the close of escrow (COE). Full market values represent market values as of the close of the 3rd Qtr of the preceding year
[3] Full Cash Values are 80% of Full Market Values
[4] Assessed Values are 10% of Full Cash Values for Residential and 25% for Non-Residential
[5] Assumes a 3% annual inflation rate applied to full market values starting in all years after 2003
[6] District 1 tax rate of $3 per $100 of assessed values. Assumes that all tax's are assessed in the 3rd quarter and the tax revenue is collected in the 2nd quarter of following year.
[7] Net Proceeds represents Gross Proceeds reduced for costs of issuance. These costs include Underwriters Discounts, Issuance Costs, and 12 Months Capitalized Interest.
[8] Debt Service requirements are based on $24 Million issuance, 12 Months capitalized interest, semi-annual payments (January and July), average coupon of 7.27%, and a life of 25 years.

APPENDIX A

Legal Description
For
Verrado District 1
Community Facilities District
(Town of Buckeye, Arizona)

EXHIBIT A

WOOD/PATEL

CIVIL ENGINEERS • HYDROLOGISTS • LAND SURVEYORS

David 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. Gettings, R.L.S.
Bruce Friedhoff, P.E.
Scott A. Neimo, R.L.S.
Richard L. Hiner, P.E.
Timothy A. Hoval, P.E.
Michael J. Sexton, R.L.S.
Jack K. Moody, P.E.
Leslie J. Kland, 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.
Steven D. Gustafson, P.E.
John Bulles, P.E.
Robert J. Hedrick, P.E.
Jason Engelhardt, P.E.
Joseph C. Dacanay, 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

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;

Wood, Patel & Associates, Inc. 2051 West Northern, Suite 100, Phoenix, Arizona 85021 • (602) 335-8500 • Fax (602) 335-8580
www.woodpatel.com 932 West Southern, Suite 7, Mesa, Arizona 85210 • (480) 834-3300 • Fax (480) 834-3320

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;

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;

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;

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.

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.

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

Revised August 30, 2000
Revised August 28, 2000
Revised September 13, 1999
Revised June 14, 19999
June 7, 2000
WP#97678.03

See Exhibit "A"

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.

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

Revised August 30, 2000
Revised August 28, 2000
Revised September 13, 1999
Revised June 14, 19999
June 7, 2000
WP#97678.03

See Exhibit "A"

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.

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

Revised August 30, 2000
Revised August 28, 2000
Revised September 13, 1999
Revised June 14, 19999
June 7, 2000
WP#97678.03

See Exhibit "A"

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.

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

Revised August 30, 2000
Revised August 28, 2000
Revised September 13, 1999
Revised June 14, 19999
June 7, 2000
WP#97678.03

See Exhibit "A"

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.

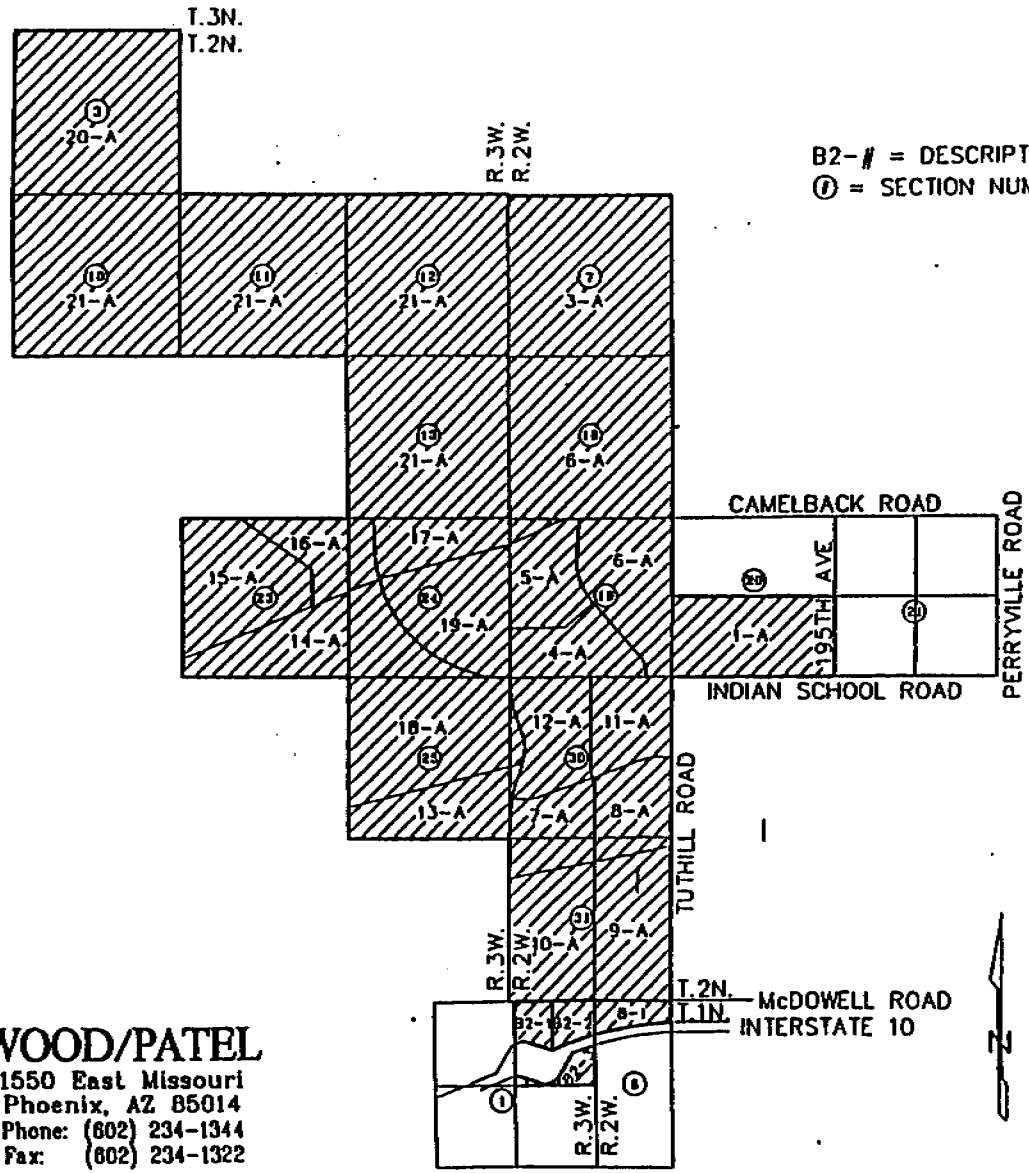
All parcels subject to existing rights-of-way and easements.

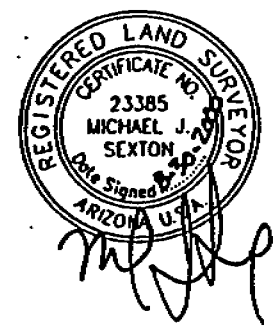
Y:\WP\Parcel Descriptions\97678.03 Revised Caterpillar\Parcel a, b1, B2.wpd, wpd

REGISTERED LAND SURVEYOR
CERTIFICATE NO.
23385
MICHAEL J.
SEXTON
Date Signed 9-30-00
ARIZONA, U.S.A.

SWR:gmh 360027 10/5/00

SWR:gmh 360027 10/5/00





WOOD/PATEL
1550 East Missouri
Phoenix, AZ 85014
Phone: (602) 234-1344
Fax: (602) 234-1322

EXHIBIT "A"

CATERPILLAR
PROPOSED FORMATION EXHIBIT FOR
COMMUNITY FACILITIES DISTRICT (CFD)
"DISTRICT 1"
08-30-00
97678.03
PAGE 20 OF 20
NOT TO SCALE
T:\980708\LEGAL\0708L4RR

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 material for a visual or hearing impairment.

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
TOWN OF BUCKEYE, ARIZONA

Special Meeting of March 26, 2003
6:00 p.m.
100 North Apache, Suite A
Buckeye, Arizona 85326

AGENDA

Members of the Verrado District 1 Community Facilities District Governing Board will attend either in person or by telephone conference call or video presentations.

1. Call to order.

2. Note attendance.

3. MINUTES:
   Minutes of meeting held on March 4, 2003 presented for Board review and approval.

4. APPROVE OR RATIFY EXPENDITURES

5. BUSINESS:

   Board will consider, for possible action, adoption of Resolution No. 02-03 AUTHORIZING THE SALE OF GENERAL OBLIGATION BONDS BY THE DISTRICT; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN FINANCING DOCUMENTS; AND LEVYING AN AD VALOREM TAX ON THE TAXABLE PROPERTY IN THE DISTRICT.

6. CITIZEN COMMENTS/APPEARANCES FROM THE FLOOR

7. ADJOURNMENT

SWR:gmh 470371 03/20/03

RESOLUTION NO. 02-03 (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 2003 IN THE PRINCIPAL AMOUNT OF $24,000,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT RELATING TO THE BONDS, A STANDBY CONTRIBUTION AGREEMENT, A GUARANTY 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 June 21, 2002 and an update to such study titled Feasibility Study dated June 21, 2002, amended and restated as of March 4, 2003 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 June 21, 2002, and a second hearing to consider the Feasibility Study as Amended and Restated on March 4, 2003 after provision of publication of notice of each hearing as provided by law, and, pursuant to the Enabling Act and resolutions adopted on June 21, 2002, and March 4, 2003, 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) Pursuant to the Enabling Act, the District has also determined to enter into an Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the "*Indenture*"), from the District to Wells Fargo Bank, Arizona, 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.

(f) 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. (the "*Underwriter*"), (3) the proposed form of Standby Contribution Agreement dated as of April 1, 2003 (the "*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 Guaranty, dated as of April 1, 2003 (the "*Guaranty*"), executed by ABD Investments Limited Partnership, an Arizona limited partnership, in favor of the District and the Trustee, (6) the proposed forms of indemnity letters required by the Purchase Contract and the indemnity letter relating to the Development Agreement and (7) a Letter of Representations, dated the date of initial delivery of the Bonds, by and between the District and The Depository Trust Company. (The documents described in Clauses (1) through (7), inclusive are referred to, collectively, as the "*Bond Documents*".)

(g) 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.

(h) 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 2003"*. The Bonds shall be issued in an aggregate principal amount of $24,000,000, shall be in fully registered form only, shall be dated as of April 1, 2003 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, 2028. 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 no 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 such signature cannot be obtained), 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 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, Arizona, N.A., is hereby confirmed as Trustee, Registrar and Paying Agent for the purpose of the Indenture and as the Depository for the purposes of the Depository Agreement. 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, currently Joseph Blanton.

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 March 26, 2003.

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

Chairman, District Board

ATTEST:

Linda Samsin

District Clerk

APPROVED AS TO FORM:

Scott W. Rey

Gust Rosenfeld P.L.C.
Bond Counsel

CERTIFICATE

I hereby certify that the above and foregoing Resolution No. 02-03 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 March 26, 2003, 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

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003

PURCHASE CONTRACT

April 10, 2003

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. (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 Letters, dated the date hereof (each an "Indemnity Letter" and, collectively, the "Indemnity Letters"), by each of DMB White Tank, LLC (the "Developer") and ABD Investments Limited Partnership (the "Guarantor") as Attachment I, and Attachment II, respectively.

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 Obliga-

tion, Series 2003 (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 March 26, 2003 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, to be dated as of April 1, 2003 (the "Indenture"), from the Issuer to Wells Fargo Bank Arizona, N.A., as trustee (the "Trustee").

(c) The purchase price for the Bonds shall be $23,448,000 (representing the par amount of the Bonds ($24,000,000) less Underwriter's discount of $552,000) plus interest accrued on the Bonds from the dated date of the Bonds to the Closing Date (as hereinafter defined).

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 March 28, 2003 (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, the Guarantor 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 corpora-

tion 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 April 16, 2003, 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 April 1, 2003 (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) On the Closing Date, the Guaranty dated as of April 1, 2003 (the "Guaranty") from the Guarantor shall be duly executed by the Guarantor and shall be in full force and effect;

(k) 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;

(l) 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 the separate counsel to each of the Developer or the Guarantor, dated the Closing Date, addressed to the Underwriter and substantially in the form attached hereto as Exhibit B and D, respectively, modified as necessary to conform to the facts applicable to the particular party;

(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 each of the Developer and the Guarantor, dated the Closing Date, signed by an authorized official of each of the Developer and the Guarantor and in form and substance satisfactory to the Underwriter, to the effect that the representations and warranties contained in their respective Indemnity Letter and in the respective documents executed by each of them 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 or Guarantor, respectively, relating to the Developer, the Guarantor 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.

By _____
Terry Maas, Principal

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

By _____
Dustin Hull, Chairman, District Board

ATTEST:

_____
Joe Blanton, District Clerk
Linda Garrison

APPROVED AS TO FORM:

GUST ROSENFELD, PLC,
Attorney for the District

By _____

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SCHEDULE

Dated Date: As of April 1, 2003

Aggregate Principal Amount: $24,000,000

Interest Payment Dates: January 15, 2004, and January 15 and July 15 thereafter

Maturity Schedule:

$ 4,400,000 6.00% Term Bond due July 15, 2013
$ 4,500,000 6.15% Term Bond due July 15, 2017
$15,100,000 6.50% Term Bond Due July 15, 2027
All Bonds priced at 100%

Redemption Provisions:

As set forth in the Limited Offering Memorandum dated April 10, 2003.

EXHIBIT A

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

_____, 2003

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $_____,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

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 2003, in the aggregate principal amount of $_____,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 _____, 2003 (hereinafter referred to as the "Resolution") and an Indenture of Trust and Security Agreement, dated as of _____ 1, 2003 (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 _____, 2003 (hereinafter referred to as the "Limited Offering Memorandum") and (iii) are being sold pursuant to a Purchase Contract, dated _____, 2003 (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 Purchase 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 each of the "Developer" and the "Guarantor" (as such terms are defined in the Limited Offering Memorandum, opinions (including particularly, but not by way of limitation, opinions of counsel to each of the Developer and the Guarantor, 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 _____, 2003 (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 Of-

fering 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 B - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" thereto does not contain any untrue statement of a material fact and does not omit any material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading insofar as such information purports to summarize certain provisions of federal or state law or of the Bonds and fairly summarizes the information which it purports to summarize. With regard to the other portions of the Limited Offering Memorandum, on the basis of our participation as Bond Counsel, 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 in Appendix A thereto or otherwise included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

8. It is not necessary in connection with the issuance and sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution or the Indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the District Documents are dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other party thereto and to the extent that the enforceability of the District Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the District Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshalling of assets or (iv) purporting to grant to the owners of the Bonds or to any party to the District Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

This opinion may be relied upon only by you and by persons to whom we grant written permission to do so.

Respectfully submitted,

EXHIBIT B

[LETTERHEAD OF APPLICABLE COUNSEL TO THE DEVELOPER]

_____, 2003

RBC Dain Rauscher Inc.
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: $_____,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

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 _____, 2003 (hereinafter referred to as the "Purchase Contract"), 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"). 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," -- "The Guaranty," "Guarantor," "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,

EXHIBIT C

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

_____, 2003

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $_____,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

This opinion is rendered pursuant to the Purchase Contract, dated _____, 2003 (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 "Underwriter"), relating to the purchase by the Underwriter from the District of its $_____,000 District General Obligation Bonds, Series 2003 (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 and the Guarantor (as such terms are 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 headings **[***TBD***]** 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 or the Guarantor, as to all of which we express no opinion.

Respectfully submitted,

EXHIBIT D

[LETTERHEAD OF APPLICABLE COUNSEL TO THE GUARANTOR]

_____, 2003

RBC Dain Rauscher Inc.
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: $_____,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

We have acted as special counsel to ...., a ..... (hereinafter referred to as the "Guarantor"), 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 _____, 2003 (hereinafter referred to as the "Purchase Contract"), 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"). 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. Guaranty Agreement;

5. Guarantor Indemnity Letter of even date with the Purchase Contract (the "Indemnity Letter");

6. [insert organizational documents of Guarantor];

7. [insert authorizing resolutions of Guarantor];

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

9. Certificate of the ..... of the Guarantor issued in favor of the undersigned (the " Guarantor'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 Guarantor) 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 Guarantor 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 Guarantor 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 Guaranty Agreement [if applicable] (hereinafter referred to as, collectively, the " Guarantor Documents").

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

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

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

5. To our knowledge, all material actions necessary to be taken by the Guarantor have been taken, and no additional material approval, authorization, consent or other order of the Guarantor or any other public board or body that has jurisdiction over the Guarantor is legally required to allow the Guarantor to execute and deliver and consummate the transactions contemplated by the Guarantor Documents or to conduct the business of the Guarantor as presently being conducted and as described in the Limited Offering Memorandum, except for such actions, approvals, authorizations, consents and orders that the Guarantor 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 Guarantor 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 Guarantor.

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

8. To our knowledge, the information contained in the Limited Offering Memorandum under the headings "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - THE GUARANTY AGREEMENT," and "RISK FACTORS" (as it related to the Guarantor) taken as a whole and to the extent it is applicable to the Guarantor 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 Guarantor, 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 Guarantor 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 Guarantor 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 Guarantor 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 Guarantor 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 Guarantor 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 Guarantor 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 Guarantor or its financial ability to perform under the Guarantor 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 Guarantor 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,

ATTACHMENT I

DEVELOPER INDEMNITY LETTER
FOR
$_____,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2003

_____, 2003

RBC Dain Rauscher Inc.
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: $_____,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

This Indemnity Letter is delivered by DMB White Tank, LLC, an Arizona corporation (hereinafter referred to as the "Developer"), in order to induce RBC Dain Rauscher Inc. (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 _____, 2003 (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," "-The Guaranty," and "-The Guarantor," - 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 corporation

By .....

Printed Name: .....

Title: .....

ATTACHMENT II

GUARANTOR INDEMNITY LETTER
FOR
$_____,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2003

_____, 2003

RBC Dain Rauscher Inc.
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: $_____,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

This Indemnity Letter is delivered by ABD Investments Limited Partnership, an Arizona general partnership (hereinafter referred to as the "Guarantor"), in order to induce RBC Dain Rauscher Inc. (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 _____, 2003 (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 Guarantor represents and warrants to the Underwriter that:

(a) The Guarantor is a limited partnership duly organized, 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 - the Guaranty" and "- the Guarantor" 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 or the Guaranty, dated as of _____ 1, 2003, from the Guarantor (hereinafter referred to as, collectively, the "Guarantor 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 Guarantor or conflicts with or results in a breach by the Guarantor of any of the terms, conditions or provisions of, or constitute a default by the Guarantor under, any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Guarantor is a party or by which it is bound or to which any of the property or assets of the Guarantor is subject, or any law or any order, rule or regulation applicable to the Guarantor of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Guarantor 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 Guarantor 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 Guarantor 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 Guarantor, threatened against the Guarantor 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 Guarantor, or which would materially and adversely affect the properties (taken as a whole) of the Guarantor, 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 Guarantor Documents or (iii) adversely affect the validity or enforceability of the Guarantor Documents against the Guarantor.

(e) The Guarantor has the full power and authority to execute and deliver the Guarantor Documents and perform its obligations hereunder and thereunder and engage

in the transactions contemplated by the Purchase Contract and the Guarantor Documents, and the Guarantor Documents have been duly authorized by the Guarantor and, when executed will constitute valid, binding and enforceable obligations of the Guarantor 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 Guarantor of the transactions contemplated by the Purchase Contract and the Guarantor 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 Guarantor 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 Guarantor (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 Guarantor, notify the Guarantor in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of the Guarantor by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Guarantor, but the omission to notify the Guarantor of any such

action shall not relieve the Guarantor 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 Guarantor of the commencement thereof, the Guarantor 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 Guarantor (it being understood that, except as hereinafter provided, the Guarantor shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Guarantor to such Indemnified Party of an election so to assume the defenses thereof, the Guarantor 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 Guarantor assumes the defense of any such action at the request of such Indemnified Party, the Guarantor shall have the right to participate at its own expense in the defense of any such action. If the Guarantor 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 Guarantor (in which case the Guarantor 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 Guarantor.

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

Respectfully submitted,

ABD INVESTMENTS LIMITED PARTNERSHIP, an Arizona limited partnership

By: .....
Its: .....

By: .....
Its: .....

By .....
Printed Name: .....
Title: .....

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

and

WELLS FARGO BANK ARIZONA, N.A.
as Trustee

INDENTURE OF TRUST

AND

SECURITY AGREEMENT

DATED AS OF APRIL 1, 2003

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003

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THIS INDENTURE OF TRUST AND SECURITY AGREEMENT, dated as of April 1, 2003 (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 Arizona, 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 "*Election*"), submitting to those persons who are 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 on June 19, 2001 (the "*General Plan*"); and

WHEREAS, the general obligation bonds submitted to those persons qualified to vote were approved; and

WHEREAS, pursuant to the Enabling Act, there has been presented to the Board a study, and an amendment to such study, of the feasibility and benefits of certain projects comprising a portion of the 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, including a description of certain public infrastructure projects to be constructed and acquired 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 or acquisition of the projects, and a plan for financing the projects (collectively, the study and the amendment thereto is referred to as the "*Study*").

WHEREAS, pursuant to a Resolution No. 02-03 of the Board adopted on March 26, 2003 (the "*Bond Resolution*"), the Board (1) has authorized the issuance of not to exceed $24,000,000 aggregate principal amount of the District's general obligation bonds described herein (the "*Bonds*" or "*Series 2003 Bonds*") to provide funds for any and all of the public infrastructure purposes provided for in the Study 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 Town of Buckeye, Arizona, a municipality duly incorporated and validly existing pursuant to the laws of the State of Arizona (hereinafter referred to as 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, a Guaranty, dated as of even date herewith (the "*Guaranty*") has been executed and delivered by ABD Investments Limited Partnership, an Arizona limited partnership and affiliate of the Developer, in favor of the Issuer, in order to provide for an unconditional guaranty by the Guarantor of the Developer's obligations under the Standby Contribution Agreement; and

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

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

UPON CONDITION that, if the Issuer, its successors or assigns shall well and truly pay the principal of and interest on the Outstanding Secured Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee or a Paying Agent such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Trustee all sums of money due or to become

due to it in accordance with the terms and provisions hereof and the observance or performance of all terms, covenants, conditions, agreements and obligations hereunder, then upon the full and final payment of all such sums and amounts secured hereby, or upon such deposit, this Indenture and the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void and this Indenture shall be released by the Trustee in due form at the expense of the Issuer, except only as herein provided and otherwise this Indenture to be and remain in full force and effect;

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

ARTICLE 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 Bondholder or Bondholders has the meaning stated in Section 1.02.

"*Annual Debt Service Requirement*" means for any Fiscal Year, the amount to be paid in such Fiscal Year with respect to the Bonds and any other outstanding general obligation bonds of the Issuer hereafter issued for payment of principal of and interest on the Bonds and such other bonds during such Fiscal Year.

"*Authorized Denomination*" means $100,000 and integral multiples of $5,000 in excess thereof.

"*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 fund of the Issuer so defined in Section 5.01 and all special accounts therein.

"*Bond Register*" has the respective meaning stated in Section 3.04.

"*Bond Resolution*" means the Board Resolution adopted on March 26, 2003 which, among other things provided for the issuance of the Bonds.

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

"*Bonds*" means all bonds authenticated and delivered hereunder, being the Issuer's $24,000,000 District General Obligation Bonds, Series 2003.

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

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

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

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

"*Costs of Acquisition and Construction*" means all items of expense directly or indirectly relating to the cost of the "public infrastructure purposes" (as such term is defined in the Enabling Act) and as described in the Study.

"*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, the Standby Contribution Agreement and the Guaranty, 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 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, collectively, (i) the principal of and interest and premium, if any, on the Bonds; (ii) expenses and costs of the Issuer arising from the activities of the Issuer

relating to the administration of the Bonds, levy and collection taxes for payment of the Bonds, annual audits, budgets, continuing disclosure or monitoring compliance with covenants and all fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds; and (iii) amounts due with regard to Rebate.

"*Defaulted Interest*" has the meaning stated in Section 3.07.

"*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.

"*DTC*" means The Depository Trust Company, a limited purpose trust company, organized under the laws of the State of New York, its successors and assigns or any other securities depository for the 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.

"*Guaranty*" means the Guaranty dated as of April 1, 2003 made by ADB Investments Limited Partnership, an Arizona limited partnership, for the benefit of the Issuer and the Trustee.

"*Holder*" when used with respect to any Bond issued in book-entry form under the book-entry-only system of DTC means Cede & Co. (DTC's partnership nominee) or, if not issued in book-entry form, means the Person in whose name such Bond is registered in the Bond Register.

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

"*Interest Payment Date*" means each January 15 and July 15 commencing January 15, 2004.

"*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 manager for the Issuer or his designee.

"*Issuer Request*" means a written request signed in the name of the Issuer by the District Manager or by the District Treasurer 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 counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

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

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

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

(2) Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any Paying Agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such bonds are to be redeemed, notice of such redemption has been duly given pursuant 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 Section 3.06; 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 3.06 but whose ownership and enforceability by the Holder thereof have been established by a court of competent jurisdiction or other competent tribunal or otherwise established to the satisfaction of the Issuer and the Trustee.

"*Paying Agent*" means 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, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"*Permitted Investments*" means:

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 3.06 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.

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

"*Rebate Fund*" means the fund of the Issuer so defined in 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 price fixed for such redemption pursuant to the terms thereof and hereof.

"*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 of such Interest Payment Date.

"*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.

"*Series 2003 Acquisition and Construction Fund*" means the fund of the Issuer so defined in Section 5.03.

"*Series 2003 Bond Proceeds Account*" means a special account of the Issuer so defined in Section 5.01.

"*Series 2003 Developer Payment Account*" means a special account of the Issuer so defined in Section 5.01.

"*Series 2003 Developer Reserve Account*" means a special account of the Issuer so defined in Section 5.01.

"*Series 2003 Tax Account*" means a special account of the Issuer so defined in Section 5.01.

"*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*" has the meaning stated in Section 3.07.

"*Standby Contribution Agreement*" means that certain Standby Contribution Agreement, dated as of April 1, 2003 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.

"*Substitute Collateral*" means cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument acceptable to the Issuer that is issued or guaranteed by an entity with a long term obligation rating by S & P or Moody's of at least "A", deposited with the Trustee pursuant to the terms of the Standby Contribution Agreement.

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

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

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

Section 1.02. Acts of Bondholders.

A. Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose 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 Bondholder of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the

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

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

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

Section 1.03. Notices, etc.

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

(1) the Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its principal corporate trust office or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at Wells Fargo Bank Arizona, N.A., 100 W. Washington, #4101-082, Phoenix, Arizona 85003, Attention: Corporate Trust Services 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 North 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 Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears in the Bond Register for the Bonds. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

C. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.04. 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 Holders 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, lithographed, or engraved, produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such bonds as evidenced by their execution thereof.

Section 2.02. 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 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."]

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

UNITED STATES OF AMERICA
STATE OF ARIZONA

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003

INTEREST RATE	MATURITY DATE	ORIGINAL DATED DATE	CUSIP NO.:
_____	_____	April 1, 2003	_____

REGISTERED OWNER: CEDE & CO.

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

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 "*Holder*"), 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 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, 2004 (each an "*Interest Payment Date*"), at the per annum "Interest Rate" specified above.

As provided in the Indenture hereinafter referred to, the interest so payable on any Interest Payment Date shall be paid to the Holder in whose name this Bond (or one or more Predecessor Bonds evidencing the same debt) is registered in the Bond Register (as such term is defined in the Indenture) of the Issuer at the close of business on the "Regular Record Date" therefor, which shall be the first day (whether or not a business day) of the calendar month of such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a "Special Record Date" for the payment of such defaulted interest to be fixed by the Trustee (as such term is hereinafter defined) in accordance with the Indenture, notice whereof being given to the Holder hereof not less than 10 days prior to such Special Record Date. All such interest shall be payable at the agency of the Issuer for such purpose (the "*Paying Agent*") in the designated corporate trust office of the Paying Agent (the "*Place of Payment*"), which shall initially be the designated corporate trust office of Wells Fargo Bank, Arizona, N.A., by check mailed on or before the Interest Payment Date to the Holder as of the relevant record date at the address specified in the Bond Register or pursuant to customary arrangements made by such Holder acceptable to the Paying Agent. The principal and Redemption Price (as such term is defined in the Indenture) of this Bond are payable at the Place of Payment, upon presentation and surrender of this 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 principal corporate trust office of 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 April 1, 2003 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, Arizona, 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 Holders of the Bonds, the Trustee, and the Issuer, and the terms upon which the bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Holder of this Bond hereby consents. The Bonds are authorized to be issued by a resolution of the District Board of the Issuer adopted on March 26, 2003 (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 Bond Resolution, from the proceeds of an *ad valorem* tax to be levied by the Issuer and collected by the Maricopa County, Arizona Treasurer (the "*County Treasurer*"), at the same time and in the same manner as other taxes are levied by the Issuer and collected by the County Treasurer 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 and the Guaranty 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 April 1, 2003 (the "*Standby Contribution Agreement*") with the Issuer pursuant to which the Developer will make payments to the Trustee to supplement tax revenues. ADB Investments Limited Partnership, an Arizona limited partnership (the "*Guarantor*") has delivered an unconditional guaranty to the Issuer, wherein the Guarantor guarantees the obligations of the Developer under the Standby Contribution Agreement. The Standby Contribution Agreement and the Guaranty 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 or the Guaranty. The Bonds are subject to special mandatory redemption at any time in the event of a default under the terms of either the Standby Contribution Agreement or the Guaranty upon payment of the Redemption Price by the Developer or Guarantor, as applicable, 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, 2013, are subject to redemption, at the option of the Issuer, on any date on or after July 15, 2013, 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, 2013, 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 (July 15)	PRINCIPAL AMOUNT
2008	$ 600,000
2009	700,000
2010	700,000
2011	800,000
2012	800,000
2013*	800,000

The Bonds maturing on July 15, 2017, 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 (July 15)	PRINCIPAL AMOUNT
2014	$ 1,100,000
2015	1,100,000
2016	1,100,000
2017*	1,200,000

The Bonds maturing on July 15, 2027, 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 (July 15)	PRINCIPAL AMOUNT
2018	$ 1,100,000
2019	1,200,000
2020	1,300,000
2021	1,400,000
2022	1,500,000
2023	1,600,000
2024	1,600,000
2025	1,700,000
2026	1,800,000
2027*	1,900,000

*(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 rate basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount which is an Authorized Denomination.

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

If less than all the Outstanding Bonds are to be redeemed, the particular Bonds of a maturity to be redeemed shall, unless otherwise provided herein, be selected not more than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds of such maturity which have not previously been called for redemption, by lot and the Trustee may provide for the selection for redemption of portions (equal to an Authorized Denomination) of the principal of Bonds.

The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Bonds under the Bond Resolution, the Indenture, the Standby Contribution Agreement and the Guaranty at any time by the Issuer with the consent of the Holders of a majority in principal amount of the Bonds at the time Outstanding (as such term is defined in the Indenture) affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Holders of specified percentages in aggregate principal amount of the bonds at the time Outstanding, on behalf of the Holders of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond or any Predecessor Bond (as such term is defined in the Indenture) evidencing the same debt shall be conclusive and binding upon such Holder and upon all future holders thereof and of any Bond issued upon the

transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Paying Agent at the Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new fully registered Bonds of authorized denominations and for the same aggregate principal amount shall be issued to the designated transferee or transferees. [Notwithstanding any other provision of this Bond to the contrary, but except as otherwise provided in Section 3.04(b)(2) of the Indenture, this Bond is nontransferable except through a Broker-Dealer to institutions determined by the Broker-Dealer to be sophisticated municipal market professionals pursuant to the rules and regulations of the Municipal Securities Rulemaking Board.][1]

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

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

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

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

[1] Insert bracketed language in Bonds until otherwise required as provided in Section 3.04(B)(2).

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 3.04(B)(2) of the Indenture.]

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $24,000,000, 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 April 10, 2003 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: _____

[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,]**[2], 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.

[2] Insert bracketed language in the Bonds only and until otherwise required as provided in Section 3.04(B)(2)

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 2003*" dated as of April 1, 2003.

B. The Bonds shall be issued in Authorized Denominations.

C. The aggregate principal amount of the Bonds which may be authenticated and delivered and Outstanding is limited to $24,000,000, 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
2013	$ 4,400,000	6.000%	Term Bond 1
2017	4,500,000	6.150%	Term Bond 2
2027	15,100,000	6.500%	Term Bond 3

D. The Bonds shall bear interest from and including April 1, 2003, 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, 2004 (herein each referred to as an "*Interest Payment Date*").

E. The principal of or Redemption Price for the Bonds shall be payable upon surrender of the Bonds to the Paying Agent in the Place of Payment when due. Interest on the Bonds payable on any Interest Payment Date shall be payable as provided in Section 3.07.

Section 3.02. Redemption of Bonds.

(1) **Special Mandatory Redemption Relating to a Default under the Standby Contribution Agreement or the Guaranty.** The Bonds are subject to special mandatory redemption in whole, at any time, in the event of a default under the terms of either the Standby Contribution Agreement or the Guaranty, and upon payment by the Developer or Guarantor, as applicable, 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 Section 4.04, not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date.

(2) **Optional Redemption**. The Bonds maturing after July 15, 2013, shall be redeemable from funds of the Issuer at the option of the Issuer, prior to their Stated Maturity in accordance with Article IV in whole or in part on any date on or after July 15, 2013 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 without premium.

(3) **Mandatory Redemption**. The Bonds maturing on July 15, 2013, 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 (July 15)	PRINCIPAL AMOUNT
2008	$ 600,000
2009	700,000
2010	700,000
2011	800,000
2012	800,000
2013*	800,000

The Bonds maturing on July 15, 2017, 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 (July 15)	PRINCIPAL AMOUNT
2014	$ 1,100,000
2015	1,100,000
2016	1,100,000
2017*	1,200,000

The Bonds maturing on July 15, 2027, 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 (July 15)	PRINCIPAL AMOUNT
2018	$ 1,100,000
2019	1,200,000
2020	1,300,000
2021	1,400,000
2022	1,500,000
2023	1,600,000
2024	1,600,000
2025	1,700,000
2026	1,800,000
2027*	1,900,000

*(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 rate basis to the extent practicable, provided, however, that each remaining mandatory redemption requirements shall be in an Authorized Denomination.

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,

(3) the Guaranty duly and validly executed and delivered by the Guarantor, and

(4) the purchase price for the Bonds.

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 2.03, 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.

Section 3.04. Registration, Transfer and Exchange.

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

B. (1) 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. All Bonds or beneficial interests therein shall be transferred only through a Broker-Dealer to a transferee who is a SMMP.

(2) The restrictions on transfer of the Bonds or any beneficial interest therein to SMMP's, 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.

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

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

E. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed (if so required by the Trustee), or be accompanied by a written instrument of transfer in

form satisfactory to the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

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

G. Neither the Issuer nor the Trustee shall be required (1) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Bonds under Section 4.04 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.

H. (1) The Trustee and the Issuer shall at all times have an agreement or arrangement with a "clearing agency" (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended (the "*Securities Depository*"), which is the owner of the Bonds, to establish procedures with respect to the Bonds not inconsistent with the provisions of this Indenture; provided, that notwithstanding any other provisions of this Indenture, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Bond so long as the Bonds are subject to such agreement.

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

(3) It is hereby acknowledged that the Issuer and the Trustee intend to enter into an agreement (the "*Letter of Representations*") with The Depository Trust Company ("*DTC*") in connection with the issuance of the Bonds, and while the Letter of Representations is in effect, the procedures established therein shall apply to the Bonds notwithstanding any other provisions of this Indenture to the contrary. AS long as DTC is the Securities Depository with respect to the Bonds, the Trustee shall be a "DTC Direct Participant."

Section 3.05. Temporary Bonds.

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

B. If temporary Bonds are issued, the Issuer shall cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds to the Trustee without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, the Issuer shall execute and the Trustee shall authenticate and deliver in

exchange therefor a like principal amount of definitive Bonds of the same maturity and of Authorized Denominations. Until so exchanged, temporary Outstanding Secured Bonds shall in all respects be entitled to the security and benefits of this Indenture.

Section 3.06. Mutilated, Destroyed, Lost and Stolen Bonds.

(A) If (1) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Trustee such security or indemnity as may be required by it to save each of the Issuer and Trustee harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon a request of the District Manager, the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same series and of like tenor and aggregate principal amount bearing a number not contemporaneously outstanding, provided, however, in case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer or the Trustee in its discretion may pay such Bond instead of issuing a new Bond. If, after the delivery of such new Bond or payment, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued or payment made presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such new Bond or payment from the Person to whom it was delivered or to 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 Board 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 3.07. Payment of Interest on Bonds; Interest Rights Preserved.

A. Interest on any Bond which is payable on, and is punctually paid or duly provided for on, any Interest Payment Date shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest. Such interest, in the absence of other arrangements acceptable to the Paying Agent made by the Holder as of such date, shall be paid by check payable to the order and mailed to the address of such Holder as the same appears on the Bond Register and such payment shall be deemed to be at the Place of Payment.

B. Any interest on any Bond which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (herein referred to as "*Defaulted Interest*") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder. Such Defaulted Interest shall thereupon be paid by the Issuer to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided. The Issuer shall promptly notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Holders entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate for the other than Outstanding Secured Bonds. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of a Bond of such series at his address as it appears in the Bond Register not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

C. Subject to the foregoing provisions of this Section, each Bond delivered 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 3.08. Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, replacement or conversion, and all Bonds, if surrendered to the Trustee, shall be promptly canceled by it and, if surrendered to the Issuer or any Paying Agent, shall be delivered to the Trustee and, if not already canceled, shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously certified or authenticated and delivered which the Issuer may have acquired 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.

Section 3.09. Persons Deemed Owners. The Issuer, the Trustee, and their agents may treat the Person in whose name any Bond is registered as the owner of such bond for the purpose of receiving payment of the principal (and Redemption Price) of and interest on such Bond as provided herein and for all other purposes whatsoever, whether or not such Bond be

overdue, and, to the extent permitted by law, none of the Issuer, the Trustee, and any such agent shall be affected by notice to the contrary.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. General Applicability of Article. The Bonds shall be redeemable before their Stated Maturity in accordance with Section 3.02 and this Article.

Section 4.02. Election to Redeem; Notice to Trustee. The exercise by the Issuer of its option to redeem any Bonds shall be evidenced by an Issuer Request or a Board Resolution. In case of any redemption at the election of the Issuer of less than all of the Outstanding Bonds, the Issuer shall, at least sixty (60) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount and maturities of the Bonds to be redeemed.

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 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 Holder 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 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 further 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

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 3.02(1), 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 Holders 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 Holders of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 3.07.

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. Any Bond which is to be redeemed only in part shall be surrendered at the principal corporate trust office of the Trustee, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of any Authorized Denomination or denominations as

requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE 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 2003 Bond Fund" (herein referred to as the "*Bond Fund*") and within the Bond Fund (1) a special account designated the "*Series 2003 Tax Account*", (2) a special account designated as the "*Series 2003 Bond Proceeds Account*", (3) a special account designated as the "*Series 2003 Developer Payment Account*" and (4) as and when applicable, a special account designated as the "*Series 2003 Developer Reserve Account*". The money deposited to the Series 2003 Tax Account, the Series 2003 Bond Proceeds Account, the Series 2003 Developer Payment Account and the Series 2003 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 7.03 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 2003 Tax Account, all amounts collected by or remitted to the Issuer as ad valorem taxes to the extent provided in Section 10.01(A) hereof, including collections of delinquent taxes;

(2) in the Series 2003 Bond Proceeds Account, the amount received from proceeds of the sale of the Bonds indicated in Section 5.05(A) hereof;

(3) in the Series 2003 Developer Payment Account, amounts received pursuant to subsections B(1) and B(2) hereof;

(4) in the Series 2003 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 2003 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 2003 Tax Account plus the amount in the Series 2003 Bond Proceeds Account plus the amount in the Series 2003 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 2003 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 2003 Developer Reserve Account upon receipt all amounts paid to it by or on behalf of the Guarantor and constituting Indebtedness as provided for in the Guaranty, all amounts paid to it by the Developer and constituting substitute collateral as provided for in Section 2.1(E)(ii) of the Standby Contribution Agreement and all amounts paid to it by or on behalf of the Developer or Guarantor 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 2003 Tax Account, the Series 2003 Bond Proceeds Account and the Series 2003 Developer Payment Account, and the investment income attributable thereto, shall be applied solely to pay Debt Service on the Bonds on the dates due in the amounts and order provided in Section 7.03B.

(2) To the extent funds on deposit in the Series 2003 Tax Account, the Series 2003 Bond Proceeds Account and the Series 2003 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 2003 Developer Reserve Account, including any investment income attributable thereto, shall be transferred to the Series 2003 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 2003 Developer Reserve Account, the Trustee shall provide notice of special mandatory redemption to the Bondholders in the manner and as provided in Section 4.04 and thereafter transfer funds on deposit in the Series 2003 Developer Reserve Account to the Series 2003 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 2003 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2003 Developer Payment Account and, after disbursing from the

Series 2003 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 2003 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 2003 Tax Account and the Series 2003 Bond Proceeds Account to the Issuer.

(5) To the extent, following the release of the Developer from the Standby Contribution Agreement, there are funds (or other Substitute Collateral) remaining on deposit in the Series 2003 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2003 Developer Payment Account and, after disbursing from the Series 2003 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 2003 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 2003 Acquisition and Construction Fund" (herein referred to as the "*Series 2003 Acquisition and Construction Fund*"). The money deposited to the Series 2003 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 2003 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 5.05(A). Upon an Issuer Request, amounts on deposit in the Series 2003 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 2003 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 March 1, 2006 any amounts remaining in the Series 2003 Acquisition and Construction Fund shall be transferred to the Series 2003 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.* An amount equal to the interest accruing on the Bonds from the date of the Bonds, being April 1, 2003, to the Closing Date and an amount equal to the interest to accrue on the Bonds from the Closing Date to and including July 14, 2004, shall be deposited in the Series 2003 Bond Proceeds Account of the Bond Fund to pay interest on the Bonds.

B. *Acquisition and Construction Fund.* The balance remaining from the proceeds of each series of Bonds after the deposit described in Paragraph A of this Section shall be

deposited to the credit of the Series 2003 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 Permitted Investments as directed in writing by the Issuer.

B. Money held for the credit of the Series 2003 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. 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 or the Depository 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 hereunder.

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 3.06, 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 Holder thereof and where enforceability has not been determined adversely against such Holder 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 which have become due and payable or to the Stated Maturity or Redemption Date, as the case may be, 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 Trustee shall select the Outstanding Bonds 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 Holders of the Bonds with respect to which such deposit is made and together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on the Bonds when due. No money or Governmental Obligations so deposited pursuant to this Section shall be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for purposes of any such payment from such money or Governmental Obligations.

Section 6.03. 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. Subject to the provisions of Section 4.03, such money or Governmental Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent as the Trustee may determine) to the Holders entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

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 for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the 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.

Section 6.05. Release of the Guaranty. The Guaranty shall be released by the Issuer upon receipt of proof of satisfaction of each of the following conditions:

A. The deposit and receipt of Substitute Collateral, in form and substance as approved by the Issuer, and upon expiration of any applicable bankruptcy preference periods, as provided for in Section 2.1(E)(ii) (2) or 2.1(G) of the Standby Contribution Agreement; or

B. The release of the Standby Contribution Agreement or the occurrence of any event or circumstance that would require the release of the Standby Contribution Agreement as provided for in Section 6.04.

Upon release by the Issuer of the Guaranty, the Issuer shall so direct the Trustee to release the Guaranty. Upon receipt of such direction from the Issuer, the Trustee shall release the Guaranty whereupon the Guarantor shall have no further obligations thereunder.

ARTICLE VII

REMEDIES

Section 7.01. Suits for Enforcement; Mandamus.

A. The Trustee in its discretion, subject to the provisions of Section 7.10, may proceed to protect and enforce its rights and the rights of the Bondholders under this Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture, in the Standby Contribution Agreement or in the Guaranty or in aid of the execution of any power granted in this Indenture, in the Standby Contribution Agreement or in the Guaranty 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 Bondholders. Upon the occurrence of a default under the Standby Contribution Agreement or the Guaranty, the Trustee may also enforce any and all rights of the Issuer thereunder.

B. In addition to all rights and remedies of any Holder of Bonds provided herein, in the event of a default 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, the Standby Contribution Agreement or in the Guaranty, the Trustee shall be entitled to a write 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 Standby Contribution Agreement or in the Guaranty or this Indenture.

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 or the Guaranty, 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 3.02(1) of this Indenture.

Section 7.02. 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 Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any) and interest and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of administration and collection, including the reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the Issuer fails to pay or cause to be paid 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 Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien 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 Holders of the Bonds.

Section 7.03. 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 7.04. Trustee May File Proofs of Claim.

A. In case of the tendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Issuer, the Developer or the Guarantor or the property of the Issuer, the Developer or the Guarantor, 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, the Developer or the Guarantor for the payment of overdue principal, premium, or interest or the amounts due under the Standby Contribution Agreement or Guaranty) 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 or the Guaranty and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding, and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator, or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances 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 Bondholder any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

Section 7.05. 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 Holders of the Bonds in respect of which such judgment has been recovered.

Section 7.06. Unconditional Right of Bondholders to Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive, after payment of all amounts due to the Trustee hereunder, payment of the principal of and (subject to Section 7.10) interest on any such Bond on the respective Stated Maturities expressed in such Bond (or, in the

case of redemption, on the Redemption Date), and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder; provided, however, that no Bondholder shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver, or loss of the lien of this Indenture upon the Trust Estate, or any part thereof, as security for Bonds held by any other Bondholder.

Section 7.07. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as otherwise provided herein with regard to the rights or remedies of Bondholders, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy under this Indenture, the Standby Contribution Agreement or the Guaranty.

Section 7.08. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Holder of any Bond to exercise any right or remedy accruing upon a default under this Article shall impair any such right or remedy or constitute a waiver of any such default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

Section 7.09. Control by Bondholders.

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

(1) to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds 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/or the Guaranty; 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 or Guaranty, provided that

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

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

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

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

B. Before taking action pursuant to this Section, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the Issuer shall reimburse the Trustee for all of the expenses of the Trustee pursuant to Section 8.06.

Section 7.10. Waiver of Past Defaults.

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

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

Section 7.11. Undertaking for Costs. All parties hereto agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy 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 Bondholder, or group of Bondholders of any series of the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

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

invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

ARTICLE 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 confirming 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 Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, hereunder; and

(4) no provision 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 7.09B.

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 10.05(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 Bondholders pursuant to this Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

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

G. the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or 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 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 Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the Issuer.

D. If at any time:

(1) the Trustee shall cease to be eligible under Section 8.07 and shall fail to resign after written request therefor by the Issuer or any such Bondholder, or

(2) the Trustee shall become incapable of acting or shall be adjudged insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in either such case, the Issuer by Board Resolution may remove the Trustee.

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

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

Section 8.09. 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.

ARTICLE IX

SUPPLEMENTAL INDENTURES; AMENDMENTS TO BOND RESOLUTION, STANDBY CONTRIBUTION AGREEMENT, GUARANTY

Section 9.01. Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement or Without Consent of Bondholders. Without the consent of the Holders 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, the Standby Contribution Agreement or the Guaranty 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, the Guaranty, or the Bonds contained; or

D. to add to the covenants of the Issuer, Developer or Guarantor for the benefit of the Holders of all of the Bonds; or

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

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

A. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture or such amendment, by Act or such Holders 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, the Standby Contribution Agreement or the Guaranty, for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions hereof, the Bond Resolution, the Standby Contribution Agreement or the Guaranty or of modifying in any manner the rights of the Holders of the Bonds under this Indenture, the Bond Resolution, the Standby Contribution Agreement or the Guaranty; provided, however, that no such supplemental indenture or amendments to the Bond Resolution, the Standby Contribution Agreement or the Guaranty shall, without the consent of the Holder of each Outstanding Bond affected thereby

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

(2) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Holders of which is required for any such supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Guaranty, or the consent of Holders 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 Holder of each Bond affected thereby.

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

C. It shall not be necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplemental indenture or any such amendment to the Bond Resolution, the Standby Contribution Agreement or the Guaranty, 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 or the Guaranty. In executing, or accepting the additional trusts created by, any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Guaranty 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, the Standby Contribution Agreement or the Guaranty 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 or the Guaranty. 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, the Standby Contribution Agreement or the Guaranty under this Article, the Bond Resolution, the Standby Contribution Agreement or the Guaranty shall be modified in accordance therewith, and such amendment shall form a part of the Bond Resolution, the Standby Contribution Agreement or the Guaranty for all purposes, and every Holder 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 or the Guaranty. Bonds authenticated and delivered after the execution of any supplemental indenture, amendment to the

Bond Resolution, the Standby Contribution Agreement or the Guaranty pursuant to this Article may bear a notation as to any matter provided for in such supplemental indenture, amended Bond Resolution, the Standby Contribution Agreement or the Guaranty. If the Issuer shall so determine, new Bonds so modified as to conform to any such supplemental indenture, amended Bond Resolution, the Standby Contribution Agreement or the Guaranty 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 Debt Service on the Bonds and to pay principal and interest on all outstanding general obligation bonds of the Issuer due for such year whether previously or hereafter issued ("*Parity Debt Service*") when due. 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 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 (i) so long as any Bonds are outstanding, in accordance with the outstanding principal amount of such Bonds and (ii) thereafter, 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 Debt Service. 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 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 Holders of such Bonds. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Holders entitled to such principal or interest, as the case may be. Money held by the Trustee or any other paying Agent for the payment of the principal of (and premium, if any) or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

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

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

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

C. The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge 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 Holder thereof, it shall be the duty of such Paying Agent to hold such funds or invest the same in Government Obligations, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. Such obligation of the Paying Agent to hold such funds shall continue for two (2) years and six (6) months following the date on which such interest or principal payment became due, whether at Maturity or Stated Maturity, or at the Redemption Date, otherwise, at which time such Paying Agent shall surrender such unclaimed funds so held to the Issuer, whereupon any claim of whatever nature by the Holder of such Bond arising under such Bond shall be made upon the Issuer.

Section 10.05. 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 this instrument and all supplemental indentures and other instruments of further assurance, including all financing statements, to be promptly recorded, registered, and filed, and to be kept recorded, registered, and filed, and, when necessary, to re-record, re-register, and re-file the same, all in such manner and in such places as may be required by law, fully to preserve and protect the rights of the Bondholders and the Trustee hereunder to all property comprising the Trust Estate, and the Issuer shall execute any financing statement, continuation statement or other document required for such purposes.

Section 10.06. Compliance with Federal Law.

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

be adopted in the future which applies to the Bonds and 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 (the "*Tax Agreement*").

C. The District Manager of the Issuer or his designee 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.

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 ARIZONA, N.A.,
as Trustee

By_____
Its Assistant Vice President

SWR:gmh 448549.3 04/10/03

MB

[redacted]

SECRETARY OF STATE

2003 APR 17 P 2:44

FILED

200312559336

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

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

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

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

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY 1-2

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

1d. TAX ID #: SSN OR EIN: 46-0503786 | ADD'L INFO RE ORGANIZATION DEBTOR | 1e. TYPE OF ORGANIZATION: muni. corp. | 1f. JURISDICTION OF ORGANIZATION: Arizona | 1g. ORGANIZATIONAL ID #, if any: ☒ NONE

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

2a. ORGANIZATION'S NAME

OR

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

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

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

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

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

OR

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

3c. MAILING ADDRESS: 100 W. Washington, 8th Floor | CITY: Phoenix | STATE: AZ | POSTAL CODE: 85003 | COUNTRY: USA

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A

04-17-03 3:58PM
UCC 1-DISP COLL
5.00
TOTAL 5.00
CASH 5.00
2 1R1723

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

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

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

8. OPTIONAL FILER REFERENCE DATA

EXHIBIT A
TO UCC 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 ARIZONA, N.A.
Attn: Corporate Trust Services (MAC #S4101-080)
100 West Washington Street, 8th Floor
Phoenix, Arizona 85003

Reference is made to the Indenture of Trust and Security Agreement dated as of April 1, 2003 (the "*Indenture*") between the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), as Debtor, (the "*Debtor*") and Wells Fargo Bank Arizona, N.A., as trustee (the "*Secured Party*") relating to the issuance by the Debtor of its $24,000,000 District General Obligation Bonds, Series 2003. For certain terms, denoted by initial capitals herein, the definitions of said terms are adopted as set or incorporated in the Indenture.

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

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

B. The Debtor's interest in the Standby Contribution Agreement dated as of April 1, 2003, by and among the Debtor, the Secured Party and DMB White Tank LLC, and the Guaranty Agreement dated as of April 1, 2003, made by ADB Investments Limited Partnership, as Guarantor for the benefit of Debtor and Secured Party; and

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

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

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF APRIL 1, 2003

BY AND AMONG

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

DMB WHITE TANK, LLC

AND

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

This **STANDBY CONTRIBUTION AGREEMENT**, dated as of April 1, 2003, 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 Arizona, N.A., as trustee (the "*Trustee*") under that certain Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the "*Indenture*").

RECITALS

A. The Issuer is issuing its District General Obligation Bonds, Series 2003 in the aggregate principal amount of $24,000,000 (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, Amended and Restated as of March 4, 2003, presented to and approved by the Board on March 4, 2003 (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 the Guaranty, of even date herewith, by and among ABD Investments Limited Partnership (the "*Guarantor*"), the District and the Trustee (the "*Guaranty*"), the Guarantor, as an affiliate of the Developer, has agreed to guarantee to the District and the Trustee the full and prompt payment of the Indebtedness (as such term is defined in the Guaranty).

E. 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.

F. 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 North 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 S4101-080, 100 West Washington Street, 8th 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 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: John Bradley, Vice President, with copies to DMB Associates, Inc., 7600 East 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 for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the 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, 2004 and July 15, 2004 that has been funded from the proceeds of the Bonds and deposited in the Series 2003 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, 2004, 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 with the exception, if applicable, of Substitute Collateral (as defined hereafter) approved by the Issuer in a form other than cash as referenced in Section 2.1(E)(ii)(2).

(D) For the purpose of calculating the amounts due from the Developer hereunder, tax collections shall be allocated first to the payment of Debt Service.

(E) (i) At all times prior to the termination of this Standby Contribution Agreement, the Developer shall cause to be provided to the Issuer's Representative, the Issuer and the Trustee, as applicable, each Audited Financial Statements, Auditor's Opinion, Certificate, Auditor's Letter, Internal Financial Statements (as such terms are defined in the Guaranty) and other deliveries as provided for in Section 15 of the Guaranty.

(ii) At any time prior to the termination of this Standby Contribution Agreement:

(1) If, on or prior to the date that is ten (10) days prior to the date on which any Guarantor Audited Financial Statements, Auditor's Opinion or Auditor's Letter is due, (x) the Developer and the Guarantor have provided notice to the Issuer and the Trustee that such information will not be timely made available or provided, as applicable, stating the reasons therefore, which reasons must be circumstances or conditions outside the reasonable control and contemplation of the Developer and the Guarantor, and (y) the managing partner of the Guarantor has delivered to the Issuer designee, the Issuer and the Trustee a Certificate, together with a completed Financial Covenant Calculations worksheet (the form of which is attached as Exhibit 1 to the Guaranty) and (if available) Internal Financial Statements for the fiscal year of the Guarantor then ended, stating that (i) the officer signing the Certificate on behalf of the managing partner has no knowledge of the occurrence of any Non-Payment Default (as defined in the Guaranty) or any other default under the Guaranty not heretofore reported and, if any Non-Payment Default has occurred and been remedied, stating in reasonable detail the facts with

respect thereto, and (ii) to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, the information contained in the Financial Covenant Calculations worksheet is accurate and, based on the Financial Covenants Calculations worksheet and any Internal Financial Statements then available, including the most recent Internal Financial Statements, the Guarantor is in compliance with the Financial Covenants as of the end of such fiscal year of the Guarantor (and, if applicable, any succeeding calendar months for which Internal Financial Statements are available), and (z) the Developer is not then in default under this Standby Contribution Agreement, including that the Developer shall have timely paid and deposited all sums payable by the Developer under this Standby Contribution Agreement, including all Annual Developer Payments and, if applicable, all December Developer Payments and/or June Developer Payments (and, at all times until full compliance with the requirements of the Guaranty in respect of the Audited Financial Statements, Auditor's Opinion and Auditor's Letter, as applicable, has been achieved, shall continue to timely pay and deposit all sums payable by the Developer under this Standby Contribution Agreement), then and in all such events, the Developer and the Guarantor shall have a reasonable period of time, not to exceed 60 days (which may be extended, at the sole discretion of the Issuer, for an additional 60 days), in which to cure such failure to timely provide any such Audited Financial Statement, Auditor's Opinion and/or Auditor's Letter, as applicable, provided that, in the event the Developer and the Guarantor thereafter fail to timely cure such failure to timely provide any such Audited Financial Statement, Auditor's Opinion and/or Auditor's Letter, the provisions of Section 2.1(E)(ii)(2) below shall control.

(2) Except as provided in Section 2.1(E)(ii)(1) above, if any Audited Financial Statements, any Auditor's Opinion, any Certificate, any Auditor's Letter or any Internal Financial Statements are not timely made available or provided (as applicable) to the Issuer designee, the Issuer and the Trustee as provided for in Section 15 of the Guaranty, and/or any Audited Financial Statement, Auditor's Opinion, Certificate, Auditor's Letter, Internal Financial Statements or Financial Covenant Calculations worksheet indicates that the Guarantor is not in compliance with the Financial Covenants described in Section 5 of the Guaranty, i.e., indicates that the Guarantor has failed to maintain the required minimum Net Worth or the required minimum Liquidity, then and in any such event, the Developer shall promptly cause to be deposited with Trustee and in all events within ten (10) days of the date on which performance was due or within ten (10) days of the occurrence of such circumstance or condition (as applicable), for deposit into the Series 2003 Developer Reserve Account of the Bond Fund, Substitute Collateral (as defined hereafter) in form and substance satisfactory to the Issuer, in an amount sufficient to pay the outstanding and unpaid principal, any premium and any accrued and unpaid interest with respect to the Bonds through the first optional call date of the Bonds. For purposes of this Standby Contribution Agreement, Substitute Collateral shall mean cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument acceptable to the Issuer that is issued or guaranteed by an entity with a long term obligation rating by S & P or Moody's of at least "A", and issued in the applicable amount necessary to redeem the Bonds on the first optional call date. Notwithstanding the foregoing, in the event that, at any time, the Internal Financial Statements or the Audited Financial Statements made available to the Issuer designee, as provided for in Section 15 of the Guaranty, indicate that the Guarantor was not in compliance with the Financial Covenants as of the last day of the reporting period covered by such Internal Financial Statements or Audited Financial Statements, as applicable, but the Certificate submitted by the

managing partner of the Guarantor includes an additional certification that, as of the last day of the calendar month immediately preceding the month in which the Certificate is submitted, the Guarantor is in compliance with the Financial Covenants and the Financial Covenants Calculations worksheet includes as an addendum Internal Financial Statements dated as of the end of the calendar month immediately preceding the calendar month in which such Financial Covenants Calculations worksheet is submitted indicating that the Guarantor is in compliance with the Financial Covenants, then and only in such event, the Developer shall not be required to deposit Substitute Collateral and no default shall have occurred under this Standby Contribution Agreement or the Guaranty unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before the date that is thirty (30) days following the date on which the Internal Financial Statements or Audited Financial Statements (as applicable) were required to be made available to the Issuer designee, audited financial statements prepared in accordance with GAAP for the reporting period that commenced as of the first day of the month following the reporting period covered by the most recent Audited Financial Statements made available to the Issuer designee in accordance with Section 15 of the Guaranty and that extends, in any instance where the Audited Financial Statements have indicated noncompliance with the Financial Covenants, through the last day of the third month of the then-current fiscal year of Guarantor, or, in any instance where the Internal Financial Statements have indicated noncompliance with the Financial Covenants, through last day of the seventh month of the then-current fiscal year of Guarantor, accompanied by an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date, whereupon the Issuer designee shall provide a statement to the Trustee advising the Trustee that such information has been provided and that such information indicates that the Guarantor is in compliance with the Financial Covenants as of the applicable date. By way of example, if the Guarantor's fiscal year is a calendar year and the Audited Financial Statements for the fiscal year 2004 are made available to the Issuer designee on April 30, 2005 and such Audited Financial Statements indicate that, as of the last day of the reporting period covered by the Audited Financial Statements (e.g., as of December 31, 2004), the Guarantor was not in compliance with the Financial Covenants but the Certificate concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an additional certification that, as of March 31, 2005, the Guarantor is in compliance with the Financial Covenants and the Financial Covenant Calculations worksheet concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an addendum consisting of the Guarantor's Internal Financial Statements as of March 31, 2005 that indicates compliance with the Financial Covenants, the Developer shall not be required to deposit substitute collateral and no default under this Standby Contribution Agreement or the Guaranty shall be deemed to have occurred unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before May 30, 2005, an audited financial statement of the Guarantor prepared in accordance with GAAP as of March 31, 2005 that indicates compliance with the Financial Covenants together with an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date. As a further example, if the Internal Financial Statements for the mid-year 2005 are made available to the Issuer designee on August 31, 2005 and such Internal Financial Statements indicate that, as

of the last day of the reporting period covered by the Internal Financial Statements (e.g., as of June 30, 2005), the Guarantor was not in compliance with the Financial Covenants but the Certificate concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an additional certification that, as of July 31, 2005, the Guarantor is in compliance with the Financial Covenants and the Financial Covenant Calculations worksheet concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an addendum consisting of the Guarantor's internal unaudited financial statements as of July 31, 2005 that indicates compliance with the Financial Covenants, the Developer shall not be required to deposit Substitute Collateral and no default under this Standby Contribution Agreement or the Guaranty shall be deemed to have occurred unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before September 30, 2005, audited financial statements of the Guarantor prepared in accordance with GAAP as of July 31, 2005 that indicates compliance with the Financial Covenants together with an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date. If the Developer is obligated to and fails to timely deposit Substitute Collateral as hereinbefore provided, a Non-Payment Default shall have occurred, whereupon the provisions of Section 2.4 shall apply. If the Developer is obligated to and timely deposits Substitute Collateral in the outstanding principal amount of the Bonds and all interest accruing through the first optional call date of the Bonds, in form and substance satisfactory to the Issuer, then and in such event, upon the deposit of such Substitute Collateral with the Trustee and expiration of any applicable bankruptcy preference periods, the Guaranty shall be released by the Issuer and the Guarantor shall have no further obligation in respect of the Indebtedness (nor shall the Guaranty be eligible to be thereafter utilized as security for the obligations of the Developer under this Standby Contribution Agreement).

(F) If any of the events or acts described in Section 7 of the Guaranty have occurred, the Guarantor shall be deemed to be in default under the Guaranty and the Developer shall be deemed to be in default under this Standby Contribution Agreement, whereupon the Developer and/or the Guarantor shall deposit with the Trustee the Redemption Price (as defined in the Indenture) required by Section 4.04 of the Indenture in order to provide for the special mandatory redemption of the Bonds.

(G) Provided the Developer and the Guarantor are not in default under this Standby Contribution Agreement or the Guaranty, at any time prior to the termination of this Standby Contribution Agreement, the Developer may provide notice to the Issuer designee, the Trustee and the Issuer that the Developer wishes to propose Substitute Collateral for the Guaranty in an amount sufficient to pay the outstanding and unpaid principal and any accrued and unpaid interest with respect to the Bonds through the first optional call date of the Bonds, whereupon, if the Issuer determines that the proposed Substitute Collateral, issued in favor of the Issuer and the Trustee is satisfactory, then and in such event, upon the deposit of such Substitute Collateral with the Trustee and expiration of any applicable bankruptcy preference periods, the Guaranty shall be released by the Issuer and the Guarantor shall have no further obligation with respect to the Indebtedness (nor shall the Guaranty be eligible to be thereafter utilized as security for the obligations of the Developer under this Standby Contribution Agreement).

(H) If a request is made by any Bondholder (as such term is defined in the Indenture) to the Trustee for copies of any or all of the information provided to the Issuer and the Trustee under Section 15 of the Guaranty or Section 2.1(E)(ii) of this Standby Contribution Agreement, then, at any time prior to the termination of this Standby Contribution Agreement, the Trustee shall, after confirming that the party requesting such information is a Bondholder, copy such request to the Developer whereupon the Developer shall cause the Guarantor to provide, or shall provide, copies of such information to such Bondholder as advised by the Trustee.

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 Article 5. 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 (A) any failure by the Developer to timely cause to be made available or provided the information required by Section 2.1(E)(i), as the time for such performance may be extended under the provisions of Section 2.1(E)(ii)(1), (B) any event described in Section 2.1(F), or (C) 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, including any amount the Developer is required to pay or cause to be paid or deposited with the Trustee under Section 2.1(E)(ii)(2), 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 (including the 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

SWR:gmh 448592.2 04/10/03

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 ARIZONA, N.A., as Trustee

By _____
Its Assistant Vice President

SWR:gmh 448592.3 04/15/03

GUARANTY

This Guaranty, dated as of April 1, 2003, is made by ABD Investments Limited Partnership, an Arizona limited partnership (the **"Guarantor"**), for the benefit of Verrado District 1 Community Facility District (Town of Buckeye, Arizona) formerly known as Whitestone District 1 Community Facility District (Town of Buckeye, Arizona), an Arizona community facility district (with its participants, successors and assigns, referred to herein as the **"District"** or the **"Issuer"**) and Wells Fargo Bank Arizona N.A., in its capacity as trustee (the **"Trustee"**) under the terms and provisions of the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the **"Indenture"**).

RECITALS

A. The Issuer pursuant to Title 48, Chapter 4, Article 6 (the **"Enabling Act"**) and a bond resolution adopted by the board of directors of the Issuer on March 26, 2003 is or will be issuing general obligation bonds in the aggregate principal amount of approximately $24,000,000.00 which shall be known as the Verrado District 1 Community Facility District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (the **"Bonds"**) pursuant to the terms of the Indenture. The payment of principal, interest and all other amounts constituting Debt Service (as such term is defined in the Enabling Act) (collectively, the **"Debt Service Obligations"**) shall be funded by an ad valorem tax levied at a rate of not greater than $3.00 per $100 of secondary assessed value (the "**Maximum Tax Rate**") on all taxable property within the boundaries of the District. DMB White Tank, LLC, an Arizona limited liability company ("**Developer**"), is a beneficial owner of and is in the process of developing, a portion of the real property located within the District (the "**Property**"). The Issuer shall use the proceeds from the issuance of the Bonds to develop the public infrastructure within the District, thereby increasing the value of the Property.

B. The Issuer, Trustee and the Guarantor agree and acknowledge that tax proceeds generated by the levy and collection of the Maximum Tax Rate will not be sufficient to pay the Debt Service Obligations until and unless there is a significant increase in the secondary assessed valuation in the District.

C. The Developer has agreed to execute and deliver a Standby Contribution Agreement (the "**Contribution Agreement**") under which Developer agrees to pay any shortfall that may occur between the tax proceeds generated by the levy of the Maximum Tax Rate and the Debt Service Obligations (the "**Shortfall**") until such time as the Developer is released from such obligation under the Contribution Agreement. The Guarantor, as an Affiliate of the Developer, agrees that it is in the Guarantor's best interests to execute and deliver this Guaranty of Developer's obligations under the Contribution Agreement.

AGREEMENT

ACCORDINGLY, the Guarantor, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agrees as follows:

1. Recitals. The Guarantor acknowledges that the foregoing Recitals are true, accurate and incorporated into this Guaranty.

2. Definitions. As used herein, the following terms have the meanings set forth below:

"**Affiliate**" shall be defined as any person or entity controlling, controlled by or under common control with the Developer and/or the Guarantor.

"**Development**" shall be defined as any development project in respect of which there are Guaranteed Obligations (as such term in hereinafter defined), as reflected in the consolidated balance sheet of the Guarantor at any time or from time to time.

"**Liquidity**" shall be defined as the Qualifying Assets less the Qualifying Liabilities.

"**Net Worth**" shall be defined as "total assets" minus "total liabilities", as presented in the audited or unaudited consolidated balance sheet of the Guarantor or any Development (as applicable) and determined as of the end of the applicable period (e.g., the sixth month or the year).

"**Qualifying Assets**" shall be defined as all assets that can reasonably be converted into cash within one year from the date that is the last day of the applicable period (e.g., the sixth month or the year), as presented in the audited or unaudited (as applicable) consolidated balance sheet of the Guarantor,.

"**Qualifying Liabilities**" shall be defined as all liabilities that will mature or become due within one year from the date that is the last day of the applicable period (e.g., the sixth month or the year), as presented in the audited or unaudited (as applicable) consolidated balance sheet of the Guarantor.

"**Undercollateralized Obligations**" shall be defined as the sum of (i) the Bonds (including all outstanding principal in respect of the Bonds) and (ii) the total amount of all other debts, liabilities, loan agreements, funding commitments and obligations of the Guarantor, of every type and description but excluding the unfunded portion of any loan agreements or funding commitments with Affiliates, payment or funding of which is guaranteed by the Guarantor, whether such debt, liability, loan agreement, funding commitment or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several (the "**Guaranteed Obligations**"), provided that the Guaranteed Obligations in respect of any Development shall be included in the calculation of "Undercollateralized Obligations" only if, and to the extent that, the total Guaranteed Obligations pertaining to any particular Development exceed 60% of the Net Worth of such Development. For example, if there were $35,000,000 in Guaranteed Obligations and $70,000,000 Net Worth in respect of a particular Development, then the resulting Guaranteed Obligations/Net Worth ratio would be 50%, i.e., less than the 60% Guaranteed Obligations/Net Worth ratio threshold, and the Guaranteed Obligations in respect of that

Development would not be included in the calculation of "Undercollateralized Obligations". As a further example, if there were $50,000,000 in Guaranteed Obligations and $70,000,000 Net Worth in respect of a particular Development, then the resulting Guaranteed Obligations/Net Worth ratio would be approximately 71.4%, i.e., greater than the 60% Guaranteed Obligations/Net Worth ratio threshold, and the Guaranteed Obligations in respect of that Development would be included in the calculation of "Undercollateralized Obligations" to the extent that the total amount of the Guaranteed Obligations in respect of the Development were to exceed 60% of the Net Worth of the Development; i.e., [($50,000,000 total Guaranteed Obligations) - {60% ($70,000,000 Net Worth) = $42,000,000} = $8,000,000], meaning $8,000,000 in respect of the Development would be included in the calculation of "Undercollateralized Obligations". In addition, and notwithstanding the foregoing, for purposes of calculating the Net Worth of a particular Development, the Guarantor shall be entitled, at its option, to utilize the fair market value of the Development as determined by a "Qualifying Appraisal" as the value of the total assets of such Development on the applicable consolidated balance sheet. A "**Qualifying Appraisal**" shall mean an "as is" appraisal, dated no earlier than one year prior to the date of the certificate provided for in Section 15 below, that is completed by an MAI certified appraiser.

3. Indebtedness Guaranteed. The Guarantor hereby absolutely and unconditionally guarantees to the Issuer and the Trustee the full and prompt payment when due, whether at maturity or earlier by reason of mandatory redemption, acceleration or otherwise, of each and every other sum now or hereafter owing to the Issuer by the Developer under the Contribution Agreement, including but not limited to an amount equal to the Shortfall, in each case whether now existing or hereafter arising, whether absolute or contingent, primary or secondary, sole, joint, several or joint and several, secured or unsecured, and, in the instances provided for in the Indenture, the Contribution Agreement and Section 7 below, the principal amount of the Bonds and all interest with respect to the Bonds that is unpaid and accruing to the date of actual payment (all of said sums being hereinafter called the **"Indebtedness")**.

4. Guarantor's Representations and Warranties. The Guarantor represents and warrants to the Issuer that (i) the Guarantor is an Arizona limited partnership, duly organized and existing, in good standing, and has full power and authority to make and deliver this Guaranty; (ii) the execution, delivery and performance of this Guaranty by the Guarantor has been duly authorized by all necessary action of its partners and does not and will not violate the provisions of, or constitute a default under, any presently applicable law or its organizational documents or any agreement presently binding on it; (iii) this Guaranty has been duly executed and delivered by an authorized representative of the Guarantor and constitutes its lawful, binding and legally enforceable obligation; and (iv) the authorization, execution, delivery and performance of this Guaranty does not require notification to, registration with, or consent or approval by, any federal, state or local regulatory body or administrative agency. The Guarantor represents and warrants to the Issuer that the Guarantor has a direct and substantial economic interest in the Developer and expects to derive substantial benefits therefrom and from the issuance of the Bonds and any other transactions and events resulting in the creation of the Indebtedness guaranteed hereby, and that this Guaranty is given for a valid business purpose.

5. Financial Covenants. Until the obligations of the Developer under the Contribution Agreement have been fully satisfied and the Developer has been released from the Contribution Agreement pursuant to the terms of the Indenture and the Contribution Agreement, or until the Guarantor has been released from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement, the Guarantor shall comply with the following financial covenants (collectively, the "**Financial Covenants**"):

(i) The Guarantor shall have, at the time of execution of this Guaranty, a minimum Net Worth of $200,000,000; and

(ii) The Guarantor shall maintain, at all times, a minimum Net Worth of three (3) times the amount of the Undercollateralized Obligations and a minimum Liquidity of one and one-half (1.5) times the amount of the Undercollateralized Obligations.

6. Unconditional Nature. No act or thing need occur to establish the Guarantor's liability hereunder, and no act or thing, except full payment and discharge of all of the Indebtedness or the Developer being released from the Contribution Agreement pursuant to the terms of the Indenture and the Contribution Agreement, or the Guarantor being released from this Guaranty in the event Substitute Collateral (as defined in the Contribution Agreement) is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement, shall in any way exonerate the Guarantor hereunder or modify, reduce, limit or release the Guarantor's liability hereunder. This is an absolute and unconditional guaranty of payment of the Indebtedness.

7. Dissolution, Termination or Insolvency of Guarantor. The dissolution, termination or adjudication of bankruptcy of the Guarantor shall not affect the validity or binding nature of this Guaranty. Without limitation of the foregoing, if the Guarantor shall be dissolved, terminated or shall be or become insolvent (however defined), or if the Guarantor voluntarily commences or there is commenced involuntarily against the Guarantor a petition for receivership, an acknowledgement or claim of inability to pay debts or other obligations, or other proceeding pertaining to the actual or claimed insolvency of the Guarantor case under the United States Bankruptcy Code, the Guarantor acknowledges that the Guarantor shall be deemed in default of this Guaranty and the applicable provisions of the Contribution Agreement and Indenture shall apply, including that the Bonds be subject to special mandatory redemption.

8. Non-Compliance. In the event the Guarantor is not in compliance with the Financial Covenants or the Guarantor is not in compliance with the requirements described in Section 15 below (a "**Non-Payment Default**"), then and in any such event, the applicable provisions of the Contribution Agreement and Indenture shall control including, as applicable, that the Bonds be subject to special mandatory redemption if such Non-Payment Default is not cured within the applicable cure periods or Substitute Collateral is not deposited with the Trustee.

9. Subrogation, etc. The Guarantor hereby waives all rights that the Guarantor may now have or hereafter acquire, whether by subrogation, contribution, reimbursement, recourse, exoneration, contract or otherwise, to recover from the Developer or

from any property of the Developer any sums paid under this Guaranty until all of the Indebtedness shall have been fully paid and discharged. The Guarantor will not exercise or enforce any right of contribution to recover any such sums from any person who is a co-obligor with the Developer or a guarantor or surety of the Indebtedness or from any property of any such person until all of the Indebtedness shall have been fully paid and discharged.

10. Enforcement Expenses. The Guarantor will pay or reimburse the Issuer and the Trustee for all costs, expenses and attorneys' fees paid or incurred by the Issuer and the Trustee in endeavoring to collect and enforce the Indebtedness and in enforcing this Guaranty.

11. Issuer's and Trustee's Rights. The Issuer and the Trustee shall not be obligated by reason of its acceptance of this Guaranty to engage in any transactions with or for the Developer. Whether or not any existing relationship between the Guarantor and the Developer has been changed or ended, the Issuer and the Trustee may enter into transactions resulting in the creation or continuance of the Indebtedness and may otherwise agree, consent to or suffer the creation or continuance of any of the Indebtedness, without any consent or approval by the Guarantor and without any prior or subsequent notice to the Guarantor. The Guarantor's liability shall not be affected or impaired by any of the following acts or things (which the Issuer or Trustee are expressly authorized to do, omit or suffer from time to time, without consent or approval by or notice to the Guarantor): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all of the Indebtedness (except as provided for and expressly subject to the terms of the Contribution Agreement which permit the deposit of substitute collateral under certain circumstances); (ii) one or more extensions or renewals of the Indebtedness (whether or not for longer than the original period) or any modification of the interest rates, maturities, if any, or other contractual terms applicable to any of the Indebtedness or any amendment or modification of any of the terms or provisions of any agreement under which the Indebtedness or any part thereof arose; (iii) any waiver or indulgence granted to the Developer, any delay or lack of diligence in the enforcement of the Indebtedness or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any of the Indebtedness; (iv) any full or partial release of, compromise or settlement with, or agreement not to sue, the Developer or any guarantor or other person liable in respect of any of the Indebtedness; (v) any release, surrender, cancellation or other discharge of any evidence of the Indebtedness or the acceptance of any instrument in renewal or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff) for the Indebtedness, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to preserve, protect, insure, care for, exercise or enforce any collateral security; or any modification, alteration, substitution, exchange, surrender, cancellation, termination, release or other change, impairment, limitation, loss or discharge of any collateral security; (vii) any collection, sale, lease or disposition of, or any other foreclosure or enforcement of or realization on, any collateral security; (viii) any assignment, pledge or other transfer of any of the Indebtedness or any evidence thereof; (ix) any manner, order or method of application of any payments or credits upon the Indebtedness; and (x) any election by the Issuer under Section 1111(b) of the United States Bankruptcy Code. The Guarantor waives any and all defenses and discharges available to a surety, guarantor or accommodation co-obligor.

12. Waivers by Guarantor. The Guarantor waives any and all defenses, claims, setoffs and discharges of the Developer, or any other obligor, pertaining to the

Indebtedness, except the defense of discharge by payment in full of the Indebtedness (upon expiration of all bankruptcy preference periods as referenced in Section 13) or by the release of the Developer from the Contribution Agreement as provided for in the Indenture and the Contribution Agreement or by the release of the Guarantor from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement. Without limiting the generality of the foregoing, the Guarantor will not assert, plead or enforce against the Issuer or the Trustee any defense of waiver, release, discharge or disallowance in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to the Developer or any other person liable in respect of any of the Indebtedness, or any setoff available against the Issuer or the Trustee to the Developer or any other such person, whether or not on account of a related transaction, except discharge by payment in full of the Indebtedness (upon expiration of all bankruptcy preference periods as referenced in Section 13) or the release of the Developer from the Contribution Agreement as provided for in the Indenture and the Contribution Agreement or by the release of the Guarantor from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement. The Guarantor expressly agrees that the Guarantor shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Indebtedness, whether or not the liability of the Developer or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The liability of the Guarantor shall not be affected or impaired by (i) any voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the Developer's assets, (ii) the marshalling of the Developer's assets and liabilities, or (iii) the insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar event or proceeding affecting the Developer or any of its assets. The Guarantor will not assert, plead or enforce against the Issuer or the Trustee any claim, defense or setoff available to the Guarantor against the Developer. The Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment and protest of any instrument evidencing the Indebtedness. The Issuer shall not be required first to resort for payment of the Indebtedness to the Developer or other persons, or their properties, or first to enforce, realize upon or exhaust any collateral security for the Indebtedness, before enforcing this Guaranty. The Guarantor waives the benefits of Arizona Revised Statutes Sections 12-1641, 12-1642, 33-814 and 12-1566.

13. If Payments Set Aside, etc. If any payment applied by the Issuer or the Trustee to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Developer or any other obligor), the Indebtedness to which such payment was applied shall for the purpose of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall be enforceable as to such Indebtedness as fully as if such application had never been made.

14. Additional Obligation of Guarantor. The Guarantor's liability under this Guaranty is in addition to and shall be cumulative with all other liabilities of the Guarantor to the Issuer as guarantor, surety, endorser, accommodation co-obligor or otherwise, of any of the Indebtedness, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

15. Financial Information. The Guarantor shall provide the following information, as described below, to the Issuer, Issuer designee and the Trustee (as applicable) and, in the event a request is made by any Bondholder (as such term is defined in the Indenture) to the Trustee, the Trustee shall, after confirming that the party requesting such information is a Bondholder, provide a copy of such request to the Guarantor whereupon the Guarantor shall provide copies of the information provided to the Issuer, Issuer designee and the Trustee to such Bondholder as advised by the Trustee.

(a) As soon as available, and in any event within 120 days after the end of each fiscal year of the Guarantor, the Guarantor shall provide notice to the Issuer designee that the Guarantor's audited annual financial statements (the "**Audited Financial Statements**") are available for review, which Audited Financial Statements shall include the Guarantor's balance sheet as of the end of such fiscal year and the related statements of the Guarantor's income, partner's capital and cash flows for the fiscal year then ended, shall be prepared in accordance with GAAP and shall be accompanied by the unqualified opinion of independent certified public accountants selected by the Guarantor and acceptable to the Issuer (the "**Auditor's Opinion**"), and shall thereafter make such Audited Financial Statements and Auditor's Opinion available to the Issuer designee. In addition, concurrent with the notice to the Issuer designee concerning the Audited Financial Statements, the managing partner of the Guarantor shall deliver to the Issuer designee, the Issuer and the Trustee a certificate ("**Certificate**") stating (i) whether or not the officer signing the Certificate on behalf of the managing partner has knowledge of the occurrence of any default under this Guaranty not heretofore reported and, if any such default has occurred and been remedied, stating in reasonable detail the facts with respect thereto, and (ii) that the information contained in the Financial Covenant Calculations worksheet (attached as Exhibit 1 to this Guaranty) is accurate to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner and, based on the Audited Financial Statements, Auditor's Opinion and the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, whether or not the Guarantor is in compliance with the Financial Covenants as of the end of such fiscal year. The Certificate shall be accompanied by a letter from the Guarantor's independent certified public accountants in substantially the form of Exhibit 2 to this Guaranty, enumerating certain procedures performed in respect of the Financial Covenant Calculations (the "**Auditor's Letter**").

(b) As soon as available, and in any event within 60 days after the last day of the sixth month (i.e., mid-year) of each fiscal year of the Guarantor, the Guarantor shall provide notice to the Issuer designee that the Guarantor's unaudited internal financial statements (the "**Internal Financial Statements**") are available for review, which Internal Financial Statements shall include the Guarantor's internal balance sheet and related statements of income and partner's capital of the Guarantor as of the end of such month and for the year-to-date period then ended and shall be prepared in accordance with GAAP (excluding footnotes to financial statements and subject to year-end audit adjustments). In addition, concurrent with the notice to the Issuer designee concerning the Internal Financial Statements, the managing partner of the Guarantor shall deliver to the Issuer designee, the Issuer and the Trustee a Certificate stating (i) that the Internal Financial Statements made available to the Issuer designee have been prepared in accordance with GAAP subject to year-end audit adjustments, (ii) whether or not the officer signing the Certificate on behalf of the managing partner has knowledge of the occurrence of any default under this Guaranty not heretofore reported and, if any such default has occurred and

(a) been remedied, stating in reasonable detail the facts with respect thereto, and (iii) that the information contained in the Financial Covenant Calculations worksheet (attached as Exhibit 1 to this Guaranty) is accurate to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner and, based on the Internal Financial Statements and the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, whether or not the Guarantor is in compliance with the Financial Covenants as of the end of such year-to-date period.

1. No Duties Owed by Issuer. The Guarantor acknowledges and agrees that the Issuer and the Trustee (i) have not made any representations or warranties with respect to, (ii) do not assume any responsibility to the Guarantor for, and (iii) have no duty to provide information to the Guarantor regarding, the enforceability of any of the Indebtedness or the financial condition of the Developer or any guarantor. The Guarantor has independently determined the creditworthiness of the Developer and the enforceability of the Indebtedness and until the Indebtedness is paid in full will independently and without reliance on the Issuer continue to make such determinations.

2. Notice of Section 38-511, Arizona Revised Statutes, As Amended. The Issuer may, within three (3) years after its execution, cancel this Guaranty, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty on behalf of the Issuer is, at any time while this Guaranty 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 Guaranty and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty on behalf of the Issuer from any of the Trustee or the Developer arising as the result of this Guaranty. No person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty 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 Guaranty.

3. Miscellaneous. This Guaranty shall be effective upon delivery to the Issuer, without further act, condition or acceptance by the Issuer or the Trustee, shall be binding upon the Guarantor and the successors and assigns of the Guarantor and shall inure to the benefit of the Issuer, the Trustee and their participants, successors and assigns. Any invalidity or unenforceability of any provision or application of this Guaranty shall not affect other lawful provisions and application thereof, and to this end the provisions of this Guaranty are declared to be severable. This Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Guarantor and the Issuer. This Guaranty shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Arizona. The Guarantor hereby (i) consents to the personal jurisdiction of the state and federal courts located in the State of Arizona in connection with any controversy related to this Guaranty; (ii) waives any argument that venue in any such forum is not convenient, (iii) agrees that any litigation initiated by the Issuer, the Trustee or the Guarantor in connection with this Guaranty may be venued in either the state or federal courts located in Maricopa County, Arizona; and (iv) agrees that a final judgment in any such suit, action or proceeding shall be

conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

19. Waiver of Jury Trial. **THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, BASED ON OR PERTAINING TO THIS GUARANTY.**

IN WITNESS WHEREOF, this Guaranty has been duly executed by the Guarantor as of the date first written above.

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 10th day of April, 2003, 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
MARY E. WESNOSKI
NOTARY PUBLIC-ARIZONA
MARICOPA COUNTY
My Comm. Expires May 16, 2006

Mary E. Wesnoski
Notary Public

SWR:gmh 478417 04/10/03

Exhibit 1
Financial Covenant Calculations
Reporting Period Ended: December 31, 2002

	Sample
Liquidity Test	
Liquidity	
Cash and Cash Equivalents	934,820
Receivable from Related Party	70,000,000
Dividend Receivable	3,150,000
Marketable Securities, at market	469,400,000
Qualifying Assets	543,484,820
Accounts Payable	80,900
Accrued Interest Payable	6,816,649
Payable to Related Party	2,063,748
Bank Lines of Credit	298,000,000
Qualifying Liabilities	306,961,297
Total Liquidity	236,523,523
Undercollateralized Obligations	
2003 Bonds	24,000,000
Other Undercollateralized Obligations (1)	15,989,200
Total Undercollateralized Obligations	39,989,200
Coverage Requirement	1.5
Liquidity Requirement	59,983,800
Liquidity Excess/(Shortfall)	176,539,723
Net Worth Test	
Total Assets	1,571,767,614
Less: Total Liabilities	1,281,656,634
Net Worth	290,110,980
Undercollateralized Obligations	
2003 Bonds	24,000,000
Other Undercollateralized Obligations (1)	15,989,200
Total Undercollateralized Obligations	39,989,200
Coverage Requirement	3.0
Net Worth Requirement	119,967,600
Net Worth Excess/(Shortfall)	170,143,380

(1) Detail of Other Undercollateralized Obligations

	Guaranteed Debt Obligation	Net Worth		Ratio	Undercollateralized Obligation
Project A	19,000,000	5,018,000	*	379%	15,989,200
Project B	10,000,000	57,992,213		17%	-
Project C	-	-		#DIV/0!	-
					15,989,200

* Includes Qualifying Appraisal

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Exhibit 2

SAMPLE

Verrado District 1 Community
Facilities District and
ABD Investments Limited Partnership

We have performed the procedures enumerated below, which were agreed to by the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) and the management of ABD Investments LP, an Arizona Limited Partnership solely to assist you in verifying the agreement of certain amounts and the mathematical accuracy of the attached Financial Covenant Calculations. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report was requested or for any other purpose.

The procedures performed and findings are as follows:

1. We compared the following amounts contained in the attached Financial Covenant Calculations schedule to the related amounts in the audited consolidated balance sheet of ABD Investments Limited Partnership and Subsidiary as of December 31, _____. No exceptions were noted.

Cash and Cash Equivalents	-
Receivable from Related Party	-
Dividend Receivable	-
Marketable Securities, at market	-
Accounts Payable	-
Accrued Interest Payable	-
Payable to Related Party	-
Bank Lines of Credit	-
Total Assets	-
Total Liabilities	-

2. We recalculated all amounts in the attached Financial Covenant Calculations schedule, as applicable, to check for mathematical accuracy. No exceptions were noted.

We were not engaged to, and did not make a determination as to whether the attached Financial Covenant Calculations were in accordance with the Guaranty Agreement dated _____, between _____ and _____, nor did we perform an audit on the attached Financial Covenant Calculations, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express

such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified parties listed above and is not intended to be and should not be used by anyone other then these specified parties.

Phoenix, Arizona
Day, Month , Year

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

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. We have executed $24,000,000 principal amount of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (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 April 1, 2003, 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 2013, 2017 and 2027, and bear interest at the rates shown on the attached *Exhibit A*.

Bonds maturing after July 15, 2013 are subject to call for optional redemption, at the option of the District, on any date on or after July 15, 2013, as a whole or in part, upon not more than 60 nor less than 30 days' prior notice given by mail as provided in the Indenture, at par but without premium.

The Bonds maturing on July 15, 2013, 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, 2013

Year	Principal Amount
2008	$ 600,000
2009	700,000
2010	700,000
2011	800,000
2012	800,000
2013 (maturity)	800,000

The Bonds maturing on July 15, 2017, 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, 2017

2014	$1,100,000
2015	1,100,000
2016	1,100,000
2017 (maturity)	1,200,000

The Bonds maturing on July 15, 2027, 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, 2027

2018	$1,100,000
2019	1,200,000
2020	1,300,000
2021	1,400,000
2022	1,500,000
2023	1,600,000
2024	1,600,000
2025	1,700,000
2026	1,800,000
2027 (maturity)	1,900,000

Interest is payable on January 15 and July 15 of each year during the term of each of the Bonds, commencing on January 15, 2004.

B. We further certify that, to the best of our actual knowledge, information and belief:

(i) (a) On March 26, 2003, Resolution 02-03 of the District Board of the District (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 April 10, 2003 (the "*Purchase Contract*"), by and between the District and Dain Rauscher Incorporated (the "*Underwriter*"), the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the "*Indenture*") from the District to Wells Fargo Bank Arizona, N.A., as trustee (the "*Trustee*"), the Standby Contribution Agreement, dated as of April 1, 2003 (the "*Standby Contribution Agreement*") by and among the District, DMB White Tank, LLC (the "*Developer*") and the Trustee, the Guaranty, dated as of

April 1, 2003 (the "*Guaranty*"), made by ABD Investments Limited Partnership (the "*Guarantor*") for the benefit of the District and the Trustee, and a Blanket Letter of Representations, dated as of the date hereof (the "*Letter of Representations*") (collectively, the Purchase Contract, Indenture, Standby Contribution Agreement, Guaranty and Letter of Representations 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.

(ii) 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;

(iii) Except as described in the Limited Offering Memorandum, dated April 10, 2003, 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;

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

(v) 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; and

(vi) The Limited Offering Memorandum was, as of its date and is, as of the date hereof, true, correct and complete in all material respects and did not, as of its date, and does not, as of the date hereof, include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading and no event affecting the District 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 or Guarantor, respectively, relating to the Developer, the Guarantor and the Developer's project, the District is relying solely on the information provided.

C. 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 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. (a) The District has received from the sale of the Bonds the following amounts:

Principal	$24,000,000.00
Accrued Interest	63,427.08
Less purchaser's compensation	(552,000.00)
TOTAL AMOUNT RECEIVED	$23,511,427.08

(b) The "Issue Price", "Sale Proceeds", "Net Sale Proceeds" and "Minor Portion" for the Bonds are as set forth below:

Principal Amount of Bonds	$24,000,000.00
Pre-Issuance Accrued Interest	63,427.08
Net Premium	0
"Issue Price"	$24,063,427.08
Less Pre-Issuance Accrued Interest	(63,427.08)
"Sale Proceeds"	$24,000,000.00
Less Sale Proceeds deposited in Reserve	0.00
Less "Minor Portion"	(100,000.00)
"Net Sales Proceeds"	$23,900,000.00

3. (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. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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. 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. To the best of our knowledge and belief, the foregoing expectations of the District are reasonable.

16. 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. 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 Developers 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 Developers from time to time of the Bonds as set forth below:

1. 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. 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. (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.

F. The District has caused to be delivered to the Underwriter of the Bonds a Limited Offering Memorandum dated April 10, 2003, 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.

DATED: April 16, 2003.

OFFICIAL TITLE

Chairman, Verrado District 1 Community Facilities District (Town of Buckeye, Arizona

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

SWR:gmh 476891 04/14/03

EXHIBIT A

Maturity Schedule

Maturity Date (July 15)	Principal Amount	Interest Rate
2013*	$4,400,000	6.000%
2017*	4,500,000	6.150%
2027*	15,100,000	6.500%

* Term Bonds

SWR:gmh 476891 04/14/03

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:

1. A spread diamond traffic interchange on Interstate 10.

2. The easterly two lanes of a 2.1-mile segment of Verrado Way leading north from the freeway interchange to Osborn Wash. This segment of Verrado Way will be expanded to a four lane arterial roadway in future phases.

   A 4.4-mile network of two-lane collector roadways to provide vehicle access and circulation throughout the east half of the Phase I development area from Verrado Way. These roadways are identified as Lost Creek Road, Sunrise Lane, Park Street, Acacia Way, Main Street, Village Street, School Hill Road, Sentinel Drive and Roadway "A".

3. Dry utility trench & conduit, street lights and storm drain, as needed for the 6.5-mile network of arterial and collector roadway and landscape improvements.

4. A path and trails system consisting of multiple-use paths along the arterial and collector roadways and within the Lineal Park system for pedestrians and bicyclists.

5. Roadway landscaping for the 6.5-mile network of arterial and collector roadways.

6. Culvert structures for the arterial and collector roadway crossings at Bulldozer, Osborn and Tractor wash.

7. Flood control improvements consisting of embankment, channelization, bank protection, grade control structures and landscaping for 4 miles of Bulldozer, Tuthill, Osborn and Tractor wash.

8. A retention basin improvement within the Phase I development area.

9. A 10-mile District park within the Phase I development area.

10. A 28-acre Lineal Park system around the perimeter of the Phase I development area, along Osborn, Tuthill and Tractor wash.

11. Grade separated pedestrian underpass crossings at two locations within the multiple-use path system at intersections with arterial and collector roadways.

Additional Public Infrastructure if bond proceeds are available:

12. The remaining two lanes of a 2.1-mile segment of Verrado Way leading north from the freeway interchange to Osborn Wash, and a 0.3-mile extension of Verrado Way, north of Tractor Wash to Indian School Road.

    A 2.1-mile segment of Indian School Road, a four-lane arterial roadway, leading west from Jackrabbit Trail to Verrado Way.

    A 0.5-mile total extension of Sunrise Lane, Park Street and Acacia Way to Indian School Road.

13. Extension of the dry utility trench and conduit, as needed for the additional arterial and collector roadway and landscape improvements.

14. Extension of the multiple-use paths along the additional arterial and collector roadways.

15. Extension of the roadway landscaping for the additional arterial and collector roadways.

16. Extension of the flood control improvements and landscaping for the 0.9-mile south reach of Tuthill wash.

17. Additional storm drain improvements for the 9.0-mile network of arterial and collector roadways.

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

CLOSING CERTIFICATE OF TOWN OF BUCKEYE, ARIZONA

The undersigned, the Mayor, Town Manager and Town Clerk of the Town of Buckeye, Arizona (the "*Town*"), acting for and on behalf of the Town, hereby certify as follows:

1. That they are the duly chosen, qualified and acting Mayor, Town Manager and Town Clerk of the Town, respectively, and as such Mayor, Town Manager and Town Clerk 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 a Mayor and six Council Members and that from April 1, 2003, the following persons are the duly qualified and acting Mayor and members of the Council of the Town:

Dustin "Dusty" Hull	Mayor
Alan W. Newberry	Vice Mayor
Alice Charman	Council Member
W. Robert Doster	Council Member
Jackie A. Meck	Council Member
Chris P. Urwiller	Council Member
Jeanine Weir	Council Member

3. (a) That on June 16, 2001, Resolution No. 16-01 of the Town Council of the Town of Buckeye, Arizona, Declaring Intent to Form a Community Facilities District and Ordering Formation of the Tax Levying WhiteStone District 1 Community Facilities District, which has since been renamed the Verrado District 1 Community Facilities District (the "*Resolution*") was duly adopted by the Mayor and Council of the Town at a duly called meeting (the "*Meeting*") of the Mayor and Council of the Town at which a quorum was present and acting throughout; that the Resolution has not been altered, amended, repealed, revoked or rescinded as of the date hereof; that notice of the Meeting was posted more than 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 copy of the Resolution attached hereto is a true and correct copy of the Resolution.

4. That the persons named below were on the date or dates of the execution of the Resolution, and are on the date hereof, 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 their actual knowledge 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.

DATED: April 16, 2003

TOWN OF BUCKEYE, ARIZONA

By _____
Dustin "Dusty" Hull, Mayor

By _____
Joseph Blanton, Town Manager

By _____
Linda Garrison, Town Clerk

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

ACKNOWLEDGEMENT AND REQUEST FOR AUTHENTICATION

I, Mary Jo Saiz, ex officio Treasurer of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona), hereby acknowledge that, pursuant to the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the "*Indenture*"), the Trustee received from RBC Dain Rauscher Inc., 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 2003:

Principal	$24,000,000.00
Accrued Interest	63,427.08
Less: Underwriter's Compensation	(552,000.00)
TOTAL	$23,511,427.08

The undersigned hereby requests that Wells Fargo Bank Arizona, N.A., acting pursuant to the Indenture, authenticate $24,000,000 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: April 16, 2003

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

By Mary Jo Saiz

SWR:gmh 476893 04/14/03

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

CERTIFICATE REGARDING INDEBTEDNESS

I, Mary Jo Saiz, the ex officio Treasurer of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), hereby certify and, based on the Owner's Certificate of Market Value of Real Property and Improvements and the Restricted Report – Limited Appraisal prepared by Burke Hansen, LLC, the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged 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: April 16, 2003

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

By Mary Jo Saiz

SWR:gmh 476899 04/10/03

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

CLOSING CERTIFICATE OF DMB WHITE TANK, LLC

The undersigned, each a Vice-President of DMB Associates, Inc., the sole Manager of DMB Realco LLC, which is the sole Manager of DMB White Tank, LLC (the "*Owner*"), acting for and on behalf of the Owner, HEREBY CERTIFY as follows:

1. That they are 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 Standby Contribution Agreement dated as of April 1, 2003 (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 the date hereof (the "*Indemnity Letter*") and the Indemnity Letter pertaining to Article 8 of the Development Agreement, dated as of the date hereof (the "*Development Agreement Indemnity*") (collectively, the "*Documents*"), as executed and delivered by the duly authorized officer of the Manager 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 March 1, 2003 (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, and the Documents are in full force and effect and are valid and legally binding obligations of the Owner.

6. That the persons named below were on the date or dates of the execution or acceptance of the Documents, and are on the date hereof, the duly qualified and acting incumbents of the offices of the Manager of the Manager of the Owner set forth below their respective signatures and the signatures appearing above their respective names below are the genuine official signatures of said officers.

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 April 10, 2003 (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 which were in full force and effect on April 1, 2003, 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 which was in full force and effect on April 1, 2003, 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 Public Infrastructure," and the headings "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" and "RISK FACTORS" and the information contained in APPENDIX E, 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 April 16, 2003.

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

By _____
Andrew S. Beams
Vice-President, DMB Associates, Inc., an Arizona corporation; Manager of DMB Realco LLC, an Arizona limited Liability company, Manager of DMB White Tank LLC

ATTACHMENTS

Exhibit A — Articles of Organization (as amended)
Exhibit B — Operating Agreement

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 2 0 1998

DATE APPR Hayala Wyll
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." ck 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

EXHIBIT A

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 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 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

PHX/GHANKS/905499.4/26043.001

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).

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");

EXHIBIT B

(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 Freericks,
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

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

OWNER'S CERTIFICATE OF MARKET VALUE

I, the undersigned Vice-President of DMB Associates, Inc., an Arizona corporation, Manager of DMB Realco, LLC, an Arizona limited liability company, 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 (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 $40,000,000.00.

DATED: April 16, 2003

DMB WHITE TANK, LLC

By _____
Andrew S. Beams
Vice-President, DMB Associates, Inc., an
Arizona corporation; Manager of
DMB Realco LLC, an Arizona limited
Liability company, Manager of
DMB White Tank LLC

DEVELOPER INDEMNITY LETTER
FOR
$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2003

April 16, 2003

RBC Dain Rauscher Inc.
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: $24,000,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

This Indemnity Letter is delivered by DMB White Tank, LLC, an Arizona corporation (hereinafter referred to as the "Developer"), in order to induce RBC Dain Rauscher Inc. (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 April 10, 2003 (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 pertaining to the Developer contained in the Preliminary Limited Offering Memorandum under the heading "SECURITY FOR AND SOURCES OF PAYMENT" and the sub-headings "- The Standby Contribution Agreement", the heading "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE" and the subheading "Phase 1 Public Infrastructure," the heading "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER" and the heading "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 nor 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 corporation

By DMB Realco, LLC, an Arizona limited liability company

By DMB Associates, Inc., an Arizona corporation

By _____
John S. Bradley
Vice-President

DMB White Tank, LLC
7600 East Doubletree Ranch Road, Suite 300
Scottsdale, Arizona 85258

April 16, 2003

Verrado District 1 Community Facilities District
100 North Apache Road
Buckeye, AZ 85326
Joe Blanton, District Manager

Town of Buckeye
100 North Apache Road
Buckeye, AZ 85326
Joe Blanton, Town Manager

Re: Verrado District 1 Community Facilities District Series 2003 Bonds ($24,000,000)

Ladies and Gentlemen:

This indemnity agreement is made by and among DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**"), beneficial owner and developer of the Verrado master-planned community (the "Development"), Verrado District 1 Community Facilities District, a community facilities district under the laws of the State of Arizona (the "**District**") and the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona (the "**Municipality**"). DMB-WT, the District and the Town 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**"). Initially capitalized terms used in this indemnity agreement shall have the meaning ascribed to same in the District IGA unless otherwise specifically defined otherwise herein. The parties hereto agree that this indemnity agreement is intended to supplement and clarify the indemnity provisions contained in the District IGA, and accordingly the provisions of this indemnity agreement shall not supercede the provisions of the District IGA unless expressly stated herein.

The District IGA provides in Section 8.1(b) that, among other things:

> "At all times following the District Board's approval of a Report submitted by the Developer/Owner leading to the District's acquisition or construction of public infrastructure improvements and continuing until the completion and conveyance or dedication of such Acquisition Project, Segment(s) and/or Construction Project to the District, the Municipality or other applicable governmental body, the District shall maintain in effect commercial general liability insurance with a combined single limit of not less than five million dollars ($5,000,000) per occurrence, provided that the District may provide up to the first one hundred thousand dollars ($100,000) as a deductible or under a program of self-insurance (with any such deductible or self-

insured amount being a District Administrative Expense). For so long as the Developer/Owner is obligated to and timely advances the District Administrative Expenses as provided for in Section 7.3, or is obligated to and timely advances any deficiency or other amount provided for in Section 7.4, the District shall maintain in effect additional policies of insurance, as the Developer/Owner shall reasonably request, in order to provide insurance in such amount and with such coverage as the Developer/Owner reasonably determines is necessary in order to insure against the indemnity risk described in Section 8.1(a) and the premiums for such insurance shall be a District Administrative Expense..."

DMB/WT, as the Developer/Owner, is attempting to obtain for and on behalf of the District commercial general liability insurance described in the District IGA, as well as additional insurance in order to insure against some of the indemnity risks described in Section 8.1(a) of the District IGA. In addition, the Contractor, solely with respect to that certain proposed District Construction Project, is providing commercial general liability insurance coverage that conforms to the requirements described in the original Contractor bid specifications and naming the District as an additional insured. The District has agreed to permit the said Construction Project to proceed as provided for in the contracts and agreements pertaining to such Construction Project and has approved a Report submitted by DMB-WT, as the Developer/Owner, on condition that DMB/WT continue to provide the indemnity set forth in Section 8 of the District IGA.

DMB-WT herewith agrees that DMB-WT, as the Developer/Owner (1) shall indemnify and hold harmless the Municipality and the District and each council member, director, trustee, partner, member, officer, official, independent contractor or employee thereof and each person, if any, who controls the Municipality and/or the District within the meaning of the Securities Act of 1933, as amended (hereinafter the Securities Act of 1933 and the Securities Exchange Act of 1934 are referred to as the "Securities Acts"), (any such person being herein sometimes called an "Indemnified Party") for, from and against any and all losses, claims, damages or liabilities, joint or several, relating to: (i) the formation, activities or administration of the District; (ii) the levy and collection of any District tax or assessment; (iii) the offer or sale of any Bonds; (iv) the claims of any contractor, vendor, subcontractor or supplier under any Acquisition Project Construction Contract or Construction Project Construction Contract; or (v) or the carrying out of the provisions of this Agreement, including particularly but not by way of limitation (A) any Acquisition Project or Construction Project, (B) any claim, loss, lawsuit, administrative action or other challenge to which any such Indemnified Party may become subject, under the Securities Acts or any other statute or regulation at law or in equity or otherwise, including but not limited to, losses, claims, damages or liabilities (or actions in respect thereof) arising out of or based upon any untrue statement or alleged untrue statement of a material fact set forth in any offering document relating to the Bonds, or any amendment or supplement thereto, or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or which is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect, or (C) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Developer/Owner (which consent shall not be unreasonably withheld); and (2) shall, subject to the Developer/Owner's rights to defend in (c) below, reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim,

damage, liability or action. DMB-WT may be released from the preceding comprehensive indemnity solely as to particular risks, if and when the District obtains insurance against such particular risks in coverage amounts acceptable to the District as provided for in Section 8.1(b) of the District IGA, it being acknowledged and agreed that, if and to the extent any such insurance does not insure against particular risks that fall within the scope of the preceding indemnity, DMB-WT shall remain liable as the indemnitor for all such uninsured risks.

In addition, the parties acknowledge and agree that it is the intention of DMB-WT to attempt to obtain for and on behalf of the District, insurance in order to insure against all or a portion of the risks insured against by Arizona Municipal Workers' Risk Pool ("**Municipal Risk Pool Insurance**"), provided that if and to the extent the Districts fail to obtain insurance against particular risks that fall within the scope of risks otherwise insured against by the Municipal Risk Pool Insurance, the preceding indemnity shall apply and DMB-WT shall remain liable as the indemnitor for any such risks and the District(s) shall have no obligation to make any claim on the Municipal Risk Pool Insurance or otherwise apply any of the insurance proceeds received from the Municipal Risk Pool Insurance to offset the amounts owed by or obligations of DMB-WT as the indemnitor under the provisions of the District IGA.

Nothing in this indemnity agreement is intended to confer any right or remedies under or by reason of this indemnity agreement on any persons other than the undersigned and their respective successors and assigns.

In witness whereof, the undersigned have executed and delivered this indemnity agreement as of the date indicated above.

DMB WHITE TANK, LLC,
an Arizona limited liability company

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

By: DMB Associates, Inc., an Arizona corporation, its Manager

By: _____
Name: John Bradley
Its: Vice-President

ACCEPTED AND AGREED:

Verrado District 1 Community Facilities District

By: Joe Blanton
Name: Joe Blanton
Title: District Manager
Date: 4/22/03

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

CLOSING CERTIFICATE OF GUARANTOR

The undersigned, the President and Treasurer, respectively, of Hank, Inc., an Arizona corporation, the managing general partner of ABD Investments Limited Partnership, an Arizona limited partnership (the "*Guarantor*"), acting for and on behalf of the Guarantor, HEREBY CERTIFY as follows:

1. That they are the qualified and acting President and Treasurer of the Guarantor, respectively, and as such officers are familiar with the books and partnership records of the Guarantor.

2. That the Guarantor is a limited partnership, 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 the managing general partner is authorized to act on behalf of the Guarantor pursuant to the terms of the Limited Partnership Agreement of the Guarantor.

3. That the Guarantor has the requisite limited partnership power and authority to execute and deliver and perform the obligations of the Guarantor contained in the Guaranty dated as of April 1, 2003 (the "*Guaranty*") made by the Guarantor for the benefit of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), and Wells Fargo Bank Arizona, N.A., as trustee (the "*Trustee*"), the Guarantor Indemnity Letter dated as of the date hereof (the "*Indemnity Letter*") (collectively, the "*Documents*") as executed and delivered by the duly authorized officers of the managing general partner of the Guarantor.

4. That the Documents were approved and the execution and delivery thereof was authorized by written resolutions unanimously adopted by the partners of the Guarantor (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 in order to authorize such execution and delivery of the Documents on behalf of the Guarantor.

(b) That the Guarantor has no rules of procedure which would invalidate or make ineffective the Consent and that the Consent has been adopted in accordance with the Limited Partnership Agreement of the Owner.

5. That the party executing and delivering the Documents had the authority to execute and deliver the Documents by all necessary limited partnership, corporate and trust action, and the Documents are in full force and effect and are valid and legally binding obligations of the Guarantor.

6. That the persons executing the Documents were on the date or dates of the execution or acceptance of the Documents, and are on the date hereof, the duly qualified and acting incumbents of the offices of the managing general partner of the Guarantor set forth below their respective signatures and the signatures appearing above their respective names are the genuine official signatures of said officers.

_____, President

_____, Treasurer

7. That the Documents will not conflict with or result in a violation of any contract, indenture, instrument or other agreement to which the Guarantor 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 Guarantor of the obligations of the Guarantor under the Documents or to conduct the business of the Guarantor as presently being conducted and as described in the Limited Offering Memorandum, dated April 10, 2003 (the "*Limited Offering Memorandum*") pertaining to the bonds referenced in the caption of this certificate.

9. That the Guarantor 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 Guarantor 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 Guarantor is a party or by which the Guarantor 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 Guarantor of its obligations set forth in the Documents or the conduct of the Guarantor'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 Limited Partnership Agreement of the Guarantor which was in full force and effect on April 1, 2003, and which has been in effect from that date to the date hereof and that no amendments to the Limited Partnership Agreement of the Guarantor have been filed subsequent to the last date on which they were certified by the Arizona Corporation Commission.

13. That all of the representations and warranties of the Guarantor 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.

14. That the Guarantor is benefited by the issuance by the District of its General Obligation Bonds, Series 2003, in the aggregate principal amount of $24,000,000 and it is in the Guarantor's best interests to guaranty the obligations of DMB White Tank, LLC, contained in the Standby Contribution Agreement, dated as of April 1, 2003.

15. That the information pertaining to the Guarantor contained in the Limited Offering Memorandum under the headings "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" and sub-heading "The Guaranty, and The Guarantor", the heading "RISK FACTORS" and the information contained in APPENDIX F 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 April 16, 2003.

ABD INVESTMENTS LIMITED PARTNERSHIP

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

By Bennett Dorrance
Bennett Dorrance
Its President

By Dawn M Donovan
Dawn M. Donovan
Its Treasurer

ATTACHMENTS

Exhibit A — Limited Partnership Agreement

SWR:gmh 479453.2 04/11/03

RECEIVED
SECRETARY OF STATE
2000 DEC 29 PM 3:32

SECOND AMENDED AND RESTATED CERTIFICATE OF LIMITED PARTNERSHIP OF ABD INVESTMENTS LIMITED PARTNERSHIP

Pursuant to A.R.S. § 29-309, the undersigned certifies as follows for purposes of causing ABD Investments Limited Partnership, an Arizona limited partnership (the "Partnership"), to amend and restate its Certificate of Limited Partnership:

1. Name. The name of the Partnership affected by this instrument is "ABD Investments Limited Partnership".

2. Filing Information. The Partnership's Certificate of Limited Partnership (the "Certificate") was filed with the Arizona Secretary of State (the "Secretary") on September 3, 1993 at Document No. 20011547. The Certificate was previously amended by (i) a First Amendment filed with the Secretary on March 31, 1994, (ii) an Amended and Restated Certificate filed with the Secretary on April 14, 1994, (iii) a Third Amendment filed with the Secretary on May 20, 1994, (iv) a Fourth Amendment filed with the Secretary on April 17, 1995, and (v) a Fifth Amendment filed with the Secretary on June 28, 1996.

3. Street Address. The street address of the chief executive office of the Partnership in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137.

4. Latest Date to Dissolve. The latest date on which the Partnership must dissolve is December 31, 2050.

5. General Partners. The names and business addresses of the Partnership's General Partners are as follows:

Bennett Dorrance Trust,
dated April 21, 1989, as amended
7600 East Doubletree Ranch Road, Suite 300
Scottsdale, Arizona 85258-2137

Hank, Inc.,
an Arizona corporation
7600 East Doubletree Ranch Road, Suite 300
Scottsdale, Arizona 85258-2137

01-09-01 8:43AM
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01-09201#1R2418 LP DOMAND 10.(
3.00
3.(
CHECK 13.(
2 1R2418

6. Statutory Agent. The name and address of the agent for service of legal process on the Partnership are FC Service Corporation, an Arizona corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attention: Neal Kurn).

IN WITNESS WHEREOF, the undersigned has executed this Second Amended and Restated Certificate of Limited Partnership as of December 29, 2000.

FILED
DEC 29 2000
201547
ARIZONA SECRETARY OF STATE

Bennett Dorrance Trust, dated April 21, 1989, General Partner

By: Bennett Dorrance
Bennett Dorrance, Trustee

GUARANTOR INDEMNITY LETTER
FOR
$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2003

April 16, 2003

RBC Dain Rauscher Inc.
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: $24,000,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

This Indemnity Letter is delivered by ABD Investments Limited Partnership, an Arizona general partnership (hereinafter referred to as the "Guarantor"), in order to induce RBC Dain Rauscher Inc. (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 April 10, 2003 (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 Guarantor represents and warrants to the Underwriter that:

(a) The Guarantor is a limited partnership, duly organized, 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 pertaining to the Guarantor contained in the Preliminary Limited Offering Memorandum under the heading "SECURITY FOR AND SOURCES OF PAYMENT" and sub-headings "The Guaranty" and "- the Guarantor" and the heading "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 nor delivery of this Indemnity Letter or the Guaranty, dated as of April 1, 2003, from the Guarantor (hereinafter referred to as, collectively, the "Guarantor 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 Guarantor or conflicts with or results in a breach by the Guarantor of any of the terms, conditions or provisions of, or constitute a default by the Guarantor under, any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Guarantor is a party or by which it is bound or to which any of the property or assets of the Guarantor is subject, or any law or any order, rule or regulation applicable to the Guarantor of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Guarantor 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 Guarantor 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 adversely affect the business, properties, assets, liabilities or condition (financial or otherwise) of the Guarantor 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 against the Guarantor or, to the best knowledge of the Guarantor, threatened against the Guarantor 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 Guarantor, or which would materially and adversely affect the properties (taken as a whole) of the Guarantor, 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 Guarantor Documents, or (iii) adversely affect the validity or enforceability of the Guarantor Documents against the Guarantor.

(e) The Guarantor has the full power and authority to execute and deliver the Guarantor Documents and perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Purchase Contract and the Guarantor Documents, and the Guarantor Documents have been duly authorized by the Guarantor and, when executed, will constitute valid, binding and enforceable obligations of the Guarantor 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 Guarantor of the transactions contemplated by the Purchase Contract and the Guarantor 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, the District or any other party to the transactions contemplated by the Purchase Contract and the Guarantor Documents other than the Guarantor.

2. To the extent permitted by law, the Guarantor 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 Guarantor (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 Guarantor, notify the Guarantor in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of the Guarantor by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Guarantor, but the omission to notify the Guarantor of any such action shall not relieve the Guarantor 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 Guarantor of the commencement thereof, the Guarantor 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 Guarantor (it being understood that, except as hereinafter provided, the Guarantor shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Guarantor to such Indemnified Party of an election so to assume the defenses thereof, the Guarantor 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 Guarantor assumes the defense of any such action at the request of such Indemnified Party, the Guarantor shall have the right to participate at its own expense in the defense of any such action. If the Guarantor 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 Guarantor (in which case the Guarantor 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 Guarantor.

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

Respectfully submitted,

ABD INVESTMENTS LIMITED PARTNERSHIP,
an Arizona limited partnership

BY: HANK, INC., an Arizona. corporation
Its: Managing General Partner

By: Bennett Donance
Its: President

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

TRUSTEE'S CERTIFICATE OF COMPLETION AND AUTHENTICATION AND RECEIPT OF UNISSUED BONDS

The undersigned, an authorize representative of Wells Fargo Bank Arizona, N.A., as trustee (the "*Trustee*") under the Indenture of Trust and Security Agreement dated as of April 1, 2003 (the "*Indenture*"), by and between Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (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 March 26, 2003, 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) All blanks on the Bonds requiring completion by the Trustee have been properly and accurately completed by the Trustee.

(e) The Trustee has received and retains control of all unissued and unauthenticated fully registered Bonds which are now blank as to registered owner and amount.

(f) 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: April 16th, 2003

WELLS FARGO BANK ARIZONA, N.A.

By Nancy L Cathcart
Authorized Representative

SWR:gmh 476897.2 04/14/03

CERTIFICATION

I, Richard M. Welp, Secretary of Wells Fargo Bank Arizona, National Association, a national banking association organized under the laws of the State of Delaware (the "Bank"), hereby certify that:

1. The following resolution was duly adopted by the Board of Directors of the Bank at a meeting thereof held on **July 22, 1996**, and that said resolution has not been amended or revoked and remains in full force and effect on the date hereof:

RESOLVED that instruments, documents, or agreements relating to or affecting the property or business and affairs of this Bank, or of this Bank when acting in any representative or fiduciary capacity, may be executed in its name, with or without its corporate seal, by the persons hereinafter designated.

For the purposes of this resolution, "Executive Officer" shall mean any person specifically designated as an Executive Officer of this Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice President (including any Executive Vice President or any Senior Vice President), the Cashier, the Controller, any Office President, any Managing Officer, any Assistant Vice President, Assistant Cashier, any functional title which includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other functional title hereinafter designated by the Board of Directors as an officer of the Bank.

* * *

3. Any Signing Officer, acting alone, may execute:

a. Assignments of mortgages, releases or satisfactions of mortgages, certificates of redemption, assignments of sheriff's certificates, trust deeds, and declarations of trust.

b. Transfers and assignments of stocks, bonds or other securities.

c. Loan agreements, letters of credit advised without confirmations, participation agreements and certificates of participation.

d. Security agreements, financing statements, termination statements, continuation statements, and statements of assignment with respect to which this Bank is a secured party, releases of security interests in and liens upon personal property.

e. Receipts for any money or property paid or delivered to this Bank.

f. Demands, notices of acceleration, or extensions of the time for payment of any note or other obligation held by this Bank.

g. Notices of default and of election to sell or cause to be sold the property described in any mortgage or deed of trust held by this Bank, notices to the trustee named in any such deed of trust, and do any other act or sign any other document provided for by law, or which may be necessary, expedient or proper in order to protect or enforce the rights of this Bank under any such mortgage or deed of trust.

h. Checks, drafts, cashier's checks, money orders, certificates of deposit, savings certificates, and other similar obligations of this Bank.

i. Certifications of checks of customers.

j. Tax returns and related instruments.

k. Guaranties of the signatures of customers, or other signatures, whether appearing as endorsements of bonds, certificates of stock, other securities, or otherwise.

l. Claims of this Bank as a creditor of any decedent, or of a person who is a party to any form of proceeding in bankruptcy, receivership, insolvency or similar proceeding, or any other claim of this Bank in any other type of action or proceeding.

m. Proxies to vote stock held by this Bank.

n. Pleadings, petitions, accounts, and other documents to be filed in any court or other proceeding involving this Bank, including verifications thereof.

o. The "Oath of Officer of Incorporated Company" required by 46 U.S.C.A. 838 or any similar statute, and other documents in favor of or affecting this Bank in connection with the recording of preferred mortgages.

p. Deeds, leases, assignments and conveyances of any real or personal property held by the Bank in any representative or fiduciary capacity, or any interest therein.

q. Trust indentures, declarations of trust and trust and agency agreements, acceptances thereof and consents thereto, and any similar documents however denominated; petitions for the appointment or the confirmation of appointment of this Bank in any representative or fiduciary capacity; certificates of assets held in any account of this Bank; certificates of authentication with respect to bonds, notes, debentures, and other obligations issued under corporate mortgages, trust agreements and other indentures; certificates for securities deposited, interim certificates and other certificates for and on behalf of this Bank as depository or agent; countersignatures of bonds, notes, certificates of stock, voting trust certificates or participation certificates on behalf of this Bank as transfer agent or registrar, certificates of cancellation and cremation of stocks, bonds or other securities; certificates of incumbency of trustee; and resignations of this Bank in any representative or fiduciary capacity.

r. Certifications of records, confirmations, and affidavits.

* * *

2. On **April 26, 2001**, the following named persons were duly appointed, qualified and acting designated signing officers of the Bank, that their correct titles appear beside their names, and that on said date they were duly authorized to act on behalf of the Bank as set forth in the foregoing resolution:

Patricia Aston	Vice President
Christine Chandler	Authorized Signer
Rob Christopher	Corporate Trust Officer
Timothy L. Coker	Vice President
Corinthian Dahlstrand	Corporate Trust Officer
Susan P. Danner	Vice President
Cathy Dick	Authorized Signer
Nancy L. Eatros	Assistant Vice President
Pat Fisher	Vice President
Jessica Gerardy	Authorized Signer
Candi Goehring	Corporate Trust Officer
Pam Hamack	Authorized Signer
Liz Gall Hanson	Assistant Vice President
Avis Helm	Authorized Signer
Keith Henselen	Authorized Signer
Kelly Hill	Authorized Signer
Susan Jacobsen	Corporate Trust Officer
Kathleen Jakubowicz	Assistant Vice President

Lyle Lang	Assistant Vice President
Angela Lindquist	Authorized Signer
Dawn Matlock	Assistant Vice President
Jill Melhus	Corporate Trust Officer
Gerald W. Mitchell	Vice President
Kamini Motieream	Authorized Signer
David Nelson	Authorized Signer
Eunice Ortega	Trust Officer
Chad Peterson	Authorized Signer
Nadia Ramadhar	Authorized Signer
Ron Reyes	Authorized Signer
Ryan Risetter	Authorized Signer
Kerrie Roach	Assistant Vice President
Blair Selk	Authorized Signer
Karen Soete	Authorized Signer
Brad Stevenson	Vice President
Tanya Tesh	Authorized Signer
Jeff Tersteeg	Corporate Trust Officer
Meriam Tesfamriam	Authorized Signer
Ryan Thomas	Authorized Signer
Mary Ann Thuesen	Corporate Trust Officer
JoAnn Vincent	Vice President
Martha C. Ward	Vice President
Janet Pressey Withoff	Vice President

IN WITNESS WHEREOF, I have hereunto signed my name this 26th day of April, 2001.

Richard M. Welp

Richard M. Welp,
Secretary

* * *Redacted [indicates portions of the General Signature Resolution have intentionally been omitted because the sections are not relevant to the transaction for which the certification has been requested]

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

RECEIPT OF TRUSTEE

The undersigned, does hereby acknowledge for and on behalf of the Trustee for the hereinafter described Indenture as follows:

1. That $24,000,000 principal amount of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (the "*Bonds*"), maturing on July 15 in the years 2013, 2017 and 2027, and bearing interest from April 1, 2003 payable semiannually on January 15 and July 15 in each year, commencing on January 15, 2004, have this day been delivered to, or upon the order of, Dain Rauscher Incorporated upon payment to the Trustee of the purchase price of the bonds as follows:

Par Amount of the Bonds	$24,000,000.00
Plus: Accrued Interest	63,427.08
less: Underwriter's Compensation	(552,000.00)
Total Amount Received	$23,511,427.08

2. That 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	$21,570,469.86
Bond Fund-Series 2003 Bond Proceeds Account	1,940,957.24
TOTAL DEPOSITED	$23,511,427.08

Dated: April 16th, 2003

WELLS FARGO BANK ARIZONA, N.A.

By Nancy L Eaton
Its Assistant Vice President

SWR:gmh 476892 04/14/03

$24,000,000

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
7/15/2003	-	-	-	-
1/15/2004	-	-	1,200,886.11	1,200,886.11
7/15/2004	-	-	761,125.00	761,125.00
1/15/2005	-	-	761,125.00	761,125.00
7/15/2005	-	-	761,125.00	761,125.00
1/15/2006	-	-	761,125.00	761,125.00
7/15/2006	-	-	761,125.00	761,125.00
1/15/2007	-	-	761,125.00	761,125.00
7/15/2007	-	-	761,125.00	761,125.00
1/15/2008	-	-	761,125.00	761,125.00
7/15/2008	600,000.00	6.000%	761,125.00	1,361,125.00
1/15/2009	-	-	743,125.00	743,125.00
7/15/2009	700,000.00	6.000%	743,125.00	1,443,125.00
1/15/2010	-	-	722,125.00	722,125.00
7/15/2010	700,000.00	6.000%	722,125.00	1,422,125.00
1/15/2011	-	-	701,125.00	701,125.00
7/15/2011	800,000.00	6.000%	701,125.00	1,501,125.00
1/15/2012	-	-	677,125.00	677,125.00
7/15/2012	800,000.00	6.000%	677,125.00	1,477,125.00
1/15/2013	-	-	653,125.00	653,125.00
7/15/2013	800,000.00	6.000%	653,125.00	1,453,125.00
1/15/2014	-	-	629,125.00	629,125.00
7/15/2014	1,100,000.00	6.150%	629,125.00	1,729,125.00
1/15/2015	-	-	595,300.00	595,300.00
7/15/2015	1,100,000.00	6.150%	595,300.00	1,695,300.00
1/15/2016	-	-	561,475.00	561,475.00
7/15/2016	1,100,000.00	6.150%	561,475.00	1,661,475.00
1/15/2017	-	-	527,650.00	527,650.00
7/15/2017	1,200,000.00	6.150%	527,650.00	1,727,650.00
1/15/2018	-	-	490,750.00	490,750.00
7/15/2018	1,100,000.00	6.500%	490,750.00	1,590,750.00
1/15/2019	-	-	455,000.00	455,000.00
7/15/2019	1,200,000.00	6.500%	455,000.00	1,655,000.00
1/15/2020	-	-	416,000.00	416,000.00
7/15/2020	1,300,000.00	6.500%	416,000.00	1,716,000.00
1/15/2021	-	-	373,750.00	373,750.00
7/15/2021	1,400,000.00	6.500%	373,750.00	1,773,750.00
1/15/2022	-	-	328,250.00	328,250.00
7/15/2022	1,500,000.00	6.500%	328,250.00	1,828,250.00
1/15/2023	-	-	279,500.00	279,500.00
7/15/2023	1,600,000.00	6.500%	279,500.00	1,879,500.00
1/15/2024	-	-	227,500.00	227,500.00
7/15/2024	1,600,000.00	6.500%	227,500.00	1,827,500.00
1/15/2025	-	-	175,500.00	175,500.00
7/15/2025	1,700,000.00	6.500%	175,500.00	1,875,500.00
1/15/2026	-	-	120,250.00	120,250.00
7/15/2026	1,800,000.00	6.500%	120,250.00	1,920,250.00
1/15/2027	-	-	61,750.00	61,750.00
7/15/2027	1,900,000.00	6.500%	61,750.00	1,961,750.00
Total	24,000,000.00	-	25,527,861.11	49,527,861.11

RBC
Dain Rauscher
Member NYSE/SIPC

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

ISSUE: $24,000,000
Verrado District 1 Community Facilities District
(Town of Buckeye, Arizona)
General Obligation Bonds,
Series 2003

BONDS DATED: April 1, 2003

INTEREST PAYMENT DATES: January 15 and July 15 of each year, commencing January 15, 2004.

RATINGS: Not Rated

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES: See Exhibit A

FINAL CUSIP NUMBERS:
7/15/2013: 92511Q AA9
7/15/2017: 92511Q AG6
7/15/2027: 92511Q AH4

PRE-CLOSING:
Tuesday, April 15, 2003
3:00 P.M. (Arizona Time)
Gust Rosenfeld
201 East Washington Street, 8th Floor
Phoenix, AZ 85004
Phone: (602) 257-7432
Fax: (602) 340-1538

CLOSING:
Wednesday, April 16, 2003
8:00 A.M. (Arizona Time)
Gust Rosenfeld
201 East Washington Street, 8th Floor
Phoenix, AZ 85004
Scott Ruby will conduct the closing.
Phone: (602) 257-7432
Fax: (602) 340-1538

PARTICIPANTS: See Exhibit B

REGISTRATION & AUTHENTICATION: Gust Rosenfeld will deliver the Bonds to Wells Fargo Bank Arizona, N.A. (Nancy Eatros) for registration and authentication. After the Bonds have been registered and authenticated, Wells Fargo Bank Arizona, N.A. will verify registration instructions with The Depository Trust Company in preparation of a F.A.S.T. closing.

SETTLEMENT INSTRUCTIONS:

Par Value of Bonds	$24,000,000.00
Plus: Accrued Interest from 4/1/03 – 4/16/03	63,427.08
Less: Underwriter's Discount	(552,000.00)
Purchase Price of the Bonds	$23,511,427.08

TRANSFERS BY RBC DAIN ON THE DAY OF CLOSING: **$23,511,427.08** representing the purchase price of the Bonds will be wire transferred on the day of closing to:

Wells Fargo Bank Minnesota, N.A.
ABA Number #121000248
Trust Clearing Account #121000248
For Credit to Verrado CFD 03
Account #14477200

APPLICATION OF FUNDS BY THE TRUSTEE: **$1,940,957.22,** representing accrued interest ($63,427.08) and capitalized interest ($1,877,530.14), will be deposited in the Series 2003 Bond Proceeds Account of the Bond Fund to pay interest on the Bonds.

$21,570,469.86 will be deposited to the Series 2003 Acquisition and Construction Fund and used to pay the costs of the Public Infrastructure ($21,220,469.86) and the costs of issuance ($350,000) of the Bonds.

After notice has been given by Bond Counsel of the completed transfer of funds, and all documentation is in order, the Bonds will be released to RBC Dain Rauscher Inc. via The Depository Trust Company Closing Desk (212) 855-3752, 53, 54, 56, through Brenda Davis (214) 989-1153.

EXHIBIT A

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
GENERAL OBLIGATION BONDS, SERIES 2003

Dated: 4/01/2003 **Delivery: 4/16/2003**

Date	Principal (a)	Coupon	Interest	Total Debt Service	Fiscal Year Debt Service	CUSIP # (92511Q)
7/15/2003						
1/15/2004			$ 1,200,886.11	$ 1,200,886.11		
7/15/2004			761,125.00	761,125.00	$ 1,962,011.11	
1/15/2005			761,125.00	761,125.00		
7/15/2005			761,125.00	761,125.00	1,522,250.00	
1/15/2006			761,125.00	761,125.00		
7/15/2006			761,125.00	761,125.00	1,522,250.00	
1/15/2007			761,125.00	761,125.00		
7/15/2007			761,125.00	761,125.00	1,522,250.00	
1/15/2008			761,125.00	761,125.00		
7/15/2008	$ 600,000.00	6.000%	761,125.00	1,361,125.00	2,122,250.00	
1/15/2009			743,125.00	743,125.00		
7/15/2009	700,000.00	6.000%	743,125.00	1,443,125.00	2,186,250.00	
1/15/2010			722,125.00	722,125.00		
7/15/2010	700,000.00	6.000%	722,125.00	1,422,125.00	2,144,250.00	
1/15/2011			701,125.00	701,125.00		
7/15/2011	800,000.00	6.000%	701,125.00	1,501,125.00	2,202,250.00	
1/15/2012			677,125.00	677,125.00		
7/15/2012	800,000.00	6.000%	677,125.00	1,477,125.00	2,154,250.00	
1/15/2013			653,125.00	653,125.00		
7/15/2013	800,000.00 (b)	6.000%	653,125.00	1,453,125.00	2,106,250.00	AA9
1/15/2014			629,125.00	629,125.00		
7/15/2014	1,100,000.00	6.150%	629,125.00	1,729,125.00	2,358,250.00	
1/15/2015			595,300.00	595,300.00		
7/15/2015	1,100,000.00	6.150%	595,300.00	1,695,300.00	2,290,600.00	
1/15/2016			561,475.00	561,475.00		
7/15/2016	1,100,000.00	6.150%	561,475.00	1,661,475.00	2,222,950.00	
1/15/2017			527,650.00	527,650.00		
7/15/2017	1,200,000.00 (c)	6.150%	527,650.00	1,727,650.00	2,255,300.00	AG6
1/15/2018			490,750.00	490,750.00		
7/15/2018	1,100,000.00	6.500%	490,750.00	1,590,750.00	2,081,500.00	
1/15/2019			455,000.00	455,000.00		
7/15/2019	1,200,000.00	6.500%	455,000.00	1,655,000.00	2,110,000.00	
1/15/2020			416,000.00	416,000.00		
7/15/2020	1,300,000.00	6.500%	416,000.00	1,716,000.00	2,132,000.00	
1/15/2021			373,750.00	373,750.00		
7/15/2021	1,400,000.00	6.500%	373,750.00	1,773,750.00	2,147,500.00	
1/15/2022			328,250.00	328,250.00		
7/15/2022	1,500,000.00	6.500%	328,250.00	1,828,250.00	2,156,500.00	
1/15/2023			279,500.00	279,500.00		
7/15/2023	1,600,000.00	6.500%	279,500.00	1,879,500.00	2,159,000.00	
1/15/2024			227,500.00	227,500.00		
7/15/2024	1,600,000.00	6.500%	227,500.00	1,827,500.00	2,055,000.00	
1/15/2025			175,500.00	175,500.00		
7/15/2025	1,700,000.00	6.500%	175,500.00	1,875,500.00	2,051,000.00	
1/15/2026			120,250.00	120,250.00		
7/15/2026	1,800,000.00	6.500%	120,250.00	1,920,250.00	2,040,500.00	
1/15/2027			61,750.00	61,750.00		
7/15/2027	1,900,000.00 (d)	6.500%	61,750.00	1,961,750.00	2,023,500.00	AH4
Total	$ 24,000,000.00		$ 25,527,861.11	$ 49,527,861.11	$ 49,527,861.11	

(a) The Bonds are subject to optional redemption on July 15, 2013 at a redemption price of 100%.
(b) Represents the final maturity of the $4,400,000 - 2013 Term Bond
(c) Represents the final maturity of the $4,500,000 - 2017 Term Bond
(d) Represents the final maturity of the $15,100,000 - 2027 Term Bond

EXHIBIT B

DISTRIBUTION LIST

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

ISSUER

Verrado District 1Community Facilities District
Town of Buckeye
100 Apache
Suite A
Buckeye, Arizona 85326
FAX: (623) 386-7832

Joseph Blanton
District Manager
(623) 386-4691
E-mail: jblanton@buckeyeaz.org

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

Andrew Beams
(480) 367-7246
E-mail: abeams@dmbinc.com

Bob Kammerle
(480) 367-7239
E-mail: bkammerle@dmbinc.com

Eric Carlson
(480) 367-7222
E-mail: ecarlson@dmbinc.com

COUNSEL TO DEVELOPER

Storey & Burnham
3030 East Camelback Road
Suite 265
Phoenix, Arizona 85016
FAX: (602) 468-1335

Rebecca Burnham
(602) 522-0201
E-mail: rburnham@sbplc.com

SPECIAL DISTRICT COUNSEL

Gust Rosenfeld
201 East Washington Street
Suite 800
Phoenix, Arizona 85073
FAX: (602) 340-1538

Scott Ruby
(602) 257-7432
E-mail: swruby@gustlaw.com

FINANCIAL CONSULTANT

Peacock, Hislop, Staley & Given, Inc.
2999 North 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

UNDERWRITER

RBC Dain Rauscher Inc.
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

Matt Diamond
(602) 381-5373
E-mail: matthew.diamond@rbcdain.com

UNDERWRITER'S COUNSEL

Greenberg Traurig, P.C.
2375 East Camelback Road
Suite 700
Phoenix, Arizona 85016
FAX: (602) 445-8100

John Overdorff
(602) 445-8464
E-mail: overdorffj@gtlaw.com

TRUSTEE

Wells Fargo Bank Arizona, N.A.
100 West Washington
8th Floor, MA 4101-080
Phoenix, Arizona 85003
FAX: (602) 378-2333

Nancy Eatros
(602) 378-2337
E-mail: nancy.l.eatros@wellsfargo.com

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

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 underwriters or wholesalers) at which a substantial amount of Bonds of that maturity [i.e., at least ten percent (10%) of such maturity] are reasonably expected to be sold. 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 April 10, 2003, is as follows:

Maturity or Redemption Date (July 15)	Designation	Par Amount	Offering Price	Total for Maturity
2008	Term Bond 1	$ 600,000	100.00%	$ 600,000
2009	Term Bond 1	700,000	100.00%	700,000
2010	Term Bond 1	700,000	100.00%	700,000
2011	Term Bond 1	800,000	100.00%	800,000
2012	Term Bond 1	800,000	100.00%	800,000
2013*	Term Bond 1	800,000	100.00%	800,000
2014	Term Bond 2	1,100,000	100.00%	1,100,000
2015	Term Bond 2	1,100,000	100.00%	1,100,000
2016	Term Bond 2	1,100,000	100.00%	1,100,000
2017*	Term Bond 2	1,200,000	100.00%	1,200,000
2018	Term Bond 3	1,100,000	100.00%	1,100,000
2019	Term Bond 3	1,200,000	100.00%	1,200,000
2020	Term Bond 3	1,300,000	100.00%	1,300,000
2021	Term Bond 3	1,400,000	100.00%	1,400,000
2022	Term Bond 3	1,500,000	100.00%	1,500,000
2023	Term Bond 3	1,600,000	100.00%	1,600,000
2024	Term Bond 3	1,600,000	100.00%	1,600,000
2025	Term Bond 3	1,700,000	100.00%	1,700,000
2026	Term Bond 3	1,800,000	100.00%	1,800,000
2027*	Term Bond 3	1,900,000	100.00%	1,900,000

* Maturity dates of term bonds.

To the knowledge of the Underwriter, the Bonds were sold at prices that will buyers would purchase such investments from willing sellers in bona fide, arms-length transactions.

Based upon the purchase price so certified, the undersigned hereby certifies that the yield on the Bonds is not less than 6.3802%.

DATED: April 16, 2003.

RBC DAIN RAUSCHER INC.

By _____

Its Principal

SWR:gmh 476888.2 04/14/03

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

RECEIPT FOR BONDS

On behalf of RBC Dain Rauscher Inc., the purchaser of the $24,000,000 principal amount of Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (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 April 1, 2003 (the "*Indenture*") and that we 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: April 16, 2003

RBC DAIN RAUSCHER INC.

By_____
Authorized Agent

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.

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)

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____

DTCC

The Depository Trust & Clearing Corporation

[2/02]

(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the"Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue,and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner")is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

[**6.** Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

[**9.** A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

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

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]

APPENDIX D

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $ 2,125,000, bearing the number 92511QAA9. 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 April 1, 2003 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: STRONG MUNICIPAL BOND FUND #1501
Printed Name: LYLE FITTENER
By: [signature]
Its: PORTFOLIO MANAGER

APPENDIX D

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $ 375,000, bearing the number 925116AA9. 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 April 1, 2003 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: STRONG INTERMEDIATE MUNICIPAL FUND #9992
Printed Name: LYLE FITTERER
By: [signature]
Its: PORTFOLIO MANAGER

APPENDIX D

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $ 1,300,000, bearing the number 92511QAA9. 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 April 1, 2003 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: STRONG ADVISOR MUNICIPAL BOND FUND #9997
Printed Name: DUANE McALLISTER
By: Duane McAllister
Its: PORTFOLIO MANAGER

CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $600,000, bearing the number 92511QAA9. Such purchase is solely for the account of the undersigned or 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 April 10, 2003 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: Paul J. Jungquist
Printed Name: Paul J. Jungquist
By: SIT Investment Associates
Its: Vice President

SWR:gmh 479429.2 04/14/03

ATTN MATT DIAMOND

CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 ~~$24,000,000~~ $3 MILLION, bearing the number 925110AG6, such purchase is solely for the account of the undersigned, for the purpose of investment and not with a view to 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 April 10, 2003 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: THOMAS BROPHY
By: NEUBERGER BERMAN
Its: M.D. / PORTFOLIO MGR.

212 476 5378

SWR gmh 479429 04/10/03

APPENDIX D
INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
c/o Wells Fargo Bank, Arizona, N.A., as Trustee
Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 92511QA66. 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 April ___, 2003 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: [signature]
Printed Name: Lee R. Cunningham
By: Federated Premier Intermediate Municipal Income Fund
Its: Vice President / Portfolio manager

APPENDIX D

INITIAL INVESTOR LETTER

{"CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"}

TO: VERRADO DISTRICT I COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $7,600,000.00 bearing the number 92511QAH4. 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 April 10, 2003 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*

By: Michael Coyne

Printed Name: Michael Coyne

Its: Assistant Treasurer

*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
INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
c/o Wells Fargo Bank, Arizona, N.A., as Trustee
Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 93511QAH4. 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 April ___, 2003 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: Lee R Cunningham II
Printed Name: Lee R. Cunningham II
By: Federated Premier Municipal Income Fund
Its: Vice-President / Port Folio manager

The Rochester Division of
OppenheimerFunds, Inc.

350 Linden Oaks
Rochester, NY 14625-2807
Tel 800.552.1149 Fax 585.383.8157
www.oppenheimerfunds.com

APPENDIX D

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $ 5,000,000 , bearing the number 92511QAH4. 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 April 10, 2003 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 Cottier
Printed Name: Scott Cottier
By: Oppenheimer Municipal Bond Fund
Its: Portfolio Manager

APPENDIX D

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $ 1,000,000, bearing the number 92511QAH4. 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 April 1, 2003 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: STRONG ADVISOR MUNICIPAL BOND FUND #9997
Printed Name: DUANE McALLISTER
By: Duane McAllister
Its: PORTFOLIO MANAGER

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 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."

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

UNITED STATES OF AMERICA
STATE OF ARIZONA

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
GENERAL OBLIGATION BONDS, SERIES 2003

INTEREST RATE	MATURITY DATE	ORIGINAL DATED DATE	CUSIP NO.:
_____%	July 15, _____	April 1, 2003	92511Q ____

REGISTERED OWNER: CEDE & CO.

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

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 "*Holder*"), 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 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, 2004 (each an "*Interest Payment Date*"), at the per annum "Interest Rate" specified above.

As provided in the Indenture hereinafter referred to, the interest so payable on any Interest Payment Date shall be paid to the Holder in whose name this Bond (or one or more Predecessor Bonds evidencing the same debt) is registered in the Bond Register (as such term is defined in the Indenture) of the Issuer at the close of business on the "Regular Record Date" therefor, which shall be the first day (whether or not a business day) of the calendar month of such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a "Special Record Date" for the payment of such defaulted interest to be fixed by the Trustee (as such term is hereinafter defined) in accordance with the Indenture, notice whereof being given to the Holder hereof not less than 10 days prior to such Special Record Date. All such interest shall be payable at the agency of the Issuer for such purpose (the "*Paying Agent*") in the designated corporate trust office of the Paying Agent (the "*Place of Payment*"), which shall initially be the designated corporate trust office of Wells Fargo Bank Arizona, N.A., by check mailed on or before the Interest Payment Date to the Holder as of the relevant record date at the address specified in the Bond Register or pursuant to customary arrangements made by such

SPECIMEN BOND

Holder acceptable to the Paying Agent. The principal and Redemption Price (as such term is defined in the Indenture) of this Bond are payable at the Place of Payment, upon presentation and surrender of this 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 principal corporate trust office of 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 April 1, 2003 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank Arizona, 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 Holders of the Bonds, the Trustee, and the Issuer, and the terms upon which the bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Holder of this Bond hereby consents. The Bonds are authorized to be issued by a resolution of the District Board of the Issuer adopted on March 26, 2003 (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 Bond Resolution, from the proceeds of an *ad valorem* tax to be levied by the Issuer and collected by the Maricopa County, Arizona Treasurer (the "*County Treasurer*"), at the same time and in the same manner as other taxes are levied by the Issuer and collected by the County Treasurer 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 and the Guaranty 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 April 1, 2003 (the "*Standby Contribution Agreement*") with the Issuer pursuant to which the Developer will make payments to the Trustee to supplement tax revenues. ADB Investments Limited Partnership, an Arizona limited partnership (the "*Guarantor*") has delivered an unconditional guaranty to the Issuer, wherein the Guarantor guarantees the obligations of the Developer under the Standby Contribution Agreement. The Standby Contribution Agreement and the Guaranty 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 or the Guaranty. The Bonds are subject to special mandatory redemption at any time in the event of a default under the terms of either the Standby Contribution Agreement or the Guaranty upon payment of the Redemption Price by the Developer or Guarantor, as applicable, 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.

SPECIMEN

Optional Redemption. The Bonds maturing after July 15, 2013, are subject to redemption, at the option of the Issuer, on any date on or after July 15, 2013, 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, but without premium.

Mandatory Redemption. The Bonds maturing on July 15, 2013, 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 (July 15)	PRINCIPAL AMOUNT
2008	$ 600,000
2009	700,000
2010	700,000
2011	800,000
2012	800,000
2013*	800,000

The Bonds maturing on July 15, 2017, 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 (July 15)	PRINCIPAL AMOUNT
2014	$ 1,100,000
2015	1,100,000
2016	1,100,000
2017*	1,200,000

The Bonds maturing on July 15, 2027, 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 (July 15)	PRINCIPAL AMOUNT
2018	$ 1,100,000
2019	1,200,000
2020	1,300,000
2021	1,400,000
2022	1,500,000
2023	1,600,000
2024	1,600,000
2025	1,700,000
2026	1,800,000
2027*	1,900,000

*(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

SPECIMEN BOND

against the mandatory redemption requirements for such maturity on a pro rate basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount which is an Authorized Denomination.

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

If less than all the Outstanding Bonds are to be redeemed, the particular Bonds of a maturity to be redeemed shall, unless otherwise provided herein, be selected not more than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds of such maturity which have not previously been called for redemption, by lot and the Trustee may provide for the selection for redemption of portions (equal to an Authorized Denomination) of the principal of Bonds.

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

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Paying Agent at the Place of Payment duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new fully registered Bonds of authorized denominations and for the same aggregate principal amount shall be issued to the designated transferee or transferees. Notwithstanding any other provision of this Bond to the contrary, but except as otherwise provided in Section 3.04(b)(2) of the Indenture, this Bond is nontransferable except through a Broker-Dealer to institutions determined by the Broker-Dealer to be sophisticated municipal market professionals pursuant to the rules and regulations of the Municipal Securities Rulemaking Board.

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

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

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

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.

SPECIMEN BOND

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

CERTIFICATE OF AUTHENTICATION

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

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

By_____
Authorized Representative

DATE: April 16, 2003

FORM OF ASSIGNMENT

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.

SPECIMEN BOND

SWR:gmh 479426 04/10/03

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

SWR:gmh 479426 04/10/03

CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 $24,000,000, 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 April 10, 2003 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: _____

SPECIMEN BOND

92511QAA Muni DES
Enter 66 <GO> to Msg DES.

p019 mubig2 Muni **DES**

MUNICIPAL BOND DESCRIPTION

Page 1/ 4

VERRADO CMNTY FACS DIST NO 1 ARIZ

CUSIP:92511QAA(9)

TICKER: VERFAC CPN: 6 MATURITY: 7/15/2013 DATED: 4/01/2003 STATE:AZ

18) $100,000 MINIMUM DENOMINATIONS AND $5,000 INCREMENTS TO SOPHISTICATED MARKET

SECURITY INFORMATION	
ISSUE TYPE	REVENUE BONDS
MATURITY TYPE	3) SINK
COUPON TYPE	FIXED
PRICE/YIELD @	ISSUE 100.000/ 5.999
COUPON FREQ.	SEMI-ANNUAL
TAX PROVISION	FED & ST TAX-EXEMPT
FORM	BOOK-ENTRY

21) MUCT ISSUANCE INFORMATION	
MATURITY SIZE $	4,400,000.00
ISSUE SIZE $	24,000,000.00
UNDERWRITER	RBC DAIN RAUSCHER INC

TRADING INFORMATION		
WHEN ISSUED	(Firm Settle)	4/16/2003
INTEREST ACCRUAL DATE		4/01/2003
1ST COUPON DATE		1/15/2004
AVERAGE LIFE		7/15/2013
WEEK OF SALE		4/07/2003

NOTES:	Personal	Office	Firm
	24) NOT	25) ONTS	26) FNTS

Hit page for additional des, sinking fund sch, series os notes information.

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2003 Bloomberg L.P.
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MUNICIPAL BOND DESCRIPTION

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VERRADO CMNTY FACS DIST NO 1 ARIZ

CUSIP:92511QAA(9)

TICKER: VERFAC CPN: 6 MATURITY: 7/15/2013 DATED: 4/01/2003 STATE:AZ
$100,000 MINIMUM DENOMINATIONS AND $5,000 INCREMENTS TO SOPHISTICATED MARKET PARTICIPANTS

No further pages on this bond.

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p019 mubig4 Muni DES

MUNICIPAL BOND DESCRIPTION

Page 1/ 5

VERRADO CMNTY FACS DIST NO 1 ARIZ

CUSIP:92511QAG(6)

TICKER: VERFAC CPN: 6.15 MATURITY: 7/15/2017 DATED: 4/01/2003 STATE:AZ

18) $100,000 MINIMUM DENOMINATIONS AND $5,000 INCREMENTS TO SOPHISTICATED MARKET

SECURITY INFORMATION	
ISSUE TYPE	REVENUE BONDS
MATURITY TYPE	1) CALL, 3) SINK
COUPON TYPE	FIXED
PRICE/YIELD @ ISSUE	100.000/ 6.148
COUPON FREQ.	SEMI-ANNUAL
TAX PROVISION	FED & ST TAX-EXEMPT
FORM	BOOK-ENTRY

TRADING INFORMATION		
WHEN ISSUED	(Firm Settle)	4/16/2003
INTEREST ACCRUAL DATE		4/01/2003
1ST COUPON DATE		1/15/2004
NEXT PAR CALL	7/15/2013	@ 100
WEEK OF SALE		4/07/2003

NOTES:	Personal	Office	Firm
	24) NOT	25) ONTS	26) FNTS

21) MUCT ISSUANCE INFORMATION	
MATURITY SIZE $	4,500,000.00
ISSUE SIZE $	24,000,000.00
UNDERWRITER	RBC DAIN RAUSCHER INC

Hit page for additional des, call sch, sinking fund sch, series OS notes info...

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
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MUNICIPAL BOND DESCRIPTION

Page 5/ 5

VERRADO CMNTY FACS DIST NO 1 ARIZ

CUSIP:92511QAG(6)

TICKER: VERFAC CPN: 6.15 MATURITY: 7/15/2017 DATED: 4/01/2003 STATE:AZ
$100,000 MINIMUM DENOMINATIONS AND $5,000 INCREMENTS TO SOPHISTICATED MARKET PARTICIPANTS

No further pages on this bond.

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92511QAH Muni DES
Enter 66 <GO> to Msg DES.

p019 mubigl Muni **DES**

MUNICIPAL BOND DESCRIPTION

Page 1/ 5

VERRADO CMNTY FACS DIST NO 1 ARIZ

CUSIP:92511QAH(4)

TICKER: VERFAC CPN: 6½ MATURITY: 7/15/2027 DATED: 4/01/2003 STATE:AZ

18) $100,000 MINIMUM DENOMINATIONS AND $5,000 INCREMENTS TO SOPHISTICATED MARKET

SECURITY INFORMATION	
ISSUE TYPE	REVENUE BONDS
MATURITY TYPE	1) CALL, 3) SINK
COUPON TYPE	FIXED
PRICE/YIELD @	ISSUE 100.000/ 6.498
COUPON FREQ.	SEMI-ANNUAL
TAX PROVISION	FED & ST TAX-EXEMPT
FORM	BOOK-ENTRY

TRADING INFORMATION		
WHEN ISSUED	(Firm Settle)	4/16/2003
INTEREST ACCRUAL DATE		4/01/2003
1ST COUPON DATE		1/15/2004
NEXT PAR CALL	7/15/2013	@ 100
WEEK OF SALE		4/07/2003

NOTES:	Personal	Office	Firm
	24) NOT	25) ONTS	26) FNTS

21) MUCT ISSUANCE INFORMATION	
MATURITY SIZE $	15,100,000.00
ISSUE SIZE $	24,000,000.00
UNDERWRITER	RBC DAIN RAUSCHER INC

Hit page for additional des, call sch, sinking fund sch, series as notes info...

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
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10
Enter 66 <GO> to Msg DES. p019 mubig3 Muni **DES**

MUNICIPAL BOND DESCRIPTION

Page 5/ 5

VERRADO CMNTY FACS DIST NO 1 ARIZ CUSIP:92511QAH(4)

TICKER: VERFAC CPN: 6½ MATURITY: 7/15/2027 DATED: 4/01/2003 STATE:AZ
$100,000 MINIMUM DENOMINATIONS AND $5,000 INCREMENTS TO SOPHISTICATED MARKET PARTICIPANTS

No further pages on this bond.

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2003 Bloomberg L.P.
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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 2003-1
5 City, town, or post office, state, and ZIP code: Buckeye, AZ 85326	6 Date of issue: 04/16/03
7 Name of issue: District General Obligation Bonds, Series 2003	8 CUSIP number: 92511Q AH4
9 Name and title of officer or legal representative whom the IRS may call for more information: M.J. Saiz, 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	24,000,000
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	07/15/2027	$ 24,000,000	$ 24,000,000	16.6 years	6.3802 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	63,427
23	Issue price of entire issue (enter amount from line 21, column (b))			23	24,000,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	902,000		
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	902,000
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	23,098,000

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.

▶ Mary Jo Saiz — Signature of issuer's authorized representative — Date: 04/16/03

▶ M.J. Saiz, Treasurer — Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions. ISA

STF FED6403F

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

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 May 7, 2003.

Gwyne M. Henning

SWR:gmh 483376 05/07/03

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: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003	
3. Dated Date: April 1, 2003 Closing Date: April 16, 2003	4. Par Amount: $24,000,000
5. Overall Interest Rate (TIC OR NIC): 6.5439% (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: $24,000,000	9. Total amount outstanding of senior or subordinate bonds: $-0-
10. Original issue price: Attach Schedule 1 a. Par Amount (principal amount) $24,000,000.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: **For general obligation Bonds:** a. Secondary net assessed value: $1,825,392
b. Original Issue Discount (-) $ 0	b. Debt limit percentage: 60% of market value plus value of improvements
c. Premium Amount (+) $ 0	c. Total debt limit: $79,200,000
d. Original Issue Price (=) $24,000,000.00	12. Available debt limit: $55,200,000
e. Underwriter Compensation (Discount) (-) ($552,000.00)	13. Total amount authorized: $100,000,000
f. Net Proceeds (=) $23,448,000.00	
14. Remaining authorized amount: $76,000,000	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.

Mary Jo Sy
Signature

April 16, 2003
Date

Title, address and phone number

Treasurer
Verrado District 1 Community Facilities District
100 North Apache, Suite A
Buckeye, Arizona 85326

Trustee name, address and phone number

Wells Fargo Bank Arizona, N.A.
Corporate Trust Services
100 W. Washington, 8th Floor
Phoenix, Arizona 85003

Political Subdivision Contact
name, address, phone number

Treasurer
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

SWR:gmh 476939 04/10/03

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 2003**

Par Amount: $24,000,000

Date Closed: April 16, 2003

Mandatory Redemption Date (July 1)	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
2008	$ 600,000	6.000%	6.000%	$ 600,000	0
2009	700,000	6.000%	6.000%	700,000	0
2010	700,000	6.000%	6.000%	700,000	0
2011	800,000	6.000%	6.000%	800,000	0
2012	800,000	6.000%	6.000%	800,000	0
2013*	800,000	6.000%	6.000%	800,000	0
2014	1,100,000	6.150%	6.150%	1,100,000	0
2015	1,100,000	6.150%	6.150%	1,100,000	0
2016	1,100,000	6.150%	6.150%	1,100,000	0
2017**	1,200,000	6.150%	6.150%	1,200,000	0
2018	1,100,000	6.500%	6.500%	1,100,000	0
2019	1,200,000	6.500%	6.500%	1,200,000	0
2020	1,300,000	6.500%	6.500%	1,300,000	0
2021	1,400,000	6.500%	6.500%	1,400,000	0
2022	1,500,000	6.500%	6.500%	1,500,000	0
2023	1,600,000	6.500%	6.500%	1,600,000	0
2024	1,600,000	6.500%	6.500%	1,600,000	0
2025	1,700,000	6.500%	6.500%	1,700,000	0
2026	1,800,000	6.500%	6.500%	1,800,000	0
2027***	1,900,000	6.500%	6.500%	1,900,000	0
TOTAL	**$24,000,000**	**N/A**	**N/A**	**$24,000,000**	**0**
10e Underwriter's Discount and/or Placement Agent Fee, if any				(552,000.00	
10f Net Proceeds (as shown on issuance form)				$23,448,000	

* maturity date of Term Bond 1
** maturity date of Term Bond 2
*** maturity date of Term Bond 3

Name of Issue: **VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003**

Costs of Issuance

Underwriter compensation	$552,000.00
Bond counsel fee	80,000.00
Underwriter's counsel fee	75,000.00
Financial advisor fees	25,000.00
Town bond administration	25,000.00
Trustee, Registrar, transfer and paying agent fees	10,000.00
Credit enhancement fees	0
Rating agency fees	0
Official Statement printing	15,000.00
Bond printing	
Registration fees	0
Transfer and recording fees	0
Miscellaneous	5,000.00
TOTAL	$ 787,000.00

SWR:gmh 476939 04/14/03

$24,000,000

VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
7/15/2003	-	-	-	-
1/15/2004	-	-	1,200,886.11	1,200,886.11
7/15/2004	-	-	761,125.00	761,125.00
1/15/2005	-	-	761,125.00	761,125.00
7/15/2005	-	-	761,125.00	761,125.00
1/15/2006	-	-	761,125.00	761,125.00
7/15/2006	-	-	761,125.00	761,125.00
1/15/2007	-	-	761,125.00	761,125.00
7/15/2007	-	-	761,125.00	761,125.00
1/15/2008	-	-	761,125.00	761,125.00
7/15/2008	600,000.00	6.000%	761,125.00	1,361,125.00
1/15/2009	-	-	743,125.00	743,125.00
7/15/2009	700,000.00	6.000%	743,125.00	1,443,125.00
1/15/2010	-	-	722,125.00	722,125.00
7/15/2010	700,000.00	6.000%	722,125.00	1,422,125.00
1/15/2011	-	-	701,125.00	701,125.00
7/15/2011	800,000.00	6.000%	701,125.00	1,501,125.00
1/15/2012	-	-	677,125.00	677,125.00
7/15/2012	800,000.00	6.000%	677,125.00	1,477,125.00
1/15/2013	-	-	653,125.00	653,125.00
7/15/2013	800,000.00	6.000%	653,125.00	1,453,125.00
1/15/2014	-	-	629,125.00	629,125.00
7/15/2014	1,100,000.00	6.150%	629,125.00	1,729,125.00
1/15/2015	-	-	595,300.00	595,300.00
7/15/2015	1,100,000.00	6.150%	595,300.00	1,695,300.00
1/15/2016	-	-	561,475.00	561,475.00
7/15/2016	1,100,000.00	6.150%	561,475.00	1,661,475.00
1/15/2017	-	-	527,650.00	527,650.00
7/15/2017	1,200,000.00	6.150%	527,650.00	1,727,650.00
1/15/2018	-	-	490,750.00	490,750.00
7/15/2018	1,100,000.00	6.500%	490,750.00	1,590,750.00
1/15/2019	-	-	455,000.00	455,000.00
7/15/2019	1,200,000.00	6.500%	455,000.00	1,655,000.00
1/15/2020	-	-	416,000.00	416,000.00
7/15/2020	1,300,000.00	6.500%	416,000.00	1,716,000.00
1/15/2021	-	-	373,750.00	373,750.00
7/15/2021	1,400,000.00	6.500%	373,750.00	1,773,750.00
1/15/2022	-	-	328,250.00	328,250.00
7/15/2022	1,500,000.00	6.500%	328,250.00	1,828,250.00
1/15/2023	-	-	279,500.00	279,500.00
7/15/2023	1,600,000.00	6.500%	279,500.00	1,879,500.00
1/15/2024	-	-	227,500.00	227,500.00
7/15/2024	1,600,000.00	6.500%	227,500.00	1,827,500.00
1/15/2025	-	-	175,500.00	175,500.00
7/15/2025	1,700,000.00	6.500%	175,500.00	1,875,500.00
1/15/2026	-	-	120,250.00	120,250.00
7/15/2026	1,800,000.00	6.500%	120,250.00	1,920,250.00
1/15/2027	-	-	61,750.00	61,750.00
7/15/2027	1,900,000.00	6.500%	61,750.00	1,961,750.00
Total	24,000,000.00	-	25,527,861.11	49,527,861.11

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 2003-1
5 City, town, or post office, state, and ZIP code Buckeye, AZ 85326	6 Date of issue 04/16/03
7 Name of issue District General Obligation Bonds, Series 2003	8 CUSIP number 92511Q AH4
9 Name and title of officer or legal representative whom the IRS may call for more information M.J. Saiz, 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	24,000,000
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	07/15/2027	$ 24,000,000	$ 24,000,000	16.6 years	6.3802 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	63,427
23	Issue price of entire issue (enter amount from line 21, column (b))			23	24,000,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	902,000		
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	902,000
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	23,098,000

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.

▶ Mary Jo Saiz Signature of issuer's authorized representative	04/16/03 Date	▶ M.J. Saiz, Treasurer Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

ISA

STF FED6403F

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

CERTIFICATE OF MAILING

I hereby certify and declare that I caused to be mailed by first class 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 Street, 9th Floor, Phoenix, Arizona 85007, on May 8, 2003.

Gwyne M. Henning

GMH 483562 05/08/03

GREENBERG
ATTORNEYS AT LAW
TRAURIG

April 16, 2003

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $24,000,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

This opinion is rendered pursuant to the Purchase Contract, dated April 10, 2003 (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 "Underwriter"), relating to the purchase by the Underwriter from the District of its $24,000,000 District General Obligation Bonds, Series 2003 (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 and the Guarantor (as such terms are 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 per-

formance 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 or the Guarantor, as to all of which we express no opinion.

Respectfully submitted,

Greenberg Traurig, LLP

LAW OFFICES OF
STOREY & BURNHAM
PLC

3030 E. Camelback Road, Suite 265
Phoenix, Arizona 85016

3030 E. Camelback Road
Suite 265
Phoenix, Arizona 85016
Telephone: (602) 468-0111
Facsimile: (602) 468-1335

Rebecca Lynne Burnham
Direct Line: 522-0201
e-mail: rburnham@sbplc.com

April 16, 2003

RBC Dain Rauscher Inc.
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: $24,000,000.00 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (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 its constituent members 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 April 10, 2003 (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 April 10, 2003 (hereinafter referred to as the "**Offering Memorandum**");

2. Series 2003 Standby Contribution Agreement, dated as of April 1, 2003, by and among DMB-WT, the District and Wells Fargo Bank Arizona, N.A., as Trustee (hereinafter referred to as the "**Trustee**") (hereinafter referred to as the "**Standby Contribution Agreement**");

3. Developer Indemnity Letter, dated as of April 16, 2003, by and among DMB-WT and the District (hereinafter referred to as the "**DMB-WT Indemnity Agreement**");

4. Developer Indemnity Letter, dated as of April 16, 2003, by and among DMB-WT and the District (clarifying Article 8 of the Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado District 1 Community Facilities District)) (hereinafter referred to as the "**DMB-WT IGA Indemnity Agreement**").

5. Closing Certificate (hereinafter referred to as the "**DMB Closing Certificate**") of DMB-WT, dated as of April 16, 2003, in favor of the District and the Purchaser;

6. Certificate (hereinafter referred to as the "**Developer Documents Certificate**") of DMB-WT, dated as of April 10, 2003, in favor of the undersigned (copy enclosed);

7. 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 (hereinafter referred to as the "**Trust Agreement**");

8. Letter agreement, dated as of April 11, 2003, by and between Caterpillar Foundation, as First Beneficiary, and DMB-WT, as Second Beneficiary, under the Trust Agreement (hereinafter referred to as the "**Waiver Agreement** ") (copy enclosed);

9. Articles of Organization of DMB-WT, dated November 20, 1998, as filed with the Arizona Corporation Commission on November 20, 1998, File No. L-0858094-6, and Amended and Restated Articles of Organization of DMB-WT, dated October 12, 1999, as filed with the Arizona Corporation Commission on November 1, 1999, File No. L-0858094-6 (copy enclosed);

10. Operating Agreement of DMB-WT, dated October 12, 1999, by DMB Realco, as a Member and the sole Manager;

11. Certificate of Good Standing of DMB-WT, issued by the Arizona Corporation Commission on March 12, 2003 (copy enclosed);

12. Written Consent of Member of DMB-WT, effective as of March 1, 2003 (pertaining to the Bonds) (copy enclosed);

13. 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 created by Trust Agreement dated April 21, 1989, as amended in its entirety on March 2, 1990.

14. Articles of Organization of DMB Realco, dated May 14, 1997, as filed with the Arizona Corporation Commission on May 14, 1997, File No. L-0807920-8, and Amended & Restated Articles of Organization of DMB Realco, dated as of April 8, 2003, as filed with the Arizona Corporation Commission on April 8, 2003, File No. L-0807920-8 (copy enclosed);

15. Operating Agreement of DMB Realco, dated May 14, 1997, among DMB Associates, Inc., as the Manager, and Drew Brown individually, Mark Sklar individually, 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; 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 November 2, 1998; Consent of Members dated as of November 3, 1998 (to transfer of interest and admission as a Substitute Member of Dorrance 1995 Issue Trust created under Trust Agreement dated as of November 2, 1998); 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 as of April 21, 2000; Consent of Members dated as of April 21, 2000 (consenting to the transfer of interest and admission as a Substitute Member of the Mark N. Sklar Trust); 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 as of May 8, 2000; Consent of Members dated as of May 8, 2000 (consenting to the transfer of interest and admission as a Substitute Member of the Brown Family Trust); and Amended and Restated Operating Agreement of DMB Realco LLC, an Arizona limited liability company, dated May 9, 2000, among DMB Associates, Inc., an Arizona corporation, as the Manager, and Mark N. Sklar Trust created by Trust Agreement dated May 18, 1972, as amended, the Brown Family Trust created by Trust Agreement dated August 30, 1980, as amended and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, as Co-Trustees of the Dorrance 1995 Issue Trust dated November 2, 1998, as Members;

16. Unanimous Consent of the Manager and Members of DMB Realco, LLC, dated April 7, 2003 (pertaining to, inter alia, the formation of DMB-WT, designation of DMB Realco as the sole initial Member and Manager of DMB-WT, execution and delivery of the Trust Agreement on behalf of DMB-WT, and designation of an Independent Director of DMB-WT).

17. Certificate of Good Standing of DMB Realco, issued by the Arizona Corporation Commission on April 9, 2003 (copy enclosed);

18. Unanimous Written Consent of the Members of DMB Realco, effective as of March 1, 2003 (pertaining to the Bonds) (copy enclosed);

19. Articles of Incorporation of DMB Associates, Inc., an Arizona corporation (hereinafter referred to as "**DMB Associates**"), dated January 21, 1985, as filed with the Arizona Corporation Commission on January 23, 1985, 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, 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, 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, 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, File No. 0172559-6 (copy enclosed);

20. Bylaws of DMB Associates, adopted by the Board of Directors on January 22, 1985, and Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998 (amending Section 3.03, Annual Meeting, of the Bylaws);

21. Stock Purchase and Redemption Agreement, dated February 14, 1991, by and between DMB Associates, Inc., Drew M. Brown individually, Mark N. Sklar individually, and Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended;

22. 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 Stock and Non-Voting Stock of Drew M. Brown to the Brown Family Trust dated August 30, 1980, as amended); Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting, dated April 21, 2000 (consenting to the transfer of the Voting Stock and Non-Voting Stock of Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended); Consent in Lieu of Annual Meeting of Shareholders of DMB Associates, dated December 4, 2002 ; and Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates, dated December 4, 2002;

23. Certificate of Good Standing of DMB Associates, issued by the Arizona Corporation Commission on March 12, 2003 (copy enclosed);

24. Unanimous Written Consent of the Board of Directors of DMB Associates, effective as of March 1, 2003 (copy enclosed);

25. Certificate of Incumbency of DMB Associates, Inc., dated March 1, 2003 (copy enclosed);

26. Opinion of Fennemore Craig, dated April 16, 2003, in favor of the undersigned, the District and the Purchaser (to which we expressly refer, and upon which we rely, for the opinions expressed herein) (hereinafter referred to as the "**Fennemore Craig Opinion**") (copy enclosed); and

27. Such other documents and instruments as we have considered necessary or appropriate for the purposes of this opinion.

In addition, we have received such other information from representatives of DMB-WT as we have deemed necessary for the purposes of this opinion (hereinafter referred to, collectively, as "**Due Inquiry**"). The Offering Memorandum, the Standby Contribution Agreement, the DMB-WT Indemnity Agreement and the DMB-WT IGA Indemnity Agreement are hereinafter referred to as the "**Developer Bond Documents**". The documents listed in paragraphs 7 through 25 above are hereinafter referred to as the "**Developer 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 Bond Documents, the DMB Closing Certificate, the Developer Documents Certificate, the Trust Agreement, the Waiver Agreement, the Developer Documents and the Fennemore Craig Opinion, and the legal capacity of each natural person executing any of the Developer Bond Documents, the DMB Closing Certificate, the Developer Documents Certificate, the Trust Agreement, the Waiver Agreement, the Developer Documents and the Fennemore Craig 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 Developer Bond Documents with regard to the parties to those agreements other than DMB-WT, and that the transactions contemplated by the Developer Bond 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 Developer Bond Documents, the Trust Agreement and the Waiver Agreement, other than DMB-WT, 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 Developer Bond 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 Developer Bond Documents;

(f) That all parties to the Developer Bond Documents will 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 Transaction or any of the property within the District; and

(i) That, with respect to the enforceability of the Developer Bond 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.

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 Developer Bond Documents; and (ii) to own and operate its properties and assets as described in the Offering Memorandum, and (iii) to carry out its business as such business is currently being conducted as described in the Offering Memorandum.

2. DMT-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 Developer Bond Documents by DMB-WT, and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

3. The Developer Bond 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 Developer Bond Documents and the performance of its obligations thereunder (a) do not and will not conflict with or result in a violation of, or a default pursuant to, the Trust Agreement or the Developer 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 are bound, 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 Developer Bond 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 Developer Bond Documents, or consummation of the transaction 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 its properties and assets as described in the Offering Memorandum and to carry out its business as such business is currently being conducted as described in the 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.

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 Developer Bond 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 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 Developer Bond Documents or materially and adversely affect the validity or enforceability of the Developer Bond Documents against DMB-WT.

8. To our actual knowledge, the information pertaining to DMB-WT and the Project contained in the Offering Memorandum 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 1 Public Infrastructure," the heading "GENERAL DESCRIPTION OF THE PROJECT AND THE DEVELOPER", and the heading "RISK FACTORS" (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 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.

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 Developer Bond Documents, the DMB Closing Certificate, the Developer Documents Certificate, the Trust Agreement, the Waiver Agreement, the Developer Documents and the Fennemore Craig Opinion, as well as the results of third-party searches of the records of the Arizona Federal District Court and the Maricopa County Superior Court concerning DMB-WT, DMB Realco and DMB Associates.

The opinions set forth above are subject to the following qualifications and limitations:

(i) Enforceability of the Developer Bond Documents may be limited by bankruptcy, insolvency, fraudulent transfer or 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 Bond 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 Developer Bond Documents are unenforceable under or limited by Arizona law;

(iii) Certain waivers, procedures, remedies, indemnities and other provisions of the Developer Bond 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 Bond 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 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 Developer Bond 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 the Developer or its financial ability to perform under the Developer Bond 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 Developer Bond Documents or the offer and sale of the Bonds with any securities law or regulation;

(d) With the sole exception of those matters addressed in our opinion to our actual knowledge, any federal or state securities laws, any environmental or health or safety laws, rules or regulations, or any county or municipal ordinances; or

(e) The title or the priority of any lien or security interest created by the Developer Bond Documents or with respect to the Bonds.

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 Bonds. 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; provided that we consent to the references made to this firm in the Offering Memorandum.

Respectfully submitted,

STOREY & BURNHAM PLC

Rebecca Lynne Burnham

CERTIFICATE

John Bradley, the Vice President of DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), which is the sole Manager of DMB Realco LLC, an Arizona limited liability company ("**DMB Realco**"), which is the sole Manager of DMB White Tank, LLC, Arizona limited liability company ("**DMB-WT**"), hereby represents, warrants, covenants and certifies to Storey & Burnham PLC, an Arizona professional limited liability company ("**Storey & Burnham**"), for purposes of Storey & Burnham 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 2003, in a total amount not exceeding $24,000,000.00 (the "**Bond Transaction**"), as follows:

1. Storey & Burnham has been provided with accurate and complete copies of the following documents: 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, and all exhibits and appendices thereto (collectively referred to as the "**Trust Agreement**"); and letter agreement ("**Waiver Agreement**"), dated as of April 1, 2003, by and between Caterpillar Foundation, as First Beneficiary, and DMB-WT, as Second Beneficiary, under the Trust Agreement, and there are no amendments, modifications, supplements, restatements or replacements of the Trust Agreement or the Waiver 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 committed 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, or which would revoke or amend the Waiver Agreement;

2. Storey & Burnham has been provided with accurate and complete copies of the following documents (collectively referred to as the "**DMB-WT Documents**"): Articles of Organization of DMB White Tank, LLC, an Arizona limited liability company dated November 20, 1998, as filed with the Arizona Corporation Commission on November 20, 1998, File No. L-0858094-6; Amended and Restated Articles of Organization of DMB White Tank, LLC, an Arizona limited liability company dated October 12, 1999, as filed with the Arizona Corporation Commission on November 1, 1999, File No. L-0858094-6; Operating Agreement of DMB White Tank, LLC, an Arizona limited liability company, dated October 12, 1999, by DMB Realco LLC, an Arizona limited liability company, as a Member and the sole Manager; Certificate of Manager of DMB White Tank, LLC, an Arizona limited liability company, effective as of June 19, 2001, attesting to Amended and Restated Articles of Organization and Operating Agreement of DMB White Tank, LLC, an Arizona limited liability company; Certificate of Good Standing of DMB White Tank, LLC, an Arizona limited liability company, issued by the Arizona Corporation Commission on March 12, 2003; and Unanimous Written Consent of the Member of DMB White Tank, LLC, dated as of March 1, 2003, relating to the Bond Transaction ("**DMB-WT Consent**"). With the exception of the DMB-WT

Documents referenced in the preceding sentence that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of the DMB-WT Documents and, as of the date of this Certificate, the DMB-WT Documents remain in full force and effect, including that DMB-WT has not taken or committed to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the DMB-WT Operating Agreement or result in the dissolution of DMB-WT;

3. Storey & Burnham 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 as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended in its entirety on March 2, 1990 (the "**Master Agreement**");

4. Storey & Burnham has been provided with accurate and complete copies of the following documents (collectively referred to as the "**DMB Realco Documents**"): Articles of Organization of DMB Realco LLC, an Arizona limited liability company, dated May 14, 1997, as filed with the Arizona Corporation Commission on May 14, 1997, File No. L-0807920-8; Operating Agreement of DMB Realco LLC, an Arizona limited liability company, dated May 14, 1997, among DMB Associates, Inc., an Arizona corporation, as the Manager, and Drew M. Brown, Mark N. Sklar and Bennett Dorrance as Trustee of The Dorrance 1995 Issue Trust created under Trust Agreement dated September 7, 1995, as Members; 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); 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 as of November 2, 1998; Consent of Members dated as of November 3, 1998 (to transfer of interest and admission as a Substitute Member of Dorrance 1995 Issue Trust created under Trust Agreement dated as of November 2, 1998); 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 as of April 21, 2000; Consent of Members dated as of April 21, 2000 (consenting to the transfer of interest and admission as a Substitute Member of the Mark N. Sklar Trust); 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 as of May 8, 2000; Consent of Members dated as of May 8, 2002 (consenting to the transfer of interest and admission as a Substitute Member of the Brown Family Trust); Amended and Restated Operating Agreement of DMB Realco LLC, an Arizona limited liability company, dated May 9, 2000, among DMB Associates, Inc., an Arizona corporation, as the Manager, and Mark N. Sklar Trust dated May 18, 1972, as amended, the Brown Family Trust dated August 30, 1980, as amended and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, Co-Trustees of The Dorrance 1995 Issue

Trust dated November 2, 1998, as Members; Certificates of Good Standing, issued by the Arizona Corporation Commission on March 12, 2003 and April 9, 2003; Unanimous Consent of the Manager and Members of DMB Realco, LLC, dated April 7, 2003 (pertaining to, inter alia, the formation of DMB-WT, designation of DMB Realco as the sole initial Member and Manager of DMB-WT, execution and delivery of the Trust Agreement on behalf of DMB-WT, and designation of an Independent Director of DMB-WT); Amended and Restated Articles of Organization of DMB Realco LLC, an Arizona limited liability company, dated as of April 8, 2003, as filed with the Arizona Corporation Commission on April 8, 2003, File No. L-0807920-8; and Unanimous Written Consent of the Members, dated as of March 1, 2003, relating to the Bond Transaction ("**DMB Realco Consent**"). With the exception of the DMB Realco Documents referenced in the preceding sentence that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of the DMB Realco Documents and, as of the date of this Certificate, the DMB Realco Documents remain in full force and effect, including that DMB Realco has not taken or committed to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the DMB Realco Operating Agreement (as amended) or result in the dissolution of DMB Realco;

5. Storey & Burnham has been provided with accurate and complete copies of the following documents (collectively referred to as the "**DMB Associates Documents**"): Articles of Incorporation of DMB Associates, Inc., an Arizona corporation dated January 21, 1985, as filed with the Arizona Corporation Commission on January 23, 1985, File No. 172559; Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., an Arizona corporation dated April 4, 1988, as filed with the Arizona Corporation Commission on June 10, 1988, File No. 172559-6; Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., an Arizona corporation dated December 18, 1990, as filed with the Arizona Corporation Commission on February 14, 1991, File No. 172559-2; Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., an Arizona corporation dated July 30, 1999, as filed with the Arizona Corporation Commission on August 30, 1999, File No. 0172559-6; Articles of Amendment to the Articles of Incorporation of DMB Associates, Inc., an Arizona corporation dated May 1, 2002, as filed with the Arizona Corporation Commission on June 11, 2002, File No. 0172559-6; Bylaws of DMB Associates, Inc., an Arizona corporation adopted by the Board of Directors on January 22, 1985; Stock Purchase and Redemption Agreement dated February 14, 1991 between DMB Associates, Inc., an Arizona corporation, Drew M. Brown, Mark N. Sklar and Bennett Dorrance, Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended; Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 Annual Meeting of the Bylaws; Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated April 21, 2000; Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000; Consent in Lieu of Annual Meeting of Shareholders dated December 4, 2002; Consent in Lieu of Annual Meeting of Board of Directors dated December 4, 2002; Certificate of Good Standing, issued by the Arizona Corporation Commission on March 12, 2003; and Unanimous Written Consent of the Board of Directors, dated as of March 1, 2003, relating to the Bond Transaction ("**DMB**

Associates Consent"). With the exception of the DMB Associates Documents referenced in the preceding sentence that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of the DMB Associates Documents and, as of the date of this Certificate, the DMB Associates Documents remain in full force and effect, including that DMB Associates has not taken or committed to take any action or proceeding, nor is any such action or proceeding pending, which would revoke or amend the DMB Associates Bylaws or result in the dissolution of DMB Associates; and

6. To the best knowledge of John Bradley, Vice President of DMB Associates, which is the sole Manager of DMB Realco, which is the sole Manager of DMB-WT:

   (a) DMB-WT is the Second Beneficiary under the Trust Agreement and all required limited liability company action has been taken to duly authorize the execution and delivery of the DMB-WT Documents, the Trust Agreement, the Consent and Waiver Agreement and the agreements, documents and instruments pertaining to the Bond Transaction (the "**Bond Transaction Documents**") on behalf of DMB-WT.

   (b) DMB Realco is a Member and the sole Manager of DMB-WT, as such terms are defined in the DMB-WT Operating Agreement, and all required limited liability company action has been taken to duly authorize the execution and delivery of the DMB-WT Consent.

   (c) DMB Associates is the sole Manager and The Dorrance 1995 Issue Trust created by Trust Agreement dated November 2, 1998 ("**1995 Dorrance Trust**"), the Brown Family Trust created by Trust Agreement dated August 30, 1980, as amended ("**Brown Family Trust**"), and Mark N. Sklar Trust created by Trust Agreement dated May 18, 1972, as amended ("**Sklar Trust**") are the sole Members of DMB Realco, as such terms are defined in the DMB Realco Operating Agreement, and all required limited liability company action has been taken to duly authorize the execution and delivery of the DMB Realco Consent.

   (d) The Bennett Dorrance Trust created by Trust Agreement dated April 21, 1989, as amended ("**1989 Dorrance Trust**"), the Brown Family Trust and the Sklar Family Trust are the sole shareholders of DMB Associates and all required shareholder and corporate action has been taken to authorize the execution and delivery of the DMB Associates Consent.

   (e) Each of the 1989 Dorrance Trust, the 1995 Dorrance Trust, the Brown Family Trust and the Sklar Family Trust (collectively referred to herein as the "**DMB Family Trusts**") has the requisite trust power and authority to own and fulfill the obligations associated with their respective interests in DMB Realco and DMB Associates, each has taken all trust action necessary to authorize the execution and delivery of the DMB Realco Consent and the DMB Associates Consent, respectively, by the person or

persons who executed the same on behalf of the respective trusts and, as of the date of this Certificate, no action has been taken or committed to be taken, nor is any such action or proceeding pending, which would dissolve, revoke or terminate the existence of the 1989 Dorrance Trust, the 1995 Dorrance Trust, the Brown Family Trust or the Sklar Trust, or their respective Trust Agreements.

(f) The execution and delivery of this Certificate and the Bond Transaction Documents will not conflict with or result in a violation of any contract, indenture, instrument or other agreement to which DMB-WT, DMB Realco, DMB Associates, the 1989 Dorrance Trust, the 1995 Dorrance Trust, the Brown Family Trust or the Sklar Trust is a party or by which it or its properties are bound.

(g) None of the Trust Agreement, the Consent and Waiver Agreement, the DMB-WT Documents, the DMB Realco Documents or the DMB Associates Documents, or any agreement, document or instrument whereby any of the 1989 Dorrance Trust, the 1995 Dorrance Trust, the Brown Family Trust or the Sklar Trust has been formed or is organized or administered, limit the authority or power of DMB-WT, DMB Realco or DMB Associates, or any constituent member, director, trustee or beneficiary thereof, to consent to or be bound by the terms and conditions of the Bond Transaction Documents.

(h) 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 DMB-WT of the Bond Transaction Documents or the execution and delivery by DMB Realco, DMB Associates, or any constituent member, director, trustee or beneficiary thereof, to consent to or be bound by the terms and conditions of the Bond Transaction Documents.

(i) None of DMB-WT or its Member are in violation of any provision of, or in default under, the DMB-WT Documents or any other agreement 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 and/or performance of the agreements and obligations of DMB-WT in connection with the Bond Transaction.

(j) None of DMB Realco or its Manager or Members are in violation of any provision of, or in default under, the DMB Realco Documents or any other agreement or instrument to which DMB Realco 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 and/or performance of the agreements and obligations of DMB Realco in connection with the Bond Transaction.

(k) None of DMB Associates or its shareholders or directors are in violation of any provision of, or in default under, the DMB Associates Documents or any other agreement or instrument to which DMB Associates 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 and/or performance of the agreements and obligations of DMB Associates in connection with the Bond Transaction.

(l) None of the 1989 Dorrance Trust, the 1995 Dorrance Trust, the Brown Family Trust or the Sklar Trust, or any of the respective trustees thereof, is in violation of any provision of, or in default under, their respective Trust Agreements, or any other agreement or instrument to which any of the trusts 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 and/or performance of the agreements and obligations of the 1989 Dorrance Trust, the 1995 Dorrance Trust, the Brown Family Trust or the Sklar Trust in connection with the Bond Transaction.

(m) All corporate, limited liability company and trustee (trust) action has been taken as necessary to authorize John Bradley, as Vice President of DMB Associates, which is the sole Manager of DMB Realco, which is the sole Manager of DMB-WT, to enter into, execute and deliver, the Bond Transaction Documents and to take such other actions as he deems necessary or desirable to consummate the Bond Transaction.

Except as otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to such terms in the Opinion Letter.

Dated as of the 10th day of April, 2003.

John L. Bradley

John Bradley, Vice President, DMB Associates, Inc., an Arizona corporation

CATERPILLAR FOUNDATION
100 N. E. ADAMS STREET
PEORIA, ILLINOIS 61629-1480

April __, 2003

Mr. John Bradley
DMB White Tank, LLC
7600 East Doubletree Ranch Road, Suite 300
Scottsdale, Arizona 85258-2137

Re: Verrado District 1 Community Facilities District--Feasibility Study

Dear John:

Pursuant to the provisions of that certain Trust Agreement dated March 19, 2002 (the "Trust Agreement"),[1] among Caterpillar Foundation, as first beneficiary (the "Foundation"), DMB White Tank, LLC, as second beneficiary ("DMB"), and Fidelity National Title Insurance Company, as trustee, you have recently requested the Foundation's consent for DMB to "participate" (within the meaning of the Trust Agreement) in the issuance of approximately $24,000,000 of General Obligation Bonds, Series 2003 (the "Bonds"), by the Verrado District 1 Community Facilities District (the "District") in accordance with the terms of that certain Feasibility Study dated June 21, 2002 and amended and restated as of March 4, 2003 (the "Study").

In this regard, the Trust Agreement requires, among other things, that, without the Foundation's prior written consent, DMB shall not participate in the issuance of CFD Bonds if the scheduled debt service requirements for all issued and outstanding CFD Bonds would result in an Equivalent Tax Rate, following stabilization, in excess of the Maximum Equivalent Tax Rate, i.e., $5.30 per $100 of secondary assessed valuation, on any Lot or Parcel. Compliance with this requirement is determined based on reasonable projections of the secondary assessed valuation of property within the District as contained in one or more feasibility studies (and supporting documentation therefore) prepared by a Third-Party consultant. As referenced in our Objection to Notice, dated June 29, 2002 (the "Objection"), the Study was not prepared by a Third Party consultant and, accordingly, that portion of the Study pertaining to the projected secondary assessed valuation of property within the District and resulting estimated Equivalent Tax Rate does not satisfy the requirements of the Trust Agreement. As also referenced in our Objection, we question whether the Equivalent Tax Rate will exceed the Maximum Equivalent Tax Rate following stabilization. Nevertheless, we have conducted sufficient due diligence to enable us to agree to waive the referenced requirements for, and conditions to, DMB's participation in the issuance of the Bonds, provided the Bonds are issued prior to June 30, 2003.

[1] Unless otherwise defined herein, capitalized terms shall have the meanings set forth in the Trust Agreement.

Furthermore, the waivers contained herein are not, and should not be viewed as, a waiver of the Foundation's right to insist that any future feasibility study and projection of the secondary assessed valuation of property within the District be prepared by a bona fide Third Party consultant and otherwise satisfy all requirements of the Trust Agreement.

Please acknowledge your receipt and understanding that this is a one-time waiver by signing and returning to me the enclosed copy of this letter.

Very truly yours,
Caterpillar Foundation

Thomas L. May, Vice President

Received and acknowledged.

John Bradley
Vice President, DMB Associates, Inc.,
Manager of DMB Realco Inc., Manager of DMB White Tank, LLC

Date: 4/11/03

STATE OF ARIZONA
ACC/FAX
DATE FILED

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DATE APPR Hayala 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." ck 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

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 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

PHX/GHANKS/905499.4/26043.001

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).

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 Secretary 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 12th Day of March, 2003, A. D.

EXECUTIVE SECRETARY

BY:

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 March 1, 2003.

WHEREAS, pursuant to a Limited Offering Memorandum dated April 10, 2003, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell General Obligation Bonds, Series 2003, in a total amount not exceeding $24,000,000.00 (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;

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 the Manager of DMB Realco LLC, an Arizona limited liability company ("**DMB Realco**"), which is the Manager 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, the Developer Continuing Disclosure Undertaking, the Developer Indemnity Letter, the Developer Dissemination Agency 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
Charley J. Freericks	Vice President
Eneas A. Kane	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, Charley J. Freericks, Vice President, Eneas A. Kane, Vice President and Assistant Secretary, the Company and/or DMB Realco, 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.

MEMBER:

DMB Realco LLC,
an Arizona limited liability company

By: DMB Associates, Inc., an Arizona corporation,
Its: Manager

By: : John L. Bradley
John Bradley, Vice President

STATE OF ARIZONA
ACC/FAX
DATE FILED

MAY 1 4 1997

DATE APPR 5-14-97
TERM
BY Cheryl Reda

ARTICLES OF ORGANIZATION
DMB REALCO LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

L-0807920-8

1. Name. The name of the limited liability company formed by this instrument is "DMB Realco LLC".
OKMF

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

PHX/GHANKS/748207.1/26043.001

AZ. CORP. COMMISSION
FILED

APR 0 8 2003

APPR. Letha 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

748307.2/26043.001

The undersigned, having been designated to act as Statutory Agent of DMB Realco L.L.C, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

Eneas A. Kane

7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

748207.2/26043.001

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 Secretary 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 9th Day of April, 2003, A. D.

EXECUTIVE SECRETARY

BY:

UNANIMOUS WRITTEN CONSENT OF THE MEMBERS

OF

DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being 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 March 1, 2003.

WHEREAS, the Company is a Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated April 10, 2003, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell General Obligation Bonds, Series 2003, in a total amount not exceeding $24,000,000.00 (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 of the Company, which is the Manager of DMB-WT, 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, the Developer Continuing Disclosure

Undertaking, the Developer Indemnity Letter, the Developer Dissemination Agency 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
Charley J. Freericks	Vice President
Eneas A. Kane	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 Members hereby ratify and approve any actions previously taken by or at the request of John Bradley, Charley J. Freericks, Eneas A. Kane, DMB-WT, the Company or DMB Associates, on behalf of the Company 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.

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

By: _____
Bennett Dorrance, Jr., Co-Trustee

By: _____
Ashley Dorrance Baiker, 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

AZ. CORP. COMMISSION
FOR THE STATE OF ARIZONA
DELIVERED

JAN 23 4 25 PM '85

FILED BY Gracie Mendoza
DATE FILED 2-13-85
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
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 4, 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 ...
ACC/FAX
DATE FILED

FEB 14 1991

DATE APPR 2/14/91
TERM
BY Tonia Green

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:

172559-2

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: [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 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.

AZ. CORP COMMISSION
FILED

AUG 30 1999

APPR Teri Tittle
TERM
DATE 8/30/99
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 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 Brown
Drew M. Brown, President

By: Mark N. Sklar
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 ($0,000) 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 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 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: Drew M. Brown, President

By: 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.

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 Secretary 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; 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 12th Day of March, 2003, A. D.

EXECUTIVE SECRETARY

BY:

UNANIMOUS WRITTEN CONSENT
OF
THE BOARD OF DIRECTORS
OF
DMB ASSOCIATES, INC.
an Arizona corporation

The undersigned, being the Directors of DMB ASSOCIATES, INC., an Arizona corporation (the "**Corporation**"), hereby adopt the following resolutions effective March 1, 2003.

WHEREAS, the Corporation is the Manager of DMB Realco LLC, an Arizona limited liability company ("**DMB Realco**");

WHEREAS, DMB Realco is a Member and the Manager of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated April 10, 2003, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell General Obligation Bonds, Series 2003, in a total amount not exceeding $24,000,000.00 (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, which is the Manager of DMB Realco, which is the Manager of DMB-WT, 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, the Developer Continuing Disclosure Undertaking, the Developer Indemnity Letter, the Developer Dissemination Agency 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
Charley J. Freericks	Vice President
Eneas A. Kane	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, Charley J. Freericks, Eneas A. Kane, the Corporation and/or DMB Realco, 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.

Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director

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 1st day of March, 2003.

John Bradley, Vice President

I, Mark N. Sklar, Secretary of the Corporation, do hereby certify that John Bradley is a duly elected Vice President of the Corporation, that he occupies such office on the date hereof and that the signature of John Bradley is his true and correct signature.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 1st day of March, 2003.

Mark N. Sklar, Secretary

LAW OFFICES
FENNEMORE CRAIG
A PROFESSIONAL CORPORATION

GREGG HANKS
Direct Phone: (602) 916-5309
Direct Fax: (602) 916-5509
ghanks@fclaw.com

OFFICES IN:
PHOENIX, TUCSON,
NOGALES, AZ; LINCOLN, NE

3003 NORTH CENTRAL AVENUE
SUITE 2600
PHOENIX, ARIZONA 85012-2913
PHONE: (602) 916-5000
FAX: (602) 916-5999

April 16, 2003

Rebecca Burnham, Esq.
Storey & Burnham PLC
3030 E. Camelback Road, Suite 265
Phoenix, AZ 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: $24,000,000 Verrado District 1 Community Facilities (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (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 (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 Consents (as such term is defined below), in connection with the issuance and sale of the captioned Bonds sold pursuant to a Purchase Contract dated April 10, 2003 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 Members of DMB Realco LLC, an Arizona limited liability company, in the form attached hereto as Exhibit A (the "March Consent");

2. Unanimous Consent of the Manager and Members of DMB Realco LLC dated as of April 7, 2003 in the form attached hereto as Exhibit B (together with the March Consent, the "Consents");

3. Trustee's Certificate (Dorrance 1995 Issue Trust) dated as of April 7, 2003, 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 April 7, 2003;

5. Trustee's Certificate (Brown Family Trust) dated as of April 7, 2003, 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 April 7, 2003;

7. Trustee's Certificate (Mark N. Sklar Trust) dated as of April 7, 2003;

8. Certified Abstract of Portions of Trust Agreement, with respect to the Mark N. Sklar Trust Agreement, dated as of April 7, 2003; 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 Consents 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 Consents, 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 Consents (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 Consents 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 Consents, 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 Consents 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 Consents 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 Storey & Burnham PLC 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

Fennemore Craig

GH/RPR

1410044.2/26043.269

Exhibit A

UNANIMOUS WRITTEN CONSENT OF THE MEMBERS

OF

DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being 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 March 1, 2003.

WHEREAS, the Company is a Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated April 10, 2003, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell General Obligation Bonds, Series 2003, in a total amount not exceeding $24,000,000.00 (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 of the Company, which is the Manager of DMB-WT, 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, the Developer Continuing Disclosure

Undertaking, the Developer Indemnity Letter, the Developer Dissemination Agency 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
Charley J. Freericks	Vice President
Eneas A. Kane	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 Members hereby ratify and approve any actions previously taken by or at the request of John Bradley, Charley J. Freericks, Eneas A. Kane, DMB-WT, the Company or DMB Associates, on behalf of the Company 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.

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

By: _____
Bennett Dorrance, Jr., Co-Trustee

By: _____
Ashley Dorrance Baiker, 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

Exhibit B

UNANIMOUS CONSENT OF THE MANAGER AND MEMBERS OF DMB REALCO LLC

The undersigned, being the sole Manager and all of the Members of DMB Realco LLC, an Arizona limited liability company (the "Company"), hereby unanimously adopt the following resolutions:

RESOLVED, that the each of following actions taken by the Company are hereby ratified, approved, confirmed, consented to and declared to be the binding and enforceable acts, agreement and obligations, as applicable, of the Company: (a) the formation of DMB White Tank, LLC ("DMB White Tank") as an Arizona limited liability company pursuant to Articles of Organization (the "Original Articles") filed with the Arizona Corporation Commission (the "ACC") on November 20, 1998, (b) the designation of the Company as the sole initial Member and Manager of DMB White Tank and the authorization of the Company to act in such capacities; (c) the execution and delivery by the Company, on behalf of DMB White Tank, of that certain Master Agreement dated September 30, 1999 (the "Master Agreement"), between DMB White Tank and Caterpillar Foundation, an Illinois not-for-profit corporation (the "Foundation") and the performance by DMB White Tank of its obligations and the exercise by it of its rights under the Master Agreement; (d) the execution and delivery by the Company, as the Manager and as a Member of DMB White Tank, of the Operating Agreement of DMB White Tank, LLC dated October 12, 1999 (the "DMB White Tank Operating Agreement"); (e) the execution by the Company of the Amended and Restated Articles of Organization DMB White Tank, LLC and the filing thereof with the ACC, thereby superseding the Original Articles; (f) the execution and delivery by the Company, on behalf of DMB White Tank, of that certain Trust Agreement dated March 19, 2002 (the "Trust Agreement"), creating Trust No. B176 among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee, the Foundation, as First Beneficiary, and the Company, as Second Beneficiary, together with all other documents and instruments associated with the closing under the Master Agreement or otherwise relating to the Trust Agreement (the "Closing Documents"), and the performance by DMB White Tank of its obligations and the exercise by it of its rights under the Trust Agreement and the Closing Documents; and (g) the designation of Thomas L. May as an "Independent Director" of DMB White Tank, pursuant to a Designation of Independent Member dated March 19, 2002, as contemplated by Section 2.2(a) of the DMB White Tank Operating Agreement;

FURTHER RESOLVED, that all other actions taken by the Company, as the Manager of DMB White Tank, with respect to the Master Agreement, Trust Agreement and development by DMB White Tank of the project commonly known as "Verrado" be, and they hereby are, ratified, approved, confirmed, consented to and declared to be the binding and enforceable acts, agreement and obligations, as applicable, of the Company; and

FURTHER RESOLVED, that these Resolutions shall constitute the consent, approval and ratification of the matters set forth herein by the Manager and Members of the Company for all purposes under the Operating Agreement of DMB Realco LLC dated as of May 14, 1997, and under the Amended and Restated Operating Agreement of DMB Realco LLC dated as of May 8, 2000, including, without limitation, the provisions of Section 5.5 of each such agreement.

Dated as of April 7, 2003.

Manager:

DMB Associates, Inc.
An Arizona corporation

By: _____
Its: _____

Members:

Dorrance 1995 Issue Trust
dated November 2, 1998

By: _____
Jacquelynn W. Dorrance, Co-Trustee

By: _____
Bennett Dorrance, Jr., Co-Trustee

By: _____
Ashley Dorrance Baiker, 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

LAW OFFICES
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A PROFESSIONAL CORPORATION

GREGG HANKS
Direct Phone: (602) 916-5309
Direct Fax: (602) 916-5509
ghanks@fclaw.com

OFFICES IN:
PHOENIX, TUCSON,
NOGALES, AZ; LINCOLN, NE

3003 NORTH CENTRAL AVENUE
SUITE 2600
PHOENIX, ARIZONA 85012-2913
PHONE: (602) 916-5000
FAX: (602) 916-5999

April 16, 2003

Rebecca Burnham, Esq.
Storey & Burnham PLC
3030 E. Camelback Road, Suite 265
Phoenix, AZ 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: $24,000,000 Verrado District 1 Community Facilities (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (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 (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 Consents (as such term is defined below), in connection with the issuance and sale of the captioned Bonds sold pursuant to a Purchase Contract dated April 10, 2003 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 Members of DMB Realco LLC, an Arizona limited liability company, in the form attached hereto as Exhibit A (the "March Consent");

2. Unanimous Consent of the Manager and Members of DMB Realco LLC dated as of April 7, 2003 in the form attached hereto as Exhibit B (together with the March Consent, the "Consents");

3. Trustee's Certificate (Dorrance 1995 Issue Trust) dated as of April 7, 2003, 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 April 7, 2003;

5. Trustee's Certificate (Brown Family Trust) dated as of April 7, 2003, 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 April 7, 2003;

7. Trustee's Certificate (Mark N. Sklar Trust) dated as of April 7, 2003;

8. Certified Abstract of Portions of Trust Agreement, with respect to the Mark N. Sklar Trust Agreement, dated as of April 7, 2003; 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 Consents 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 Consents, 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 Consents (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 Consents 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 Consents, 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 Consents 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 Consents 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 Storey & Burnham PLC 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

Fennemore Craig

GH/RPR

1410044.2/26043.269

Exhibit A

UNANIMOUS WRITTEN CONSENT OF THE MEMBERS

OF

DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being 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 March 1, 2003.

WHEREAS, the Company is a Member of DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**");

WHEREAS, pursuant to a Limited Offering Memorandum dated April 10, 2003, the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District**") intends to issue and sell General Obligation Bonds, Series 2003, in a total amount not exceeding $24,000,000.00 (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 of the Company, which is the Manager of DMB-WT, 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, the Developer Continuing Disclosure

Undertaking, the Developer Indemnity Letter, the Developer Dissemination Agency 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
Charley J. Freericks	Vice President
Eneas A. Kane	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 Members hereby ratify and approve any actions previously taken by or at the request of John Bradley, Charley J. Freericks, Eneas A. Kane, DMB-WT, the Company or DMB Associates, on behalf of the Company 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.

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

By: _____
Bennett Dorrance, Jr., Co-Trustee

By: _____
Ashley Dorrance Baiker, 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

Exhibit B

UNANIMOUS CONSENT OF THE MANAGER AND MEMBERS OF DMB REALCO LLC

The undersigned, being the sole Manager and all of the Members of DMB Realco LLC, an Arizona limited liability company (the "Company"), hereby unanimously adopt the following resolutions:

RESOLVED, that the each of following actions taken by the Company are hereby ratified, approved, confirmed, consented to and declared to be the binding and enforceable acts, agreement and obligations, as applicable, of the Company: (a) the formation of DMB White Tank, LLC ("DMB White Tank") as an Arizona limited liability company pursuant to Articles of Organization (the "Original Articles") filed with the Arizona Corporation Commission (the "ACC") on November 20, 1998, (b) the designation of the Company as the sole initial Member and Manager of DMB White Tank and the authorization of the Company to act in such capacities; (c) the execution and delivery by the Company, on behalf of DMB White Tank, of that certain Master Agreement dated September 30, 1999 (the "Master Agreement"), between DMB White Tank and Caterpillar Foundation, an Illinois not-for-profit corporation (the "Foundation") and the performance by DMB White Tank of its obligations and the exercise by it of its rights under the Master Agreement; (d) the execution and delivery by the Company, as the Manager and as a Member of DMB White Tank, of the Operating Agreement of DMB White Tank, LLC dated October 12, 1999 (the "DMB White Tank Operating Agreement"); (e) the execution by the Company of the Amended and Restated Articles of Organization DMB White Tank, LLC and the filing thereof with the ACC, thereby superseding the Original Articles; (f) the execution and delivery by the Company, on behalf of DMB White Tank, of that certain Trust Agreement dated March 19, 2002 (the "Trust Agreement"), creating Trust No. B176 among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee, the Foundation, as First Beneficiary, and the Company, as Second Beneficiary, together with all other documents and instruments associated with the closing under the Master Agreement or otherwise relating to the Trust Agreement (the "Closing Documents"), and the performance by DMB White Tank of its obligations and the exercise by it of its rights under the Trust Agreement and the Closing Documents; and (g) the designation of Thomas L. May as an "Independent Director" of DMB White Tank, pursuant to a Designation of Independent Member dated March 19, 2002, as contemplated by Section 2.2(a) of the DMB White Tank Operating Agreement;

FURTHER RESOLVED, that all other actions taken by the Company, as the Manager of DMB White Tank, with respect to the Master Agreement, Trust Agreement and development by DMB White Tank of the project commonly known as "Verrado" be, and they hereby are, ratified, approved, confirmed, consented to and declared to be the binding and enforceable acts, agreement and obligations, as applicable, of the Company; and

FURTHER RESOLVED, that these Resolutions shall constitute the consent, approval and ratification of the matters set forth herein by the Manager and Members of the Company for all purposes under the Operating Agreement of DMB Realco LLC dated as of May 14, 1997, and under the Amended and Restated Operating Agreement of DMB Realco LLC dated as of May 8, 2000, including, without limitation, the provisions of Section 5.5 of each such agreement.

Dated as of April 7, 2003.

Manager:

DMB Associates, Inc.
An Arizona corporation

By: _____
Its: _____

Members:

Dorrance 1995 Issue Trust
dated November 2, 1998

By: _____
Jacquelynn W. Dorrance, Co-Trustee

By: _____
Bennett Dorrance, Jr., Co-Trustee

By: _____
Ashley Dorrance Baiker, 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

LAW OFFICES OF
STOREY & BURNHAM
PLC

3030 E. Camelback Road, Suite 265
Phoenix, Arizona 85016

3030 E. Camelback Road
Suite 265
Phoenix, Arizona 85016
Telephone: (602) 468-0111
Facsimile: (602) 468-1335

Rebecca Lynne Burnham
Direct Line: 522-0201
e-mail: rburnham@sbplc.com

April 16, 2003

RBC Dain Rauscher Inc.
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: $24,000,000.00 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (hereinafter referred to as the "**Bonds**")

Ladies and Gentlemen:

We have acted as special counsel to ABD Investments Limited Partnership, an Arizona limited partnership, (hereinafter referred to as "**ABD**"), 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 April 10, 2003 (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, dated April 10, 2003 (hereinafter referred to as the "**Offering Memorandum**"), issued by the District;

2. The Guaranty, dated as of April 1, 2003, by and among ABD, the District and the Trustee (hereinafter referred to as the "**Guaranty**");

3. Guarantor Indemnity Letter, dated as of April 16, 2003, by and among ABD and the District (hereinafter referred to as the "**ABD Indemnity Agreement**");

4. Opinion of Fennemore Craig, dated April 16, 2003, in favor of the undersigned, the District and the Purchaser (to which we expressly refer, and upon which we rely, for the opinions expressed herein) (hereinafter referred to as the "**Fennemore Craig Opinion**") (copy enclosed); and

5. Such other documents and instruments as we have considered necessary or appropriate for the purposes of this opinion.

In addition, we have received such other information from representatives of ABD as we have deemed necessary for the purposes of this opinion (hereinafter referred to, collectively, as "**Due Inquiry**"). 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. The Offering Memorandum, the Guaranty and the ABD Indemnity Agreement are hereinafter referred to as the "**Guarantor Documents**".

In rendering the following opinions, we have assumed:

(a) The genuineness of all signatures to the Guarantor Documents and the Fennemore Craig Opinion and the legal capacity of each natural person executing any of the Guarantor Documents and the Fennemore Craig 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 Guarantor Documents with regard to the parties to those agreements other than ABD, and that the transactions contemplated by the Guarantor 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 Guarantor Documents other than Guarantor 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 Guarantor 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 Guarantor Documents;

(f) That all parties to the Guarantor Documents will 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 Transaction or any of the property within the District; and

(i) That, with respect to the enforceability of the Guarantor 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.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is our opinion that the Guarantor Documents are in full force and effect as of the date hereof and constitute the legal, valid and binding obligations of ABD, enforceable against ABD in accordance with their terms.

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 Guarantor Documents and the Fennemore Craig Opinion.

The opinions set forth above are subject to the following qualifications and limitations:

(i) Enforceability of the Guarantor Documents may be limited by bankruptcy, insolvency, fraudulent transfer or 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 Guarantor 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 Guarantor Documents are unenforceable under or limited by Arizona law;

(iv) Certain waivers, procedures, remedies, indemnities and other provisions of the Guarantor 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 Guarantor 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 and except that the principles of guaranty and suretyship may prevent the practical realization of certain of the benefits intended by indemnity and guarantee provisions in the Guarantor Documents; and

(v) 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 the Guarantor or its financial ability to perform under the Guarantor 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 Guarantor Documents with any securities law or regulation;

(d) With the sole exception of those matters addressed in our opinion to our actual knowledge, any federal or state securities laws, any environmental or health or safety laws, rules or regulations, or any county or municipal ordinances; or

(e) The title or the priority of any lien or security interest created by the Guarantor Documents.

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 Bonds. 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; provided that we consent to the references made to this firm in the Offering Memorandum.

Respectfully submitted,

STOREY & BURNHAM PLC

Rebecca Lynne Burnham

LAW OFFICES
FENNEMORE CRAIG
A PROFESSIONAL CORPORATION

GREGG HANKS
Direct Phone: (602) 916-5309
Direct Fax: (602) 916-5509
ghanks@fclaw.com

OFFICES IN:
PHOENIX, TUCSON,
NOGALES, AZ; LINCOLN, NE

3003 NORTH CENTRAL AVENUE
SUITE 2600
PHOENIX, ARIZONA 85012-2913
PHONE: (602) 916-5000
FAX: (602) 916-5999

April 16, 2003

Rebecca Burnham, Esq.
Storey & Burnham PLC
3030 E. Camelback Road, Suite 265
Phoenix, AZ 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: $24,000,000 Verrado District 1 Community Facilities (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (hereinafter referred to as the "Bonds")

Ladies and Gentlemen:

We have acted as special counsel to ABD Investments Limited Partnership, an Arizona limited partnership ("Guarantor") and its constituent partners on matters relating to the authorization by Guarantor of the execution and delivery of the Guaranty Agreement and Indemnity Letter (as such terms are defined below), in connection with the issuance and sale of the captioned Bonds sold pursuant to a Purchase Contract dated April 10, 2003 (the "Purchase Contract") 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"). Any capitalized term used and not defined herein shall have the meaning assigned to it in the Purchase Contract.

In this connection, we have reviewed the following documents (the "Documents"):

1. The Limited Offering Memorandum issued by the District dated April 10, 2003 (the "Limited Offering Memorandum");

2. The Guaranty of Guarantor dated April 1, 2003, delivered by Guarantor pursuant to the Limited Offering Memorandum (the "Guaranty Agreement");

3. Indemnity Letter of Guarantor dated April 16, 2002, delivered by Guarantor pursuant to the Purchase Contract;

4. Second Amended and Restated Certificate of Limited Partnership of ABD Investments Limited Partnership dated December 29, 2000, as filed with the Arizona Secretary of State on December 29, 2000 (the "Second Restated Certificate");

5. Amended and Restated Agreement of Limited Partnership of ABD Investments Limited Partnership dated as of January 1, 2002 (the "Restated Partnership Agreement");

6. Limited Partnership Certification for ABD Investments Limited Partnership, dated March 17, 2003, as issued by the Arizona Secretary of State;

7. Managing General Partner's Certificate ABD Investments Limited Partnership dated as of April 9, 2003;

8. Resolutions of Partners of ABD Investments Limited Partnership dated as of April 9, 2003;

9. Articles of Incorporation of Hank, Inc., as filed with the Arizona Corporation Commission on July 26, 1999;

10. Bylaws of Hank, Inc., which were adopted by the its Board of Directors pursuant to a written consent dated June 1, 2000;

11. Certificate of Good Standing for Hank, Inc., dated March 18, 2003, as issued by the Arizona Corporation Commission;

12. Secretary's Certificate Hank, Inc. dated as of April 9, 2003;

13. Consent to Resolutions of Director and Shareholder of Hank, Inc. dated as of April 9, 2003;

14. Trustee's Certificate (Bennett Dorrance Trust) dated as of April 7, 2003;

15. Certified Abstract of Portions of Trust Agreement, with respect to the Bennett Dorrance Trust Agreement, dated as of April 7, 2003;

16. Trustee's Certificate (Bennett Dorrance, Jr. Trust) dated as of April 7, 2003;

17. Certified Abstract of Portions of Trust Agreement, with respect to the Bennett Dorrance, Jr. Trust Agreement, dated as of April 7, 2003;

18. Trustee's Certificate (Ashley Dorrance Trust) dated as of April 7, 2003;

19. Certified Abstract of Portions of Trust Agreement, with respect to the Ashley Dorrance Trust Agreement, dated as of April 7, 2003;

20. Trustee's Certificate (Dorrance 1995 Issue Trust) dated as of April 7, 2003;

21. Certified Abstract of Portions of Trust Agreement, with respect to the Dorrance 1995 Issue Trust Agreement, dated as of April 7, 2003; and

22. 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. Guarantor is a limited partnership, duly organized and existing under the laws of the State of Arizona and has the requisite limited partnership power and authority under the laws of the State to execute and deliver, perform its obligations under, and consummate all transactions contemplated by, the Indemnity Letter and Guaranty Agreement (hereinafter referred to as, collectively, the "Guarantor Documents").

b. Guarantor and its respective partners have taken all necessary partnership, corporate and trust action, as applicable, to authorize (i) the execution, delivery and performance of the Guarantor Documents by Guarantor, and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

c. The Guarantor Documents have been duly and validly authorized, executed and delivered by the Guarantor and the same are in full force and effect as of the date hereof.

d. The execution and delivery by Guarantor of the Guarantor Documents and the consummation of the transactions contemplated thereby (i) do not and will not result in a violation of any provision of, or in default under, the organizational documents of Guarantor, 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 Guarantor is a party or by which it or its properties are bound, which, in any of the above cases, would materially and adversely affect the execution, delivery and/or performance of the agreements and obligations of Guarantor under the Guarantor Documents.

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 Guarantor is required in connection with the execution and delivery by Guarantor of the Guarantor Documents, or consummation of the transactions contemplated thereby and, (ii) Guarantor 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 its properties and assets 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 Guarantor would expect to obtain in the ordinary course of its business.

f. To our knowledge, Guarantor 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 Guarantor under the Guarantor Documents.

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 Guarantor is a party or of which any property of Guarantor is subject, which if determined adversely to Guarantor would, individually or in the aggregate, materially and adversely affect the execution and delivery, and/or performance of the agreements and obligations, of Guarantor under the Guarantor Documents or materially and adversely affect the validity or enforceability of the Guarantor Documents against Guarantor.

h. To our knowledge, the information pertaining to Guarantor contained in the Limited Offering Memorandum under the sub-headings "The Guaranty" and "The Guarantor", which appear under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS," or contained under the heading "RISK FACTORS" (solely as related to statements that are specific to Guarantor), 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 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.

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 Guarantor 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 the Guaranty Documents or any other 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 Storey & Burnham PLC in connection with the opinion to be rendered by it to the Underwriter and 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

Fennemore Craig

GH/RPR

1410040.2/26043.269

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 ■

April 16, 2003

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

Re: Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

Honorable Board:

At your request we have examined the official proceedings leading to the issuance of $24,000,000 aggregate principal amount of District General Obligation Bonds, Series 2003, dated April 1, 2003, 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. 02-03, passed and adopted by the District Board on March 26, 2003 (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; however, such interest income must 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 Scott W. Ruby
Scott W. Ruby
Bond Counsel

SWR:gmh
479571

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 ■

April 16, 2003

RBC Dain Rauscher Inc.
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $24,000,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003

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 2003, in the aggregate principal amount of $24,000,000 (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 March 26, 2003 (hereinafter referred to as the "*Resolution*") and an Indenture of Trust and Security Agreement, dated as of April 1, 2003 (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 April 10, 2003 (hereinafter referred to as the "*Limited Offering Memorandum*") and (iii) are being sold pursuant to a Purchase Contract, dated April 10, 2003 (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 Purchase 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 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 each of the "*Developer*" and the "*Guarantor*" (as such terms are defined in the Limited Offering Memorandum, opinions (including particularly, but not by way of limitation, opinions of counsel to each of the Developer and the Guarantor, 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 March 28, 2003 (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.

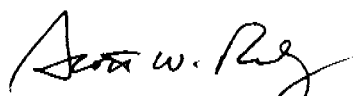
7. The information contained in the Limited Offering Memorandum on the cover thereof, under the headings "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT (excluding "Property Valuations" under the caption "Ad Valorem Taxation in the District" and "The Guarantor"), "GENERAL DESCRIPTION OF THE DISTRICT AND THE PUBLIC INFRASTRUCTURE – The District," "LITIGATION," and "TAX EXEMPTION" and "CONTINUING DISCLOSURE" therein and in Appendix B - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL," and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" thereto does not contain any untrue statement of a material fact and does not omit any material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading insofar as such information purports to summarize certain provisions of federal or state law or of the Bonds and fairly summarizes the information which it purports to summarize. With regard to the other portions of the Limited Offering Memorandum, on the basis of our participation as Bond Counsel, 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 in Appendix A thereto or otherwise included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

8. It is not necessary in connection with the issuance and sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution or the Indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the District Documents are dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other party thereto and to the extent that the enforceability of the District Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the District Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshalling of assets or (iv) purporting to grant to the owners of the Bonds or to any party to the District Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

This opinion may be relied upon only by you and by persons to whom we grant written permission to do so.

Respectfully submitted,



Scott W. Ruby
For the Firm

SWR:gmh
479563

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.

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS,
SERIES 2003

DATED: April 1, 2003

DUE: As shown below

The Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 and integral multiples of $5,000 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, 2004 (each an "Interest Payment Date"). Except as otherwise described herein in APPENDIX G — "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 Arizona, N.A., as trustee (the "Trustee"). Except as otherwise described herein in APPENDIX G "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 April 1, 2003, 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 (1) amounts payable pursuant to a Standby Contribution Agreement between the District and DMB White Tank, LLC, an Arizona limited liability corporation and developer of the Project (the "Developer"), dated as of April 1, 2003, and (2) in the event of the Developer's non-performance under the Standby Contribution Agreement, certain amounts received pursuant to a Guaranty from ABD Investments Limited Partnership, an Arizona limited partnership (the "Guarantor"), dated as of April 1, 2003. See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement and Guaranty can be released under certain circumstances described under "SECURITY FOR AND SOURCES OF PAYMENT" and "RISK FACTORS" herein.)*

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 construction and 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, the Developer nor the Guarantor are entering into continuing disclosure undertakings but certain limited information concerning the Guarantor provided to the District and the Trustee may be provided to Bondholders upon request.

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

$4,400,000	6.00%	Term Bond due July 15, 2013
$4,500,000	6.15%	Term Bonds due July 15, 2017
$15,100,000	6.50%	Term Bonds due July 15, 2027

All Bonds Priced At 100.00%

(Plus accrued interest from April 1, 2003)

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 Original Purchaser by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, for the Developer by its counsel, Storey & Burnham PLC, Phoenix, Arizona and for the Guarantor by its counsel Storey & Burnham PLC, Phoenix, Arizona. It is expected that delivery of the Bonds in book-entry-only form will be made to Cede & Co. on or about April 16, 2003.

April 10, 2003

RBC DAIN RAUSCHER

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 GUARANTY, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT, THE DEVELOPER, THE GUARANTOR 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, THE GUARANTY 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 "ORIGINAL PURCHASER") 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, THE GUARANTOR 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 ORIGINAL PURCHASER. 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 ORIGINAL PURCHASER 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, THE DEVELOPER OR THE GUARANTOR WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR WITH RESPECT TO THE GUARANTY 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 ORIGINAL PURCHASER 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 NOR THE GUARANTOR HAS COVENANTED TO PROVIDE CONTINUING DISCLOSURE PURSUANT TO AN EXEMPTION TO RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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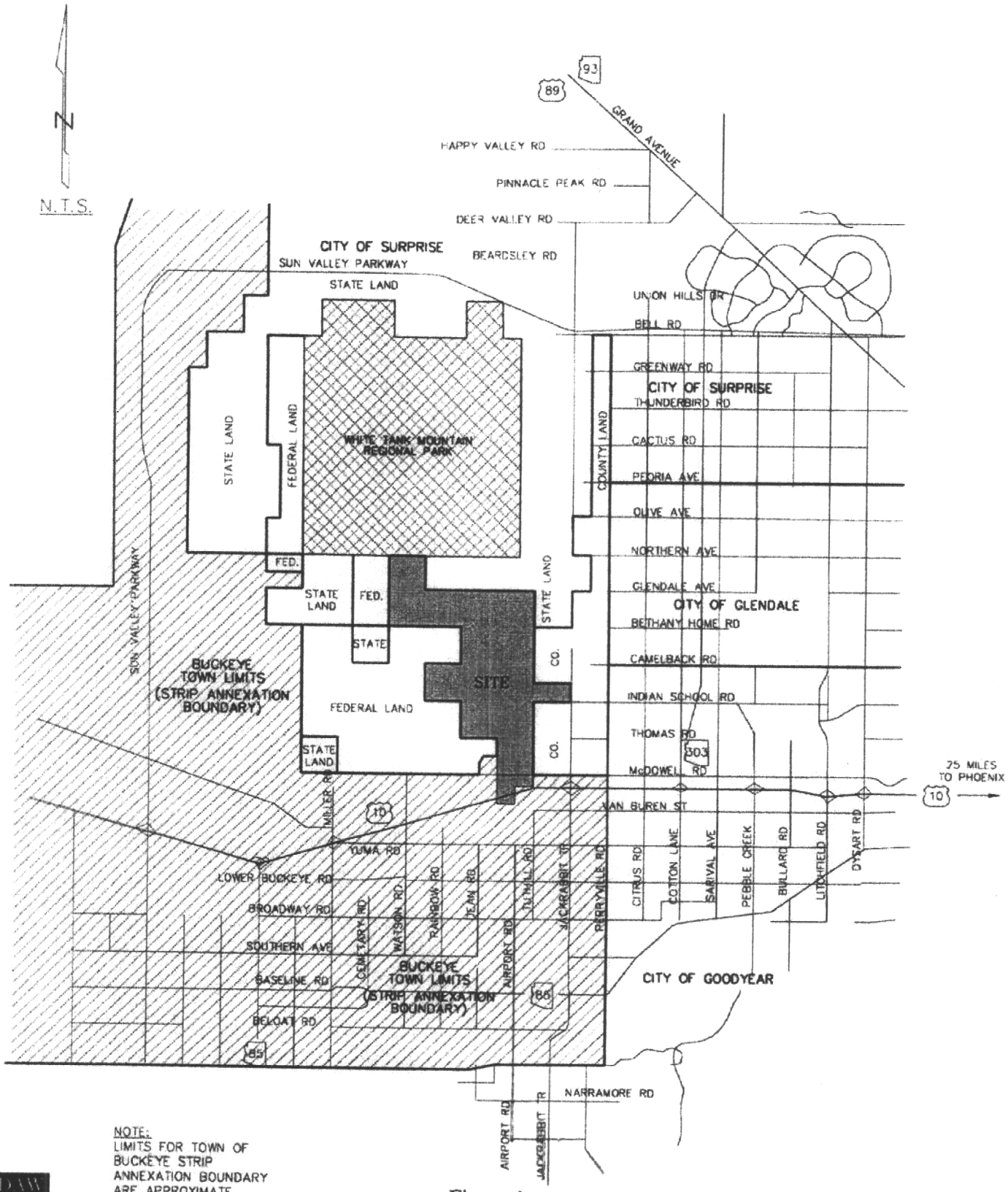


NOTE:
LIMITS FOR TOWN OF BUCKEYE STRIP ANNEXATION BOUNDARY ARE APPROXIMATE.

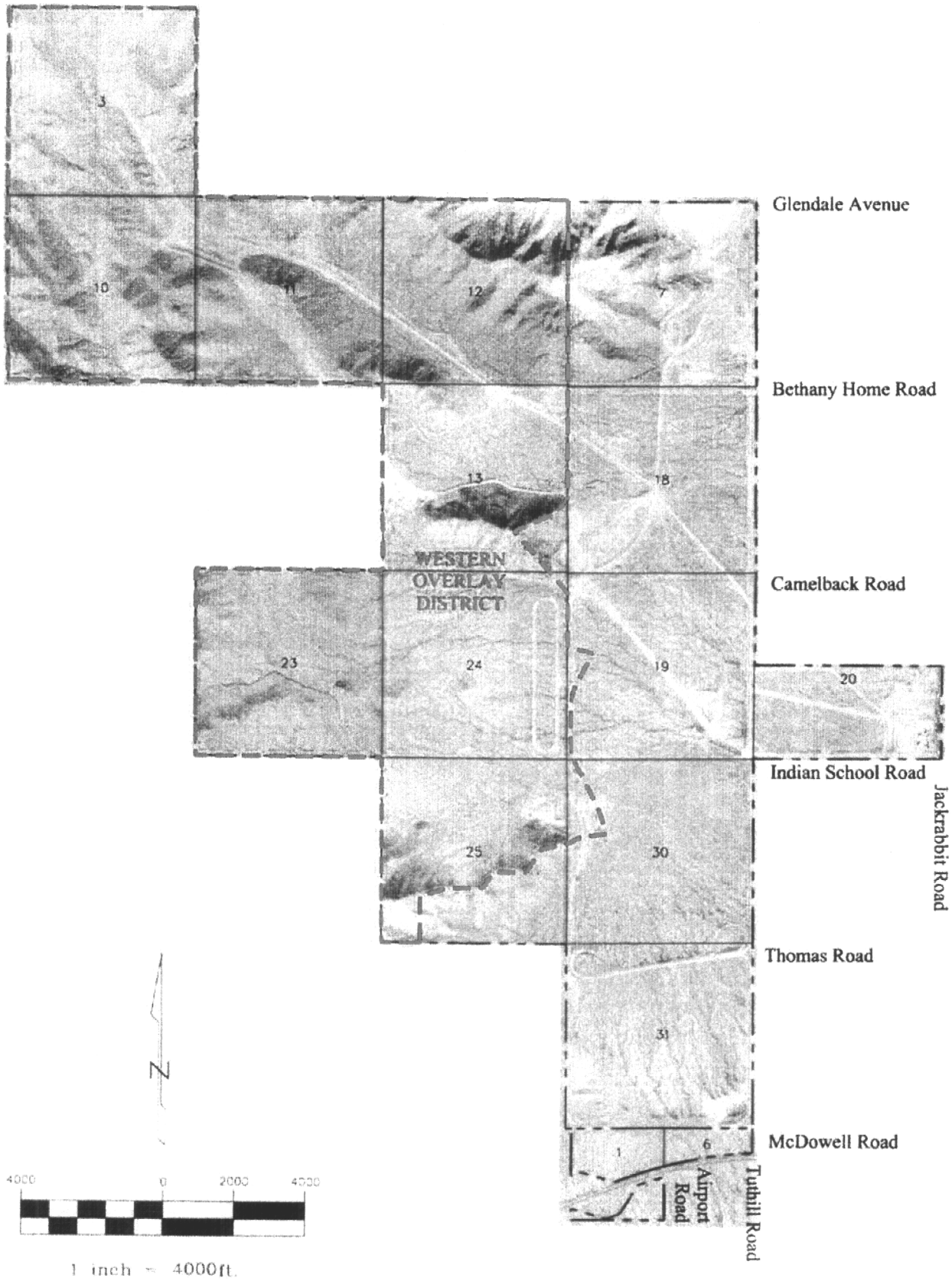
EDAW

DMB

Figure 1
Regional Location Map

VERRADO
BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 336-5500



DMB

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

VERRADO

BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS,
SERIES 2003

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 2003 (the "Bonds"), in the aggregate principal amount of $24,000,000. **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 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 and Guaranty. 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 and Guaranty, to pay Debt Service with respect to the Bonds when due. **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 April 1, 2003 (the "Standby Contribution Agreement"), by and among the District, the Developer and Wells Fargo Bank Arizona, N.A., as trustee (the "Trustee"), and if payments are not made by the Developer, then with moneys, if any, from the Guaranty dated as of April 1, 2003, of ABD Investments Limited Partnership ("ABD" or the "Guarantor") 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 and the Guaranty are subject to release by the District under certain circumstances. See "SECURITY FOR AND SOURCES OF PAYMENT - The Standby Contribution Agreement" and APPENDIX H – "Form of Standby Contribution Agreement."

The Guaranty has been executed by the Guarantor in favor of the District and the Trustee. In the Guaranty, the Guarantor unconditionally guarantees the full and prompt payment by the Developer under the Standby Contribution Agreement. The Guarantor agrees to comply with certain financial covenants and to provide certain financial information until the termination of the Guaranty pursuant to its terms (see "SECURITY FOR AND SOURCES OF PAYMENT - the Guaranty" and APPENDIX I – "Form of Guaranty."

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

General; Initial Sale

Beneficial interests with respect to the Bonds are not being sold in a public offering for all purposes of, and as required by, the Act, but are being offered to, and may be purchased only by, Qualified Investors. As used herein, "*Qualified Investor*" means a "qualified institutional buyer" as 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 who purchases such an interest through a broker or from a dealer or municipal securities dealer (as those terms are defined in the Securities Exchange Act of 1934, as amended) (a "broker-dealer") and who is determined by the broker-dealer to be a "sophisticated municipal market professional" (as such term is interpreted by and applied by the rules of the Municipal Securities Rulemaking Board) which is buying an interest of a principal amount of $100,000 or more. Qualified Investors must provide a qualified investor letter in the form set forth in Appendix D only in connection with investment as part of the initial sale and delivery of 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 a vote of the owners of land in the District at a special bond election held in and for the District on August 7, 2001 (the "Election"), pursuant to which 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 purposes within the District, including incidental costs and the costs of issuing bonds, and are issued pursuant to a resolution adopted by the Board on March 26, 2003 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (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, $76,000,000* 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 April 1, 2003, 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, 2004 (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 April 1, 2003, 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.

Redemption Provisions

Optional Redemption. The Bonds maturing after July 15, 2013 are subject to redemption prior to maturity, at the option of the District, on or after July 15, 2013, 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, 2013		Term Bond Maturing July 15, 2017		Term Bond Maturing July 15, 2027	
Year Redeemed	Principal Amount Redeemed	Year Redeemed	Principal Amount Redeemed	Year Redeemed	Principal Amount Redeemed
7/15/2008	$600,000	7/15/2014	$1,100,000	7/15/2018	$1,100,000
7/15/2009	700,000	7/15/2015	1,100,000	7/15/2019	1,200,000
7/15/2010	700,000	7/15/2016	1,100,000	7/15/2020	1,300,000
7/15/2011	800,000	7/15/2017	1,200,000	7/15/2021	1,400,000
7/15/2012	800,000			7/15/2022	1,500,000
7/15/2013	800,000			7/15/2023	1,600,000
				7/15/2024	1,600,000
				7/15/2025	1,700,000
				7/15/2026	1,800,000
				7/15/2027	1,900,000

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 or the Guaranty. The Bonds are subject to special mandatory redemption in whole, at any time, in the event of a default under the terms of either the Standby Contribution Agreement or the Guaranty, upon payment by the Developer or Guarantor, as applicable, 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 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 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 H – "Form of Standby Contribution Agreement" below.

In the event the Developer fails to pay amounts due pursuant to the Standby Contribution Agreement, Debt Service with respect to the Bonds will also be payable from amounts paid to the Trustee at the times and for the period set forth in the Guaranty. See "The Guaranty" below and APPENDIX I – "Form of Guaranty".

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 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 one percent limitation, a tax equalization program has been instituted for school equalization purposes. This program requires the counties to levy a tax of $0.4889 per $100 of assessed value under the primary system.)

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.

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. The assessment ratios utilized over the period 1998 through 2002 for each class of property are set forth below.

TABLE 1
PROPERTY TAX ASSESSMENT RATIOS

Property Classification (1)	1998	1999	2000	2001	2002
Mining	26%	25%	25%	25%	25%
Utility	26	25	25%	25%	25%
Commercial and Industrial (2)	25	25	25%	25%	25%
Agriculture and Vacant Land (2)	16	16	16	16	16
Owner Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (3)	22	21	21	21	N/A

(1) Additional classes of property exist, but seldom amount to a significant portion of municipal body's total valuation.

(2) Full cash values up to $53,266 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation.

Any portion of the full cash value in excess of that amount will be assessed at 25% or 16% as applicable.

(3) 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 and the Guaranty. 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 or the Guaranty 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	$1,825,392

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	2002-03 Net Secondary Assessed Valuation	2002-2003 Percent of Total
1	Mining	$ 79,481	4.4%
2	Agriculture and Vacant Land	1,745,911	96.6%
	Total	$1,825,392	100.0%

Estimated 2002-03 Net Secondary Assessed Valuations of Certain Taxpayers. Shown below with respect to 2002-03 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 2002-03, their current net secondary assessed value and their relative proportion of the total net secondary assessed value of the District.

TABLE 4

Taxpayer	2002-03 Net Secondary Assessed Valuation	As Percent of District's 2002-03 Net Secondary Assessed Valuation
First Fidelity National Title Company	$1,670,418	91.51%
DMB White Tank, LLC	94,740	5.19%
Caterpillar Foundation	36,972	2.03%
Total	$1,802,130	

Source: Maricopa County Assessor's Office

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.

General Obligation Bonded Indebtedness to be Outstanding. The Bonds will be the first 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 5

Fiscal Year	Debt Service for the Bonds		Total Debt Service Requirements
	Principal(a)	Interest	
2003	-	-	-
2004	-	$1,962,011.11	$1,962,011.11
2005	-	1,522,250.00	1,522,250.00
2006	-	1,522,250.00	1,522,250.00
2007	-	1,522,250.00	1,522,250.00
2008	$ 600,000	1,522,250.00	2,122,250.00
2009	700,000	1,486,250.00	2,186,250.00
2010	700,000	1,444,250.00	2,144,250.00
2011	800,000	1,402,250.00	2,202,250.00
2012	800,000	1,354,250.00	2,154,250.00
2013	800,000	1,306,250.00	2,106,250.00
2014	1,100,000	1,258,250.00	2,358,250.00
2015	1,100,000	1,190,600.00	2,290,600.00
2016	1,100,000	1,122,950.00	2,222,950.00
2017	1,200,000	1,055,300.00	2,255,300.00
2018	1,100,000	981,500.00	2,081,500.00
2019	1,200,000	910,000.00	2,110,000.00
2020	1,300,000	832,000.00	2,132,000.00
2021	1,400,000	747,500.00	2,147,500.00
2022	1,500,000	656,500.00	2,156,500.00
2023	1,600,000	559,000.00	2,159,000.00
2024	1,600,000	455,000.00	2,055,000.00
2025	1,700,000	351,000.00	2,051,000.00
2026	1,800,000	240,500.00	2,040,500.00
2027	1,900,000	123,500.00	2,023,500.00
Total	$24,000,000	$25,527,861.11	$49,527,861.11

(a) Term bond subject to mandatory redemption in the preceding years in the amounts indicated.

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 H. 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 H. 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 H.

The Developer has agreed in the Standby Contribution Agreement to cause the Guarantor to provide certain financial information for the periods and at the times described under "Guaranty" below. If the information is not provided in a timely fashion, or if the information indicates that the Guarantor has failed to maintain the required minimum Net Worth or the required Liquidity (as such terms are defined in the Guaranty in Appendix I) and the Developer has not either met the test under the conditions permitted or provided Substitute Collateral ("Substitute Collateral" means cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument, acceptable to the District that is issued by an entity with a long term obligation rating by Standard & Poor's Rating Group or Moody's Investors Service of at lease "A") sufficient to pay the outstanding principal of, and interest on, the Bonds through the first optional call date of the Bonds (see Section 2.1(E)(ii)(2) of the Guaranty in Appendix H), the Bonds are subject to special mandatory redemption (see Section 2.4 of the Standby Contribution Agreement in Appendix H and "THE BONDS – Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement or the Guaranty).

The Guarantor may be released from its obligation to guarantee the Developer's obligations under the Standby Contribution Agreement by providing Substitute Collateral under the terms and conditions set forth in Section 2.1(G) of the Standby Contribution Agreement in Appendix H.

Bondholders may request the financial information required to be submitted under the Guaranty and the certifications required to evidence compliance with the Financial Covenants (as defined under "The Guaranty" below) under the process described in Section 2.1(H) of the Standby Contribution Agreement in Appendix H.

The Guaranty

The Guaranty has been executed by the Guarantor in favor of the District and the Trustee. In the Guaranty, the Guarantor unconditionally guarantees the full and prompt payment of amounts due from the Developer under the Standby Contribution Agreement. The Guarantor waives any and all defenses, claims, setoffs and discharges of the Developer, and agrees not to assert, plead or enforce against the District any defenses.

Under the Guaranty, until the obligations of the Developer under the Standby Contribution Agreement have been fully satisfied and the Developer has been released from the Standby Contribution Agreement pursuant to the terms of the Indenture and the Standby Contribution Agreement, or until the Guarantor has been released from the Guaranty in the event Substitute Collateral is deposited with the Trustee as provided for in the Standby Contribution Agreement, the Guarantor shall comply with the following financial covenants (the "Financial Covenants"):

(i) the Guarantor shall have, at the time of execution of the Guaranty, a minimum Net Worth of $200,000,000; and

(ii) the Guarantor shall maintain, at all times, a minimum Net Worth of three (3) times the amount of the Undercollateralized Obligations and a minimum Liquidity of one and one-half (1.5) times the amount of the Undercollateralized Obligations.

Investors are advised to review carefully the definitions of Affiliate, Development, Liquidity, Net Worth, Qualifying Assets, Qualifying Liabilities and Undercollateralized Obligations in Section 2 of the Guaranty in Appendix I in order to evaluate the parameters and limitations of the Financial Covenants.

The Guarantor is required to provide certain financial information related to its Financial Covenants as of the end of the Guarantor's fiscal year and the mid-year of each fiscal year to the District and the Trustee, which financial information is to be provided 120 days after the end of the fiscal year and 60 days after the end of the mid-year period, unless such period is extended (see Section 15 of the Guaranty in Appendix I and Section 2.1(E)(ii)(1) of the Standby Contribution Agreement in Appendix H).

In the event the Guarantor is not in compliance with the Financial Covenants or any act or occurrence related to dissolution, termination or insolvency of the Guarantor has occurred as described in Section 7 of the Guaranty in Appendix I, or if the Guarantor is not in compliance with the reporting requirements described in the paragraph immediately above, then and in any such event, the applicable provisions of the Standby Contribution Agreement and the Indenture shall control including, as applicable, that the Bonds, if Substitute Collateral is not deposited with the Trustee, may be subject to special mandatory redemption (see Sections 2.1(e)(ii)(2) and 2.4 of the Standby Contribution Agreement and "THE BONDS – Redemption Provisions – Special Mandatory Redemption Related to a Default under the Standby Contribution Agreement or the Guaranty".

The Guarantor

The Guarantor was formed in 1993 for the purpose of investing partnership funds in stock, partnership interests and other real and personal property as permitted under Arizona law. The Guarantor was initially capitalized in 1994 through the contribution of 10,000,000 (now 20,000,000 after a 2 for 1 stock split in 1997) shares of common stock of Campbell Soup Company, a publicly traded company. The Guarantor will expire December 31, 2050, or sooner, in accordance with the terms of the Partnership Agreement.

The Guarantor finances its investments through dividends received and lines of credit with unrelated banking institutions. Funds are drawn on the lines of credit and advanced to related parties, including, but not limited to, DMB Realco LLC, pursuant to the terms of a related loan agreement. At December 31, 2002, the lines of credit provide for a maximum commitment of $345,000,000, subject to adequate collateralization. At December 31, 2002, the amount outstanding under the lines of credit was $299,774,527. The lines of credit mature in July 2004 and March 2005. Draws under the lines of credit are collateralized by the shares of common stock of Campbell Soup Company and are limited to 60% of the then current market value of the pledged securities.

As indicated above, the Guarantor has entered into several loan agreements and funding commitments with related parties ("Borrowers") for the purpose of advancing the Borrowers funds used to invest in various ventures that are generally involved in the acquisition, development and sale of real property. At December 31, 2002, the Guarantor had loan commitments totaling $170,000,000 and total amounts outstanding of $37,482,179. All amounts outstanding under the loan agreements are collateralized by the Borrower's interest in the underlying assets. See Appendix F for the audited financial statements of the Guarantor for the fiscal year ended December 31, 2002.

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 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.

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 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 6 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 6
Verrado District 1 Community Facilities District
Infrastructure to be Funded with Bond Proceeds

DESCRIPTION	ESTIMATED CONSTRUCTION COST	ESTIMATED CONTRACT AWARD DATE	ESTIMATED COMPLETION DATES
Traffic Interchange	$ 7,237,000	November, 2002	June, 2003
Roadway Improvements	2,508,000	February, 2003	December, 2004
Dry Utility Trench & Conduit, street lights and storm drains, as necessary for roadway and landscape improvements	2,911,000	February, 2003	December, 2004
Multi-Use Path System	993,000	February, 2003	December, 2004
Roadway Landscaping	2,751,000	February, 2003	December, 2004
Culvert Crossings	428,000	February, 2003	December, 2004
Floodway Improvements	1,875,000	February, 2003	December, 2004
Retention Basins	65,000	February, 2003	December, 2004
District Park	920,000	June, 2003	December, 2004
Lineal Park	1,251,000	February, 2003	December, 2004
Grade Separated Pedestrian Crossings	372,000	February, 2003	December, 2004
TOTAL ESTIMATED COST	**$21,311,000**		

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 Original Purchaser assumes any responsibility for the accuracy or completeness thereof. Neither the District nor the Original Purchaser 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 Project is expected to occur in seven phases over a 15 year period. The Project's grand opening, Phase I, is tentatively scheduled for October 2003. Phase II is contemplated to commence in late 2006. Development plans include 7,409 residential units, 2,151 multi-family units and 415 developed commercial acres upon completion of the Project (see "Table 8"). Phase I of the Project consists of 1,840 residential units, 210 multi-family units and 5 commercial acres.

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 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.

Direct access from Interstate 10 to the Project will be provided by means of a spread diamond traffic interchange that is being constructed pursuant to that certain Agreement (JPA 00-79) dated October 5, 2001 between Developer and the State of Arizona, acting by and through its Department of Transportation ("ADOT") (the "Interchange"). The Interchange will include some public infrastructure, primarily landscaping, the maintenance and repair of which is expected to exceed ADOT standards for traffic interchange improvements such as the Interchange. In view of the benefit to the District of this Public Infrastructure, it is presently anticipated that, subject to the approval of the District Board as provided for in the District IGA, the District will enter into an intergovernmental agreement with ADOT, prior to the issuance of the Bonds, whereby a portion of the District operations and maintenance tax proceeds will be used to offset the additional costs incurred by ADOT to perform above-standard maintenance and repair work.

Improvement of land within the Project is subject to a Section 401/404 Permit issued January 16, 2002 by the Army Corps of Engineers under Permit No. 974-0218-RWF. Additionally, drainage improvements will be constructed pursuant to the Volume 2.02A Planning Unit Drainage Plan for Portions of Planning Units IV & V (Phase 1) and Update to Master Drainage Plan of Verrado (prepared by Wood, Patel & Associates Inc., DRAFT dated October 17, 2001) (the "Master Drainage Plans").

Project - Utilities

Water and wastewater facilities and infrastructure and service related thereto will be 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. The Arizona Corporation Commission issued an Opinion and Order under Decision No. 64307, effective December 28, 2001, extending the AAWC's Certificate of Convenience and Necessity to include the Project. The Arizona Department of Water Resources ("DWR") issued an Analysis of Assured Water Supply, effective January 10, 2001, whereby DWR determined on the basis of a hydrologic study that there is adequate water available to serve the Project with a Certificate of Assured Water Supply to be obtained prior to each subdivision plat approval. The Town adopted Resolution No. 15-02, on April 23, 2002, ordering and calling a special franchise election to grant a franchise to AAWC, to provide water and wastewater services to, inter alia, the Project, on September 10, 2002. The Town adopted Resolution 38-02 on September 25, 2002 confirming the special franchise election vote in favor of the grant of franchise and by the results of the election authorized by the execution of the Grant of Franchise by the Town of Buckeye to Arizona America Water Company. The Grant of Franchise was executed and adopted by the Town Council and approved by the Mayor on April 23, 2002.

Electric service to the Project will be provided pursuant to a Memorandum of Understanding between the Developer and Arizona Public Service Company. Gas service to the Project will be provided by Southwest Gas. Telecommunications service to the Project will be provided pursuant to a Technology Services and Marketing Agreement between the Developer and Cox Communications dated December 5, 2002. Conduit and other facilities for the dry utilities will be constructed and installed concurrently with the Phase I infrastructure.

Project – Phase I Budget, Development Status and Plans

As of December 31, 2002, the Developer has invested approximately $63,900,000 in the Project and estimates that an additional $101,200,000 will be required to complete Phase I. See Table 7 below.

The additional $101,200,000 required to complete Phase I of the Project, consists of approximately $600,000 in land acquisition costs, approximately $59,900,000 in Offsite and Backbone Infrastructure costs (including approximately $23,200,000 in Public Infrastructure costs), approximately $21,700,000 in amenity improvements (including approximately $2,300,000 in Public Infrastructure) and $19,000,000 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, general obligation bonds issued by the Western Overlay District in the amount of approximately $7,500,000, net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer. See "Risk Factors" herein.

TABLE 7
Phase I of Verrado - District 1
Development Status as of December 31, 2002

Activity	Amounts invested as of December 31, 2002	Status
Land Acquisition Costs	**$ 5,187,943**	Estimated completion by 12/04
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Traffic Interchange	$ 3,354,361	Estimated completion by 6/03
Phase I Mass Grade	11,904,277	Completed 12/02
Offsite Potable Water	1,663,329	Estimated completion by 10/03
Phase I Water Storage Tank	627,113	Estimated completion by 10/03
Tuthill Collector Sewer	492,970	Estimated completion by 10/03
Backbone (roads & utilities)	422,781	Estimated completion by 10/03
Wastewater Treatment Plant	58,377	Estimated completion by 2/04
Hillside Disturbance Mitigation	344,803	Estimated completion by 10/03
Parcel Collector Infrastructure	591,513	Estimated completion by 12/04
Floodway Improvements	187,389	Estimated completion by 10/03
Other	1,183,537	Estimated completion by 12/04
	$ 20,830,450	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course	$ 1,853,240	Estimated completion by 10/03
Golf Course Clubhouse	14,954	Estimated completion by 10/03
District Core Retail/Residential Center	456,144	Estimated completion by 10/03
Phase I District Club	40,381	Estimated completion by 10/03
Home Finding Center	14,367	Estimated completion by 10/03
Parks, Path and Trail System	491	Estimated completion by 10/03
	$ 2,379,577	
Planning, Entitlement, Engineering, Administrative and Other Costs	**$ 35,459,507**	Estimated completion by 12/04
Total Invested at December 31, 2002	**$ 63,857,477**	

Source: The Developer.

At the time of this offering, approximately 540 residential subdivision lots, representing approximately $13,400,000 in land sale revenue are in escrow or the subject of binding option agreements with national or regional homebuilders, including, but not limited to, Engle Homes, Morrison Homes, Pulte Homes and Ashton Woods. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately $139,000 to

$400,000. Custom homes are expected to sell for higher prices. No homes (custom and subdivision) have been constructed or occupied as of December 31, 2002.

In December 2002, the Developer started construction on a two and three-level mixed use development, which will consist of a 32,000 square feet neighborhood retail center and 45 unit apartment. The estimated completion date for this project is October 2003.

TABLE 8
District 1-All Phases
Projected Development

	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Single Family (units)	248	553	577	561	560	594	530	522	618
Single Family (cumulative)	248	801	1,378	1,939	2,499	3,093	3,622	4,144	4,761
Multi-Family (units)	18	66	77	129	225	211	141	282	72
Multi-Family (cumulative)	18	84	161	290	515	726	867	1,149	1,221
Total Residential	266	619	654	690	785	805	671	804	690
Cumulative Residential	266	885	1,539	2,229	3,014	3,819	4,489	5,293	5,982
Commercial (Acre)	--	--	28	7	54	38	24	16	41
Commercial (cumulative)	--	--	28	35	88	127	150	167	208

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Single Family (units)	627	610	513	529	232	96	41	--	--
Single Family (cumulative)	5,388	5,998	6,511	7,040	7,272	7,368	7,409	7,409	7,409
Multi-Family (units)	60	182	153	365	120	50	--	--	--
Multi-Family (cumulative)	1,281	1,463	1,616	1,981	2,101	2,151	2,151	2,151	2,151
Total Residential	687	792	666	894	352	146	41	--	--
Cumulative Residential	6,669	7,461	8,127	9,021	9,373	9,519	9,560	9,560	9,560
Commercial (Acre)	111	16	16	16	16	16	12	3	--
Commercial (cumulative)	319	335	352	368	384	400	412	415	415

Source: The Developer

Estimated single-family and 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 one-year construction period. It is anticipated that assessed real property valuations as shown on County Assessor rolls with 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. There can be no assurance now or at the time the Bonds are issued that any sales will be consummated or that the 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. See "RISK FACTORS" herein.

Description of Developer

The Developer has two members, Thomas L. May, Vice-President of Caterpillar Foundation, who serves as an Independent Member with limited voting rights and no economic interest in the Developer, and DMB Realco LLC, an Arizona limited liability company ("Realco"), the members of which are The Brown Family Trust dated August 30, 1980, as amended, The Mark N. Sklar Trust dated May 18, 1972, as amended, and The Dorrance 1995 Issue Trust dated November 2, 1998. Realco is the sole member of the Developer The sole manager of Realco is DMB.

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 8,500 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 4,000 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. The project broke ground in 1994 and has sold approximately 1,100 residential homesites through December 31, 2002.

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 662 residential homesites through December 31, 2002. The second community, a

1,330 acre master-planned single family community broke ground in early 2001 and has sold approximately 1,643 residential homesites through December 31, 2002.

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. The project broke ground in 1998 and has sold approximately 4,539 residential homesites through December 31, 2002.

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. The project broke ground in 1999 and has sold 543 residential homesites through December 31, 2002.

Glenwild: This 880-acre private residential golf community is located in Park City, Utah. Glenwild is a joint venture between DMB and Greyhawk Development. The project consists of 198 homesites, a Tom Fazio designed 18-hole Championship Golf Course and a 24,000 square foot clubhouse. The project broke ground in 2000 and has sold 90 residential homesites through December 31, 2002.

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, 2002 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, 2002 all custom lots had been sold.

DMB is also involved in the ownership of the Century Plaza Hotel and the St. Regis LA in Los Angeles. Commercial and office developments in which DMB has invested or otherwise been involved include Centerpoint (the 8-block, 1.2 million square foot mixed-use commercial and professional office project, which served as a cornerstone for the downtown revitalization effort of the City of Tempe, Arizona, begun in the 1980s); Three Gateway (215,000 square foot office building in the City of Phoenix, Arizona); The Financial Plaza (300,000 square foot office building, the first "high rise" to be constructed in the City of Mesa, Arizona); 24th Place (68,000 square foot "garden" office project, located in the City of Phoenix, Arizona); and 3131-3133 Camelback (295,000 square foot office and retail building, located on a prime corner in the Camelback Corridor area of the City of Phoenix, Arizona). 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.

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. **See "RISK FACTORS - Direct and Overlapping Indebtedness."**

Overlapping Municipality	2002-03 Net Secondary Assessed Valuation	Net Bonded Debt Outstanding(a)	Proportion Applicable to the District: Approx. Percent	Proportion Applicable to the District: Net Amount	2002-03 Combined Tax Rate Per $100 Assessed(b)
State of Arizona	$36,805,206,912	None	N/A	None	$0.000000
Maricopa County	24,457,047,282	$ 39,515,000	.01%	$ 3,952	2.1728(c)
Maricopa County CCD	24,457,047,282	284,815,000	.01%	28,452	1.1127
Liberty Elementary School District No. 25	73,040,822	2,780,000	4.90%	136,220	4.1398
Litchfield Park Elementary School District No. 79	222,553,332	22,350,000	38.71%	8,652,539	4.2713
Saddle Mountain Unified School District No. 90	774,368,579	25,000,000	56.89%	14,222,500	2.1250
Verrado Western Overlay Community Facilities District	1,038,473	None	0.00%	None	-0-
Town of Buckeye	46,996,103	1,255,000	100.00%	1,255,000	1.6700
Verrado District 1 Community Facilities District	1,825,392	24,000,000	100.00%	24,000,000	3.0000*
Total Net Direct and Overlapping General Obligation Bonded Debt					

* To be levied beginning in fiscal year 2003-2004.

(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.

Includes total general obligation bonds outstanding (without regard to premium). *"Williams, et al. v. Creighton Elementary School District."* Taxpayers within the Creighton Elementary School District No. 14 of Maricopa County, Arizona (*"Creighton District"*), moved for a summary judgment in the Superior Court of Maricopa County against the Creighton District on the basis that the outstanding principal amount of bonds

previously issued by the Creighton District, together with premium received in connection with the issuance of such bonds, should be treated as debt for constitutional and statutory debt limit purposes. On April 18, 1996, the court entered a judgment in favor of the taxpayers. In a minute entry entered with the judgment, the court stated that the premium to be treated as debt is determined on the amount the underwriter paid to the Creighton District for the bonds and not on the price for which the underwriter resold the bonds. In additional, the court has ruled that the premium treated as debt attributable to each maturity is retired upon the payment of the principal amount of the applicable maturity. It is not clear if, pursuant to the judgment against the Creighton District, all or part if any premium received by the Creighton District is subject to constitutional and statutory requirements other than debt limits, such as the requirement for voter authorization. The judgment was not appealed by the Creighton District.

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 $1.65 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 665,224 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 $1.65 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. If the conditions are not met within three years, the parties could extend such deadline or the agreement will terminate and either party may petition U.S. District Court to resume litigation. If the conditions are not met by May 9, 2003 and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2003 that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. CAWCD has expressed concerns that all of the conditions cannot be met by the deadline. CAWCD and the United Sates are discussing possible amendment of the agreement. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such 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 $10.14400 per $100 of secondary assessed valuation, of which $0.1300 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 $1.2908 county tax rate, the $0.4889 tax rate of the Education Equalization District, the $0.2119 tax rate of the Maricopa County Flood Control District, the $0.0421 tax rate of the County's Free Library District, $0.1300 tax rate of the Central Arizona Project and the $0.0091 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 $76,000,000* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs

* Preliminary, subject to change.

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 January 1, 2003.

Authorized but Unissued
General Obligation Debt

Overlapping Jurisdiction	
Maricopa County CCD	$ 4,000
Verrado Western Overlay District	60,000,000
Verrado District No. 1	76,000,000

SOURCES AND APPLICATIONS OF FUNDS
(exclusion of accrued interest)

Sources	
Par Amount of Bonds	$24,000,000
Applications	
Cost of Acquisition and Construction	$21,220,470
Costs of Issuance (including Underwriter's Compensation)	902,000
Deposit to Capitalized Interest Fund	1,877,530
Total	$24,000,000

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 and the Guarantor 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. 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 7 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 six other master planned communities which include over 130,000 housing units and neighboring communities have significant residential communities under way and contemplated. If the Developer is unable to pay, the Guarantor is obligated to fund the Developer's obligations pursuant to the Guaranty. The Guarantor is primarily capitalized by shares of Campbell Soup stock and its financial strength is subject to stock market fluctuations. If the Developer and Guarantor are 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 E - "CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER" and Appendix F - "CERTAIN AUDITED FINANCIAL STATEMENTS OF THE GUARANTOR."

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 Original Purchaser 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 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 and Guaranty Amounts

If amounts to be available pursuant to the Standby Contribution Agreement and the Guaranty are not available for any reason (including financial difficulties or bankruptcy of the Developer or the Guarantor), 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. 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 or Guaranty as described herein. See "THE BONDS - Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement or the Guaranty."

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, the Guaranty 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 or the Guaranty. 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; unforseen 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 B 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 Original Purchaser by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona; and for the Developer and for the Guarantor, in each case by its counsel, Storey & Burnham PLC, 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

The audited financial statements of ABD Investments Limited Partnership and Subsidiary as of and for the year then ended, December 31, 2002, are included in Appendix F to this Limited Offering Memorandum. Such financial statements have been audited by McGladrey & Pullen, LLP, independent certified public accountants, as stated in their report appearing herein which is also included in Appendix F. Certain unaudited financial information of DMB White Tank, LLC is included in Appendix E.

UNDERWRITING

The Bonds are being purchased by the Original Purchaser. The Original Purchaser has agreed to purchase the Bonds at an aggregate purchase price of $23,448,000 (reflecting the aggregate principal amount of the Bonds, less underwriter's compensation of $552,000) plus accrued interest from April 1, 2003, to the date of delivery of the Bonds. The Original Purchaser 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 Original Purchaser 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 Original Purchaser.

RELATIONSHIPS AMONG PARTIES

Greenberg Traurig, LLP, Phoenix, Arizona, Counsel to the Original Purchaser, 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 RBC Dain Rauscher Inc., the Original Purchaser of the Bonds, and have acted as underwriter's counsel to the Original Purchaser 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 Original Purchaser 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/ Dustin Hull
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 35 miles from downtown Phoenix, Arizona, four miles south of Interstate 10 on County Highway 85. The Town, which was founded in 1889 and incorporated in 1929, encompasses approximately 175 square miles and sits at an elevation 888 feet above sea level. 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
2000 Census	6,537	3,072,149	5,130,632
1990 Census	5,038	2,122,101	3,655,228
1980 Census	3,434	1,509,252	2,718,425
1970 Census	2,599	971,228	1,775,399
1960 Census	2,286	663,510	1,302,161

Source: Arizona Department of Economic Security, Population Statistics Unit and U.S. Department of Commerce, Bureau of the Census.

Transportation

County Highway 85, connecting the Town with the Town of Phoenix, Arizona, and Interstate 8, traverses the downtown portion of the Town. Interstate 10 also traverses the northern portion of the Town. The Town has an airport adjacent to Interstate 10 with plans for a future runway extension. Sky Harbor Airport in Phoenix provides international 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.

The Town provides 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.

Economy

The principal economic activity for the Town and outlying areas of the Town is agriculture. Part of the Town's agricultural production includes 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 Generating Plant. The Palo Verde Nuclear Generating 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 a list of major employers located in and within close proximity of the Town.

MAJOR EMPLOYERS
Town of Buckeye and Surrounding Area, Arizona

Employer	Product/Service	Approximate Number of Employees
Palo Verde Nuclear Generating Plant	Energy Plant	2,200
Lewis Prison Complex	Prison	1,124
Wal-Mart, Inc.	Retail Warehouse	1,104
Paradise Waste	Waste Management	395
Schult Homes Corporation	Mobile Home Manufacturer	203
Department of Corrections (Juvenile)	Government	200
Town of Buckeye	Government	170*
Buckeye Union High School District	Education	128
Buckeye Elementary School District	Education	127

* As of May, 2002 the Town employs approximately 72 part-time and 90 full-time employees.

Source: Town of Buckeye, Arizona and an individual employee survey.

Maricopa County
Average Annual Wage and Salary Employment

Industry	1997	1998	1999	2000	2001
Manufacturing	158,600	166,700	161,600	162,200	155,900
Mining	1,000	800	1,100	1,200	1,000
Construction	93,400	104,400	112,500	117,900	119,700
Transportation, Communication & Public Utilities	69,700	73,400	79,200	83,300	86,000
Trade	331,100	345,800	355,200	366,400	373,900
Finance, Insurance & Real Estate	106,400	113,100	117,000	119,800	125,000
Services & Miscellaneous	424,000	446,200	485,300	512,000	507,900
Government	160,100	168,500	175,200	181,900	187,000
Total Wage & Salary	1,344,300	1,418,900	1,487,100	1,544,700	1,557,000

Source: U.S. Department of Labor, Bureau of Labor and the State of Arizona, Department of Economic Security, Resource Administration.

Town of Buckeye
Sales Tax Collections

Year	Amount
2001-02	$1,646,583
2000-01	1,433,087
1999-00	1,445,838
1998-99	1,005,187
1997-98	781,167
1996-97	745,637

Source: State of Arizona, Department of Revenue.

Agriculture

The Town is surrounded by farmland on which a variety of agricultural products are grown. The main income crops grown within the Town and the surrounding area include cotton, vegetables, alfalfa, citrus and grains. While no figures are available for acreages or dollar amounts of individual crops grown within the Town, the following statistics show total cash receipts for the area encompassing the County.

Maricopa County
Cash Receipts from Agricultural Marketings
(Total Crops and Livestock)

Year	Total Receipts
2000	$760,613,000
1999	807,701,000
1998	835,808,000
1997	784,759,000
1996	793,403,000

Source: *2000 Arizona Agricultural Statistics*, July 2001.

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. 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 Town of Tempe, Arizona, and Arizona State University's west campus located in the northwestern part of the greater Phoenix area in the Town of Glendale, Arizona.

Banking

The financial needs of the Town are served by two banks. The following table illustrates the total dollars on deposit with participating banks of the Arizona Bankers Association for Maricopa County on December 31 of each year.

Maricopa County
Bank Deposits
($ in thousands)

Year	Amount
2001	$27,859,411(a)
2000	27,336,883(b)
1999	22,330,881(c)
1998	24,940,253(d)
1997	20,296,620(e)
1996	17,806,183(f)

(a) Bank of the Southwest, First International Bank and Trust, Frontier State Bank, Johnson Bank Arizona, United Arizona Bank NA, and Washington Mutual did not report in the fourth quarter.

(b) First International Bank and Trust did not report in the fourth quarter.
(c) Stearns Bank, Bank of the Southwest, Pacific Century Bank, and Norwest Bank did not report in the fourth quarter.
(d) Stearns Bank and Commercial Federal Bank did not report in the fourth quarter.
(e) Wells Fargo Bank Arizona and Republic National Bank did not report in the fourth quarter.

Construction

The following tables were compiled from Arizona Construction Report, a publication of the Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University and information from the Town. The Center obtains its data from County and Town 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
2001	NR	NR	NR	NR
2000	$8,282,083	$53,062,000(a)	$ 699,425	$62,043,508
1999	9,036,146	3,124,015	1,154,795	13,314,956
1998	3,126,350	3,104,600	687,143	6,918,093
1997	2,810,780	4,304,765	369,254	7,479,799

(a) Commercial & Industrial classification includes an approximately $52 million amount relating to the Wal-Mart retail warehouse expansion.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2001	73
2000	137
1999(a)	175
1998	61
1997(a)	36

(a) Incomplete data: one or more months not available.

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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 amount to be paid in such Fiscal Year with respect to the Bonds and any other outstanding general obligation bonds of the District for Debt Service.

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

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

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

"***Costs of Acquisition and Construction***" means all items of expense directly or indirectly relating to the cost of the public infrastructure purposes (as such term is defined in the Enabling Act) and in a study prepared for the District as required by the Enabling Act.

"***Costs of Issuance***" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Bonds and the execution and delivery of the Indenture, the Standby Contribution Agreement and the Guaranty, 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 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, collectively, (i) the principal of and interest and premium, if any, on the Bonds, when due, (ii) expenses and costs of the District arising from the activities of the District relating to the administration of the Bonds, levy and collection of taxes for payment of the Bonds, annual audits, budgets, continuing disclosure or monitoring compliance with covenants and fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds and (iii) amounts due with regard to Rebate.

"***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.

"***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.

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

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

"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 nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

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

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

2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any paying agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;

3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and

5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in under the heading "Defeasance" below.

"***Permitted Investments***" means:

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

"***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.

"***Substitute Collateral***" means cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument acceptable to the Issuer that is issued or guaranteed by an entity with a long term obligation rating by S&P and Moody's of at least "A", deposited with the Trustee pursuant to the terms of the Standby Contribution Agreement.

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 and the Guaranty. The Trustee is required to hold all such property in trust for the benefit of all the Bondholders.

Funds

Bond Fund. There is created by the District and established with the Trustee, a special fund of the Issuer designated its "District Obligation Bonds, Series 2003 Bond Fund" (herein referred to as the "Bond Fund") and within the Bond Fund (1) a special account designated the "Series 2003 Tax Account", (2) a special account designated as the "Series 2003 Bond Proceeds Account", (3) a special account designated as the "Series 2003 Developer Payment Account" and (4) as and when applicable, a special account designated as the "Series 2003 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 2003 Tax Account, all amounts collected by or remitted to the District as ad valorem taxes to the extent provided in the Indenture, including collections of delinquent taxes;

(2) in the Series 2003 Bond Proceeds Account, the amount of accrued interest on the Bonds;

(3) in the Series 2003 Developer Payment Account, amounts received as described in (i) and (ii) below;

(4) in the Series 2003 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 2003 Tax Account plus the amount in the Series 2003 Bond Proceeds Account plus the amount in the Series 2003 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 2003 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 2003 Developer Reserve Account upon receipt all amounts paid to it by or on behalf of the Guarantor and constituting Indebtedness as provided for in the Guaranty, all amounts paid to it by the Developer and constituting substitute collateral as provided for in Section 2.1(E)(ii) of the Standby Contribution Agreement and all amounts paid to it by or on behalf of the Developer constituting the Redemption Price for Bonds as provided for in the Indenture.

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

(1) Funds on deposit in the Series 2003 Tax Account, the Series 2003 Bond Proceeds Account and the Series 2003 Developer Payment Account, and the investment income attributable thereto, shall be applied solely to pay Debt Service on the Bonds on the dates due in the amounts and order described below under **"Application of Moneys Collected: Second."**

(2) To the extend funds on deposit in the Series 2003 Tax Account, the Series 2003 Bond proceeds Account and the Series 2003 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 2003 Developer Reserve Account, including any investment income attributable thereto, shall be transferred to the Series 2003 Developer Payment Account to pay Debt Service on the Bonds.

(3) Upon receipt of a Board Resolution and receipt of amounts constituting the Redemption Price of the Bonds, and deposit of such funds in the Series 2003 Developer Reserve Account, the Trustee shall provide notice of redemption to the Bondholders in the manner and as provided in Article 4 of this Indenture and thereafter transfer funds on deposit in the Series 2003 Developer Reserve Account to the Series 2003 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 2003 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2003 Developer Payment Account and, after disbursing from the Series 2003 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 2003 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 2003 Tax Account and the Series 2003 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, (or other Substitute Collateral) remaining on deposit in the Series 2003 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2003 Developer Payment Account and, after disbursing from the Series 2003 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 2003 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 March 1, 2006, such amounts shall be transferred by the Trustee to the Bond Fund. It is anticipated that the Costs of Acquisition will be paid out immediately after delivery of the Bonds.

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 Trust Indenture

The Trustee in its discretion, pursuant to the Indenture, may proceed to protect and enforce its rights and the rights of the Bondholders under the Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture or for the enforcement of any other 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 Bondholders. The Indenture provides that, in addition to all rights and remedies of any Bondholder provided therein, in the event the District defaults in the payment of the principal of (or 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 or in the Guaranty, 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, the Standby Contribution Agreement or in the Guaranty. 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 Bondholders and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally. See "RISK FACTORS." Furthermore, upon any default under the Standby Contribution Agreement or the Guaranty, 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 or the Guaranty."

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 Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any) and interest and, in addition thereto, such further amount as 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 Holders 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 Holders of the Bonds.

Application of Money Collected

Any money collected by the Trustee pursuant to the "**Remedies under the Trust Indenture**" above, together with any other sums then held by the Trustee as part of the Trust Estate, will be applied 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 Bondholders

The Holders 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/or the Guaranty; 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, the Standby Contribution or the Guaranty,

   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 Holders not taking part in such direction, and

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

Before taking action pursuant to the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability 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.

Each Holder 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 Bondholder, or group of Bondholders of the series affected thereby, holding in the aggregate more than ten percent in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the redemption date of such Bond).

Supplemental Indentures

Without the consent of the Holders of any Bonds and, under certain circumstances described in the Indenture, the 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 or the Guaranty (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, the Standby Contribution Agreement, the Payment Agreement or the Depository Agreement; (iv) to add to the covenants of the District for the benefit of the Holders of all the Bonds; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Guaranty 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 Bondholders.

With the consent of the Holders of not less than a majority in principal amount of the Bonds affected by such supplemental Indenture and, under certain circumstances described in the Indenture, the District and the Trustee may also enter into indentures supplemental to the Indenture or resolutions amending the Bond Resolution, the Standby Contribution Agreement or the Guaranty 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 Bondholders under the Indenture or the Bond Resolution, the Standby Contribution Agreement or the Guaranty. However, no supplemental indenture or amending resolution, without the consent of the Holder of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) change the Stated Maturity of the principal of, or 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 Holders of which is required for any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Guaranty, or the consent of Holders 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 Holders of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Guaranty, and any such determination will be conclusive upon each Bondholder, whether theretofore or thereafter authenticated and delivered under the Trust 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 or the Guaranty are 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 Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, 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 Bondholders pursuant to the Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

6. the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, 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 Town of Buckeye, 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 Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District.

If at any time:

1. the Trustee ceases to be eligible under the Indenture and fails to resign after written request therefor by the District or any such Bondholder, or

2. the Trustee becomes incapable of acting or adjudged insolvent or a receiver of the Trustee or of its property is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in any such case, the District may remove the Trustee.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor 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 Bondholders. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor 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 Bondholders and has accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Defeasance

The Indenture, and the lien, rights, and interests created thereby, will terminate, at the request of the District, when 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 Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction;

   c. Bonds, other than those referred to in the foregoing clauses, for the payment or redemption 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 Trustee is required to select the Outstanding Bonds with respect to which such deposit is made in the same manner as provided in the Trust 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 Trust Indenture, unless made with respect to all of the Bonds then Outstanding, and (ii) unless there is delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose is required to be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, is required to be disbursed solely to pay the principal of and interest on such Bonds when due.

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 for any subsequent Fiscal Year 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.

Release of the Guaranty

The Guaranty shall be released by the District upon receipt of proof of satisfaction of each of the following conditions:

A. The deposit and receipt of Substitute Collateral, in form and substance as approved by the District, and upon expiration of any applicable bankruptcy preference periods, as provided for in Sections 2.1(E)(ii)(2) or 2.1(G) of the Standby Contribution Agreement; or

B. The release of the Standby Contribution Agreement or the occurrence of any event or circumstance that would require the release of the Standby Contribution Agreement as described under "Release of Standby Contribution Agreement" above.

Upon release by the District of the Guaranty, the District shall so direct the Trustee to release the Guaranty. Upon receipt of such direction from the District, the Trustee shall release the Guaranty whereupon the Guarantor shall have no further obligations thereunder.

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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 2003

At your request we have examined the official proceedings leading to the issuance of $_____ aggregate principal amount of District General Obligation Bonds, Series 2003, dated April 1, 2003, 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. 2003-_____, passed and adopted by the District Board on March 26, 2003 (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

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 April ___, 2003 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

FINANCIAL STATEMENTS OF THE DEVELOPER

These financial statements of the Developer are the most recent quarterly unaudited financial statements (excluding footnotes).

DMB White Tank, LLC
Balance Sheet
Unaudited
December 31, 2002

ASSETS

Cash	$	1,925
Accounts receivable		71,430
Related party receivable		(619)
Receivable - District Core		1,436,497
Prepaid expenses		147,390
Real estate under development		73,007,479
Property and equipment, net		110,934
Investments		96,000
Total assets	$	74,871,037

LIABILITIES AND MEMBER'S EQUITY

Accounts payable	$	1,375,181
Accrued liabilities		54,143
Retention payable		477,714
Related party payable		425,211
Notes payable		14,546,575
Total liabilities	$	16,878,824
Member's equity	$	62,455,415
Retained earnings		6,527
Net income		(4,469,729)
Total member's equity	$	57,992,213
Total liabilities and member's equity	$	74,871,037

DMB White Tank, LLC
Income Statement
Unaudited
For the year ended December 31, 2002

REVENUES		
Land	$	375,000
Other Income		8,461
Total revenue	$	383,461
COST OF SALES		
Land - Cost Of Sales		225,000
Total cost of sales	$	225,000
EXPENSES		
General & administrative		3,748,820
Marketing		879,370
Total expenses	$	4,628,190
Net income (loss)	$	(4,469,729)

DMB White Tank, LLC
Statement of Changes in Members' Equity
Unaudited
For the year ended December 31, 2002

Balance at December 31, 2001	$ 21,232,892
Contributions	41,229,050
Distributions	-
Net income/(loss)	(4,469,729)
Balance at December 31, 2002	$ 57,992,213

DMB White Tank LLC
Statement of Cash Flows
Unaudited
For the year ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITES		
Net income (loss)	$	(4,469,729)
Adjustments to reconcile net income (loss) to net cash:		
(Increase) decrease in assets:		
Accounts receivable	$	(68,909)
Related party receivables		(1,435,618)
Prepaid expenses		(102,390)
Real estate under development		(51,508,172)
Increase (decrease) in liabilities:		
Accounts payable		1,044,265
Accrued liabilities		53,809
Retention payable		464,682
Related party payable		282,350
Net cash (used) provided by operating activites	$	(55,739,711)
CASH FLOWS FROM INVESTING ACTIVITES		
Furniture, fixtures and equipment	$	(35,378)
Net cash (used) provided by investing activities	$	(35,378)
CASH FLOWS FROM FINANCING ACTIVITES		
Notes payable	$	14,546,575
Members' equity		41,229,050
Net cash (used) provided by financing activities	$	55,775,625
Net increase (decrease) in cash and cash equivalents	$	536
Cash and cash equivalents at beginning of period	$	1,389
Cash and cash equivalents at end of period	$	1,925

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APPENDIX F

CERTAIN ANNUAL FINANCIAL STATEMENTS OF THE GUARANTOR

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McGLADREY & PULLEN, LLP
Certified Public Accountants

RSM
International

INDEPENDENT AUDITOR'S REPORT

To the General Partner
ABD Investments Limited Partnership
and Subsidiary
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheet of ABD Investments Limited Partnership and Subsidiary as of December 31, 2002 and the related consolidated statements of operations, comprehensive income, partners' capital and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABD Investments Limited Partnership and Subsidiary as of December 31, 2002 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Phoenix, Arizona
February 27, 2003

3200 North Central Avenue, Suite 700
Phoenix, Arizona 85012-2427
(602) 264-1284 • Fax (602) 266-3538
www.mcgladrey.com

McGladrey & Pullen, LLP is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Balance Sheet
December 31, 2002

Assets

Cash and cash equivalents	$ 934,820
Restricted cash (Note 4)	10,449,117
Receivable from related party (Note 6)	70,000,000
Dividend receivable (Note 3)	3,150,000
Marketable securities, at market (Note 3)	469,400,000
Notes receivable from related parties (Note 5)	37,482,179
Receivable for loaned securities (Note 4)	980,351,498
Total assets	$ 1,571,767,614

Liabilities and Partners' Capital

Accounts payable	$ 80,900
Accrued interest payable (Notes 4 and 6)	6,816,649
Payable to related party	2,063,748
Bank lines of credit (Note 6)	298,000,000
Payable related to loaned securities (Note 4)	974,695,337
Total liabilities	1,281,656,634
Commitments and Contingencies (Note 8)	
Partners' Capital:	
General partners	2,134,596
Limited partners	177,664,895
Accumulated other comprehensive income	110,311,489
Total partners' capital	290,110,980
Total liabilities and partners' capital	$ 1,571,767,614

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

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Statement of Operations and Comprehensive Income
Year Ended December 31, 2002

Income:	
Dividend income (Note 3)	$ 12,600,000
Interest income (Notes 4 and 5)	21,484,578
Total income	34,084,578
Expenses:	
Interest expense (Note 4)	27,390,751
Administrative expenses	44,388
Total expenses	27,435,139
Net Income	6,649,439
Other Comprehensive Expense:	
Unrealized loss on marketable securities	(128,000,000)
Changes in unrealized gain on interest rate swap, net	8,572,478
Comprehensive loss	$ (112,778,083)

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

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Statement of Changes in Partners' Capital
Year Ended December 31, 2002

	General Partners	Limited Partners	Accumulated Other Comprehensive Income	Total Partners' Capital
Balance, December 31, 2001	$ 2,168,102	$ 180,981,950	$ 229,739,011	$ 412,889,063
Distributions to partners	(100,000)	(9,900,000)	-	(10,000,000)
Net income	66,494	6,582,945	-	6,649,439
Unrealized loss on marketable Securities	-	-	(128,000,000)	(128,000,000)
Recognition of interest rate swap	-	-	8,572,478	8,572,478
Balance, December 31, 2002	$ 2,134,596	$ 177,664,895	$ 110,311,489	$ 290,110,980

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

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended December 31, 2002

Cash Flows From Operating Activities:		
Net income	$	6,649,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest expense added to principal		700,297
Accrued interest payable		(4,781,101)
Net cash provided by operating activities		2,568,635
Cash Flows From Investing Activities:		
Collection of notes receivable from related parties, net		164,821,826
Net cash provided by investing activities		164,821,826
Cash Flows From Financing Activities:		
Payments on bank lines of credit, net		(160,000,000)
Distributions to partners		(10,000,000)
Increase in payable to related party		2,063,748
Net cash used in financing activities		(167,936,252)
Net Decrease in Cash and Cash Equivalents		(545,791)
Cash and Cash Equivalents, beginning of year		1,480,611
Cash and Cash Equivalents, end of year	$	934,820
Supplemental Disclosures:		
Interest paid	$	18,611,658
Supplemental Schedule of noncash investing and financing activities:		
Unrealized loss on marketable securities	$	(128,000,000)
Change in unrealized loss on interest swap		8,572,478
Increase in loan of secured Treasury Strips related to:		
Purchase of Treasury Strips	$	412,816,875
Unrestrict cash		4,563,765
Capitalized interest		700,297
	$	418,080,937

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

1. Organization

ABD Investments Limited Partnership (the Partnership), an Arizona limited partnership, was formed on August 27, 1993, for the purpose of investing partnership funds in stock, partnership interests, tangible and intangible assets, including real and personal property, and to acquire, hold, maintain, improve, finance or otherwise deal with such assets and engage in any other activity permitted under Arizona law. The Partnership was capitalized on March 31, 1994, through the contribution of shares of common stock of a publicly traded company. The Partnership will expire December 31, 2050, or sooner, in accordance with the terms of the Partnership Agreement.

The Partnership Agreement provides for allocation of profits and losses and distributions among its partners as follows:

Profits and Losses - Profits and losses are allocated to the partners in proportion to their percentage interests, subject to special allocations as defined in the Partnership Agreement.

Distributions - Distributions of net cash flows, if any, as defined in the Partnership Agreement, shall be paid to the partners on the last day of each calendar year in proportion to their percentage interests.

ABD Investments II LLC (ABD II), a single member LLC and wholly owned subsidiary of ABD Investments Limited Partnership, was formed on September 5, 1999, for the purpose of providing certain financial assurances for a related party land acquisition.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and ABD II. All related intercompany accounts and transactions have been eliminated in consolidation.

b. Cash and Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. The Partnership had approximately $10.4 million in restricted cash at December 31, 2002 (see Note 4). The Partnership maintains its cash in three institutions. The amount on deposit at December 31, 2002 exceeded the insurance limits of the Federal Deposit Insurance Corporation.

c. Notes Receivable

Notes receivables are carried at an amount equal to the outstanding note balance less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts through the identification of troubled accounts. Notes receivables are written off when deemed uncollectible. Recoveries of notes receivable previously written off are recorded when received.

Interest is charged on notes receivables and is recognized as it is charged. After the receivable becomes past due, it is on nonaccrual status and accrual of interest is suspended.

d. Marketable Securities

Marketable securities at December 31, 2002, consist of 20 million shares of a publicly traded corporation. These securities have been classified as available-for-sale in accordance with Statement of Financial Accounting Standard (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and are recorded at their market value at December 31, 2002.

Unrealized gains and losses on available-for-sale securities are reflected as a separate component of partners' capital in the accompanying financial statements.

e. Income Recognition

Dividend income is recognized on the declaration date of the dividends. Interest income is recognized when earned.

f. Administrative Expenses

Administrative expenses include bank fees, legal costs, and other expenses associated with the documentation and consummation of the Partnership's transactions with related parties. Management services, including due diligence on the approval of advances to related parties and other expenses associated therewith, are provided by related parties at no charge to the Partnership.

g. Fair Value of Financial Instruments

The estimated fair value of financial instruments is determined by the Partnership using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Partnership could realize in a current market exchange. The carrying amount of cash and cash equivalents approximates fair value due to its short-term nature. Restricted cash approximates fair value due to its nature and restriction of use. Marketable securities are recorded at their fair value based on quoted market prices for those securities. The carrying amount of debt outstanding, and related accrued interest payable under the Partnership's lines of credit approximates fair value as interest rates on these amounts approximate current interest rates offered to the Partnership for debt with similar terms and remaining maturities. Notes receivable, receivable from related party, and related accrued interest receivable from related parties are valued based on discounted cash flows whereby the fair value approximates the current value.

h. Concentration of Credit Risk

Financial instruments which potentially expose the Partnership to concentrations of credit risk, as defined by SFAS No. 105, *Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*, consist primarily of marketable securities and notes receivable from related parties. The Partnership's marketable securities are concentrated in the common stock of one publicly traded corporation. The Partnership's notes receivable from related parties are with three separate, but affiliated, companies or partnerships. The underlying collateral securing the notes receivable consists primarily of real estate properties and projects under development in Arizona and California.

i. Use of Estimates

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

j. New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*" (FIN 46). This interpretation clarifies existing accounting principles related to the preparation of consolidated financial statements when the equity investors in an entity do not have the characteristics of a controlling financial interest or when the equity at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 requires an entity to evaluate all existing arrangements to identify situations where the entity has a "variable interest" (commonly evidenced by a guarantee arrangement or other commitment to provide financial support) in a "variable interest entity" (commonly a thinly capitalized entity) and further determine when such variable interests requires an entity to consolidate the variable interest entities' financial statement with its own. The Partnership is required to perform this assessment by December 31, 2004 and consolidate any variable interest entities for which it will absorb a majority of the entities' expected losses or receive a majority of the expected residual gains.

While management has not yet completed its evaluation of the requirements of FIN 46, management believes it is reasonably possible the Partnership will consolidate or be required to provide certain additional disclosures about several entities related through common ownership when FIN 46 becomes effective. The Partnership has notes receivable (Note 5) and debt guarantees (Note 8) which may qualify as a variable interest. The income tax returns and financial statements of all these entities for the year ended December 31, 2002 are currently not available; however, unaudited financial information based on available income tax returns for the year ended December 31, 2001 included the following:

Gross revenues	$ 17,408,297
Net loss	$ (2,600,000)
Assets, primarily land, land development, and cash surrender value of life insurance policies	$ 166,355,610
Liabilities, primarily mortgage notes payable and nonrecourse loans	$ 74,011,528
Equity	$ 92,344,082

When FIN 46 becomes effective, the net amount that may be added to the Partnership's balance sheet may either be reported as the cumulative effect of an accounting change, or by restating previously issued financial statements with a cumulative-effect adjustment as of the beginning of the first year restated. Since the Partnership is not required to restate its financial statements, it does not intend to do so.

The impact that adoption of FIN 46 may have on the Partnership's financial statements is currently not known.

The FASB issued FASB Interpretation No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*" (FIN 45). This interpretation clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing certain guarantees. It also elaborates on the disclosures in FASB Statement No. 5, "*Accounting for Contingencies*", which are to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued, even when the likelihood of making any payments under the guarantees is remote. The Interpretation's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002, and are applicable to all guarantees issued by the guarantor subject to the Interpretation's scope, including guarantees issued prior to the issuance of the Interpretation.

The initial recognition and measurement provisions of the Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The guarantor's previous accounting for guarantee's issued prior to the date of the Interpretation's initial application should not be revised or restated.

3. Marketable Securities

Marketable securities consist of the following:

	Agreed Upon Value on the Date of Contribution	Unrealized Gain / Realized (Loss)	Market Value
Common stock of a publicly traded Corporation	$ 358,875,000	$ 110,525,000	$ 469,400,000

The publicly traded common stock has been pledged as collateral for the lines of credit discussed in Note 6. Unrealized gains (losses) are reflected as a separate component of partners' capital in the accompanying financial statements. The agreed upon value on the date of contribution represents the market value of common stock contributed on March 31, 1994.

The publicly traded corporation declared a $0.1575 per share dividend on November 21, 2002, payable January 31, 2003. The Partnership also received three other dividend payments of $0.1575 per share during the year ended December 31, 2002.

4. Securities Loan

During 2002, the Partnership entered into a secured lending transaction whereby it borrowed approximately $971 million to purchase Treasury Strips (T-Strips) with a face value of $1 billion and maturity dates of February 15, 2004, May 15, 2004, and November 14, 2004. As collateral, the lender required the Partnership to deposit approximately $10 million in an escrow account for the lender's benefit. This amount is classified as restricted cash in the accompanying consolidated balance sheet. The Partnership executed a Master Securities Lending Agreement (MSLA) and subsequently lent the T-strips to a dealer in return for cash collateral equal to their fair value. The Partnership used the cash collateral to extinguish its initial borrowing. Pursuant to the MSLA, the dealer must return the T-Strips to the Partnership one day prior to maturity. The Partnership is required to accrue interest expense for book purposes at floating rates equal to 15 basis points over 1-month Libor with certain ceiling and floor limits, due at maturity. The Partnership is accruing interest income on the loan at the applicable rate. At loan maturity, the dealer is obligated to return the T-Strips to the Partnership and the Partnership is obligated to return the cash collateral to the dealer. The Partnership intends to use the cash proceeds from the sale of the T-Strips and associated accrued income to repay the cash collateral and cash collateral fee.

5. Notes Receivable from Related Parties

The Partnership has entered into several loan agreements and future funding commitments with related parties (the Borrowers) for the purpose of advancing the Borrowers funds used to invest in various ventures that are generally in the commercial and residential real estate market. All notes receivable mature on December 31, 2005 and have been recorded at their book value. A summary of the commitment amounts and the amounts outstanding under the loan agreements as of December 31, 2002 are as follows:

Related Party	Commitment Amount	Outstanding Balance
Entities related to the limited partner	$ 130,000,000	$ 15,827,169
An entity related to the general partner	30,000,000	18,735,533
The managing general partner	10,000,000	2,919,477
	$ 170,000,000	$ 37,482,179

Generally, the terms of the loan agreements with the Borrowers provide for multiple advances up to a committed maximum. Funds advanced are used to make capital contributions in newly formed ventures or to fund the cost of assets to be acquired by the Borrowers. All loans are approved in advance by the Partnership and are collateralized by the Borrower's interest in the underlying assets. In addition, certain cross collateralization agreements are in place that require certain principals of the Borrowers to fund any shortfalls should the cash flows from the underlying collateral be insufficient to pay back the related notes receivable. Principal and interest are due quarterly in an amount equal to the net cash flow, if any, as defined in the loan agreements, or at maturity. Interest accrues at a rate equal to the greater of 0.5% in excess of the monthly weighted average cost of funds to the Partnership or the short-term applicable federal rate as defined in the loan agreements. Interest income related to these notes receivable totaled $3,430,148 for the year ended December 31, 2002.

The general partner of the Partnership has also entered into loan agreements with certain related party entities and partnerships listed above. All loans of the general partner are collateralized by certain of the Borrower's interest in the underlying assets. The general partner's interest ranks pari passu with the interests of the Partnership.

6. Bank Lines of Credit

The Partnership finances its investments, consisting mainly of notes receivable from related parties, through dividends received and lines of credit with unrelated banking institutions. Funds are drawn on the lines of credit and advanced to the related party companies and partnerships pursuant to the terms of certain loan agreements described in Note 5. The amounts outstanding under the lines of credit at December 31, 2002, was $299,774,527 including accrued interest. At December 31, 2002, the interest rates on the lines of credit ranged from 1.90% to 2.50%. The lines mature on July 31, 2004 and March 31, 2005. At December 31, 2002, the lines of credit provided for a maximum commitment of $345,000,000 subject to adequate collateralization. Draws under the lines of credit are collateralized by the shares of common stock of a publicly traded corporation (see Note 3) pledged by the Partnership and certain shares of the general partner and are limited to 60% of the then current market value of the pledged securities. The lines of credit are subject to certain non-financial covenants as well as a net worth covenant of the general partner.

The general partner is a co-borrower under one of the lines of credit referenced above. The obligations of both borrowers under this loan agreement are joint and several, thus, amounts advanced are deemed to be advanced to both borrowers. Therefore, the Partnership has recorded a receivable from the general partner as well as a liability for the outstanding balance under the line of credit.

The Partnership has one interest rate swap agreement with a commercial bank, with a notional amount of $100,000,000, to reduce the impact of changes in interest rates on its floating rate lines of credit. At December 31, 2002, the interest rate swap agreement effectively changed the Partnership's interest rate exposure on $100,000,000 of debt to a fixed rate of 6.198%. The interest rate swap agreement matures in January 2003. The Partnership is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements. However, the Partnership does not anticipate nonperformance by the counterparty. The estimated liability related to the interest rate swaps at December 31, 2002 was $985,111. This amount is included in accrued interest payable in the accompanying balance sheet.

The general partner of the Partnership acts as the guarantor under the terms of the line of credit agreements and the trustee of the general partner is a co-borrower.

7. Income Taxes

The Partnership is not directly subject to income taxes; rather, each partner is subject to income taxes on their distributable share of taxable income. Accordingly, the Partnership has not recorded a provision for income taxes in the accompanying statements of income and comprehensive income for the year ended December 31, 2002.

8. Commitments and Contingencies

ABD II has guaranteed up to $10 million for certain performance obligations of a related party related to a land development in Arizona. As part of the guarantee, ABD II must maintain a minimum tangible net worth of $10 million. The Partnership was in compliance with this covenant at December 31, 2002. For the benefit of this land development, Verrado District I community facilities district is contemplating issuance of $24,000,000 in general obligation bonds in the second quarter of 2003. If issued, the Partnership anticipates executing an agreement that would guarantee the related party's obligation related to this transaction.

The Partnership is a co-guarantor on a loan with a maximum borrowing amount of $30,000,000. The loan matures September 3, 2005. The guarantee agreement states the guarantor's obligation shall not exceed $19,000,000.

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

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

DTC 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 Notes Exchange Population Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Notes Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchase of Bonds under the DTC system must be made by or through Direct Participants, which 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 and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of 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 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 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.

Neither DTC or Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as the book-entry system is in effect, payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. 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 or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the District, 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.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; THE GIVING OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS UNDER THE RESOLUTIONS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A HOLDER.

So long as the book-entry-only system is in operation, principal of, the Redemption Price for and premium, if any, and interest on the Bonds will be payable by the District to DTC, which organization consequently bears sole responsibility for remitting such amounts to its DTC Participants for subsequent disbursement to the Beneficial Owners.

For every transfer and exchange of a beneficial ownership interest in the Bonds, DTC may charge to the DTC Participants and the DTC Participants may charge to Beneficial Owners, a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

In the event the District determines not to continue that DTC book-entry-only system or DTC determines to discontinue providing its services with respect to the Bonds and the District does not select another qualified securities depository, the District will deliver one or more Bond

certificates in such principal amount or amounts, in denominations of $100,000 and any integral multiples of $100,000 thereof; provided, however, that the Bank may be transferred and exchanged for Bonds by the denomination of $100,000 and integral multiples thereof upon evidence satisfactory to the Trustee that the Bonds have been rated investment grade by a Rating Agency and the Board has approved such change, and registered in whatever name or names, as DTC will designate. In such event, transfers and exchange of Bonds will be governed by the provisions of the Indenture.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of the beneficial ownership interests in the Notes and other related transactions by and between DTC, the DTC Participants and Beneficial Owners are based solely on the understanding of the District of such procedures and recording keeping, based on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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APPENDIX H

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF APRIL 1, 2003

BY AND AMONG

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

DMB WHITE TANK, LLC

AND

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

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This **STANDBY CONTRIBUTION AGREEMENT**, dated as of April 1, 2003, 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 Arizona, N.A., as trustee (the "*Trustee*") under that certain Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the "*Indenture*").

RECITALS

A. The Issuer is issuing its District General Obligation Bonds, Series 2003 in the aggregate principal amount of $24,000,000 (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, Amended and Restated as of March 4, 2003, presented to and approved by the Board on March 4, 2003 (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 the Guaranty, of even date herewith, by and among ABD Investments Limited Partnership (the "*Guarantor*"), the District and the Trustee (the "*Guaranty*"), the Guarantor, as an affiliate of the Developer, has agreed to guarantee to the District and the Trustee the full and prompt payment of the Indebtedness (as such term is defined in the Guaranty).

E. 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.

F. 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 North 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 S4101-080, 100 West Washington Street, 8th 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 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: John Bradley, Vice President, with copies to DMB Associates, Inc., 7600 East 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 for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the 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, 2004 and July 15, 2004 that has been funded from the proceeds of the Bonds and deposited in the Series 2003 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, 2004, 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 with the exception, if applicable, of Substitute Collateral (as defined hereafter) approved by the Issuer in a form other than cash as referenced in Section 2.1(E)(ii)(2).

(D) For the purpose of calculating the amounts due from the Developer hereunder, tax collections shall be allocated first to the payment of Debt Service.

(E) (i) At all times prior to the termination of this Standby Contribution Agreement, the Developer shall cause to be provided to the Issuer's Representative, the Issuer and the Trustee, as applicable, each Audited Financial Statements, Auditor's Opinion, Certificate, Auditor's Letter, Internal Financial Statements (as such terms are defined in the Guaranty) and other deliveries as provided for in Section 15 of the Guaranty.

(ii) At any time prior to the termination of this Standby Contribution Agreement:

(1) If, on or prior to the date that is ten (10) days prior to the date on which any Guarantor Audited Financial Statements, Auditor's Opinion or Auditor's Letter is due, (x) the Developer and the Guarantor have provided notice to the Issuer and the Trustee that such information will not be timely made available or provided, as applicable, stating the reasons therefore, which reasons must be circumstances or conditions outside the reasonable control and contemplation of the Developer and the Guarantor, and (y) the managing partner of the Guarantor has delivered to the Issuer designee, the Issuer and the Trustee a Certificate, together with a completed Financial Covenant Calculations worksheet (the form of which is attached as Exhibit 1 to the Guaranty) and (if available) Internal Financial Statements for the fiscal year of the Guarantor then ended, stating that (i) the officer signing the Certificate on behalf of the managing partner has no knowledge of the occurrence of any Non-Payment Default (as defined in the Guaranty) or any other default under the Guaranty not heretofore reported and, if any Non-Payment Default has occurred and been remedied, stating in reasonable detail the facts with

respect thereto, and (ii) to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, the information contained in the Financial Covenant Calculations worksheet is accurate and, based on the Financial Covenants Calculations worksheet and any Internal Financial Statements then available, including the most recent Internal Financial Statements, the Guarantor is in compliance with the Financial Covenants as of the end of such fiscal year of the Guarantor (and, if applicable, any succeeding calendar months for which Internal Financial Statements are available), and (z) the Developer is not then in default under this Standby Contribution Agreement, including that the Developer shall have timely paid and deposited all sums payable by the Developer under this Standby Contribution Agreement, including all Annual Developer Payments and, if applicable, all December Developer Payments and/or June Developer Payments (and, at all times until full compliance with the requirements of the Guaranty in respect of the Audited Financial Statements, Auditor's Opinion and Auditor's Letter, as applicable, has been achieved, shall continue to timely pay and deposit all sums payable by the Developer under this Standby Contribution Agreement), then and in all such events, the Developer and the Guarantor shall have a reasonable period of time, not to exceed 60 days (which may be extended, at the sole discretion of the Issuer, for an additional 60 days), in which to cure such failure to timely provide any such Audited Financial Statement, Auditor's Opinion and/or Auditor's Letter, as applicable, provided that, in the event the Developer and the Guarantor thereafter fail to timely cure such failure to timely provide any such Audited Financial Statement, Auditor's Opinion and/or Auditor's Letter, the provisions of Section 2.1(E)(ii)(2) below shall control.

(2) Except as provided in Section 2.1(E)(ii)(1) above, if any Audited Financial Statements, any Auditor's Opinion, any Certificate, any Auditor's Letter or any Internal Financial Statements are not timely made available or provided (as applicable) to the Issuer designee, the Issuer and the Trustee as provided for in Section 15 of the Guaranty, and/or any Audited Financial Statement, Auditor's Opinion, Certificate, Auditor's Letter, Internal Financial Statements or Financial Covenant Calculations worksheet indicates that the Guarantor is not in compliance with the Financial Covenants described in Section 5 of the Guaranty, i.e., indicates that the Guarantor has failed to maintain the required minimum Net Worth or the required minimum Liquidity, then and in any such event, the Developer shall promptly cause to be deposited with Trustee and in all events within ten (10) days of the date on which performance was due or within ten (10) days of the occurrence of such circumstance or condition (as applicable), for deposit into the Series 2003 Developer Reserve Account of the Bond Fund, Substitute Collateral (as defined hereafter) in form and substance satisfactory to the Issuer, in an amount sufficient to pay the outstanding and unpaid principal, any premium and any accrued and unpaid interest with respect to the Bonds through the first optional call date of the Bonds. For purposes of this Standby Contribution Agreement, Substitute Collateral shall mean cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument acceptable to the Issuer that is issued or guaranteed by an entity with a long term obligation rating by S & P or Moody's of at least "A", and issued in the applicable amount necessary to redeem the Bonds on the first optional call date. Notwithstanding the foregoing, in the event that, at any time, the Internal Financial Statements or the Audited Financial Statements made available to the Issuer designee, as provided for in Section 15 of the Guaranty, indicate that the Guarantor was not in compliance with the Financial Covenants as of the last day of the reporting period covered by such Internal Financial Statements or Audited Financial Statements, as applicable, but the Certificate submitted by the

managing partner of the Guarantor includes an additional certification that, as of the last day of the calendar month immediately preceding the month in which the Certificate is submitted, the Guarantor is in compliance with the Financial Covenants and the Financial Covenants Calculations worksheet includes as an addendum Internal Financial Statements dated as of the end of the calendar month immediately preceding the calendar month in which such Financial Covenants Calculations worksheet is submitted indicating that the Guarantor is in compliance with the Financial Covenants, then and only in such event, the Developer shall not be required to deposit Substitute Collateral and no default shall have occurred under this Standby Contribution Agreement or the Guaranty unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before the date that is thirty (30) days following the date on which the Internal Financial Statements or Audited Financial Statements (as applicable) were required to be made available to the Issuer designee, audited financial statements prepared in accordance with GAAP for the reporting period that commenced as of the first day of the month following the reporting period covered by the most recent Audited Financial Statements made available to the Issuer designee in accordance with Section 15 of the Guaranty and that extends, in any instance where the Audited Financial Statements have indicated noncompliance with the Financial Covenants, through the last day of the third month of the then-current fiscal year of Guarantor, or, in any instance where the Internal Financial Statements have indicated noncompliance with the Financial Covenants, through last day of the seventh month of the then-current fiscal year of Guarantor, accompanied by an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date, whereupon the Issuer designee shall provide a statement to the Trustee advising the Trustee that such information has been provided and that such information indicates that the Guarantor is in compliance with the Financial Covenants as of the applicable date. By way of example, if the Guarantor's fiscal year is a calendar year and the Audited Financial Statements for the fiscal year 2004 are made available to the Issuer designee on April 30, 2005 and such Audited Financial Statements indicate that, as of the last day of the reporting period covered by the Audited Financial Statements (e.g., as of December 31, 2004), the Guarantor was not in compliance with the Financial Covenants but the Certificate concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an additional certification that, as of March 31, 2005, the Guarantor is in compliance with the Financial Covenants and the Financial Covenant Calculations worksheet concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an addendum consisting of the Guarantor's Internal Financial Statements as of March 31, 2005 that indicates compliance with the Financial Covenants, the Developer shall not be required to deposit substitute collateral and no default under this Standby Contribution Agreement or the Guaranty shall be deemed to have occurred unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before May 30, 2005, an audited financial statement of the Guarantor prepared in accordance with GAAP as of March 31, 2005 that indicates compliance with the Financial Covenants together with an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date. As a further example, if the Internal Financial Statements for the mid-year 2005 are made available to the Issuer designee on August 31, 2005 and such Internal Financial Statements indicate that, as

of the last day of the reporting period covered by the Internal Financial Statements (e.g., as of June 30, 2005), the Guarantor was not in compliance with the Financial Covenants but the Certificate concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an additional certification that, as of July 31, 2005, the Guarantor is in compliance with the Financial Covenants and the Financial Covenant Calculations worksheet concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an addendum consisting of the Guarantor's internal unaudited financial statements as of July 31, 2005 that indicates compliance with the Financial Covenants, the Developer shall not be required to deposit Substitute Collateral and no default under this Standby Contribution Agreement or the Guaranty shall be deemed to have occurred unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before September 30, 2005, audited financial statements of the Guarantor prepared in accordance with GAAP as of July 31, 2005 that indicates compliance with the Financial Covenants together with an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date. If the Developer is obligated to and fails to timely deposit Substitute Collateral as hereinbefore provided, a Non-Payment Default shall have occurred, whereupon the provisions of Section 2.4 shall apply. If the Developer is obligated to and timely deposits Substitute Collateral in the outstanding principal amount of the Bonds and all interest accruing through the first optional call date of the Bonds, in form and substance satisfactory to the Issuer, then and in such event, upon the deposit of such Substitute Collateral with the Trustee and expiration of any applicable bankruptcy preference periods, the Guaranty shall be released by the Issuer and the Guarantor shall have no further obligation in respect of the Indebtedness (nor shall the Guaranty be eligible to be thereafter utilized as security for the obligations of the Developer under this Standby Contribution Agreement).

(F) If any of the events or acts described in Section 7 of the Guaranty have occurred, the Guarantor shall be deemed to be in default under the Guaranty and the Developer shall be deemed to be in default under this Standby Contribution Agreement, whereupon the Developer and/or the Guarantor shall deposit with the Trustee the Redemption Price (as defined in the Indenture) required by Section 4.04 of the Indenture in order to provide for the special mandatory redemption of the Bonds.

(G) Provided the Developer and the Guarantor are not in default under this Standby Contribution Agreement or the Guaranty, at any time prior to the termination of this Standby Contribution Agreement, the Developer may provide notice to the Issuer designee, the Trustee and the Issuer that the Developer wishes to propose Substitute Collateral for the Guaranty in an amount sufficient to pay the outstanding and unpaid principal and any accrued and unpaid interest with respect to the Bonds through the first optional call date of the Bonds, whereupon, if the Issuer determines that the proposed Substitute Collateral, issued in favor of the Issuer and the Trustee is satisfactory, then and in such event, upon the deposit of such Substitute Collateral with the Trustee and expiration of any applicable bankruptcy preference periods, the Guaranty shall be released by the Issuer and the Guarantor shall have no further obligation with respect to the Indebtedness (nor shall the Guaranty be eligible to be thereafter utilized as security for the obligations of the Developer under this Standby Contribution Agreement).

(H) If a request is made by any Bondholder (as such term is defined in the Indenture) to the Trustee for copies of any or all of the information provided to the Issuer and the Trustee under Section 15 of the Guaranty or Section 2.1(E)(ii) of this Standby Contribution Agreement, then, at any time prior to the termination of this Standby Contribution Agreement, the Trustee shall, after confirming that the party requesting such information is a Bondholder, copy such request to the Developer whereupon the Developer shall cause the Guarantor to provide, or shall provide, copies of such information to such Bondholder as advised by the Trustee.

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 Article 5. 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 (A) any failure by the Developer to timely cause to be made available or provided the information required by Section 2.1(E)(i), as the time for such performance may be extended under the provisions of Section 2.1(E)(ii)(1), (B) any event described in Section 2.1(F), or (C) 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, including any amount the Developer is required to pay or cause to be paid or deposited with the Trustee under Section 2.1(E)(ii)(2), 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 (including the 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_____
_____, Manager

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

By_____

Its_____

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APPENDIX I

GUARANTY

This Guaranty, dated as of April 1, 2003, is made by ABD Investments Limited Partnership, an Arizona limited partnership (the **"Guarantor"**), for the benefit of Verrado District 1 Community Facility District (Town of Buckeye, Arizona) formerly known as Whitestone District 1 Community Facility District (Town of Buckeye, Arizona), an Arizona community facility district (with its participants, successors and assigns, referred to herein as the **"District"** or the **"Issuer"**) and Wells Fargo Bank Arizona N.A., in its capacity as trustee (the **"Trustee"**) under the terms and provisions of the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the **"Indenture"**).

RECITALS

A. The Issuer pursuant to Title 48, Chapter 4, Article 6 (the **"Enabling Act"**) and a bond resolution adopted by the board of directors of the Issuer on March 26, 2003 is or will be issuing general obligation bonds in the aggregate principal amount of approximately $24,000,000.00 which shall be known as the Verrado District 1 Community Facility District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (the **"Bonds"**) pursuant to the terms of the Indenture. The payment of principal, interest and all other amounts constituting Debt Service (as such term is defined in the Enabling Act) (collectively, the **"Debt Service Obligations"**) shall be funded by an ad valorem tax levied at a rate of not greater than $3.00 per $100 of secondary assessed value (the "**Maximum Tax Rate**") on all taxable property within the boundaries of the District. DMB White Tank, LLC, an Arizona limited liability company (**"Developer"**), is a beneficial owner of and is in the process of developing, a portion of the real property located within the District (the **"Property"**). The Issuer shall use the proceeds from the issuance of the Bonds to develop the public infrastructure within the District, thereby increasing the value of the Property.

B. The Issuer, Trustee and the Guarantor agree and acknowledge that tax proceeds generated by the levy and collection of the Maximum Tax Rate will not be sufficient to pay the Debt Service Obligations until and unless there is a significant increase in the secondary assessed valuation in the District.

C. The Developer has agreed to execute and deliver a Standby Contribution Agreement (the **"Contribution Agreement"**) under which Developer agrees to pay any shortfall that may occur between the tax proceeds generated by the levy of the Maximum Tax Rate and the Debt Service Obligations (the **"Shortfall"**) until such time as the Developer is released from such obligation under the Contribution Agreement. The Guarantor, as an Affiliate of the Developer, agrees that it is in the Guarantor's best interests to execute and deliver this Guaranty of Developer's obligations under the Contribution Agreement.

AGREEMENT

ACCORDINGLY, the Guarantor, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agrees as follows:

1. Recitals. The Guarantor acknowledges that the foregoing Recitals are true, accurate and incorporated into this Guaranty.

2. Definitions. As used herein, the following terms have the meanings set forth below:

"**Affiliate**" shall be defined as any person or entity controlling, controlled by or under common control with the Developer and/or the Guarantor.

"**Development**" shall be defined as any development project in respect of which there are Guaranteed Obligations (as such term in hereinafter defined), as reflected in the consolidated balance sheet of the Guarantor at any time or from time to time.

"**Liquidity**" shall be defined as the Qualifying Assets less the Qualifying Liabilities.

"**Net Worth**" shall be defined as "total assets" minus "total liabilities", as presented in the audited or unaudited consolidated balance sheet of the Guarantor or any Development (as applicable) and determined as of the end of the applicable period (e.g., the sixth month or the year).

"**Qualifying Assets**" shall be defined as all assets that can reasonably be converted into cash within one year from the date that is the last day of the applicable period (e.g., the sixth month or the year), as presented in the audited or unaudited (as applicable) consolidated balance sheet of the Guarantor,.

"**Qualifying Liabilities**" shall be defined as all liabilities that will mature or become due within one year from the date that is the last day of the applicable period (e.g., the sixth month or the year), as presented in the audited or unaudited (as applicable) consolidated balance sheet of the Guarantor.

"**Undercollateralized Obligations**" shall be defined as the sum of (i) the Bonds (including all outstanding principal in respect of the Bonds) and (ii) the total amount of all other debts, liabilities, loan agreements, funding commitments and obligations of the Guarantor, of every type and description but excluding the unfunded portion of any loan agreements or funding commitments with Affiliates, payment or funding of which is guaranteed by the Guarantor, whether such debt, liability, loan agreement, funding commitment or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several (the "**Guaranteed Obligations**"), provided that the Guaranteed Obligations in respect of any Development shall be included in the calculation of "Undercollateralized Obligations"

only if, and to the extent that, the total Guaranteed Obligations pertaining to any particular Development exceed 60% of the Net Worth of such Development. For example, if there were $35,000,000 in Guaranteed Obligations and $70,000,000 Net Worth in respect of a particular Development, then the resulting Guaranteed Obligations/Net Worth ratio would be 50%, i.e., less than the 60% Guaranteed Obligations/Net Worth ratio threshold, and the Guaranteed Obligations in respect of that Development would not be included in the calculation of "Undercollateralized Obligations". As a further example, if there were $50,000,000 in Guaranteed Obligations and $70,000,000 Net Worth in respect of a particular Development, then the resulting Guaranteed Obligations/Net Worth ratio would be approximately 71.4%, i.e., greater than the 60% Guaranteed Obligations/Net Worth ratio threshold, and the Guaranteed Obligations in respect of that Development would be included in the calculation of "Undercollateralized Obligations" to the extent that the total amount of the Guaranteed Obligations in respect of the Development were to exceed 60% of the Net Worth of the Development; i.e., [($50,000,000 total Guaranteed Obligations) - {60% ($70,000,000 Net Worth) = $42,000,000} = $8,000,000], meaning $8,000,000 in respect of the Development would be included in the calculation of "Undercollateralized Obligations". In addition, and notwithstanding the foregoing, for purposes of calculating the Net Worth of a particular Development, the Guarantor shall be entitled, at its option, to utilize the fair market value of the Development as determined by a "Qualifying Appraisal" as the value of the total assets of such Development on the applicable consolidated balance sheet. A "**Qualifying Appraisal**" shall mean an "as is" appraisal, dated no earlier than one year prior to the date of the certificate provided for in Section 15 below, that is completed by an MAI certified appraiser.

3. Indebtedness Guaranteed. The Guarantor hereby absolutely and unconditionally guarantees to the Issuer and the Trustee the full and prompt payment when due, whether at maturity or earlier by reason of mandatory redemption, acceleration or otherwise, of each and every other sum now or hereafter owing to the Issuer by the Developer under the Contribution Agreement, including but not limited to an amount equal to the Shortfall, in each case whether now existing or hereafter arising, whether absolute or contingent, primary or secondary, sole, joint, several or joint and several, secured or unsecured, and, in the instances provided for in the Indenture, the Contribution Agreement and Section 7 below, the principal amount of the Bonds and all interest with respect to the Bonds that is unpaid and accruing to the date of actual payment (all of said sums being hereinafter called the "**Indebtedness**").

4. Guarantor's Representations and Warranties. The Guarantor represents and warrants to the Issuer that (i) the Guarantor is an Arizona limited partnership, duly organized and existing, in good standing, and has full power and authority to make and deliver this Guaranty; (ii) the execution, delivery and performance of this Guaranty by the Guarantor has been duly authorized by all necessary action of its partners and does not and will not violate the provisions of, or constitute a default under, any presently applicable law or its organizational documents or any agreement presently binding on it; (iii) this Guaranty has been duly executed and delivered by an authorized representative of the Guarantor and constitutes its lawful, binding and legally enforceable obligation; and (iv) the authorization, execution, delivery and performance of this Guaranty does not require notification to, registration with, or consent or

approval by, any federal, state or local regulatory body or administrative agency. The Guarantor represents and warrants to the Issuer that the Guarantor has a direct and substantial economic interest in the Developer and expects to derive substantial benefits therefrom and from the issuance of the Bonds and any other transactions and events resulting in the creation of the Indebtedness guaranteed hereby, and that this Guaranty is given for a valid business purpose.

5. Financial Covenants. Until the obligations of the Developer under the Contribution Agreement have been fully satisfied and the Developer has been released from the Contribution Agreement pursuant to the terms of the Indenture and the Contribution Agreement, or until the Guarantor has been released from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement, the Guarantor shall comply with the following financial covenants (collectively, the "**Financial Covenants**"):

(i) The Guarantor shall have, at the time of execution of this Guaranty, a minimum Net Worth of $200,000,000; and

(ii) The Guarantor shall maintain, at all times, a minimum Net Worth of three (3) times the amount of the Undercollateralized Obligations and a minimum Liquidity of one and one-half (1.5) times the amount of the Undercollateralized Obligations.

6. Unconditional Nature. No act or thing need occur to establish the Guarantor's liability hereunder, and no act or thing, except full payment and discharge of all of the Indebtedness or the Developer being released from the Contribution Agreement pursuant to the terms of the Indenture and the Contribution Agreement, or the Guarantor being released from this Guaranty in the event Substitute Collateral (as defined in the Contribution Agreement) is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement, shall in any way exonerate the Guarantor hereunder or modify, reduce, limit or release the Guarantor's liability hereunder. This is an absolute and unconditional guaranty of payment of the Indebtedness.

7. Dissolution, Termination or Insolvency of Guarantor. The dissolution, termination or adjudication of bankruptcy of the Guarantor shall not affect the validity or binding nature of this Guaranty. Without limitation of the foregoing, if the Guarantor shall be dissolved, terminated or shall be or become insolvent (however defined), or if the Guarantor voluntarily commences or there is commenced involuntarily against the Guarantor a petition for receivership, an acknowledgement or claim of inability to pay debts or other obligations, or other proceeding pertaining to the actual or claimed insolvency of the Guarantor case under the United States Bankruptcy Code, the Guarantor acknowledges that the Guarantor shall be deemed in default of this Guaranty and the applicable provisions of the Contribution Agreement and Indenture shall apply, including that the Bonds be subject to special mandatory redemption.

8. Non-Compliance. In the event the Guarantor is not in compliance with the Financial Covenants or the Guarantor is not in compliance with the requirements described in Section 15 below (a "**Non-Payment Default**"), then and in any such event, the applicable provisions of the Contribution Agreement and Indenture shall control including, as applicable, that the Bonds be subject to special mandatory redemption if such Non-Payment Default is not

cured within the applicable cure periods or Substitute Collateral is not deposited with the Trustee.

9. Subrogation, etc. The Guarantor hereby waives all rights that the Guarantor may now have or hereafter acquire, whether by subrogation, contribution, reimbursement, recourse, exoneration, contract or otherwise, to recover from the Developer or from any property of the Developer any sums paid under this Guaranty until all of the Indebtedness shall have been fully paid and discharged. The Guarantor will not exercise or enforce any right of contribution to recover any such sums from any person who is a co-obligor with the Developer or a guarantor or surety of the Indebtedness or from any property of any such person until all of the Indebtedness shall have been fully paid and discharged.

10. Enforcement Expenses. The Guarantor will pay or reimburse the Issuer and the Trustee for all costs, expenses and attorneys' fees paid or incurred by the Issuer and the Trustee in endeavoring to collect and enforce the Indebtedness and in enforcing this Guaranty.

11. Issuer's and Trustee's Rights. The Issuer and the Trustee shall not be obligated by reason of its acceptance of this Guaranty to engage in any transactions with or for the Developer. Whether or not any existing relationship between the Guarantor and the Developer has been changed or ended, the Issuer and the Trustee may enter into transactions resulting in the creation or continuance of the Indebtedness and may otherwise agree, consent to or suffer the creation or continuance of any of the Indebtedness, without any consent or approval by the Guarantor and without any prior or subsequent notice to the Guarantor. The Guarantor's liability shall not be affected or impaired by any of the following acts or things (which the Issuer or Trustee are expressly authorized to do, omit or suffer from time to time, without consent or approval by or notice to the Guarantor): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all of the Indebtedness (except as provided for and expressly subject to the terms of the Contribution Agreement which permit the deposit of substitute collateral under certain circumstances); (ii) one or more extensions or renewals of the Indebtedness (whether or not for longer than the original period) or any modification of the interest rates, maturities, if any, or other contractual terms applicable to any of the Indebtedness or any amendment or modification of any of the terms or provisions of any agreement under which the Indebtedness or any part thereof arose; (iii) any waiver or indulgence granted to the Developer, any delay or lack of diligence in the enforcement of the Indebtedness or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any of the Indebtedness; (iv) any full or partial release of, compromise or settlement with, or agreement not to sue, the Developer or any guarantor or other person liable in respect of any of the Indebtedness; (v) any release, surrender, cancellation or other discharge of any evidence of the Indebtedness or the acceptance of any instrument in renewal or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff) for the Indebtedness, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to preserve, protect, insure, care for, exercise or enforce any collateral security; or any modification, alteration, substitution, exchange, surrender, cancellation, termination, release or other change, impairment, limitation, loss or discharge of any collateral security; (vii) any collection, sale, lease or disposition of, or any other foreclosure or enforcement of or realization on, any collateral security; (viii) any assignment, pledge or other transfer of any of the

Indebtedness or any evidence thereof; (ix) any manner, order or method of application of any payments or credits upon the Indebtedness; and (x) any election by the Issuer under Section 1111(b) of the United States Bankruptcy Code. The Guarantor waives any and all defenses and discharges available to a surety, guarantor or accommodation co-obligor.

12. Waivers by Guarantor. The Guarantor waives any and all defenses, claims, setoffs and discharges of the Developer, or any other obligor, pertaining to the Indebtedness, except the defense of discharge by payment in full of the Indebtedness (upon expiration of all bankruptcy preference periods as referenced in Section 13) or by the release of the Developer from the Contribution Agreement as provided for in the Indenture and the Contribution Agreement or by the release of the Guarantor from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement. Without limiting the generality of the foregoing, the Guarantor will not assert, plead or enforce against the Issuer or the Trustee any defense of waiver, release, discharge or disallowance in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to the Developer or any other person liable in respect of any of the Indebtedness, or any setoff available against the Issuer or the Trustee to the Developer or any other such person, whether or not on account of a related transaction, except discharge by payment in full of the Indebtedness (upon expiration of all bankruptcy preference periods as referenced in Section 13) or the release of the Developer from the Contribution Agreement as provided for in the Indenture and the Contribution Agreement or by the release of the Guarantor from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement. The Guarantor expressly agrees that the Guarantor shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Indebtedness, whether or not the liability of the Developer or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The liability of the Guarantor shall not be affected or impaired by (i) any voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the Developer's assets, (ii) the marshalling of the Developer's assets and liabilities, or (iii) the insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar event or proceeding affecting the Developer or any of its assets. The Guarantor will not assert, plead or enforce against the Issuer or the Trustee any claim, defense or setoff available to the Guarantor against the Developer. The Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment and protest of any instrument evidencing the Indebtedness. The Issuer shall not be required first to resort for payment of the Indebtedness to the Developer or other persons, or their properties, or first to enforce, realize upon or exhaust any collateral security for the Indebtedness, before enforcing this Guaranty. The Guarantor waives the benefits of Arizona Revised Statutes Sections 12-1641, 12-1642, 33-814 and 12-1566.

13. If Payments Set Aside, etc. If any payment applied by the Issuer or the Trustee to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Developer or any other obligor), the Indebtedness to which such payment was applied shall for the purpose of this Guaranty be deemed to have continued in existence, notwithstanding such

application, and this Guaranty shall be enforceable as to such Indebtedness as fully as if such application had never been made.

14. Additional Obligation of Guarantor. The Guarantor's liability under this Guaranty is in addition to and shall be cumulative with all other liabilities of the Guarantor to the Issuer as guarantor, surety, endorser, accommodation co-obligor or otherwise, of any of the Indebtedness, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

15. Financial Information. The Guarantor shall provide the following information, as described below, to the Issuer, Issuer designee and the Trustee (as applicable) and, in the event a request is made by any Bondholder (as such term is defined in the Indenture) to the Trustee, the Trustee shall, after confirming that the party requesting such information is a Bondholder, provide a copy of such request to the Guarantor whereupon the Guarantor shall provide copies of the information provided to the Issuer, Issuer designee and the Trustee to such Bondholder as advised by the Trustee.

(a) As soon as available, and in any event within 120 days after the end of each fiscal year of the Guarantor, the Guarantor shall provide notice to the Issuer designee that the Guarantor's audited annual financial statements (the "**Audited Financial Statements**") are available for review, which Audited Financial Statements shall include the Guarantor's balance sheet as of the end of such fiscal year and the related statements of the Guarantor's income, partner's capital and cash flows for the fiscal year then ended, shall be prepared in accordance with GAAP and shall be accompanied by the unqualified opinion of independent certified public accountants selected by the Guarantor and acceptable to the Issuer (the "**Auditor's Opinion**"), and shall thereafter make such Audited Financial Statements and Auditor's Opinion available to the Issuer designee. In addition, concurrent with the notice to the Issuer designee concerning the Audited Financial Statements, the managing partner of the Guarantor shall deliver to the Issuer designee, the Issuer and the Trustee a certificate ("**Certificate**") stating (i) whether or not the officer signing the Certificate on behalf of the managing partner has knowledge of the occurrence of any default under this Guaranty not heretofore reported and, if any such default has occurred and been remedied, stating in reasonable detail the facts with respect thereto, and (ii) that the information contained in the Financial Covenant Calculations worksheet (attached as Exhibit 1 to this Guaranty) is accurate to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner and, based on the Audited Financial Statements, Auditor's Opinion and the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, whether or not the Guarantor is in compliance with the Financial Covenants as of the end of such fiscal year. The Certificate shall be accompanied by a letter from the Guarantor's independent certified public accountants in substantially the form of Exhibit 2 to this Guaranty, enumerating certain procedures performed in respect of the Financial Covenant Calculations (the "**Auditor's Letter**").

(b) As soon as available, and in any event within 60 days after the last day of the sixth month (i.e., mid-year) of each fiscal year of the Guarantor, the Guarantor shall provide notice to the Issuer designee that the Guarantor's unaudited internal financial statements (the "**Internal Financial Statements**") are available for review, which Internal Financial

Statements shall include the Guarantor's internal balance sheet and related statements of income and partner's capital of the Guarantor as of the end of such month and for the year-to-date period then ended and shall be prepared in accordance with GAAP (excluding footnotes to financial statements and subject to year-end audit adjustments). In addition, concurrent with the notice to the Issuer designee concerning the Internal Financial Statements, the managing partner of the Guarantor shall deliver to the Issuer designee, the Issuer and the Trustee a Certificate stating (i) that the Internal Financial Statements made available to the Issuer designee have been prepared in accordance with GAAP subject to year-end audit adjustments, (ii) whether or not the officer signing the Certificate on behalf of the managing partner has knowledge of the occurrence of any default under this Guaranty not heretofore reported and, if any such default has occurred and been remedied, stating in reasonable detail the facts with respect thereto, and (iii) that the information contained in the Financial Covenant Calculations worksheet (attached as Exhibit 1 to this Guaranty) is accurate to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner and, based on the Internal Financial Statements and the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, whether or not the Guarantor is in compliance with the Financial Covenants as of the end of such year-to-date period.

16. No Duties Owed by Issuer. The Guarantor acknowledges and agrees that the Issuer and the Trustee (i) have not made any representations or warranties with respect to, (ii) do not assume any responsibility to the Guarantor for, and (iii) have no duty to provide information to the Guarantor regarding, the enforceability of any of the Indebtedness or the financial condition of the Developer or any guarantor. The Guarantor has independently determined the creditworthiness of the Developer and the enforceability of the Indebtedness and until the Indebtedness is paid in full will independently and without reliance on the Issuer continue to make such determinations.

17. Notice of Section 38-511, Arizona Revised Statutes, As Amended. The Issuer may, within three (3) years after its execution, cancel this Guaranty, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty on behalf of the Issuer is, at any time while this Guaranty 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 Guaranty and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty on behalf of the Issuer from any of the Trustee or the Developer arising as the result of this Guaranty. No person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty 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 Guaranty.

18. Miscellaneous. This Guaranty shall be effective upon delivery to the Issuer, without further act, condition or acceptance by the Issuer or the Trustee, shall be binding upon the Guarantor and the successors and assigns of the Guarantor and shall inure to the benefit of the Issuer and the Trustee and their participants, successors and assigns. Any invalidity or unenforceability of any provision or application of this Guaranty shall not affect other lawful

provisions and application thereof, and to this end the provisions of this Guaranty are declared to be severable. This Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Guarantor and the Issuer. This Guaranty shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Arizona. The Guarantor hereby (i) consents to the personal jurisdiction of the state and federal courts located in the State of Arizona in connection with any controversy related to this Guaranty; (ii) waives any argument that venue in any such forum is not convenient, (iii) agrees that any litigation initiated by the Issuer, the Trustee or the Guarantor in connection with this Guaranty may be venued in either the state or federal courts located in Maricopa County, Arizona; and (iv) agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

19. Waiver of Jury Trial. **THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, BASED ON OR PERTAINING TO THIS GUARANTY.**

IN WITNESS WHEREOF, this Guaranty has been duly executed by the Guarantor as of the date first written above.

ABD Investments Limited Partnership, an Arizona limited partnership

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

Name: _____
Title: _____

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 __ day of _____, 2003, by _____, 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)

_____
Notary Public

Exhibit 1
Financial Covenant Calculations
Reporting Period Ended: December 31, 2002

	Sample
Liquidity Test	
Liquidity	
Cash and Cash Equivalents	934,820
Receivable from Related Party	70,000,000
Dividend Receivable	3,150,000
Marketable Securities, at market	469,400,000
Qualifying Assets	543,484,820
Accounts Payable	80,900
Accrued Interest Payable	6,816,649
Payable to Related Party	2,063,748
Bank Lines of Credit	298,000,000
Qualifying Liabilities	306,961,297
Total Liquidity	236,523,523
Undercollateralized Obligations	
2003 Bonds	24,000,000
Other Undercollateralized Obligations (1)	15,989,200
Total Undercollateralized Obligations	39,989,200
Coverage Requirement	1.5
Liquidity Requirement	59,983,800
Liquidity Excess/(Shortfall)	176,539,723
Net Worth Test	
Total Assets	1,571,767,614
Less: Total Liabilities	1,281,656,634
Net Worth	290,110,980
Undercollateralized Obligations	
2003 Bonds	24,000,000
Other Undercollateralized Obligations (1)	15,989,200
Total Undercollateralized Obligations	39,989,200
Coverage Requirement	3.0
Net Worth Requirement	119,967,600
Net Worth Excess/(Shortfall)	170,143,380

(1) Detail of Other Undercollateralized Obligations

	Guaranteed Debt Obligation	Net Worth		Ratio	Undercollateralized Obligation
Project A	19,000,000	5,018,000	*	379%	15,989,200
Project B	10,000,000	57,992,213		17%	-
Project C	-	-		#DIV/0!	-
					15,989,200

* Includes Qualifying Appraisal

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Exhibit 2

SAMPLE

Verrado District 1 Community
Facilities District and
ABD Investments Limited Partnership

We have performed the procedures enumerated below, which were agreed to by the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) and the management of ABD Investments LP, an Arizona Limited Partnership solely to assist you in verifying the agreement of certain amounts and the mathematical accuracy of the attached Financial Covenant Calculations. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report was requested or for any other purpose.

The procedures performed and findings are as follows:

1. We compared the following amounts contained in the attached Financial Covenant Calculations schedule to the related amounts in the audited consolidated balance sheet of ABD Investments Limited Partnership and Subsidiary as of December 31, _____. No exceptions were noted.

Cash and Cash Equivalents	-
Receivable from Related Party	-
Dividend Receivable	-
Marketable Securities, at market	-
Accounts Payable	-
Accrued Interest Payable	-
Payable to Related Party	-
Bank Lines of Credit	-
Total Assets	-
Total Liabilities	-

2. We recalculated all amounts in the attached Financial Covenant Calculations schedule, as applicable, to check for mathematical accuracy. No exceptions were noted.

We were not engaged to, and did not make a determination as to whether the attached Financial Covenant Calculations were in accordance with the Guaranty Agreement dated _____, between _____ and _____, nor did we perform an audit on the attached Financial Covenant Calculations, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express

such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified parties listed above and is not intended to be and should not be used by anyone other then these specified parties.

Phoenix, Arizona
Day, Month , Year

RBC
Dain Rauscher

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. 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 law of such jurisdiction.

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED MARCH 28, 2003

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.

$24,000,000*
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT GENERAL OBLIGATION BONDS, SERIES 2003

DATED: April 1, 2003 **DUE: As shown below**

The Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 and integral multiples of $5,000 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, 2004 (each an "Interest Payment Date"). Except as otherwise described herein in APPENDIX G — "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, Arizona, N.A., as trustee (the "Trustee"). Except as otherwise described herein in APPENDIX G "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 April 1, 2003, 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 (1) 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 April 1, 2003, and (2) in the event of the Developer's non-performance under the Standby Contribution Agreement, certain amounts received pursuant to a Guaranty from ABD Investments Limited Partnership, an Arizona limited partnership (the "Guarantor"), dated as of April 1, 2003. See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement and Guaranty can be released under certain circumstances described under "SECURITY FOR AND SOURCES OF PAYMENT" and "RISK FACTORS" herein.)*

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, the Developer or the Guarantor are entering into continuing disclosure undertakings but certain limited information concerning the Guarantor provided to the District and the Trustee may be provided to Bondholders upon request.

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*

$24,000,000 % Term Bond due July 15, 2027
All Bonds Priced At 100.00%
(Plus accrued interest from April 1, 2003)

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 Original Purchaser by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, for the Developer by its counsel, Storey & Burnham PLC, Phoenix, Arizona and for the Guarantor by its counsel Storey & Burnham PLC, Phoenix, Arizona. It is expected that delivery of the Bonds in book-entry-only form will be made to Cede & Co. on or about April 16, 2003.

RBC DAIN RAUSCHER

April , 2003

*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 GUARANTY, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT, THE DEVELOPER, THE GUARANTOR 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, THE GUARANTY 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 "ORIGINAL PURCHASER") 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, THE GUARANTOR 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 ORIGINAL PURCHASER. 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 ORIGINAL PURCHASER 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, THE DEVELOPER OR THE GUARANTOR WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR WITH RESPECT TO THE GUARANTY 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 ORIGINAL PURCHASER 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 NOR THE GUARANTOR HAS COVENANTED TO PROVIDE CONTINUING DISCLOSURE PURSUANT TO AN EXEMPTION TO RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

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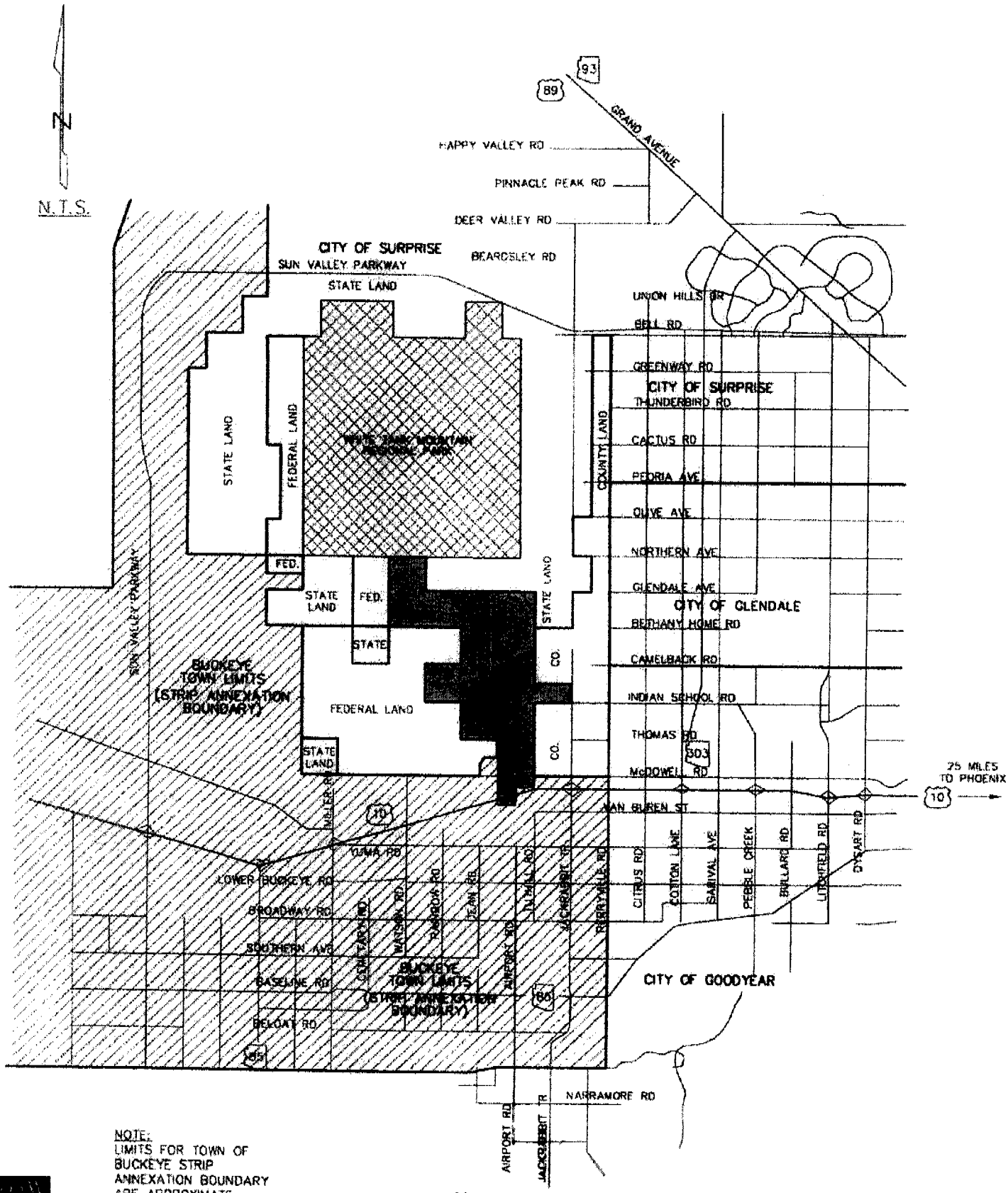
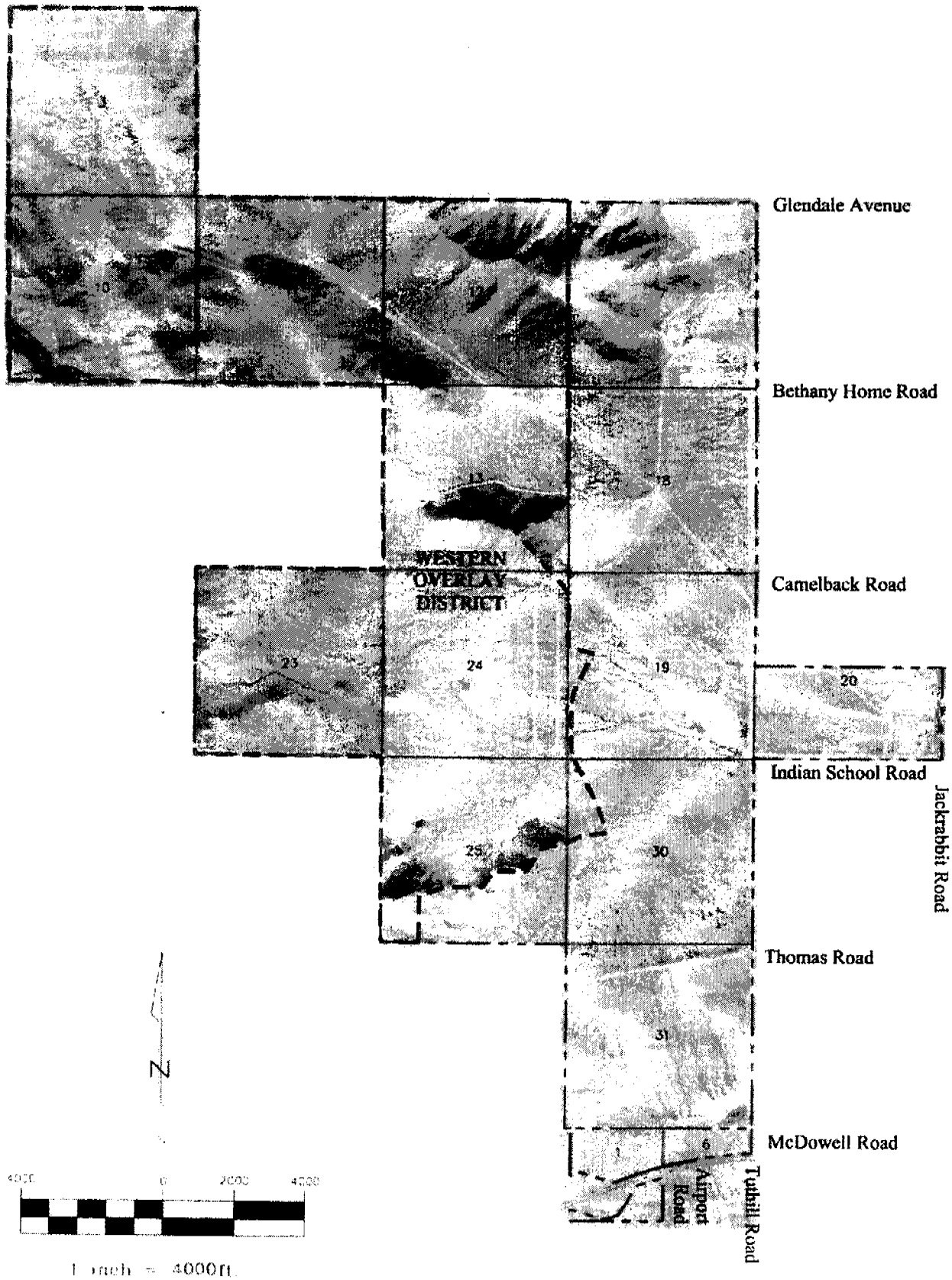


NOTE:
LIMITS FOR TOWN OF BUCKEYE STRIP ANNEXATION BOUNDARY ARE APPROXIMATE.

DMB

Figure 1
Regional Location Map
VERRADO
BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 285-5500



DMB

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

VERRADO

BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

$24,000,000*
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS,
SERIES 2003

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 2003 (the "Bonds"), in the aggregate principal amount of $24,000,000*. **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 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 and Guaranty. 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 2 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."

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* Preliminary, subject to change.

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 and Guaranty, to pay Debt Service with respect to the Bonds when due. **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 April 1, 2003 (the "Standby Contribution Agreement"), by and among the District, the Developer and Wells Fargo Bank Arizona, N.A., as trustee (the "Trustee"), and if payments are not made by the Developer, then with moneys, if any, from the Guaranty dated as of April 1, 2003, of ABD Investments Limited Partnership ("ABD" or the "Guarantor") 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 and the Guaranty are subject to release by the District under certain circumstances. See "SECURITY FOR AND SOURCES OF PAYMENT - The Standby Contribution Agreement" and APPENDIX H – "Form of Standby Contribution Agreement."

The Guaranty has been executed by the Guarantor in favor of the District and the Trustee. In the Guaranty, the Guarantor unconditionally guarantees the full and prompt payment by the Developer under the Standby Contribution Agreement. The Guarantor agrees to comply with certain financial covenants and to provide certain financial information until the termination of the Guaranty pursuant to its terms (see "SECURITY FOR AND SOURCES OF PAYMENT - the Guaranty" and APPENDIX I – "Form of Guaranty."

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

General; Initial Sale

Beneficial interests with respect to the Bonds are not being sold in a public offering for all purposes of, and as required by, the Act, but are being offered to, and may be purchased only by, Qualified Investors. As used herein, "*Qualified Investor*" means a "qualified institutional buyer" as 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 who purchases such an interest through a broker or from a dealer or municipal securities dealer (as those terms are defined in the Securities Exchange Act of 1934, as amended) (a "broker-dealer") and who is determined by the broker-dealer to be a "sophisticated municipal market professional" (as such term is interpreted by

and applied by the rules of the Municipal Securities Rulemaking Board) which is buying an interest of a principal amount of $100,000 or more. Qualified Investors must provide a qualified investor letter in the form set forth in Appendix D only in connection with investment as part of the initial sale and delivery of 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 a vote of the owners of land in the District at a special bond election held in and for the District on August 7, 2001 (the "Election"), pursuant to which 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 purposes within the District, including incidental costs and the costs of issuing bonds, and are issued pursuant to a resolution adopted by the Board on March 26, 2003 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (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, $76,000,000* 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 April 1, 2003, 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, 2004 (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 April 1, 2003, 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.

Redemption Provisions*

Optional Redemption. The Bonds are subject to redemption prior to maturity, at the option of the District, on or after July 15, ____, in whole or in part on any date, at the Redemption Price (expressed as a percentage of the principal amount of the Bonds or portion thereof being redeemed) set forth in the table below, plus accrued interest to the redemption date:

Redemption Period	Redemption Price
July 15, ____, and thereafter	

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:

* Preliminary, subject to change.

Term Bond Maturing – July 15, 2027

Year Redeemed	Principal Amount Redeemed
2009	$ 645,000
2010	685,000
2011	735,000
2012	785,000
2013	840,000
2014	900,000
2015	965,000
2016	1,030,000
2017	1,105,000
2018	1,180,000
2019	1,265,000
2020	1,350,000
2021	1,445,000
2022	1,550,000
2023	1,655,000
2024	1,770,000
2025	1,895,000
2026	2,030,000
2027	2,170,000

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 or the Guaranty. The Bonds are subject to special mandatory redemption in whole, at any time, in the event of a default under the terms of either the Standby Contribution Agreement or the Guaranty, upon payment by the Developer or Guarantor, as applicable, 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 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 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 H – "Form of Standby Contribution Agreement" below.

In the event the Developer fails to pay amounts due pursuant to the Standby Contribution Agreement, Debt Service with respect to the Bonds will also be payable from amounts paid to the Trustee at the times and for the period set forth in the Guaranty. See "The Guaranty" below and APPENDIX I – "Form of Guaranty".

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 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 one percent limitation, a tax equalization program has been instituted for school equalization purposes. This program requires the counties to levy a tax of $0.4889 per $100 of assessed value under the primary system.)

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.

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. The assessment ratios utilized over the period 1998 through 2002 for each class of property are set forth below.

TABLE 1
PROPERTY TAX ASSESSMENT RATIOS

Property Classification (1)	1998	1999	2000	2001	2002
Mining	26%	25%	25%	25%	25%
Utility	26	25	25%	25%	25%
Commercial and Industrial (2)	25	25	25%	25%	25%
Agriculture and Vacant Land (2)	16	16	16	16	16
Owner Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (3)	22	21	21	21	N/A

(1) Additional classes of property exist, but seldom amount to a significant portion of municipal body's total valuation.

(2) Full cash values up to $53,266 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at 25% or 16% as applicable.

(3) 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 and the Guaranty. 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 or the Guaranty 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	$1,825,392

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	2002-03 Net Secondary Assessed Valuation	2002-2003 Percent of Total
1	Mining	$ 79,481	4.4%
2	Agriculture and Vacant Land	1,745,911	96.6%
	Total	$1,825,392	100.0%

Estimated 2002-03 Net Secondary Assessed Valuations of Certain Taxpayers. Shown below with respect to 2002-03 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 2002-03, their current net secondary assessed value and their relative proportion of the total net secondary assessed value of the District.

TABLE 4

Taxpayer	2002-03 Net Secondary Assessed Valuation	As Percent of District's 2002-03 Net Secondary Assessed Valuation
First Fidelity National Title Company	$1,670,418	91.51%
DMB White Tank, LLC	94,740	5.19%
Caterpillar Foundation	36,972	2.03%
Total	$1,802,130	

Source: Maricopa County Assessor's Office

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.

General Obligation Bonded Indebtedness to be Outstanding. The Bonds will be the first 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 5

Fiscal Year	Debt Service for the Bonds		Total Debt Service Requirements
	Principal(a)	Interest	
2003	-	-	-
2004	-	$2,165,333.33	$2,165,333.33
2005	-	1,680,000.00	1,680,000.00
2006	-	1,680,000.00	1,680,000.00
2007	-	1,680,000.00	1,680,000.00
2008	-	1,680,000.00	1,680,000.00
2009	$ 645,000	1,680,000.00	2,325,000.00
2010	685,000	1,634,850.00	2,319,850.00
2011	735,000	1,586,900.00	2,321,900.00
2012	785,000	1,535,450.00	2,320,450.00
2013	840,000	1,480,500.00	2,320,500.00
2014	900,000	1,421,700.00	2,321,700.00
2015	965,000	1,358,700.00	2,323,700.00
2016	1,030,000	1,291,150.00	2,321,150.00
2017	1,105,000	1,219,050.00	2,324,050.00
2018	1,180,000	1,141,700.00	2,321,700.00
2019	1,265,000	1,059,100.00	2,324,100.00
2020	1,350,000	970,550.00	2,320,550.00
2021	1,445,000	876,050.00	2,321,050.00
2022	1,550,000	774,900.00	2,324,900.00
2023	1,655,000	666,400.00	2,321,400.00
2024	1,770,000	550,550.00	2,320,550.00
2025	1,895,000	426,650.00	2,321,650.00
2026	2,030,000	294,000.00	2,324,000.00
2027	2,170,000	151,900.00	2,321,900.00
Total	$24,000,000	$29,005,433.33	$53,005,433.33

(a) Term bond subject to mandatory redemption in the preceding years in the amounts indicated.

(b) Interest is estimated at an average rate of 7.00%.

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 H. 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 H. 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 H.

The Developer has agreed in the Standby Contribution Agreement to cause the Guarantor to provide certain financial information for the periods and at the times described under "Guaranty" below. If the information is not provided in a timely fashion, or if the information indicates that the Guarantor has failed to maintain the required minimum Net Worth or the required Liquidity (as such terms are defined in the Guaranty in Appendix I) and the Developer has not either met the test under the conditions permitted or provided Substitute Collateral ("Substitute Collateral" means cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument, acceptable to the District that is issued by an entity with a long term obligation rating by Standard & Poor's Rating Group or Moody's Investors Service of at lease "A") sufficient to pay the outstanding principal of, and interest on, the Bonds through the first optional call date of the Bonds (see Section 2.1(E)(ii)(2) of the Guaranty in Appendix H), the Trustee shall make a demand against the Developer for the Substitute Collateral (see Section 2.4 of the Standby Contribution Agreement in Appendix H).

The Guarantor may be released from its obligation to guarantee the Developer's obligations under the Standby Contribution Agreement by providing Substitute Collateral under the terms and conditions set forth in Section 2.1(G) of the Standby Contribution Agreement in Appendix H.

Bondholders may request the financial information required to be submitted under the Guaranty and the certifications required to evidence compliance with the Financial Covenants (as defined under "The Guaranty" below) under the process described in Section 2.1(H) of the Standby Contribution Agreement in Appendix H.

The Guaranty

The Guaranty has been executed by ABD Investments Limited Partnership ("ABD" or the "Guarantor") in favor of the District and the Trustee. In the Guaranty, the Guarantor unconditionally

guarantees the full and prompt payment of amounts due from the Developer under the Standby Contribution Agreement. The Guarantor waives any and all defenses, claims, setoffs and discharges of the Developer, and agrees not to assert, plead or enforce against the District any defenses.

Under the Guaranty, until the obligations of the Developer under the Standby Contribution Agreement have been fully satisfied and the Developer has been released from the Standby Contribution Agreement pursuant to the terms of the Indenture and the Standby Contribution Agreement, or until the Guarantor has been released from the Guaranty in the event Substitute Collateral is deposited with the Trustee as provided for in the Standby Contribution Agreement, the Guarantor shall comply with the following financial covenants (the "Financial Covenants"):

(i) the Guarantor shall have, at the time of execution of the Guaranty, a minimum Net Worth of $200,000,000; and

(ii) the Guarantor shall maintain, at all times, a minimum Net Worth of three (3) times the amount of the Undercollateralized Obligations and a minimum Liquidity of one and one-half (1.5) times the amount of the Undercollateralized Obligations.

Investors are advised to review carefully the definitions of Affiliate, Development, Liquidity, Net Worth, Qualifying Assets, Qualifying Liabilities and Undercollateralized Obligations in Section 2 of the Guaranty in Appendix I in order to evaluate the parameters and limitations of the Financial Covenants.

The Guarantor is required to provide certain financial information related to its Financial Covenants as of the end of the Guarantor's fiscal year and the mid-year of each fiscal year to the District and the Trustee, which financial information is to be provided 120 days after the end of the fiscal year and 60 days after the end of the mid-year period, unless such period is extended (see Section 15 of the Guaranty in Appendix I and Section 2.1(E)(ii)(1) of the Standby Contribution Agreement in Appendix H).

In the event the Guarantor is not in compliance with the Financial Covenants or any act or occurrence related to dissolution, termination or insolvency of the Guarantor has occurred as described in Section 7 of the Guaranty in Appendix I, or if the Guarantor is not in compliance with the reporting requirements described in the paragraph immediately above, then and in any such event, the applicable provisions of the Standby Contribution Agreement and the Indenture shall control including, as applicable, that the Bonds, if Substitute Collateral is not deposited with the Trustee, may be subject to special mandatory redemption (see Sections 2.1(e)(ii)(2) and 2.4 of the Standby Contribution Agreement and "THE BONDS – Redemption Provisions – Special Mandatory Redemption Related to a Default under the Standby Contribution Agreement or the Guaranty".

The Guarantor

ABD Investments Limited Partnership ("ABD"), an Arizona limited partnership, was formed in 1993 for the purpose of investing partnership funds in stock, partnership interests and other real and personal property as permitted under Arizona law. ABD was initially capitalized in 1994 through the contribution of 10,000,000 (now 20,000,000 after a 2 for 1 stock split in 1997) shares of common stock of Campbell Soup Company, a publicly traded company. ABD will expire December 31, 2050, or sooner, in accordance with the terms of the Partnership Agreement.

ABD finances its investments through dividends received and lines of credit with unrelated banking institutions. Funds are drawn on the lines of credit and advanced to related parties, including, but

not limited to, DMB Realco LLC, pursuant to the terms of a related loan agreement. At December 31, 2002, the lines of credit provide for a maximum commitment of $345,000,000, subject to adequate collateralization. At December 31, 2002, the amount outstanding under the lines of credit was $299,774,527. The lines of credit mature in July 2004 and March 2005. Draws under the lines of credit are collateralized by the shares of common stock of Campbell Soup Company and are limited to 60% of the then current market value of the pledged securities.

As indicated above, ABD has entered into several loan agreements and funding commitments with related parties ("Borrowers") for the purpose of advancing the Borrowers funds used to invest in various ventures that are generally involved in the acquisition, development and sale of real property. At December 31, 2002, ABD had loan commitments totaling $170,000,000 and total amounts outstanding of $37,482,179. All amounts outstanding under the loan agreements are collateralized by the Borrower's interest in the underlying assets. See Appendix F for the audited financial statements of ABD for the fiscal year ended December 31, 2002.

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 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.

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 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 6 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 6
Verrado District 1 Community Facilities District
Infrastructure to be Funded with Bond Proceeds

DESCRIPTION	ESTIMATED CONSTRUCTION COST	ESTIMATED CONTRACT AWARD DATE	ESTIMATED COMPLETION DATES
Traffic Interchange	$ 7,237,000	November, 2002	June, 2003
Roadway Improvements	2,508,000	February, 2003	December, 2004
Dry Utility Trench & Conduit, street lights and storm drains, as necessary for roadway and landscape improvements	2,911,000	February, 2003	December, 2004
Multi-Use Path System	993,000	February, 2003	December, 2004
Roadway Landscaping	2,751,000	February, 2003	December, 2004
Culvert Crossings	428,000	February, 2003	December, 2004
Floodway Improvements	1,875,000	February, 2003	December, 2004
Retention Basins	65,000	February, 2003	December, 2004
District Park	920,000	June, 2003	December, 2004
Lineal Park	1,251,000	February, 2003	December, 2004
Grade Separated Pedestrian Crossings	372,000	February, 2003	December, 2004
TOTAL ESTIMATED COST	**$21,311,000**		

See "SOURCES AND APPLICATIONS OF FUNDS" herein. Additional infrastructure may be funded if Bond proceeds are available.

Source: Developer

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 Original Purchaser assumes any responsibility for the accuracy or completeness thereof. Neither the District nor the Original Purchaser 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 Project is expected to occur in seven phases over a 15 year period. The Project's grand opening, Phase I, is tentatively scheduled for October 2003. Phase II is contemplated to commence in late 2006. Development plans include 7,409 residential units, 2,151 multi-family units and 415 developed commercial acres upon completion of the Project (see "Table 8"). Phase I of the Project consists of 1,840 residential units, 210 multi-family units and 5 commercial acres.

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 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.

Direct access from Interstate 10 to the Project will be provided by means of a spread diamond traffic interchange that will be constructed pursuant to that certain Agreement (JPA 00-79) dated October

5, 2001 between Developer and the State of Arizona, acting by and through its Department of Transportation ("ADOT") (the "Interchange"). The Interchange will include some public infrastructure, primarily landscaping, the maintenance and repair of which is expected to exceed ADOT standards for traffic interchange improvements such as the Interchange. In view of the benefit to the District of this Public Infrastructure, it is presently anticipated that, subject to the approval of the District Board as provided for in the District IGA, the District will enter into an intergovernmental agreement with ADOT, prior to the issuance of the Bonds, whereby a portion of the District operations and maintenance tax proceeds will be used to offset the additional costs incurred by ADOT to perform above-standard maintenance and repair work.

Improvement of land within the Project is subject to a Section 401/404 Permit issued January 16, 2002 by the Army Corps of Engineers under Permit No. 974-0218-RWF. Additionally, drainage improvements will be constructed pursuant to the Volume 2.02A Planning Unit Drainage Plan for Portions of Planning Units IV & V (Phase 1) and Update to Master Drainage Plan of Verrado (prepared by Wood, Patel & Associates Inc., DRAFT dated October 17, 2001) (the "Master Drainage Plans").

Project - Utilities

Water and wastewater facilities and infrastructure and service related thereto will be 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. The Arizona Corporation Commission issued an Opinion and Order under Decision No. 64307, effective December 28, 2001, extending the AAWC's Certificate of Convenience and Necessity to include the Project. The Arizona Department of Water Resources ("DWR") issued an Analysis of Assured Water Supply, effective January 10, 2001, whereby DWR determined on the basis of a hydrologic study that there is adequate water available to serve the Project with a Certificate of Assured Water Supply to be obtained prior to each subdivision plat approval. The Town adopted Resolution No. 15-02, on April 23, 2002, ordering and calling a special franchise election to grant a franchise to AAWC, to provide water and wastewater services to, inter alia, the Project, on September 10, 2002. The Town adopted Resolution 38-02 on September 25, 2002 confirming the special franchise election vote in favor of the grant of franchise and by the results of the election authorized by the execution of the Grant of Franchise by the Town of Buckeye to Arizona America Water Company. The Grant of Franchise was executed and adopted by the Town Council and approved by the Mayor on April 23, 2002.

Electric service to the Project will be provided pursuant to a Memorandum of Understanding between the Developer and Arizona Public Service Company. Gas service to the Project will be provided by Southwest Gas. Telecommunications service to the Project will be provided pursuant to a Technology Services and Marketing Agreement between the Developer and Cox Communications dated December 5, 2002. Conduit and other facilities for the dry utilities will be constructed and installed concurrently with the Phase I infrastructure.

Project – Phase I Budget, Development Status and Plans

As of December 31, 2002, the Developer has invested approximately $63,900,000 in the Project and estimates that an additional $101,200,000 will be required to complete Phase I. See Table 7 below.

The additional $101,200,000 required to complete Phase I of the Project, consists of approximately $600,000 in land acquisition costs, approximately $59,900,000 in Offsite and Backbone Infrastructure costs (including approximately $23,200,000 in Public Infrastructure costs), approximately

$21,700,000 in amenity improvements (including approximately $2,300,000 in Public Infrastructure) and $19,000,000 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, general obligation bonds issued by the Western Overlay District in the amount of approximately $7,500,000, net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer. See "Risk Factors" herein.

TABLE 7
Phase I of Verrado - District 1
Development Status as of December 31, 2002

Activity	Amounts invested as of December 31, 2002	Status
Land Acquisition Costs	**$ 5,187,943**	Estimated completion by 12/04
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Traffic Interchange	$ 3,354,361	Estimated completion by 6/03
Phase I Mass Grade	11,904,277	Completed 12/02
Offsite Potable Water	1,663,329	Estimated completion by 10/03
Phase I Water Storage Tank	627,113	Estimated completion by 10/03
Tuthill Collector Sewer	492,970	Estimated completion by 10/03
Backbone (roads & utilities)	422,781	Estimated completion by 10/03
Wastewater Treatment Plant	58,377	Estimated completion by 2/04
Hillside Disturbance Mitigation	344,803	Estimated completion by 10/03
Parcel Collector Infrastructure	591,513	Estimated completion by 12/04
Floodway Improvements	187,389	Estimated completion by 10/03
Other	1,183,537	Estimated completion by 12/04
	$ 20,830,450	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course	$ 1,853,240	Estimated completion by 10/03
Golf Course Clubhouse	14,954	Estimated completion by 10/03
District Core Retail/Residential Center	456,144	Estimated completion by 10/03
Phase I District Club	40,381	Estimated completion by 10/03
Home Finding Center	14,367	Estimated completion by 10/03
Parks, Path and Trail System	491	Estimated completion by 10/03
	$ 2,379,577	
Planning, Entitlement, Engineering, Administrative and Other Costs	**$ 35,459,507**	Estimated completion by 12/04
Total Invested at December 31, 2002	**$ 63,857,477**	

Source: The Developer.

At the time of this offering, it is estimated that in excess of 800 residential subdivision lots, representing approximately $20,000,000 in land sale revenue will be in escrow or the subject of binding option agreements with national or regional homebuilders, including, but not limited to, Engle Homes, TW Lewis, Morrison Homes, Pulte Homes and Ashton Woods. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately $139,000 to $400,000. Custom homes are expected to sell for higher prices. No homes (custom and subdivision) have been constructed or occupied as of December 31, 2002.

In December 2002, the Developer started construction on a two and three-level mixed use development, which will consist of a 32,000 square feet neighborhood retail center and 45 unit apartment. The estimated completion date for this project is October 2003.

TABLE 8
District 1-All Phases
Projected Development

	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Single Family (units)	248	553	577	561	560	594	530	522	618
Single Family (cumulative)	248	801	1,378	1,939	2,499	3,093	3,622	4,144	4,761
Multi-Family (units)	18	66	77	129	225	211	141	282	72
Multi-Family (cumulative)	18	84	161	290	515	726	867	1,149	1,221
Total Residential	266	619	654	690	785	805	671	804	690
Cumulative Residential	266	885	1,539	2,229	3,014	3,819	4,489	5,293	5,982
Commercial (Acre)	--	--	28	7	54	38	24	16	41
Commercial (cumulative)	--	--	28	35	88	127	150	167	208

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Single Family (units)	627	610	513	529	232	96	41	--	--
Single Family (cumulative)	5,388	5,998	6,511	7,040	7,272	7,368	7,409	7,409	7,409
Multi-Family (units)	60	182	153	365	120	50	--	--	--
Multi-Family (cumulative)	1,281	1,463	1,616	1,981	2,101	2,151	2,151	2,151	2,151
Total Residential	687	792	666	894	352	146	41	--	--
Cumulative Residential	6,669	7,461	8,127	9,021	9,373	9,519	9,560	9,560	9,560
Commercial (Acre)	111	16	16	16	16	16	12	3	--
Commercial (cumulative)	319	335	352	368	384	400	412	415	415

Source: The Developer

Estimated single-family and 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 one-year construction period. It is anticipated that assessed real property valuations as shown on County Assessor rolls with 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. There can be no assurance now or at the time the Bonds are issued that any sales will be consummated or that the 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. See "RISK FACTORS" herein.

Description of Developer

The Developer has one member. The member and the sole manager of the Developer is DMB Realco LLC, an Arizona limited liability company ("Realco"), the members of which are The Brown Family Trust dated August 30, 1980, as amended, The Mark N. Sklar Trust dated May 18, 1972, as amended, and The Dorrance 1995 Issue Trust dated September 7, 1995. The manager of Realco is DMB.

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 8,500 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 4,000 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. The project broke ground in 1994 and has sold approximately 1,100 residential homesites through December 31, 2002.

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 662 residential homesites through December 31, 2002. The second community, a 1,330 acre master-planned single family community broke ground in early 2001 and has sold approximately 1,643 residential homesites through December 31, 2002.

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. The project broke ground in 1998 and has sold approximately 4,539 residential homesites through December 31, 2002.

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. The project broke ground in 1999 and has sold 543 residential homesites through December 31, 2002.

Glenwild: This 880-acre private residential golf community is located in Park City, Utah. The project consists of 198 homesites, a Tom Fazio designed 18-hole Championship Golf Course and a 24,000 square foot clubhouse. The project broke ground in 2000 and has sold 90 residential homesites through December 31, 2002.

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, 2002 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, 2002 all custom lots had been sold.

DMB is also involved in the ownership of the Century Plaza Hotel and the St. Regis LA in Los Angeles. Commercial and office developments in which DMB has invested or otherwise been involved include Centerpoint (the 8-block, 1.2 million square foot mixed-use commercial and professional office project, which served as a cornerstone for the downtown revitalization effort of the City of Tempe, Arizona, begun in the 1980s); Three Gateway (215,000 square foot office building in the City of Phoenix, Arizona); The Financial Plaza (300,000 square foot office building, the first "high rise" to be constructed in the City of Mesa, Arizona); 24th Place (68,000 square foot "garden" office project, located in the City of Phoenix, Arizona); and 3131-3133 Camelback (295,000 square foot office and retail building, located on a prime corner in the Camelback Corridor area of the City of Phoenix, Arizona). 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.

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. **See "RISK FACTORS - Direct and Overlapping Indebtedness."**

			Proportion Applicable to the District		
Overlapping Municipality	2002-03 Net Secondary Assessed Valuation	Net Bonded Debt Outstanding(a)	Approx. Percent	Net Amount	2002-03 Combined Tax Rate Per $100 Assessed(b)
State of Arizona	$36,805,206,912	None	N/A	None	$0.000000
Maricopa County	24,457,047,282	$ 39,515,000	.01%	$ 3,952	2.1728(c)
Maricopa County CCD	24,457,047,282	284,815,000	.01%	28,452	1.1127
Liberty Elementary School District No. 25	73,040,822	2,780,000	4.90%	136,220	4.1398
Litchfield Park Elementary School District No. 79	222,553,332	22,350,000	38.71%	8,652,539	4.2713
Saddle Mountain Unified School District No. 90	774,368,579	25,000,000	56.89%	14,222,500	2.1250
Verrado Western Overlay Community Facilities District	1,038,473	None		None	-0-
Town of Buckeye	46,996,103	1,255,000	100.00%	1,255,000	1.6700
Verrado District 1 Community Facilities District	1,825,392	24,000,000	100.00%	24,000,000	3.0000*
Total Net Direct and Overlapping General Obligation Bonded Debt					

* To be levied beginning in fiscal year 2003-2004.

(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.

Includes total general obligation bonds outstanding (without regard to premium). *"Williams, et al. v. Creighton Elementary School District."* Taxpayers within the Creighton Elementary School District No. 14 of Maricopa County, Arizona (*"Creighton District"*), moved for a summary judgment in the Superior Court of Maricopa County against the Creighton District on the basis that the outstanding principal amount of bonds previously issued by the Creighton District, together with premium received in connection with the issuance of such bonds, should be treated as debt for constitutional and statutory debt limit purposes. On April 18, 1996, the court entered a judgment in favor of the taxpayers. In a minute entry entered with the judgment, the court stated that the premium to be treated as debt is determined on the amount the underwriter paid to the Creighton District for the bonds and not on the price for which the underwriter resold the bonds. In additional, the court has ruled that the premium treated as debt attributable to each maturity is retired upon the payment of the principal amount of the applicable maturity. It is not clear if, pursuant to the judgment against the Creighton District, all or part if any premium received by the Creighton District is subject to constitutional and statutory requirements other than debt limits, such as the requirement for voter authorization. The judgment was not appealed by the Creighton District.

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 $1.65 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 665,224 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 $1.65 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. If the conditions are not met within three years, the parties could extend such deadline or the agreement will terminate and either party may petition U.S. District Court to resume litigation. If the conditions are not met by May 9, 2003 and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2003 that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. CAWCD has expressed concerns that all of the conditions cannot be met by the deadline. CAWCD and the United Sates are discussing possible amendment

of the agreement. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such 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 $10.14400 per $100 of secondary assessed valuation, of which $0.1300 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 $1.2908 county tax rate, the $0.4889 tax rate of the Education Equalization District, the $0.2119 tax rate of the Maricopa County Flood Control District, the $0.0421 tax rate of the County's Free Library District, $0.1300 tax rate of the Central Arizona Project and the $0.0091 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 $76,000,000* 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.

* Preliminary, subject to change.

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 January 1, 2003.

Authorized but Unissued
General Obligation Debt

Overlapping Jurisdiction	
Maricopa County CCD	$ 4,000
Verrado Western Overlay District	60,000,000
Verrado District 1	76,000,000

SOURCES AND APPLICATIONS OF FUNDS

Sources

Par Amount of Bonds
Total

Applications

Cost of Acquisition
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.

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 and the Guarantor 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. 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 7 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 six other master planned communities which include over 130,000 housing units and neighboring communities have significant residential communities under way and contemplated. If the Developer is unable to pay, the Guarantor is obligated to fund the Developer's obligations pursuant to the Guaranty. The Guarantor is primarily capitalized by shares of Campbell Soup stock and its financial strength is subject to stock market fluctuations. If the Developer and Guarantor are 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 E - "CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER" and Appendix F - "CERTAIN AUDITED FINANCIAL STATEMENTS OF THE GUARANTOR."

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 Original Purchaser 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 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 and Guaranty Amounts

If amounts to be available pursuant to the Standby Contribution Agreement and the Guaranty are not available for any reason (including financial difficulties or bankruptcy of the Developer or the Guarantor), 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. 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 or Guaranty as described herein. See "THE BONDS - Redemption Provisions – Special Redemption Relating to a Default under the Standby Contribution Agreement or the Guaranty."

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, the Guaranty 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 or the Guaranty. 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; unforseen 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 B 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 Original Purchaser by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona; and for the Developer and for the Guarantor, in each case by its counsel, Storey & Burnham PLC, 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

The audited financial statements of ABD Investments Limited Partnership and Subsidiary (the "Guarantor") as of and for the year then ended, December 31, 2002, are included in Appendix F to this Limited Offering Memorandum. Such financial statements have been audited by McGladrey & Pullen, LLP, independent certified public accountants, as stated in their report appearing herein which is also included in Appendix F. Certain unaudited financial information of DMB White Tank, LLC is included in Appendix E.

UNDERWRITING

The Bonds are being purchased by the Original Purchaser. The Original Purchaser 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 $_____) plus accrued interest from April 1, 2003, to the date of delivery of the Bonds. The Original Purchaser 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 Original Purchaser 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 Original Purchaser.

RELATIONSHIPS AMONG PARTIES

Greenberg Traurig, LLP, Phoenix, Arizona, Counsel to the Original Purchaser, 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 RBC Dain Rauscher Inc., the Original Purchaser of the Bonds, and have acted as underwriter's counsel to the Original Purchaser 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 Original Purchaser 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_____
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 35 miles from downtown Phoenix, Arizona, four miles south of Interstate 10 on County Highway 85. The Town, which was founded in 1889 and incorporated in 1929, encompasses approximately 175 square miles and sits at an elevation 888 feet above sea level. 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
2000 Census	6,537	3,072,149	5,130,632
1990 Census	5,038	2,122,101	3,655,228
1980 Census	3,434	1,509,252	2,718,425
1970 Census	2,599	971,228	1,775,399
1960 Census	2,286	663,510	1,302,161

Source: Arizona Department of Economic Security, Population Statistics Unit and U.S. Department of Commerce, Bureau of the Census.

Transportation

County Highway 85, connecting the Town with the Town of Phoenix, Arizona, and Interstate 8, traverses the downtown portion of the Town. Interstate 10 also traverses the northern portion of the Town. The Town has an airport adjacent to Interstate 10 with plans for a future runway extension. Sky Harbor Airport in Phoenix provides international 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.

The Town provides 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.

Economy

The principal economic activity for the Town and outlying areas of the Town is agriculture. Part of the Town's agricultural production includes 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 Generating Plant. The Palo Verde Nuclear Generating 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 a list of major employers located in and within close proximity of the Town.

MAJOR EMPLOYERS
Town of Buckeye and Surrounding Area, Arizona

Employer	Product/Service	Approximate Number of Employees
Palo Verde Nuclear Generating Plant	Energy Plant	2,200
Lewis Prison Complex	Prison	1,124
Wal-Mart, Inc.	Retail Warehouse	1,104
Paradise Waste	Waste Management	395
Schult Homes Corporation	Mobile Home Manufacturer	203
Department of Corrections (Juvenile)	Government	200
Town of Buckeye	Government	170*
Buckeye Union High School District	Education	128
Buckeye Elementary School District	Education	127

* As of May, 2002 the Town employs approximately 72 part-time and 90 full-time employees.

Source: Town of Buckeye, Arizona and an individual employee survey.

Maricopa County
Average Annual Wage and Salary Employment

Industry	1997	1998	1999	2000	2001
Manufacturing	$158,600	$166,700	$161,600	$162,200	$155,900
Mining	1,000	800	1,100	1,200	1,000
Construction	93,400	104,400	112,500	117,900	119,700
Transportation, Communication & Public Utilities	69,700	73,400	79,200	83,300	86,000
Trade	331,100	345,800	355,200	366,400	373,900
Finance, Insurance & Real Estate	106,400	113,100	117,000	119,800	125,000
Services & Miscellaneous	424,000	446,200	485,300	512,000	507,900
Government	160,100	168,500	175,200	181,900	187,000
Total Wage & Salary	$1,344,300	$1,418,900	$1,487,100	$1,544,700	$1,557,000

Source: U.S. Department of Labor, Bureau of Labor and the State of Arizona, Department of Economic Security, Resource Administration.

Town of Buckeye
Sales Tax Collections

Year	Amount
2000-01	$1,433,087
1999-00	1,445,838
1998-99	1,005,187
1997-98	781,167
1996-97	745,637

Source: State of Arizona, Department of Revenue.

Agriculture

The Town is surrounded by farmland on which a variety of agricultural products are grown. The main income crops grown within the Town and the surrounding area include cotton, vegetables, alfalfa, citrus and grains. While no figures are available for acreages or dollar amounts of individual crops grown within the Town, the following statistics show total cash receipts for the area encompassing the County.

Maricopa County
Cash Receipts from Agricultural Marketings
(Total Crops and Livestock)

Year	Total Receipts
2000	$760,613,000
1999	807,701,000
1998	835,808,000
1997	784,759,000
1996	793,403,000

Source: *2000 Arizona Agricultural Statistics*, July 2001.

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. 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 Town of Tempe, Arizona, and Arizona State University's west campus located in the northwestern part of the greater Phoenix area in the Town of Glendale, Arizona.

Banking

The financial needs of the Town are served by two banks. The following table illustrates the total dollars on deposit with participating banks of the Arizona Bankers Association for Maricopa County on December 31 of each year.

Maricopa County
Bank Deposits
($ in thousands)

Year	Amount
2001	$27,859,411(a)
2000	27,336,883(b)
1999	22,330,881(c)
1998	24,940,253(d)
1997	20,296,620(e)
1996	17,806,183(f)

(a) Bank of the Southwest, First International Bank and Trust, Frontier State Bank, Johnson Bank Arizona, United Arizona Bank NA, and Washington Mutual did not report in the fourth quarter.
(b) First International Bank and Trust did not report in the fourth quarter.
(c) Stearns Bank, Bank of the Southwest, Pacific Century Bank, and Norwest Bank did not report in the fourth quarter.
(d) Stearns Bank and Commercial Federal Bank did not report in the fourth quarter.
(e) Wells Fargo Bank Arizona and Republic National Bank did not report in the fourth quarter.

Construction

The following tables were compiled from Arizona Construction Report, a publication of the Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University and information from the Town. The Center obtains its data from County and Town 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
2001	$ NR	$ NR	$ NR	$ NR
2000	8,282,083	53,062,000(a)	699,425	62,043,508
1999	9,036,146	3,124,015	1,154,795	13,314,956
1998	3,126,350	3,104,600	687,143	6,918,093
1997	2,810,780	4,304,765	369,254	7,479,799

(a) Commercial & Industrial classification includes an approximately $52 million amount relating to the Wal-Mart retail warehouse expansion.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2001	73
2000	137
1999(a)	175
1998	61
1997(a)	36

(a) Incomplete data: one or more months not available.

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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 amount to be paid in such Fiscal Year with respect to the Bonds and any other outstanding general obligation bonds of the District for Debt Service.

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

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

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

"***Costs of Acquisition and Construction***" means all items of expense directly or indirectly relating to the cost of the public infrastructure purposes (as such term is defined in the Enabling Act) and in a study prepared for the District as required by the Enabling Act.

"***Costs of Issuance***" means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution, sale and delivery of the Bonds and the execution and delivery of the Indenture, the Standby Contribution Agreement and the Guaranty, 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 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, collectively, (i) the principal of and interest and premium, if any, on the Bonds, when due, (ii) expenses and costs of the District arising from the activities of the District relating to the administration of the Bonds, levy and collection of taxes for payment of the Bonds, annual audits, budgets, continuing disclosure or monitoring compliance with covenants and fees and costs of registrars, trustees, paying agents or other agents necessary to handle the Bonds and (iii) amounts due with regard to Rebate.

"***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.

"***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.

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

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

"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 nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

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

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

2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any paying agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;

3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;

4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and

5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in under the heading "Defeasance" below.

"***Permitted Investments***" means:

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

"***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.

"***Substitute Collateral***" means cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument acceptable to the Issuer that is issued or guaranteed by an entity with a long term obligation rating by S&P and Moody's of at least "A", deposited with the Trustee pursuant to the terms of the Standby Contribution Agreement.

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 and the Guaranty. The Trustee is required to hold all such property in trust for the benefit of all the Bondholders.

Funds

Bond Fund. There is created by the District and established with the Trustee, a special fund of the Issuer designated its "District Obligation Bonds, Series 2003 Bond Fund" (herein referred to as the "Bond Fund") and within the Bond Fund (1) a special account designated the "Series 2003 Tax Account", (2) a special account designated as the "Series 2003 Bond Proceeds Account", (3) a special account designated as the "Series 2003 Developer Payment Account" and (4) as and when applicable, a special account designated as the "Series 2003 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 2003 Tax Account, all amounts collected by or remitted to the District as ad valorem taxes to the extent provided in the Indenture, including collections of delinquent taxes;

(2) in the Series 2003 Bond Proceeds Account, the amount of accrued interest on the Bonds;

(3) in the Series 2003 Developer Payment Account, amounts received as described in (i) and (ii) below;

(4) in the Series 2003 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.

(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 2003 Tax Account plus the amount in the Series 2003 Bond Proceeds Account plus the amount in the Series 2003 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 2003 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 2003 Developer Reserve Account upon receipt all amounts paid to it by or on behalf of the Guarantor and constituting Indebtedness as provided for in the Guaranty, all amounts paid to it by the Developer and constituting substitute collateral as provided for in Section 2.1(E)(ii) of the Standby Contribution Agreement and all amounts paid to it by or on behalf of the Developer constituting the Redemption Price for Bonds as provided for in the Indenture.

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

(1) Funds on deposit in the Series 2003 Tax Account, the Series 2003 Bond Proceeds Account and the Series 2003 Developer Payment Account, and the investment income attributable thereto, shall be applied solely to pay Debt Service on the Bonds on the dates due in the amounts and order described below under **"Application of Moneys Collected: Second."**

(2) To the extend funds on deposit in the Series 2003 Tax Account, the Series 2003 Bond proceeds Account and the Series 2003 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 2003 Developer Reserve Account, including any investment income attributable thereto, shall be transferred to the Series 2003 Developer Payment Account to pay Debt Service on the Bonds.

(3) Upon receipt of a Board Resolution and receipt of amounts constituting the Redemption Price of the Bonds, and deposit of such funds in the Series 2003 Developer Reserve Account, the Trustee shall provide notice of redemption to the Bondholders in the manner and as provided in Article 4 of this Indenture and thereafter transfer funds on deposit in the Series 2003 Developer Reserve Account to the Series 2003 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 2003 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2003 Developer Payment Account and, after disbursing from the Series 2003 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 2003 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 2003 Tax Account

and the Series 2003 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, (or other Substitute Collateral) remaining on deposit in the Series 2003 Developer Reserve Account, including any investment income attributable thereto, the Trustee shall transfer such funds to the Series 2003 Developer Payment Account and, after disbursing from the Series 2003 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 2003 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 March 1, 2006, such amounts shall be transferred by the Trustee to the Bond Fund. It is anticipated that the Costs of Acquisition will be paid out immediately after delivery of the Bonds.

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 Trust Indenture

The Trustee in its discretion, pursuant to the Indenture, may proceed to protect and enforce its rights and the rights of the Bondholders under the Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture or in aid of the execution of any power granted in the Indenture or for the enforcement of any other 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 Bondholders. The Indenture provides that, in addition to all rights and remedies of any Bondholder provided therein, in the event the District defaults in the payment of the principal of (or 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 or in the Guaranty, 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, the Standby Contribution Agreement or in the Guaranty. 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 Bondholders and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally. See "RISK FACTORS." Furthermore, upon any default under the Standby Contribution Agreement or the Guaranty, the Trustee will enforce the remedies contained therein and/or seek payment of a judgement 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 or the Guaranty."

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 Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any) and interest and, in addition thereto, such further amount as 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 Holders 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 Holders of the Bonds.

Application of Money Collected

Any money collected by the Trustee pursuant to the "**Remedies under the Trust Indenture**" above, together with any other sums then held by the Trustee as part of the Trust Estate, will be applied 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 Bondholders

The Holders 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/or the Guaranty; 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, the Standby Contribution or the Guaranty,

    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 Holders not taking part in such direction, and

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

Before taking action pursuant to the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability 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.

Each Holder 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 Bondholder, or group of Bondholders of the series affected thereby, holding in the aggregate more than ten percent in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the redemption date of such Bond).

Supplemental Indentures

Without the consent of the Holders of any Bonds and, under certain circumstances described in the Indenture, the 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 or the Guaranty (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, the Standby Contribution Agreement, the Payment Agreement or the Depository Agreement; (iv) to add to the covenants of the District for the benefit of the Holders of all the Bonds; (v) to cure any ambiguity, to correct or supplement any provision in the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Guaranty 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 Bondholders or (vi) to provide for the issuance of additional bonds.

With the consent of the Holders of not less than a majority in principal amount of the Bonds affected by such supplemental Indenture and, under certain circumstances described in the Indenture, the District and the Trustee may also enter into indentures supplemental to the Indenture or resolutions amending the Bond Resolution, the Standby Contribution Agreement or the Guaranty 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 Bondholders under the Indenture or the Bond Resolution, the Standby Contribution Agreement or the Guaranty. However, no supplemental indenture or amending resolution, without the consent of the Holder of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) change the Stated Maturity of the principal of, or 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 Holders of which is required for any supplemental indenture, or the consent of Holders 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

Holders of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution and any such determination will be conclusive upon each Bondholder, whether theretofore or thereafter authenticated and delivered under the Trust 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 or the Guaranty are 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 Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, 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 Bondholders pursuant to the Indenture, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

6. the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, 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 Town of Buckeye, 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 Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District.

If at any time:

1. the Trustee ceases to be eligible under the Indenture and fails to resign after written request therefor by the District or any such Bondholder, or

2. the Trustee becomes incapable of acting or adjudged insolvent or a receiver of the Trustee or of its property is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in any such case, the District may remove the Trustee.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor 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 Bondholders. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor 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 Bondholders and has accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Defeasance

The Indenture, and the lien, rights, and interests created thereby, will terminate, at the request of the District, when 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 Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction;

c. Bonds, other than those referred to in the foregoing clauses, for the payment or redemption 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 Trustee is required to select the Outstanding Bonds with respect to which such deposit is made in the same manner as provided in the Trust 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 Trust Indenture, unless made with respect to all of the Bonds then Outstanding, and (ii) unless there is delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose is required to be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, is required to be disbursed solely to pay the principal of and interest on such Bonds when due.

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 for any subsequent Fiscal Year 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.

Release of the Guaranty

The Guaranty shall be released by the District upon receipt of proof of satisfaction of each of the following conditions:

A. The deposit and receipt of Substitute Collateral, in form and substance as approved by the District, and upon expiration of any applicable bankruptcy preference periods, as provided for in Sections 2.1(E)(ii)(2) or 2.1(G) of the Standby Contribution Agreement; or

B. The release of the Standby Contribution Agreement or the occurrence of any event or circumstance that would require the release of the Standby Contribution Agreement as described under "Release of Standby Contribution Agreement" above.

Upon release by the District of the Guaranty, the District shall so direct the Trustee to release the Guaranty. Upon receipt of such direction from the District, the Trustee shall release the Guaranty whereupon the Guarantor shall have no further obligations thereunder.

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 2003

At your request we have examined the official proceedings leading to the issuance of $_____ aggregate principal amount of District General Obligation Bonds, Series 2003, dated April 1, 2003, 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. 2003-_____, passed and adopted by the District Board on March 26, 2003 (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

INITIAL INVESTOR LETTER

["CERTIFICATE OF SOPHISTICATED MUNICIPAL MARKET PROFESSIONAL"]

TO: VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT

c/o Wells Fargo Bank, Arizona, N.A., as Trustee

Re: Verrado District 1 Community Facilities District
General Obligation Bonds, Series 2003

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 April ___, 2003 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

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
December 31, 2002

ASSETS

Cash	$	1,925
Accounts receivable		71,430
Related party receivable		(619)
Receivable - District Core		1,436,497
Prepaid expenses		147,390
Real estate under development		73,007,479
Property and equipment, net		110,934
Investments		96,000
Total assets	$	74,871,037

LIABILITIES AND MEMBER'S EQUITY

Accounts payable	$	1,375,181
Accrued liabilities		54,143
Retention payable		477,714
Related party payable		425,211
Notes payable		14,546,575
Total liabilities	$	16,878,824
Member's equity	$	62,455,415
Retained earnings		6,527
Net income		(4,469,729)
Total member's equity	$	57,992,213
Total liabilities and member's equity	$	74,871,037

DMB White Tank, LLC
Income Statement
Unaudited
For the year ended December 31, 2002

REVENUES		
Land	$	375,000
Other Income		8,461
Total revenue	$	383,461
COST OF SALES		
Land - Cost Of Sales		225,000
Total cost of sales	$	225,000
EXPENSES		
General & administrative		3,748,820
Marketing		879,370
Total expenses	$	4,628,190
Net income (loss)	$	(4,469,729)

DMB White Tank, LLC
Statement of Changes in Members' Equity
Unaudited
For the year ended December 31, 2002

Balance at December 31, 2001	$ 21,232,892
Contributions	41,229,050
Distributions	-
Net income/(loss)	(4,469,729)
Balance at December 31, 2002	$ 57,992,213

DMB White Tank LLC
Statement of Cash Flows
Unaudited
For the year ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITES		
Net income (loss)	$	(4,469,729)
Adjustments to reconcile net income (loss) to net cash:		
(Increase) decrease in assets:		
Accounts receivable	$	(68,909)
Related party receivables		(1,435,618)
Prepaid expenses		(102,390)
Real estate under development		(51,508,172)
Increase (decrease) in liabilities:		
Accounts payable		1,044,265
Accrued liabilities		53,809
Retention payable		464,682
Related party payable		282,350
Net cash (used) provided by operating activites	$	(55,739,711)
CASH FLOWS FROM INVESTING ACTIVITES		
Furniture, fixtures and equipment	$	(35,378)
Net cash (used) provided by investing activities	$	(35,378)
CASH FLOWS FROM FINANCING ACTIVITES		
Notes payable	$	14,546,575
Members' equity		41,229,050
Net cash (used) provided by financing activities	$	55,775,625
Net increase (decrease) in cash and cash equivalents	$	536
Cash and cash equivalents at beginning of period	$	1,389
Cash and cash equivalents at end of period	$	1,925

APPENDIX F

CERTAIN ANNUAL FINANCIAL STATEMENTS OF THE GUARANTOR

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McGLADREY & PULLEN, LLP
Certified Public Accountants

RSM
International

INDEPENDENT AUDITOR'S REPORT

To the General Partner
ABD Investments Limited Partnership
and Subsidiary
Scottsdale, Arizona

We have audited the accompanying consolidated balance sheet of ABD Investments Limited Partnership and Subsidiary as of December 31, 2002 and the related consolidated statements of operations, comprehensive income, partners' capital and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABD Investments Limited Partnership and Subsidiary as of December 31, 2002 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Phoenix, Arizona
February 27, 2003

3200 North Central Avenue, Suite 700
Phoenix, Arizona 85012-2427
(602) 264-1284 • Fax (602) 266-3538
www.mcgladrey.com

McGladrey & Pullen, LLP is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Balance Sheet
December 31, 2002

Assets

Cash and cash equivalents	$ 934,820
Restricted cash (Note 4)	10,449,117
Receivable from related party (Note 6)	70,000,000
Dividend receivable (Note 3)	3,150,000
Marketable securities, at market (Note 3)	469,400,000
Notes receivable from related parties (Note 5)	37,482,179
Receivable for loaned securities (Note 4)	980,351,498
Total assets	$ 1,571,767,614

Liabilities and Partners' Capital

Accounts payable	$ 80,900
Accrued interest payable (Notes 4 and 6)	6,816,649
Payable to related party	2,063,748
Bank lines of credit (Note 6)	298,000,000
Payable related to loaned securities (Note 4)	974,695,337
Total liabilities	1,281,656,634
Commitments and Contingencies (Note 8)	
Partners' Capital:	
General partners	2,134,596
Limited partners	177,664,895
Accumulated other comprehensive income	110,311,489
Total partners' capital	290,110,980
Total liabilities and partners' capital	$ 1,571,767,614

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

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Statement of Operations and Comprehensive Income
Year Ended December 31, 2002

Income:	
Dividend income (Note 3)	$ 12,600,000
Interest income (Notes 4 and 5)	21,484,578
Total income	34,084,578
Expenses:	
Interest expense (Note 4)	27,390,751
Administrative expenses	44,388
Total expenses	27,435,139
Net Income	6,649,439
Other Comprehensive Expense:	
Unrealized loss on marketable securities	(128,000,000)
Changes in unrealized gain on interest rate swap, net	8,572,478
Comprehensive loss	$ (112,778,083)

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

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Statement of Changes in Partners' Capital
Year Ended December 31, 2002

	General Partners	Limited Partners	Accumulated Other Comprehensive Income	Total Partners' Capital
Balance, December 31, 2001	$ 2,168,102	$ 180,981,950	$ 229,739,011	$ 412,889,063
Distributions to partners	(100,000)	(9,900,000)	-	(10,000,000)
Net income	66,494	6,582,945	-	6,649,439
Unrealized loss on marketable Securities	-	-	(128,000,000)	(128,000,000)
Recognition of interest rate swap	-	-	8,572,478	8,572,478
Balance, December 31, 2002	$ 2,134,596	$ 177,664,895	$ 110,311,489	$ 290,110,980

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

ABD INVESTMENTS LIMITED PARTNERSHIP AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended December 31, 2002

Cash Flows From Operating Activities:	
Net income	$ 6,649,439
Adjustments to reconcile net income to net cash provided by operating activities:	
Interest expense added to principal	700,297
Accrued interest payable	(4,781,101)
Net cash provided by operating activities	2,568,635
Cash Flows From Investing Activities:	
Collection of notes receivable from related parties, net	164,821,826
Net cash provided by investing activities	164,821,826
Cash Flows From Financing Activities:	
Payments on bank lines of credit, net	(160,000,000)
Distributions to partners	(10,000,000)
Increase in payable to related party	2,063,748
Net cash used in financing activities	(167,936,252)
Net Decrease in Cash and Cash Equivalents	(545,791)
Cash and Cash Equivalents, beginning of year	1,480,611
Cash and Cash Equivalents, end of year	$ 934,820
Supplemental Disclosures:	
Interest paid	$ 18,611,658
Supplemental Schedule of noncash investing and financing activities:	
Unrealized loss on marketable securities	$ (128,000,000)
Change in unrealized loss on interest swap	8,572,478
Increase in loan of secured Treasury Strips related to:	
Purchase of Treasury Strips	$ 412,816,875
Unrestrict cash	4,563,765
Capitalized interest	700,297
	$ 418,080,937

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

1. Organization

ABD Investments Limited Partnership (the Partnership), an Arizona limited partnership, was formed on August 27, 1993, for the purpose of investing partnership funds in stock, partnership interests, tangible and intangible assets, including real and personal property, and to acquire, hold, maintain, improve, finance or otherwise deal with such assets and engage in any other activity permitted under Arizona law. The Partnership was capitalized on March 31, 1994, through the contribution of shares of common stock of a publicly traded company. The Partnership will expire December 31, 2050, or sooner, in accordance with the terms of the Partnership Agreement.

The Partnership Agreement provides for allocation of profits and losses and distributions among its partners as follows:

Profits and Losses - Profits and losses are allocated to the partners in proportion to their percentage interests, subject to special allocations as defined in the Partnership Agreement.

Distributions - Distributions of net cash flows, if any, as defined in the Partnership Agreement, shall be paid to the partners on the last day of each calendar year in proportion to their percentage interests.

ABD Investments II LLC (ABD II), a single member LLC and wholly owned subsidiary of ABD Investments Limited Partnership, was formed on September 5, 1999, for the purpose of providing certain financial assurances for a related party land acquisition.

2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and ABD II. All related intercompany accounts and transactions have been eliminated in consolidation.

b. Cash and Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. The Partnership had approximately $10.4 million in restricted cash at December 31, 2002 (see Note 4). The Partnership maintains its cash in three institutions. The amount on deposit at December 31, 2002 exceeded the insurance limits of the Federal Deposit Insurance Corporation.

c. Notes Receivable

Notes receivables are carried at an amount equal to the outstanding note balance less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts through the identification of troubled accounts. Notes receivables are written off when deemed uncollectible. Recoveries of notes receivable previously written off are recorded when received.

Interest is charged on notes receivables and is recognized as it is charged. After the receivable becomes past due, it is on nonaccrual status and accrual of interest is suspended.

d. Marketable Securities

Marketable securities at December 31, 2002, consist of 20 million shares of a publicly traded corporation. These securities have been classified as available-for-sale in accordance with Statement of Financial Accounting Standard (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and are recorded at their market value at December 31, 2002.

Unrealized gains and losses on available-for-sale securities are reflected as a separate component of partners' capital in the accompanying financial statements.

e. Income Recognition

Dividend income is recognized on the declaration date of the dividends. Interest income is recognized when earned.

f. Administrative Expenses

Administrative expenses include bank fees, legal costs, and other expenses associated with the documentation and consummation of the Partnership's transactions with related parties. Management services, including due diligence on the approval of advances to related parties and other expenses associated therewith, are provided by related parties at no charge to the Partnership.

g. Fair Value of Financial Instruments

The estimated fair value of financial instruments is determined by the Partnership using available market information and valuation methodologies. Considerable judgment is required in estimating fair values. Accordingly, the estimates may not be indicative of the amounts the Partnership could realize in a current market exchange. The carrying amount of cash and cash equivalents approximates fair value due to its short-term nature. Restricted cash approximates fair value due to its nature and restriction of use. Marketable securities are recorded at their fair value based on quoted market prices for those securities. The carrying amount of debt outstanding, and related accrued interest payable under the Partnership's lines of credit approximates fair value as interest rates on these amounts approximate current interest rates offered to the Partnership for debt with similar terms and remaining maturities. Notes receivable, receivable from related party, and related accrued interest receivable from related parties are valued based on discounted cash flows whereby the fair value approximates the current value.

h. Concentration of Credit Risk

Financial instruments which potentially expose the Partnership to concentrations of credit risk, as defined by SFAS No. 105, *Disclosure of Information About Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*, consist primarily of marketable securities and notes receivable from related parties. The Partnership's marketable securities are concentrated in the common stock of one publicly traded corporation. The Partnership's notes receivable from related parties are with three separate, but affiliated, companies or partnerships. The underlying collateral securing the notes receivable consists primarily of real estate properties and projects under development in Arizona and California.

i. Use of Estimates

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

j. New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*" (FIN 46). This interpretation clarifies existing accounting principles related to the preparation of consolidated financial statements when the equity investors in an entity do not have the characteristics of a controlling financial interest or when the equity at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 requires an entity to evaluate all existing arrangements to identify situations where the entity has a "variable interest" (commonly evidenced by a guarantee arrangement or other commitment to provide financial support) in a "variable interest entity" (commonly a thinly capitalized entity) and further determine when such variable interests requires an entity to consolidate the variable interest entities' financial statement with its own. The Partnership is required to perform this assessment by December 31, 2004 and consolidate any variable interest entities for which it will absorb a majority of the entities' expected losses or receive a majority of the expected residual gains.

While management has not yet completed its evaluation of the requirements of FIN 46, management believes it is reasonably possible the Partnership will consolidate or be required to provide certain additional disclosures about several entities related through common ownership when FIN 46 becomes effective. The Partnership has notes receivable (Note 5) and debt guarantees (Note 8) which may qualify as a variable interest. The income tax returns and financial statements of all these entities for the year ended December 31, 2002 are currently not available; however, unaudited financial information based on available income tax returns for the year ended December 31, 2001 included the following:

Gross revenues	$ 17,408,297
Net loss	$ (2,600,000)
Assets, primarily land, land development, and cash surrender value of life insurance policies	$ 166,355,610
Liabilities, primarily mortgage notes payable and nonrecourse loans	$ 74,011,528
Equity	$ 92,344,082

When FIN 46 becomes effective, the net amount that may be added to the Partnership's balance sheet may either be reported as the cumulative effect of an accounting change, or by restating previously issued financial statements with a cumulative-effect adjustment as of the beginning of the first year restated. Since the Partnership is not required to restate its financial statements, it does not intend to do so.

The impact that adoption of FIN 46 may have on the Partnership's financial statements is currently not known.

The FASB issued FASB Interpretation No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*" (FIN 45). This interpretation clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing certain guarantees. It also elaborates on the disclosures in FASB Statement No. 5, "*Accounting for Contingencies*", which are to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued, even when the likelihood of making any payments under the guarantees is remote. The Interpretation's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002, and are applicable to all guarantees issued by the guarantor subject to the Interpretation's scope, including guarantees issued prior to the issuance of the Interpretation.

The initial recognition and measurement provisions of the Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The guarantor's previous accounting for guarantee's issued prior to the date of the Interpretation's initial application should not be revised or restated.

3. Marketable Securities

Marketable securities consist of the following:

	Agreed Upon Value on the Date of Contribution	Unrealized Gain / Realized (Loss)	Market Value
Common stock of a publicly traded Corporation	$ 358,875,000	$ 110,525,000	$ 469,400,000

The publicly traded common stock has been pledged as collateral for the lines of credit discussed in Note 6. Unrealized gains (losses) are reflected as a separate component of partners' capital in the accompanying financial statements. The agreed upon value on the date of contribution represents the market value of common stock contributed on March 31, 1994.

The publicly traded corporation declared a $0.1575 per share dividend on November 21, 2002, payable January 31, 2003. The Partnership also received three other dividend payments of $0.1575 per share during the year ended December 31, 2002.

4. Securities Loan

During 2002, the Partnership entered into a secured lending transaction whereby it borrowed approximately $971 million to purchase Treasury Strips (T-Strips) with a face value of $1 billion and maturity dates of February 15, 2004, May 15, 2004, and November 14, 2004. As collateral, the lender required the Partnership to deposit approximately $10 million in an escrow account for the lender's benefit. This amount is classified as restricted cash in the accompanying consolidated balance sheet. The Partnership executed a Master Securities Lending Agreement (MSLA) and subsequently lent the T-strips to a dealer in return for cash collateral equal to their fair value. The Partnership used the cash collateral to extinguish its initial borrowing. Pursuant to the MSLA, the dealer must return the T-Strips to the Partnership one day prior to maturity. The Partnership is required to accrue interest expense for book purposes at floating rates equal to 15 basis points over 1-month Libor with certain ceiling and floor limits, due at maturity. The Partnership is accruing interest income on the loan at the applicable rate. At loan maturity, the dealer is obligated to return the T-Strips to the Partnership and the Partnership is obligated to return the cash collateral to the dealer. The Partnership intends to use the cash proceeds from the sale of the T-Strips and associated accrued income to repay the cash collateral and cash collateral fee.

5. Notes Receivable from Related Parties

The Partnership has entered into several loan agreements and future funding commitments with related parties (the Borrowers) for the purpose of advancing the Borrowers funds used to invest in various ventures that are generally in the commercial and residential real estate market. All notes receivable mature on December 31, 2005 and have been recorded at their book value. A summary of the commitment amounts and the amounts outstanding under the loan agreements as of December 31, 2002 are as follows:

Related Party	Commitment Amount	Outstanding Balance
Entities related to the limited partner	$ 130,000,000	$ 15,827,169
An entity related to the general partner	30,000,000	18,735,533
The managing general partner	10,000,000	2,919,477
	$ 170,000,000	$ 37,482,179

Generally, the terms of the loan agreements with the Borrowers provide for multiple advances up to a committed maximum. Funds advanced are used to make capital contributions in newly formed ventures or to fund the cost of assets to be acquired by the Borrowers. All loans are approved in advance by the Partnership and are collateralized by the Borrower's interest in the underlying assets. In addition, certain cross collateralization agreements are in place that require certain principals of the Borrowers to fund any shortfalls should the cash flows from the underlying collateral be insufficient to pay back the related notes receivable. Principal and interest are due quarterly in an amount equal to the net cash flow, if any, as defined in the loan agreements, or at maturity. Interest accrues at a rate equal to the greater of 0.5% in excess of the monthly weighted average cost of funds to the Partnership or the short-term applicable federal rate as defined in the loan agreements. Interest income related to these notes receivable totaled $3,430,148 for the year ended December 31, 2002.

The general partner of the Partnership has also entered into loan agreements with certain related party entities and partnerships listed above. All loans of the general partner are collateralized by certain of the Borrower's interest in the underlying assets. The general partner's interest ranks pari passu with the interests of the Partnership.

6. Bank Lines of Credit

The Partnership finances its investments, consisting mainly of notes receivable from related parties, through dividends received and lines of credit with unrelated banking institutions. Funds are drawn on the lines of credit and advanced to the related party companies and partnerships pursuant to the terms of certain loan agreements described in Note 5. The amounts outstanding under the lines of credit at December 31, 2002, was $299,774,527 including accrued interest. At December 31, 2002, the interest rates on the lines of credit ranged from 1.90% to 2.50%. The lines mature on July 31, 2004 and March 31, 2005. At December 31, 2002, the lines of credit provided for a maximum commitment of $345,000,000 subject to adequate collateralization. Draws under the lines of credit are collateralized by the shares of common stock of a publicly traded corporation (see Note 3) pledged by the Partnership and certain shares of the general partner and are limited to 60% of the then current market value of the pledged securities. The lines of credit are subject to certain non-financial covenants as well as a net worth covenant of the general partner.

The general partner is a co-borrower under one of the lines of credit referenced above. The obligations of both borrowers under this loan agreement are joint and several, thus, amounts advanced are deemed to be advanced to both borrowers. Therefore, the Partnership has recorded a receivable from the general partner as well as a liability for the outstanding balance under the line of credit.

The Partnership has one interest rate swap agreement with a commercial bank, with a notional amount of $100,000,000, to reduce the impact of changes in interest rates on its floating rate lines of credit. At December 31, 2002, the interest rate swap agreement effectively changed the Partnership's interest rate exposure on $100,000,000 of debt to a fixed rate of 6.198%. The interest rate swap agreement matures in January 2003. The Partnership is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements. However, the Partnership does not anticipate nonperformance by the counterparty. The estimated liability related to the interest rate swaps at December 31, 2002 was $985,111. This amount is included in accrued interest payable in the accompanying balance sheet.

The general partner of the Partnership acts as the guarantor under the terms of the line of credit agreements and the trustee of the general partner is a co-borrower.

7. Income Taxes

The Partnership is not directly subject to income taxes; rather, each partner is subject to income taxes on their distributable share of taxable income. Accordingly, the Partnership has not recorded a provision for income taxes in the accompanying statements of income and comprehensive income for the year ended December 31, 2002.

8. Commitments and Contingencies

ABD II has guaranteed up to $10 million for certain performance obligations of a related party related to a land development in Arizona. As part of the guarantee, ABD II must maintain a minimum tangible net worth of $10 million. The Partnership was in compliance with this covenant at December 31, 2002. For the benefit of this land development, Verrado District I community facilities district is contemplating issuance of $24,000,000 in general obligation bonds in the second quarter of 2003. If issued, the Partnership anticipates executing an agreement that would guarantee the related party's obligation related to this transaction.

The Partnership is a co-guarantor on a loan with a maximum borrowing amount of $30,000,000. The loan matures September 3, 2005. The guarantee agreement states the guarantor's obligation shall not exceed $19,000,000.

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

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

DTC 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 Notes Exchange Population Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Notes Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchase of Bonds under the DTC system must be made by or through Direct Participants, which 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 and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of 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 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 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.

Neither DTC or Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as the book-entry system is in effect, payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. 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 or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the District, 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.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; THE GIVING OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS UNDER THE RESOLUTIONS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A HOLDER.

So long as the book-entry-only system is in operation, principal of, the Redemption Price for and premium, if any, and interest on the Bonds will be payable by the District to DTC, which organization consequently bears sole responsibility for remitting such amounts to its DTC Participants for subsequent disbursement to the Beneficial Owners.

For every transfer and exchange of a beneficial ownership interest in the Bonds, DTC may charge to the DTC Participants and the DTC Participants may charge to Beneficial Owners, a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

In the event the District determines not to continue that DTC book-entry-only system or DTC determines to discontinue providing its services with respect to the Bonds and the District does not select another qualified securities depository, the District will deliver one or more Bond certificates in such principal amount or amounts, in denominations of $100,000 and any integral multiples of $100,000 thereof; provided, however, that the Bank may be transferred and exchanged for Bonds by the denomination of $100,000 and integral multiples thereof upon evidence satisfactory to the Trustee that the Bonds have been rated investment grade by a Rating Agency and the Board has approved such change, and registered in whatever name or names, as DTC will designate. In such event, transfers and exchange of Bonds will be governed by the provisions of the Indenture.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of the beneficial ownership interests in the Notes and other related transactions by and between DTC, the DTC Participants and Beneficial Owners are based solely on the understanding of the District of such procedures and recording keeping, based on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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APPENDIX H

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF APRIL 1, 2003

BY AND AMONG

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

DMB WHITE TANK, LLC

AND

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

This **STANDBY CONTRIBUTION AGREEMENT**, dated as of April 1, 2003, 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, Arizona, N.A., as trustee (the "*Trustee*") under that certain Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the "*Indenture*").

RECITALS

A. The Issuer is issuing its District General Obligation Bonds, Series 2003 in the aggregate principal amount of $24,000,000 (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, Amended and Restated as of March 4, 2003, presented to and approved by the Board on March 4, 2003

(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 the Guaranty, of even date herewith, by and among ABD Investments Limited Partnership (the "*Guarantor*"), the District and the Trustee (the "*Guaranty*"), the Guarantor, as an affiliate of the Developer, has agreed to guarantee to the District and the Trustee the full and prompt payment of the Indebtedness (as such term is defined in the Guaranty).

E. 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.

F. 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 North 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 S4101-080, 100 West Washington Street, 8th 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 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, Attention: John Bradley, Vice President, with copies to DMB Associates, Inc., 7600 East 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 for any subsequent Fiscal Year plus the historical annual average of amounts necessary to pay those District Administrative Expenses relating to the 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. [*Capitalizing both interest payments*]

(A) No payment shall be required to be made by the Developer for any portion of the Debt Service due on January 15, 2004 and July 15, 2004 that has been funded from the proceeds of the Bonds and deposited in the Series 2003 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, 2004, 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 with the exception, if applicable, of Substitute Collateral (as defined hereafter) approved by the Issuer in a form other than cash as referenced in Section 2.1(E)(ii)(2).

(D) For the purpose of calculating the amounts due from the Developer hereunder, tax collections shall be allocated first to the payment of Debt Service.

(E) (i) At all times prior to the termination of this Standby Contribution Agreement, the Developer shall cause to be provided to the Issuer's Representative, the Issuer and the Trustee, as applicable, each Audited Financial Statements, Auditor's Opinion, Certificate, Auditor's Letter, Internal Financial Statements (as such terms are defined in the Guaranty) and other deliveries as provided for in Section 15 of the Guaranty.

(ii) At any time prior to the termination of this Standby Contribution

Agreement:

(1) If, on or prior to the date that is ten (10) days prior to the date on which any Guarantor Audited Financial Statements, Auditor's Opinion or Auditor's Letter is due, (x) the Developer and the Guarantor have provided notice to the Issuer and the Trustee that such information will not be timely made available or provided, as applicable, stating the reasons therefore, which reasons must be circumstances or conditions outside the reasonable control and contemplation of the Developer and the Guarantor, and (y) the managing partner of the Guarantor has delivered to the Issuer designee, the Issuer and the Trustee a Certificate, together with a completed Financial Covenant Calculations worksheet (the form of which is attached as Exhibit 1 to the Guaranty) and (if available) Internal Financial Statements for the fiscal year of the Guarantor then ended, stating that (i) the officer signing the Certificate on behalf of the managing partner has no knowledge of the occurrence of any Non-Payment Default (as defined in the Guaranty) or any other default under the Guaranty not heretofore reported and, if any Non-Payment Default has occurred and been remedied, stating in reasonable detail the facts with respect thereto, and (ii) to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, the information contained in the Financial Covenant Calculations worksheet is accurate and, based on the Financial Covenants Calculations worksheet and any Internal Financial Statements then available, including the most recent Internal Financial Statements, the Guarantor is in compliance with the Financial Covenants as of the end of such fiscal year of the Guarantor (and, if applicable, any succeeding calendar months for which Internal Financial Statements are available), and (z) the Developer is not then in default

under this Standby Contribution Agreement, including that the Developer shall have timely paid and deposited all sums payable by the Developer under this Standby Contribution Agreement, including all Annual Developer Payments and, if applicable, all December Developer Payments and/or June Developer Payments (and, at all times until full compliance with the requirements of the Guaranty in respect of the Audited Financial Statements, Auditor's Opinion and Auditor's Letter, as applicable, has been achieved, shall continue to timely pay and deposit all sums payable by the Developer under this Standby Contribution Agreement), then and in all such events, the Developer and the Guarantor shall have a reasonable period of time, not to exceed 60 days (which may be extended, at the sole discretion of the Issuer, for an additional 60 days), in which to cure such failure to timely provide any such Audited Financial Statement, Auditor's Opinion and/or Auditor's Letter, as applicable, provided that, in the event the Developer and the Guarantor thereafter fail to timely cure such failure to timely provide any such Audited Financial Statement, Auditor's Opinion and/or Auditor's Letter, the provisions of Section 2.1(E)(ii)(2) below shall control.

(2) Except as provided in Section 2.1(E)(ii)(1) above, if any Audited Financial Statements, any Auditor's Opinion, any Certificate, any Auditor's Letter or any Internal Financial Statements are not timely made available or provided (as applicable) to the Issuer designee, the Issuer and the Trustee as provided for in Section 15 of the Guaranty, and/or any Audited Financial Statement, Auditor's Opinion, Certificate, Auditor's Letter, Internal Financial Statements or Financial Covenant Calculations worksheet indicates that the Guarantor is not in compliance with the Financial Covenants described in Section 5 of the Guaranty, i.e., indicates that the Guarantor has failed to maintain the required minimum Net Worth or the required minimum Liquidity, then and in any such event, the Developer shall promptly cause to be deposited with Trustee and in all events within ten (10) days of the date on which performance was due or within ten (10) days of the occurrence of such circumstance or condition (as applicable), for deposit into the Series 2003 Developer Reserve Account of the Bond Fund, Substitute Collateral (as defined hereafter) in form and substance satisfactory to the Issuer, in an amount sufficient to pay the outstanding and unpaid principal, any premium and any accrued and unpaid interest with respect to the Bonds through the first optional call date of the Bonds. For purposes of this Standby Contribution Agreement, Substitute Collateral shall mean cash, Government Obligations or a full recourse letter of credit, surety bond, investment agreement or other financial assurance instrument acceptable to the Issuer that is issued or guaranteed by an entity with a long term obligation rating by S & P or Moody's of at least "A", and issued in the applicable amount necessary to redeem the Bonds on the first optional call date. Notwithstanding the foregoing, in the event that, at any time, the Internal Financial Statements or the Audited Financial Statements made available to the Issuer designee, as provided for in Section 15 of the Guaranty, indicate that the Guarantor was not in compliance with the Financial Covenants as of the last day of the reporting period covered by such Internal Financial Statements or Audited Financial Statements, as applicable, but the Certificate submitted by the managing partner of the Guarantor includes an additional certification that, as of the last day of the calendar month immediately preceding the month in which the Certificate is submitted, the Guarantor is in compliance with the Financial Covenants and the Financial Covenants Calculations worksheet includes as an addendum Internal Financial Statements dated as of the end of the calendar month immediately preceding the calendar month in which such Financial Covenants Calculations worksheet is submitted indicating that the Guarantor is in compliance with the Financial Covenants, then and only in such event, the Developer shall not be required to deposit Substitute Collateral and no default shall have occurred under this Standby Contribution Agreement or the Guaranty unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before the date that is thirty (30) days following the date on which the Internal Financial Statements or Audited Financial Statements (as applicable) were required to be made available to the Issuer designee, audited financial statements prepared in accordance with GAAP for the reporting period that commenced as of the first day of the month following the reporting period covered by the most recent Audited Financial Statements made available to the Issuer designee in accordance with

Section 15 of the Guaranty and that extends, in any instance where the Audited Financial Statements have indicated noncompliance with the Financial Covenants, through the last day of the third month of the then-current fiscal year of Guarantor, or, in any instance where the Internal Financial Statements have indicated noncompliance with the Financial Covenants, through last day of the seventh month of the then-current fiscal year of Guarantor, accompanied by an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date, whereupon the Issuer designee shall provide a statement to the Trustee advising the Trustee that such information has been provided and that such information indicates that the Guarantor is in compliance with the Financial Covenants as of the applicable date. By way of example, if the Guarantor's fiscal year is a calendar year and the Audited Financial Statements for the fiscal year 2004 are made available to the Issuer designee on April 30, 2005 and such Audited Financial Statements indicate that, as of the last day of the reporting period covered by the Audited Financial Statements (e.g., as of December 31, 2004), the Guarantor was not in compliance with the Financial Covenants but the Certificate concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an additional certification that, as of March 31, 2005, the Guarantor is in compliance with the Financial Covenants and the Financial Covenant Calculations worksheet concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an addendum consisting of the Guarantor's Internal Financial Statements as of March 31, 2005 that indicates compliance with the Financial Covenants, the Developer shall not be required to deposit substitute collateral and no default under this Standby Contribution Agreement or the Guaranty shall be deemed to have occurred unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before May 30, 2005, an audited financial statement of the Guarantor prepared in accordance with GAAP as of March 31, 2005 that indicates compliance with the Financial Covenants together with an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date. As a further example, if the Internal Financial Statements for the mid-year 2005 are made available to the Issuer designee on August 31, 2005 and such Internal Financial Statements indicate that, as of the last day of the reporting period covered by the Internal Financial Statements (e.g., as of June 30, 2005), the Guarantor was not in compliance with the Financial Covenants but the Certificate concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an additional certification that, as of July 31, 2005, the Guarantor is in compliance with the Financial Covenants and the Financial Covenant Calculations worksheet concurrently submitted to the Issuer designee, the Issuer and the Trustee includes an addendum consisting of the Guarantor's internal unaudited financial statements as of July 31, 2005 that indicates compliance with the Financial Covenants, the Developer shall not be required to deposit Substitute Collateral and no default under this Standby Contribution Agreement or the Guaranty shall be deemed to have occurred unless and until the Developer thereafter fails to cause the Guarantor to make available to the Issuer designee, on or before September 30, 2005, audited financial statements of the Guarantor prepared in accordance with GAAP as of July 31, 2005 that indicates compliance with the Financial Covenants together with an Auditor's Letter, a Certificate that the Financial Covenants Calculations worksheet is accurate to the best knowledge of the officer signing the Certificate on behalf of the managing partner of the Guarantor and a Financial Covenants Calculation worksheet indicating compliance with the Financial Covenants as of the applicable date. If the Developer is obligated to and fails to timely deposit Substitute Collateral as hereinbefore provided, a Non-Payment Default shall have occurred, whereupon the provisions of Section 2.4 shall apply. If the Developer is obligated to and timely deposits Substitute Collateral in the outstanding principal amount of the Bonds and all interest accruing through the first optional call date of the Bonds, in form and substance satisfactory to the Issuer, then and in such event, upon the deposit of such Substitute Collateral with the Trustee and expiration of any applicable bankruptcy preference periods, the Guaranty

shall be released by the Issuer and the Guarantor shall have no further obligation in respect of the Indebtedness (nor shall the Guaranty be eligible to be thereafter utilized as security for the obligations of the Developer under this Standby Contribution Agreement).

(F) If any of the events or acts described in Section 7 of the Guaranty have occurred, the Guarantor shall be deemed to be in default under the Guaranty and the Developer shall be deemed to be in default under this Standby Contribution Agreement, whereupon the Developer and/or the Guarantor shall deposit with the Trustee the Redemption Price (as defined in the Indenture) required by Section 4.04 of the Indenture in order to provide for the special mandatory redemption of the Bonds.

(G) Provided the Developer and the Guarantor are not in default under this Standby Contribution Agreement or the Guaranty, at any time prior to the termination of this Standby Contribution Agreement, the Developer may provide notice to the Issuer designee, the Trustee and the Issuer that the Developer wishes to propose Substitute Collateral for the Guaranty in an amount sufficient to pay the outstanding and unpaid principal and any accrued and unpaid interest with respect to the Bonds through the first optional call date of the Bonds, whereupon, if the Issuer determines that the proposed Substitute Collateral, issued in favor of the Issuer and the Trustee is satisfactory, then and in such event, upon the deposit of such Substitute Collateral with the Trustee and expiration of any applicable bankruptcy preference periods, the Guaranty shall be released by the Issuer and the Guarantor shall have no further obligation with respect to the Indebtedness (nor shall the Guaranty be eligible to be thereafter utilized as security for the obligations of the Developer under this Standby Contribution Agreement).

(H) If a request is made by any Bondholder (as such term is defined in the Indenture) to the Trustee for copies of any or all of the information provided to the Issuer and the Trustee under Section 15 of the Guaranty or Section 2.1(E)(ii) of this Standby Contribution Agreement, then, at any time prior to the termination of this Standby Contribution Agreement, the Trustee shall, after confirming that the party requesting such information is a Bondholder, copy such request to the Developer whereupon the Developer shall cause the Guarantor to provide, or shall provide, copies of such information to such Bondholder as advised by the Trustee.

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 Article 5. 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 (A) any failure by the Developer to timely cause to be made available or provided the information required by Section 2.1(E)(i), as the time for such performance may be extended under the provisions of Section 2.1(E)(ii)(1), (B) any event described in Section 2.1(F), or (C) 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, including any amount the Developer is required to pay or cause to be paid or deposited with the Trustee under Section 2.1(E)(ii)(2), 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 (including the 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_____
_____, Manager

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

By_____
Its_____

APPENDIX I

GUARANTY

This Guaranty, dated as of April 1, 2003, is made by ABD Investments Limited Partnership, an Arizona limited partnership (the **"Guarantor"**), for the benefit of Verrado District 1 Community Facility District (Town of Buckeye, Arizona) formerly known as Whitestone District 1 Community Facility District (Town of Buckeye, Arizona), an Arizona community facility district (with its participants, successors and assigns, referred to herein as the **"District"** or the **"Issuer"**) and Wells Fargo Bank, Arizona N.A., in its capacity as trustee (the **"Trustee"**) under the terms and provisions of the Indenture of Trust and Security Agreement, dated as of April 1, 2003 (the **"Indenture"**).

RECITALS

A. The Issuer pursuant to Title 48, Chapter 4, Article 6 (the **"Enabling Act"**) and a bond resolution adopted by the board of directors of the Issuer on _____, 2003 is or will be issuing general obligation bonds in the aggregate principal amount of approximately $24,000,000.00 which shall be known as the Verrado Community Facility District General Obligation Bonds, Series 2003 (the **"Bonds"**) pursuant to the terms of the Indenture. The payment of principal, interest and all other amounts constituting Debt Service (as such term is defined in the Enabling Act) (collectively, the **"Debt Service Obligations"**) shall be funded by an ad valorem tax levied at a rate of not greater than $3.00 per $100 of secondary assessed value (the "**Maximum Tax Rate**") on all taxable property within the boundaries of the District. DMB White Tank, LLC, an Arizona limited liability company ("**Developer**"), is a beneficial owner of and is in the process of developing, a portion of the real property located within the District (the "**Property**"). The Issuer shall use the proceeds from the issuance of the Bonds to develop the public infrastructure within the District, thereby increasing the value of the Property.

B. The Issuer, Trustee and the Guarantor agree and acknowledge that tax proceeds generated by the levy and collection of the Maximum Tax Rate will not be sufficient to pay the Debt Service Obligations until and unless there is a significant increase in the secondary assessed valuation in the District.

C. The Developer has agreed to execute and deliver a Standby Contribution Agreement (the "**Contribution Agreement**") under which Developer agrees to pay any shortfall that may occur between the tax proceeds generated by the levy of the Maximum Tax Rate and the Debt Service Obligations (the "**Shortfall**") until such time as the Developer is released from such obligation under the Contribution Agreement. The Guarantor, as an Affiliate of the Developer, agrees that it is in the Guarantor's best interests to execute and deliver this Guaranty of Developer's obligations under the Contribution Agreement.

AGREEMENT

ACCORDINGLY, the Guarantor, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agrees as follows:

1. Recitals. The Guarantor acknowledges that the foregoing Recitals are true, accurate and incorporated into this Guaranty.

2. Definitions. As used herein, the following terms have the meanings set forth below:

A. "Affiliate" **shall be defined as any person or entity controlling, controlled by or under common control with the Developer and/or the Guarantor.**

B. "Development" **shall be defined as any development project in respect of which there are Guaranteed Obligations (as such term in hereinafter defined), as reflected in the consolidated balance sheet of the Guarantor at any time or from time to time.**

C. "Liquidity" **shall be defined as the Qualifying Assets less the Qualifying Liabilities.**

D. "Net Worth" **shall be defined as "total assets" minus "total liabilities", as presented in the audited or unaudited consolidated balance sheet of the Guarantor or any Development (as applicable) and determined as of the end of the applicable period (e.g., the sixth month or the year).**

"**Qualifying Assets**" shall be defined as all assets that can reasonably be converted into cash within one year from the date that is the last day of the applicable period (e.g., the sixth month or the year), as presented in the audited or unaudited (as applicable) consolidated balance sheet of the Guarantor,.

"**Qualifying Liabilities**" shall be defined as all liabilities that will mature or become due within one year from the date that is the last day of the applicable period (e.g., the sixth month or the year), as presented in the audited or unaudited (as applicable) consolidated balance sheet of the Guarantor.

"**Undercollateralized Obligations**" shall be defined as the sum of (i) the Bonds (including all outstanding principal in respect of the Bonds) and (ii) the total amount of all other debts, liabilities, loan agreements, funding commitments and obligations of the Guarantor, of every type and description but excluding the unfunded portion of any loan agreements or funding commitments with Affiliates, payment or funding of which is guaranteed by the Guarantor, whether such debt, liability, loan agreement, funding commitment or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several or joint and several (the "**Guaranteed Obligations**"), provided that the Guaranteed Obligations in respect of any Development shall be included in the calculation of "Undercollateralized Obligations" only if, and to the extent that, the total Guaranteed Obligations pertaining to any particular Development exceed 60% of the Net Worth of such Development. For example, if there were $35,000,000 in Guaranteed Obligations and $70,000,000 Net Worth in respect of a particular Development, then the resulting Guaranteed Obligations/Net Worth ratio would be 50%, i.e., less than the 60% Guaranteed Obligations/Net Worth ratio threshold, and the Guaranteed Obligations in respect of that Development would not be included in the calculation of "Undercollateralized Obligations". As a further example, if there were $50,000,000 in Guaranteed Obligations and $70,000,000 Net Worth in respect of a particular Development, then the resulting Guaranteed Obligations/Net Worth ratio would be approximately 71.4%, i.e., greater than the 60% Guaranteed

Obligations/Net Worth ratio threshold, and the Guaranteed Obligations in respect of that Development would be included in the calculation of "Undercollateralized Obligations" to the extent that the total amount of the Guaranteed Obligations in respect of the Development were to exceed 60% of the Net Worth of the Development; i.e., [($50,000,000 total Guaranteed Obligations) - {60% ($70,000,000 Net Worth) = $42,000,000} = $8,000,000], meaning $8,000,000 in respect of the Development would be included in the calculation of "Undercollateralized Obligations". In addition, and notwithstanding the foregoing, for purposes of calculating the Net Worth of a particular Development, the Guarantor shall be entitled, at its option, to utilize the fair market value of the Development as determined by a "Qualifying Appraisal" as the value of the total assets of such Development on the applicable consolidated balance sheet. A "**Qualifying Appraisal**" shall mean an "as is" appraisal, dated no earlier than one year prior to the date of the certificate provided for in Section 15 below, that is completed by an MAI certified appraiser.

3. Indebtedness Guaranteed. The Guarantor hereby absolutely and unconditionally guarantees to the Issuer and the Trustee the full and prompt payment when due, whether at maturity or earlier by reason of mandatory redemption, acceleration or otherwise, of each and every other sum now or hereafter owing to the Issuer by the Developer under the Contribution Agreement, including but not limited to an amount equal to the Shortfall, in each case whether now existing or hereafter arising, whether absolute or contingent, primary or secondary, sole, joint, several or joint and several, secured or unsecured, and, in the instances provided for in the Indenture, the Contribution Agreement and Section 7 below, the principal amount of the Bonds and all interest with respect to the Bonds that is unpaid and accruing to the date of actual payment (all of said sums being hereinafter called the **"Indebtedness"**).

4. Guarantor's Representations and Warranties. The Guarantor represents and warrants to the Issuer that (i) the Guarantor is an Arizona limited partnership, duly organized and existing, in good standing, and has full power and authority to make and deliver this Guaranty; (ii) the execution, delivery and performance of this Guaranty by the Guarantor has been duly authorized by all necessary action of its partners and does not and will not violate the provisions of, or constitute a default under, any presently applicable law or its organizational documents or any agreement presently binding on it; (iii) this Guaranty has been duly executed and delivered by an authorized representative of the Guarantor and constitutes its lawful, binding and legally enforceable obligation; and (iv) the authorization, execution, delivery and performance of this Guaranty does not require notification to, registration with, or consent or approval by, any federal, state or local regulatory body or administrative agency. The Guarantor represents and warrants to the Issuer that the Guarantor has a direct and substantial economic interest in the Developer and expects to derive substantial benefits therefrom and from the issuance of the Bonds and any other transactions and events resulting in the creation of the Indebtedness guaranteed hereby, and that this Guaranty is given for a valid business purpose.

5. Financial Covenants. Until the obligations of the Developer under the Contribution Agreement have been fully satisfied and the Developer has been released from the Contribution Agreement pursuant to the terms of the Indenture and the Contribution Agreement, or until the Guarantor has been released from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement, the Guarantor shall comply with the following financial covenants (collectively, the "**Financial Covenants**"):

(i) The Guarantor shall have, at the time of execution of this Guaranty, a minimum Net Worth of $200,000,000; and

(ii) The Guarantor shall maintain, at all times, a minimum Net Worth of three (3) times the amount of the Undercollateralized Obligations and a minimum Liquidity of one and one-half (1.5) times the amount of the Undercollateralized Obligations.

6. Unconditional Nature. No act or thing need occur to establish the Guarantor's liability hereunder, and no act or thing, except full payment and discharge of all of the Indebtedness or the Developer being released from the Contribution Agreement pursuant to the terms of the Indenture and the Contribution Agreement, or the Guarantor being released from this Guaranty in the event Substitute Collateral (as defined in the Contribution Agreement) is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement, shall in any way exonerate the Guarantor hereunder or modify, reduce, limit or release the Guarantor's liability hereunder. This is an absolute and unconditional guaranty of payment of the Indebtedness.

7. Dissolution, Termination or Insolvency of Guarantor. The dissolution, termination or adjudication of bankruptcy of the Guarantor shall not affect the validity or binding nature of this Guaranty. Without limitation of the foregoing, if the Guarantor shall be dissolved, terminated or shall be or become insolvent (however defined), or if the Guarantor voluntarily commences or there is commenced involuntarily against the Guarantor a petition for receivership, an acknowledgement or claim of inability to pay debts or other obligations, or other proceeding pertaining to the actual or claimed insolvency of the Guarantor case under the United States Bankruptcy Code, the Guarantor acknowledges that the Guarantor shall be deemed in default of this Guaranty and the applicable provisions of the Contribution Agreement and Indenture shall apply, including that the Bonds be subject to special mandatory exemption.

8. Non-Compliance. In the event the Guarantor is not in compliance with the Financial Covenants or the Guarantor is not in compliance with the requirements described in Section 15 below (a "**Non-Payment Default**"), then and in any such event, the applicable provisions of the Contribution Agreement and Indenture shall control including, as applicable, that the Bonds be subject to special mandatory redemption if such Non-Payment Default is not cured within the applicable cure periods or Substitute Collateral is not deposited with the Trustee.

9. Subrogation, etc. The Guarantor hereby waives all rights that the Guarantor may now have or hereafter acquire, whether by subrogation, contribution, reimbursement, recourse, exoneration, contract or otherwise, to recover from the Developer or from any property of the Developer any sums paid under this Guaranty until all of the Indebtedness shall have been fully paid and discharged. The Guarantor will not exercise or enforce any right of contribution to recover any such sums from any person who is a co-obligor with the Developer or a guarantor or surety of the Indebtedness or from any property of any such person until all of the Indebtedness shall have been fully paid and discharged.

10. Enforcement Expenses. The Guarantor will pay or reimburse the Issuer and the Trustee for all costs, expenses and attorneys' fees paid or incurred by the Issuer and the Trustee in endeavoring to collect and enforce the Indebtedness and in enforcing this Guaranty.

11. Issuer's and Trustee's Rights. The Issuer and the Trustee shall not be obligated by reason of its acceptance of this Guaranty to engage in any transactions with or for the Developer. Whether or not any existing relationship between the Guarantor and the Developer has been changed or ended, the Issuer and the Trustee may enter into transactions resulting in the creation or continuance of the Indebtedness and may otherwise agree, consent to or suffer the creation or continuance of any of the Indebtedness, without any consent or approval by the Guarantor and without any prior or subsequent notice to the Guarantor. The Guarantor's liability shall not be affected or impaired by any of the

following acts or things (which the Issuer or Trustee are expressly authorized to do, omit or suffer from time to time, without consent or approval by or notice to the Guarantor): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all of the Indebtedness (except as provided for and expressly subject to the terms of the Contribution Agreement which permit the deposit of substitute collateral under certain circumstances); (ii) one or more extensions or renewals of the Indebtedness (whether or not for longer than the original period) or any modification of the interest rates, maturities, if any, or other contractual terms applicable to any of the Indebtedness or any amendment or modification of any of the terms or provisions of any agreement under which the Indebtedness or any part thereof arose; (iii) any waiver or indulgence granted to the Developer, any delay or lack of diligence in the enforcement of the Indebtedness or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any of the Indebtedness; (iv) any full or partial release of, compromise or settlement with, or agreement not to sue, the Developer or any guarantor or other person liable in respect of any of the Indebtedness; (v) any release, surrender, cancellation or other discharge of any evidence of the Indebtedness or the acceptance of any instrument in renewal or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff) for the Indebtedness, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to preserve, protect, insure, care for, exercise or enforce any collateral security; or any modification, alteration, substitution, exchange, surrender, cancellation, termination, release or other change, impairment, limitation, loss or discharge of any collateral security; (vii) any collection, sale, lease or disposition of, or any other foreclosure or enforcement of or realization on, any collateral security; (viii) any assignment, pledge or other transfer of any of the Indebtedness or any evidence thereof; (ix) any manner, order or method of application of any payments or credits upon the Indebtedness; and (x) any election by the Issuer under Section 1111(b) of the United States Bankruptcy Code. The Guarantor waives any and all defenses and discharges available to a surety, guarantor or accommodation co-obligor.

12. Waivers by Guarantor. The Guarantor waives any and all defenses, claims, setoffs and discharges of the Developer, or any other obligor, pertaining to the Indebtedness, except the defense of discharge by payment in full of the Indebtedness (upon expiration of all bankruptcy preference periods as referenced in Section 13) or by the release of the Developer from the Contribution Agreement as provided for in the Indenture and the Contribution Agreement or by the release of the Guarantor from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement. Without limiting the generality of the foregoing, the Guarantor will not assert, plead or enforce against the Issuer or the Trustee any defense of waiver, release, discharge or disallowance in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to the Developer or any other person liable in respect of any of the Indebtedness, or any setoff available against the Issuer or the Trustee to the Developer or any other such person, whether or not on account of a related transaction, except discharge by payment in full of the Indebtedness (upon expiration of all bankruptcy preference periods as referenced in Section 13) or the release of the Developer from the Contribution Agreement as provided for in the Indenture and the Contribution Agreement or by the release of the Guarantor from this Guaranty in the event substitute collateral is deposited with the Trustee as provided for in (and expressly subject to the requirements of) the Contribution Agreement. The Guarantor expressly agrees that the Guarantor shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Indebtedness, whether or not the liability of the Developer or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The liability of the Guarantor shall not be affected or impaired by (i) any voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the Developer's assets, (ii) the marshalling of the Developer's assets and liabilities, or (iii) the insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar event or proceeding affecting the Developer or any of its

assets. The Guarantor will not assert, plead or enforce against the Issuer or the Trustee any claim, defense or setoff available to the Guarantor against the Developer. The Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment and protest of any instrument evidencing the Indebtedness. The Issuer shall not be required first to resort for payment of the Indebtedness to the Developer or other persons, or their properties, or first to enforce, realize upon or exhaust any collateral security for the Indebtedness, before enforcing this Guaranty. The Guarantor waives the benefits of Arizona Revised Statutes Sections 12-1641, 12-1642, 33-814 and 12-1566.

13. If Payments Set Aside, etc. If any payment applied by the Issuer or the Trustee to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Developer or any other obligor), the Indebtedness to which such payment was applied shall for the purpose of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty shall be enforceable as to such Indebtedness as fully as if such application had never been made.

14. Additional Obligation of Guarantor. The Guarantor's liability under this Guaranty is in addition to and shall be cumulative with all other liabilities of the Guarantor to the Issuer as guarantor, surety, endorser, accommodation co-obligor or otherwise, of any of the Indebtedness, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

15. Financial Information. The Guarantor shall provide the following information, as described below, to the Issuer, Issuer designee and the Trustee (as applicable) and, in the event a request is made by any Bondholder (as such term is defined in the Indenture) to the Trustee, the Trustee shall, after confirming that the party requesting such information is a Bondholder, provide a copy of such request to the Guarantor whereupon the Guarantor shall provide copies of the information provided to the Issuer, Issuer designee and the Trustee to such Bondholder as advised by the Trustee.

(a) As soon as available, and in any event within 120 days after the end of each fiscal year of the Guarantor, the Guarantor shall provide notice to the Issuer designee that the Guarantor's audited annual financial statements (the "**Audited Financial Statements**") are available for review, which Audited Financial Statements shall include the Guarantor's balance sheet as of the end of such fiscal year and the related statements of the Guarantor's income, partner's capital and cash flows for the fiscal year then ended, shall be prepared in accordance with GAAP and shall be accompanied by the unqualified opinion of independent certified public accountants selected by the Guarantor and acceptable to the Issuer (the "**Auditor's Opinion**"), and shall thereafter make such Audited Financial Statements and Auditor's Opinion available to the Issuer designee. In addition, concurrent with the notice to the Issuer designee concerning the Audited Financial Statements, the managing partner of the Guarantor shall deliver to the Issuer designee, the Issuer and the Trustee a certificate ("**Certificate**") stating (i) whether or not the officer signing the Certificate on behalf of the managing partner has knowledge of the occurrence of any default under this Guaranty not heretofore reported and, if any such default has occurred and been remedied, stating in reasonable detail the facts with respect thereto, and (ii) that the information contained in the Financial Covenant Calculations worksheet (attached as Exhibit 1 to this Guaranty) is accurate to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner and, based on the Audited Financial Statements, Auditor's Opinion and the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, whether or not the Guarantor is in compliance with the Financial Covenants as of the end of such fiscal year. The Certificate shall be accompanied by a letter from the Guarantor's independent certified public accountants in substantially the form of Exhibit 2 to this Guaranty, enumerating certain procedures performed in respect of the Financial Covenant Calculations (the "**Auditor's Letter**").

(b) As soon as available, and in any event within 60 days after the last day of the sixth month (i.e., mid-year) of each fiscal year of the Guarantor, the Guarantor shall provide notice to the Issuer designee that the Guarantor's unaudited internal financial statements (the "**Internal Financial Statements**") are available for review, which Internal Financial Statements shall include the Guarantor's internal balance sheet and related statements of income and partner's capital of the Guarantor as of the end of such month and for the year-to-date period then ended and shall be prepared in accordance with GAAP (excluding footnotes to financial statements and subject to year-end audit adjustments). In addition, concurrent with the notice to the Issuer designee concerning the Internal Financial Statements, the managing partner of the Guarantor shall deliver to the Issuer designee, the Issuer and the Trustee a Certificate stating (i) that the Internal Financial Statements made available to the Issuer designee have been prepared in accordance with GAAP subject to year-end audit adjustments, (ii) whether or not the officer signing the Certificate on behalf of the managing partner has knowledge of the occurrence of any default under this Guaranty not heretofore reported and, if any such default has occurred and been remedied, stating in reasonable detail the facts with respect thereto, and (iii) that the information contained in the Financial Covenant Calculations worksheet (attached as Exhibit 1 to this Guaranty) is accurate to the best actual knowledge of the officer signing the Certificate on behalf of the managing partner and, based on the Internal Financial Statements and the best actual knowledge of the officer signing the Certificate on behalf of the managing partner, whether or not the Guarantor is in compliance with the Financial Covenants as of the end of such year-to-date period.

16. No Duties Owed by Issuer. The Guarantor acknowledges and agrees that the Issuer and the Trustee (i) have not made any representations or warranties with respect to, (ii) do not assume any responsibility to the Guarantor for, and (iii) have no duty to provide information to the Guarantor regarding, the enforceability of any of the Indebtedness or the financial condition of the Developer or any guarantor. The Guarantor has independently determined the creditworthiness of the Developer and the enforceability of the Indebtedness and until the Indebtedness is paid in full will independently and without reliance on the Issuer continue to make such determinations.

17. Notice of Section 38-511, Arizona Revised Statutes, As Amended. The Issuer may, within three (3) years after its execution, cancel this Guaranty, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty on behalf of the Issuer is, at any time while this Guaranty 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 Guaranty and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty on behalf of the Issuer from any of the Trustee or the Developer arising as the result of this Guaranty. No person significantly involved in initiating, negotiating, securing, drafting or creating this Guaranty 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 Guaranty.

18. Miscellaneous. This Guaranty shall be effective upon delivery to the Issuer, without further act, condition or acceptance by the Issuer or the Trustee, shall be binding upon the Guarantor and the successors and assigns of the Guarantor and shall inure to the benefit of the Issuer and its participants, successors and assigns. Any invalidity or unenforceability of any provision or application of this Guaranty shall not affect other lawful provisions and application thereof, and to this end the provisions of this Guaranty are declared to be severable. This Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Guarantor and the Issuer. This Guaranty shall be governed by and construed in accordance with the substantive laws (other than

conflict laws) of the State of Arizona. The Guarantor hereby (i) consents to the personal jurisdiction of the state and federal courts located in the State of Arizona in connection with any controversy related to this Guaranty; (ii) waives any argument that venue in any such forum is not convenient, (iii) agrees that any litigation initiated by the Issuer or the Guarantor in connection with this Guaranty may be venued in either the state or federal courts located in Maricopa County, Arizona; and (iv) agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

19. Waiver of Jury Trial. **THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, BASED ON OR PERTAINING TO THIS GUARANTY.**

IN WITNESS WHEREOF, this Guaranty has been duly executed by the Guarantor as of the date first written above.

ABD Investments Limited Partnership, an Arizona limited partnership

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

Name: _____
Title: _____

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 __ day of _____, 2003, by _____, 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)

_____
Notary Public

RBC
Dain Rauscher

$24,000,000
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT GENERAL OBLIGATION BONDS
SERIES 2003

Delivery Date: April 16, 2003

ISSUER REQUEST

The Trustee is hereby requested to pay from the Acquisition and Construction Fund established by the Indenture of Trust, dated as of April 1, 2003 (the "*Indenture*"), between Wells Fargo Bank Arizona, 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: April 16, 2003.

By _____
District Manager

SWR:gmh 476886.2 04/14/03

EXHIBIT A

DELIVERY COSTS

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	$80,000.00
Underwriter's counsel (Greenberg Traurig, LLP, 2375 E. Camelback Road, Suite 700, Phoenix, Arizona 85016) fees and expenses	75,000.00
Financial advisor (Peacock, Hislop, Staley & Given, Inc., 2999 North 44th Street, Suite 100, Phoenix, Arizona 85018)	25,000.00
Town of Buckeye – Bond Administration fees	25,000.00
Trustee fees (Wells Fargo Bank Arizona, N.A., 100 West Washington Street, 8th Floor, Phoenix, Arizona 85003)	10,000.00
Preliminary and final Offering Memorandum (Bowne)	15,000.00
Miscellaneous	5,000.00
TOTAL	$235,000.00

April 16, 2003

Neuberger & Berman
Attn: Tom Brophy
605 Third Avenue, 41st Floor
New York, NY 10158

Mr. Jim Phillips
Van Kampen Advisors Inc.
110 West C Street, Suite 1300
San Diego, CA 92101

Strong Municipal Bond Fund Inc.
Attn: Lyle Fitterer-Portfolio Manager
Attn: Chad Rach
One Hundred Heritage Reserve
Menomonee Falls, WI 53051

Mr. Scott Cottier
Mr. Dan Loughran
Rochester Funds
350 Linden Oaks
Rochester, NY 14625

Mr. Paul Jungquist
Sit Investments
90 South 7th Street, Suite 4600
Minneapolis, MN 55402

Lee Cunningham
Federated
1001 Liberty Avenue
Pittsburgh, PA 15222

Re: Memorandum of Understanding
Continuing Disclosure Undertaking

Gentlemen:

In connection with the issuance and initial purchase of $24,000,000 Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2003, we enter into the following understanding with you: The Developer and Guarantor will furnish the information shown below directly to you, as initial Bondholders, using their best efforts to ensure that the information is at all times complete and accurate.

Information to be provided by the Developer and Guarantor Semiannually to the District:

a) The information submitted in the form of Exhibits 1 and 2 of the Guaranty;
b) A status report on the progress of the Project substantially in the form attached.

Information to be provided by the Developer and Guarantor Annually to the District:

Audited (with respect to the Guarantor) and unaudited (with respect to the Developer) financial statements as available.

The following will serve as the contact point with the Developer/Guarantor for Continuing Disclosure questions:

Mr. Andrew Beams
DMB, Inc.
7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258-2137
480-367-7246

Very truly yours,

Andy Beams
(on behalf of the Developer and Guarantor)

\\phx-srv01\1400403v01

Verrado
Inventory Status Report
Phase I

Project to Date - March 2003

Product Type	Builder	Parcel	Acres	Total Inventory	Beginning Backlog	Net Sales	Closings	Ending Backlog	Unclosed Inventory
Units									
Models	Misc.	4.601	7.5	29	-	17	-	17	29
Golf Villa	Columbia	4.801	23.7	111	-	-	-	-	111
Townhomes	-	1B	11.3	82	-	-	-	-	82
Park Homes	-	-	3.2	25	-	-	-	-	25
Apts	PB Bell/DMB	4.618/4.619	5.5	45	-	-	-	-	45
Apts	-	1B	7.8	140	-	-	-	-	140
35X100	Ashton Woods	4.602	7.6	41	-	-	-	-	41
35X100	Ashton Woods	5.703	8.7	50	-	-	-	-	50
35X100	Ashton Woods	1B	14.5	100	-	-	-	-	100
45X124	Ashton Woods	4.608	9.4	36	-	36	-	36	36
45X124	Ashton Woods	5.702	11.5	48	-	48	-	48	48
45X124	Ashton Woods	1B	19.3	82	-	-	-	-	82
55X124	Pulte	4.603	18.5	65	-	65	-	65	65
55X124	Pulte	4.610	14.9	51	-	51	-	51	51
55X124	Pulte	1B	32.2	109	-	-	-	-	109
55X130	Engle	4.609	14.5	51	-	51	-	51	51
55X130	Engle	4.611	14.1	48	-	48	-	48	48
55X130	Engle	4.613	11.5	42	-	42	-	42	42
60X130	Engle	1B	31.3	109	-	-	-	-	109
65X130	Engle	4.612	17.1	55	-	55	-	55	55
65X130	Engle	4.615	10.9	39	-	39	-	39	39
65X130	Engle	1B	38.7	113	-	-	-	-	113
70X130	Morrison	4.605	18.5	56	-	56	-	56	56
70X130	Morrison	4.614	13.1	40	-	40	-	40	40
70X130	Morrison	1B	34.7	87	-	-	-	-	87
80X130	TW Lewis	4.604	5.8	13	-	-	-	-	13
80X130	TW Lewis	4.606	20.4	46	-	-	-	-	46
80X130	TW Lewis	4.607	13.3	28	-	-	-	-	28
80X130	TW Lewis	1B	32.3	75	-	-	-	-	75
90X130	Cachet	4.607	6.9	11	-	-	-	-	11
90X130	Cachet	5.801	25.7	57	-	-	-	-	57
90X130	Cachet	1B	31.9	65	-	-	-	-	65
100X140	-	5.701	4.4	12	-	-	-	-	12
100X140	-	1B	6.7	16	-	-	-	-	16
Custom	-	5.804	39.7	36	-	-	-	-	36
Custom	-	5.803	28.7	25	-	-	-	-	25
			616	2,038	-	548	-	548	2,038

Verrado
Inventory Status Report
Phase I

Unsold Inventory
12
111
82
25
45
140
41
50
100
-
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82
-
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109
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113
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87
13
46
28
75
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57
65
12
16
36
25
1,490

Verrado
Inventory Status Report
Phase I

Project to Date - March 2003

Product Type	Builder	Parcel	Acres	Total Inventory	Beginning Backlog	Net Sales	Closings	Ending Backlog	Unclosed Inventory
Revenue									
Models	Misc.	4.601	7.5	669,200	-	669,200	-	669,200	669,200
Golf Villa	Colubmia	4.801	23.7	-	-	-	-	-	-
Townhomes	-	1B	11.3	-	-	-	-	-	-
Park Homes	-	-	3.2	-	-	-	-	-	-
Apts	PB Bell/DMB	4.618/4.619	5.5	-	-	-	-	-	-
Apts	-	1B	7.8	-	-	-	-	-	-
35X100	Ashton Woods	4.602	7.6	-	-	-	-	-	-
35X100	Ashton Woods	5.703	8.7	-	-	-	-	-	-
35X100	Ashton Woods	1B	14.5	-	-	-	-	-	-
45X124	Ashton Woods	4.608	9.4	387,207	-	387,207	-	387,207	387,207
45X124	Ashton Woods	5.702	11.5	582,648	-	582,648	-	582,648	582,648
45X124	Ashton Woods	1B	19.3	-	-	-	-	-	-
55X124	Pulte	4.603	18.5	1,258,366	-	1,258,366	-	1,258,366	1,258,366
55X124	Pulte	4.610	14.9	1,015,151	-	1,015,151	-	1,015,151	1,015,151
55X124	Pulte	1B	32.2	-	-	-	-	-	-
55X130	Engle	4.609	14.5	1,114,678	-	1,114,678	-	1,114,678	1,114,678
55X130	Engle	4.611	14.1	1,346,306	-	1,346,306	-	1,346,306	1,346,306
55X130	Engle	4.613	11.5	828,355	-	828,355	-	828,355	828,355
60X130	Engle	1B	31.3	-	-	-	-	-	-
65X130	Engle	4.612	17.1	1,796,281	-	1,796,281	-	1,796,281	1,796,281
65X130	Engle	4.615	10.9	982,873	-	982,873	-	982,873	982,873
65X130	Engle	1B	38.7	-	-	-	-	-	-
70X130	Morrison	4.605	18.5	1,738,282	-	1,738,282	-	1,738,282	1,738,282
70X130	Morrison	4.614	13.1	1,726,503	-	1,726,503	-	1,726,503	1,726,503
70X130	Morrison	1B	34.7	-	-	-	-	-	-
80X130	TW Lewis	4.604	5.8	-	-	-	-	-	-
80X130	TW Lewis	4.606	20.4	-	-	-	-	-	-
80X130	TW Lewis	4.607	13.3	-	-	-	-	-	-
80X130	TW Lewis	1B	32.3	-	-	-	-	-	-
90X130	Cachet	4.607	6.9	-	-	-	-	-	-
90X130	Cachet	5.801	25.7	-	-	-	-	-	-
90X130	Cachet	1B	31.9	-	-	-	-	-	-
100X140	-	5.701	4.4	-	-	-	-	-	-
100X140	-	1B	6.7	-	-	-	-	-	-
Custom	-	5.804	39.7	-	-	-	-	-	-
Custom	-	5.803	28.7	-	-	-	-	-	-
			616	13,445,850	-	13,445,850	-	13,445,850	13,445,850

Verrado
Inventory Status Report
Phase I

Unsold Inventory
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