$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

Closing: November 17, 2004

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 Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District"):

1. Feasibility Report for the issuance of the District's general obligation bonds as amended and restated July, 2004.

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

3. District Board Resolution No. 04-04, adopted July 20, 2004, approving the feasibility study and other matters, with a copy of the agenda attached.

4. District Board Resolution No. 04-04, adopted November 2, 2004 (thereafter designated No. 04A-04) authorizing the issuance and sale of the Bonds to RBC Dain Rauscher Inc., as the purchaser of the Bonds (the "Purchaser") in accordance with the Purchase Contract, with a copy of the agenda, attached.

FINANCING DOCUMENTS

5. Indenture of Trust and Security Agreement, dated as of November 1, 2004 from the District to Wells Fargo Bank, N.A., as Trustee (the "Trustee").

6. Standby Contribution Agreement dated as of November 1, 2004, by and between the District, the Trustee, DMB White Tank, LLC (the "Developer") and DMB Realco II, LLC (the "Guarantor").

7. Purchase Contract between the District and the Purchaser.

8. Indemnity Letter from Developer.

9. Indemnity Letter from Developer under IGA.

10. Indemnity Letter from Guarantor.

11. UCC-1 Financing Statement with respect to Indenture.

12. Irrevocable Direct Pay Letter of Credit No. S26861C issued by Compass Bank (the "Bank").

13. Remarketing Agreement between the District and RBC Dain Rauscher Inc. (the "Remarketing Agent").

REIMBURSEMENT DOCUMENTS

14. Reimbursement Agreement dated as of November 1, 2004, by and between the Bank and the Developer.

15. Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing from Developer to Bank.

16. UCC-1 Financing Statement with respect to Deed of Trust.

17. Environmental Indemnity Agreement from Developer to Bank.

18. Custody, Pledge and Security Agreement from Developer to Bank.

19. Security Agreement (Accounts) from Developer to Bank.

20. Unconditional Guarantee of Payment from Guarantor to Bank.

CERTIFICATES AND RECEIPTS

21. County Assessor's Certificate.

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

23. Acknowledgment and Request for Authentication.

24. Certificate as to Indebtedness.

25. Closing Certificate of Town of Buckeye, Arizona.

26. Closing Certificate and Receipt of Trustee.

27. Closing Certificate of Bank.

28. Closing Certificate of Remarketing Agent.

29. Closing Certificate of Developer.

30. Owner's Certificate as to Value.

31. Closing Certificate of Guarantor.

32. Certificate of Underwriter Regarding Initial Offering Prices and Yield.

33. Receipt for Bonds.

OPINIONS

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

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

36. Opinion of Counsel to Underwriter.

37. Opinion of Counsel to Developer and Guarantor.

38. Opinion of Counsel to the Bank.

OFFICIAL STATEMENT

39. Official Statement dated November 16, 2004.

40. Supplement to Preliminary Official Statement dated November 10, 2004.

41. Preliminary Official Statement dated November 4, 2004.

MISCELLANEOUS

42. Specimen Bond; DTC Blanket Letter of Representations.

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

44. Internal Revenue Service Form 8038-G.

45. Report to the Arizona Department of Revenue Regarding Issuance of Bonds.

46. Evidence of Rating.

47. Issuer Request for payment of costs of issuance.

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

Clerk, Verrado Western Overlay Community Facilities District (1 paper, 1 CD)
Treasurer, Verrado Western Overlay Community Facilities District (CD)
Gust Rosenfeld P.L.C. (CD)
Wells Fargo Bank, N.A. (CD)
DMB, Inc. (CD)
Storey & Burnham (CD)
RBC Dain Rauscher Inc. (CD)
Greenberg Traurig, LLP (CD)
Compass Bank (CD)
Quarles & Brady Streich Lang LLP (CD)
Peacock, Hislop, Staley & Given, Inc. (CD)
Moody's Investors Service (CD)

FEASIBILITY STUDY

Dated June 21, 2002

AMENDED AND RESTATED AS OF JULY 2004

For The Issuance of Not to Exceed $13,000,000 Principal Amount

of

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

DISTRICT GENERAL OBLIGATION BONDS

SERIES 2004

TABLE OF CONTENTS

	SECTION
Introduction; Purpose of Feasibility Study; General Description of District, Developer and Project	**ONE**
Description of Public Infrastructure	**TWO**
Map Showing Location of District, Project and Public Infrastructure	**THREE**
Estimate of Costs and Timetable for Public Infrastructure	**FOUR**
Map of Area to be Benefited	**FIVE**
Plan of Finance	**SIX**
Legal Description for Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)	**APPENDIX A**

TABLES

Table No. 1:	**Phase I - Anticipated Development Status**	**ONE**
Table No. 2:	**All Phases - Projected Development**	**ONE**
Table No. 3:	**Estimated Cost of Public Infrastructure/Timetable**	**FOUR**
Table No. 4:	**Projected Operations & Maintenance Expense**	**FIVE**
Table No. 5:	**Projected Absorption, Revenue and Debt Service Schedule**	**SIX**

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 Western Overlay 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 2004 (the "**2004 Bonds**") in an aggregate principal amount not to exceed $13,000,000, 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 2004 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 2004 Bonds. This Feasibility Study does not attempt to address the quality of the 2004 Bonds as investments or the likelihood of repayment of the 2004 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 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. An adjustment of the District boundaries was approved by the Town and the District on February 15, 2002 upon the request of all the landowners within the District (the "**Adjusted Boundaries**"). A map of the Project, depicting the Adjusted 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, formation of the Verrado District 1 Community Facilities District (Town of Buckeye, Arizona) (the "**District 1 District**") was also approved by the Town. The District 1 District, whose boundaries are coincident with the Project (as such term is hereinafter defined), comprises approximately 8,800 acres. The District is wholly contained within the District 1 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 1,600 residential homesites through December 31, 2003.

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 750 residential homesites through December 31, 2003. The second community, a 1,330 acre master-planned single family community broke ground in early 2001 and has sold approximately 2,300 residential homesites through December 31, 2003.

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 6,000 residential homesites through December 31, 2003.

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 648 residential homesites through December 31, 2003.

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 125 residential homesites through December 31, 2003.

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. All custom lots have 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. All custom lots have 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.

Ordinance No. 19-99 recorded December 29, 1999 in the Official Records of the Maricopa County Arizona Recorder at Document No. 99-1158258 approved the annexation of the Project into the Town. Ordinance No. 21-99 adopted November 16, 1999 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. Resolution No. 20-99 adopted November 16, 1999 approved the General Plan Amendment, including the revised circulation transportation map, for the Project.

The District, the Town and Developer are parties to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado Western Overlay Community Facilities District) recorded July 3, 2001 in the Official Records of Maricopa County, Arizona Recorder at Document No. 2001-0594334 (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 (the Foundation) authorizing the issuance of bonds, which was completed on August 7, 2001.

Direct access from Interstate 10 to the Project is provided by means of a spread diamond traffic interchange that was 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"**).

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.

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"**).

Water and wastewater facilities, infrastructure and service is 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 is provided pursuant to a Memorandum of Understanding between Developer and Arizona Public Service Company. Gas service to the Project is provided by Southwest Gas. Telecommunications service to the Project is provided pursuant to a Technology Services and Marketing Agreement between Developer and Cox Communications dated December 5, 2002.

The Developer estimates that approximately $201,300,000 will be required to complete Phase I of the Project, consisting of approximately $6,600,000 in land acquisition costs, approximately $86,300,000 in Offsite and Backbone Infrastructure costs, approximately $27,100,000 in Amenity Improvements, and approximately $81,300,000 in planning, entitlements, engineering and administrative and other costs.

As of April 30th, 2004, the Developer has invested approximately $152,000,000 in the Project and estimates that an additional $49,300,000 will be required to complete Phase I. The funds invested to date consist of approximately $5,900,000 in land acquisition costs, approximately $60,500,000 in Offsite and Backbone Infrastructure costs, approximately $23,400,000 in Amenity Improvements and approximately $62,300,000 in planning, entitlements, engineering and administrative and other costs. See Table No. 1 below.

The additional $49,300,000 required to complete Phase I of the Project, consists of approximately $700,000 in land acquisition costs, approximately $25,800,000 in Offsite and Backbone Infrastructure costs, approximately $3,800,000 in Amenity Improvements 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, additional general obligation bonds issued by the District 1 District, 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
Development Status as of April 30, 2004

Activity	Amounts invested as of April 30, 2004	Status
Land Acquisition Costs	**$5,877,278**	Estimated completion by 12/05
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Phase I Mass Grade	$12,866,386	Estimated completion by 12/04
Backbone (roads and utilities)	16,921,287	Estimated completion by 3/05
Parcel Collector Infrastructure	4,300,400	Estimated completion by 7/05
Wastewater Treatment Plant	6,666,928	Completed 6/04
Offsite Potable Water	4,614,865	Estimated completion by 9/04
Phase I Water Storage Tank	3,845,463	Completed 1/04
Traffic Interchange	2,362,638	Completed 6/03
Hillside Disturbance Mitigation	1,140,709	Completed 6/03
Floodway Improvements	1,215,207	Completed 2/04
Tuthill Collector Sewer	543,916	Completed 1/04
Other	6,012,884	Estimated completion by 12/05
	$60,490,684	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course	$12,095,421	Completed 1/04
Golf Course Clubhouse	5,491,444	Completed 1/04
Verrado Sports Club	2,608,739	Completed 12/03
Home Finding Center	1,986,141	Completed 1/04
Parks, Path and Trail System	1,187,627	Estimated completion by 7/05
	$23,369,372	
Planning, Entitlement, Engineering, Administrative and Other Costs	**$62,301,978**	Estimated completion by 12/05
Total Invested at April 30, 2004	**$152,039,312**	

As of April 30th, 2004, the Developer has closed on 775 residential subdivision lots, representing approximately $28,442,000 in land sale revenue. In addition, an additional 166 custom and homebuilder lots are in escrow for closings in June and July 2004 representing over $22,236,000. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately the high $100,000's to $600,000. Custom homes are expected to sell for higher prices.

As of April 30th, 2004, the Developer has substantially completed 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. Tenants are expected to begin occupancy in the 2nd quarter of 2004.

Development is expected to occur in seven phases over a 15-year period. The Project's grand opening, Phase I, occurred in January 2004. Phase II is anticipated to commence in late 2005. Projected development within the District for all Phases, for various categories of use, is indicated in ***Table No. 2***.

TABLE NO. 2
Western Overlay - 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)[1]	51	87	136	115	240	289	405	299	62
Single Family (cumulative)	51	138	274	390	629	918	1,323	1,623	1,685
Multi-Family (units)	-	-	-	-	-	-	-	-	-
Multi-Family (cumulative)	-	-	-	-	-	-	-	-	-
Total Residential	51	87	136	115	240	289	405	299	62
Cumulative Residential	51	138	274	390	629	918	1,323	1,623	1,685
Commercial (Acre)	--	--	--	--	--	--	--	12	3
Commercial (cumulative)	--	--	--	--	--	--	--	12	15

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Single Family (units)[2]	222	307	217	218	86	41	25	-	-
Single Family (cumulative)	1,907	2,213	2,430	2,648	2,734	2,775	2,800	2,800	2,800
Multi-Family (units)	-	-	-	-	-	-	-	-	-
Multi-Family (cumulative)	-	-	-	-	-	-	-	-	-
Total Residential	222	307	217	218	86	41	25	-	-
Cumulative Residential	1,907	2,213	2,430	2,648	2,734	2,775	2,800	2,800	2,800
Commercial (Acre)	3	8	3	4	4	4	4	3	1
Commercial (cumulative)	18	26	29	33	37	41	45	48	49

1 Estimated single-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 (See Table 5). 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 and financed with the proceeds of the 2004 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]:

Previously Approved Reimbursement Items:

A. Existing 1.5 miles of infrastructure roadway, dry utility trench and conduit, sidewalks, landscaping, storm drain and street light improvements that were constructed with Phase 1A including 4 lanes of Verrado Way (Lost Creek Drive to Sunrise Lane), 4 lanes of Verrado Way (Sunrise Lane to Glen Street), 2 lanes of Sunrise Lane (Verrado Way to Golf Drive), 2 lanes of Golf Drive (Main Street to Sunrise Lane), 2 lanes of Main Street (Verrado Way to Golf Drive), Lost Creek Drive West (Verrado to Lost Creek Crossing), Lost Creek Crossing.

Thirty (30) percent of the District 1 improvements on Verrado Way South benefiting the Western Overlay District. These improvements consist of roadway and storm drain improvements for the easterly two lanes of the 1.9-mile segment of Verrado Way, leading north from the freeway interchange to golf cart crossing.

A parabolic-arch bridge for the Verrado Way crossing at Osborn Wash.

Culvert structure for Lost Creek Crossing at Lost Creek Wash.

Flood control improvements consisting of embankment, channelization, bank protection, grade control structures and landscaping for approximately 1.1 mile segment of Lost Creek.

Three signalized intersections on Verrado Way at Lost Creek Drive, Main Street and Sunrise Lane, within the district core area of Phase I (bases, poles and interconnect only).

2.5 miles of lineal park and multiple-use path system along Lost Creek and Sunrise Wash for pedestrians, bicyclists and public hiking.

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

To Be Acquired:

B. Roadway, sidewalk, street light and storm drain improvements for a 0.7-mile network of two-lane collector roadways, to provide vehicle access and circulation throughout the west half of the Phase I development area. These roadways are identified as Lost Creek Drive West (Lost Creek Crossing to western end of Parcel 5.802), Verrado Way North (Glen Street to Sunrise Wash) and Verrado Way South (Southbound 2 Lanes from Lost Creek Drive to the Golf Cart Crossing).

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1 Concurrently with the District's issuance of the 2004 Bonds, it is anticipated that District One will issue general obligation bonds to finance and construct or acquire public infrastructure located in or benefiting District One, which public infrastructure may include portions of the Public Infrastructure described herein (and vice versa).

Thirty (30) percent of the District 1 improvements on Verrado Way South benefiting the Western Overlay District. These improvements consist of roadway and storm drain improvements for the westerly two lanes of the 2.1-mile segment of Verrado Way, leading north from the freeway interchange to Lost Creek Drive.

C. Dry utility trench & conduit, as necessary for the 2.7-mile network of arterial and collector roadways and landscape improvements.

D. Roadway landscaping for the 2.7-mile network of arterial and collector roadways.

E. Three signalized intersections on Verrado Way at Lost Creek Drive, Main Street and Sunrise Lane, within the district core area of Phase I. Note that bases, poles and interconnect were previously installed with the Phase 1A improvements. The costs associated with the bases, poles and interconnect are included as Previously Approved Reimbursement Items discussed above. The remaining cost will be for the mast arms and traffic lights only.

F. A 2,300 lf lineal park and multiple-use path system along Lost Creek and Sunrise Wash for pedestrians, bicyclists and public hiking. These improvements consist of 1,300 lf of improvements on Lost Creek Wash from Lost Creek Crossing to the western property line and 1,000 lf of improvements on Sunrise Wash from Verrado Way to the western boundary of Phase 1B North.

G. A second parabolic-arch bridge for the remaining Verrado Way crossing of Lost Creek (southbound 2 lanes).

Possible Additional Public Infrastructure[2]:

H. Additional Roadway, sidewalk, street light and storm drain improvements for 1.5-mile network of two-lane collector roadways, to provide vehicle access and circulation throughout the west half of the Phase I development area from Verrado Way. These roadways are identified as Lost Creek Drive West (Sunrise Lane to the western end of Parcel 5.802) and Sunrise Lane (Golf Drive to Lost Creek Drive).

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

J. Extension of the roadway landscaping for the additional collector roadways.

K. Grade separated pedestrian underpass crossing @ Lost Creek Drive West just west of Parcel 5.802.

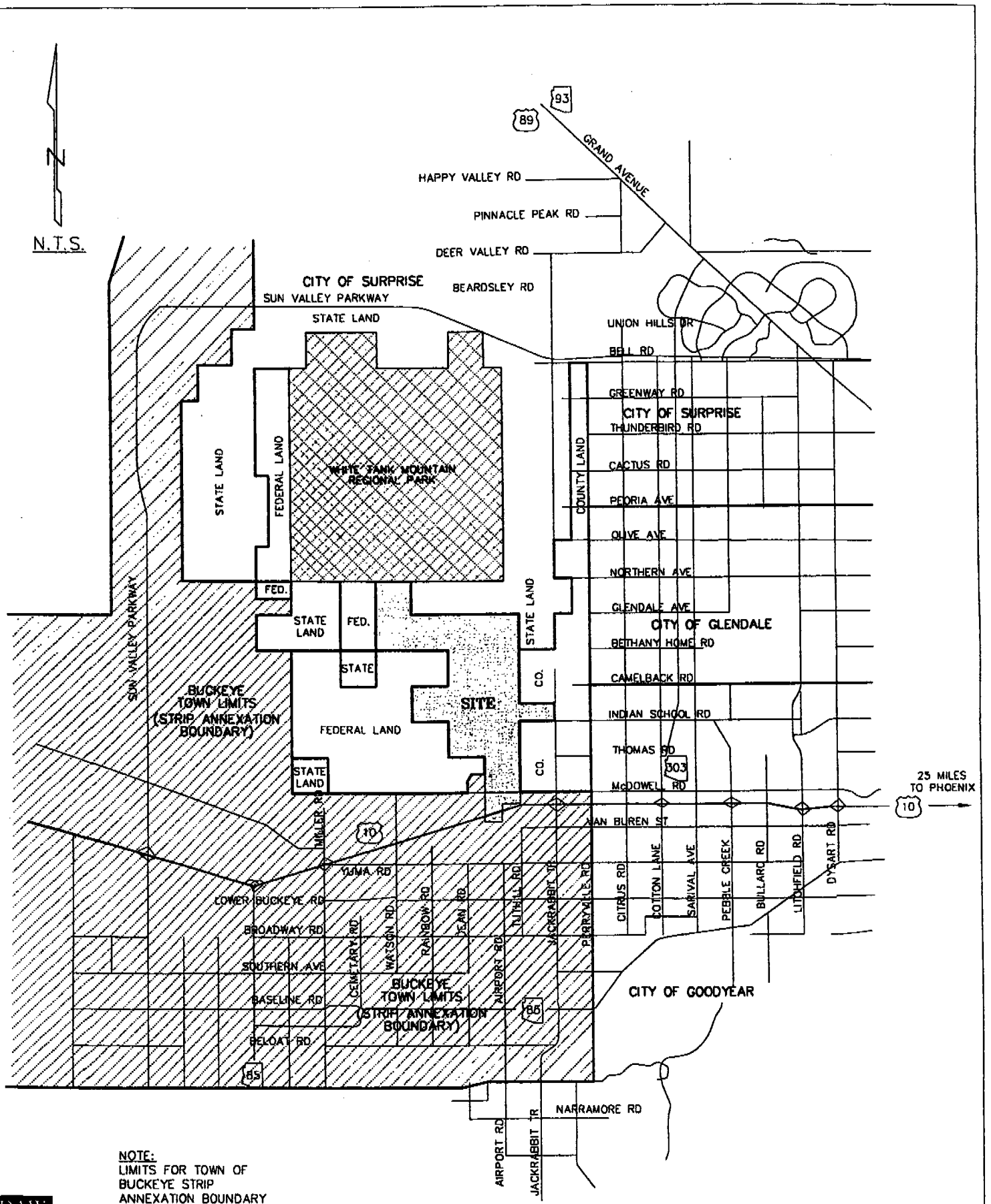
L. Culvert structure @ Verrado Way North over Sunrise Wash.

2 In the event 2004 Bond proceeds are in excess of the amounts needed to acquire, construct or finance the Public Infrastructure included in Segments A-G above, the proceeds will be applied to all or portions of Segments H-L.

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.



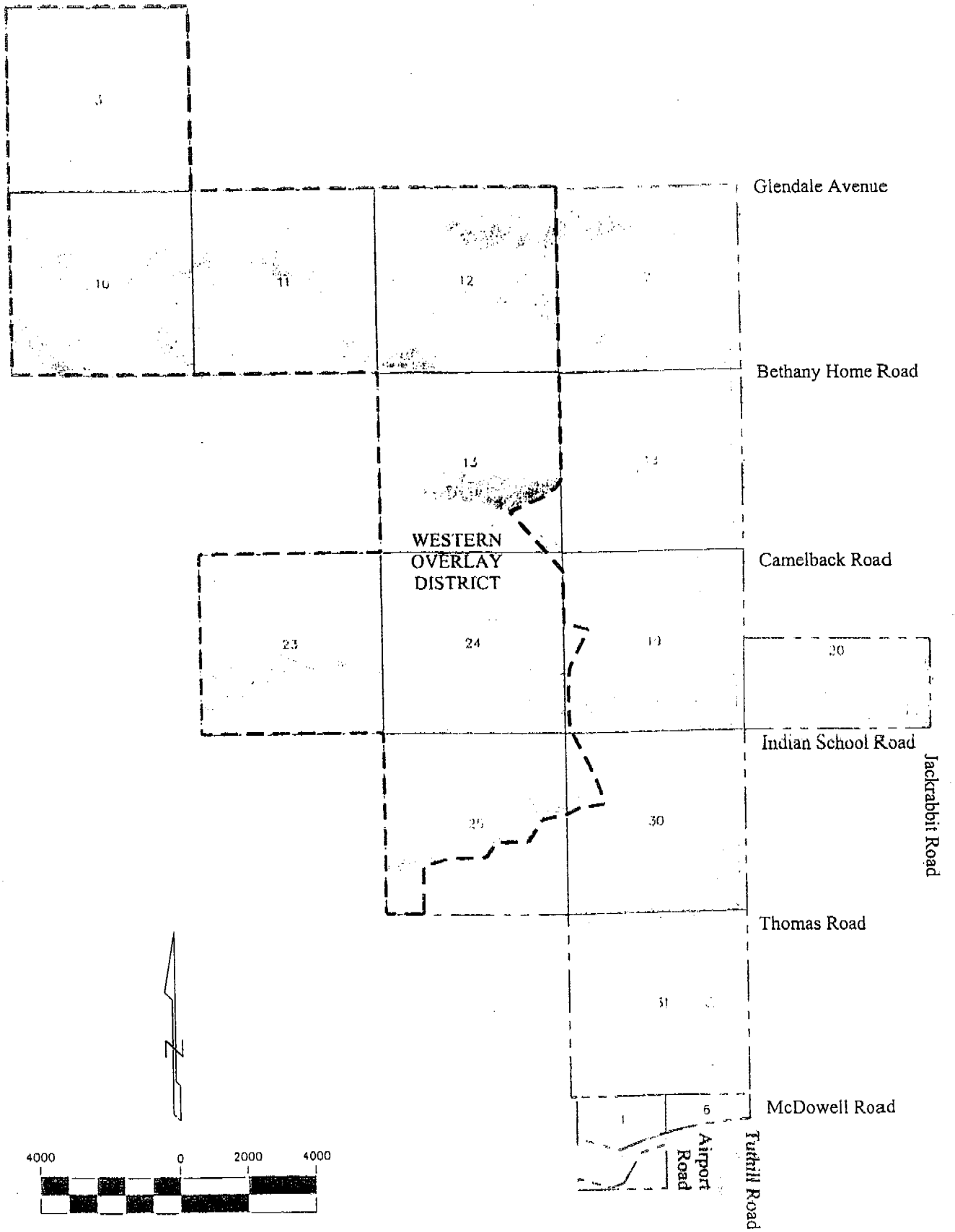
NOTE:
LIMITS FOR TOWN OF BUCKEYE STRIP ANNEXATION BOUNDARY ARE APPROXIMATE.

EDAW

DMB

Figure 1
Regional Location Map
VERRADO
BUCKEYE, ARIZONA

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



VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

VERRADO

BUCKEYE, ARIZONA

DMB

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

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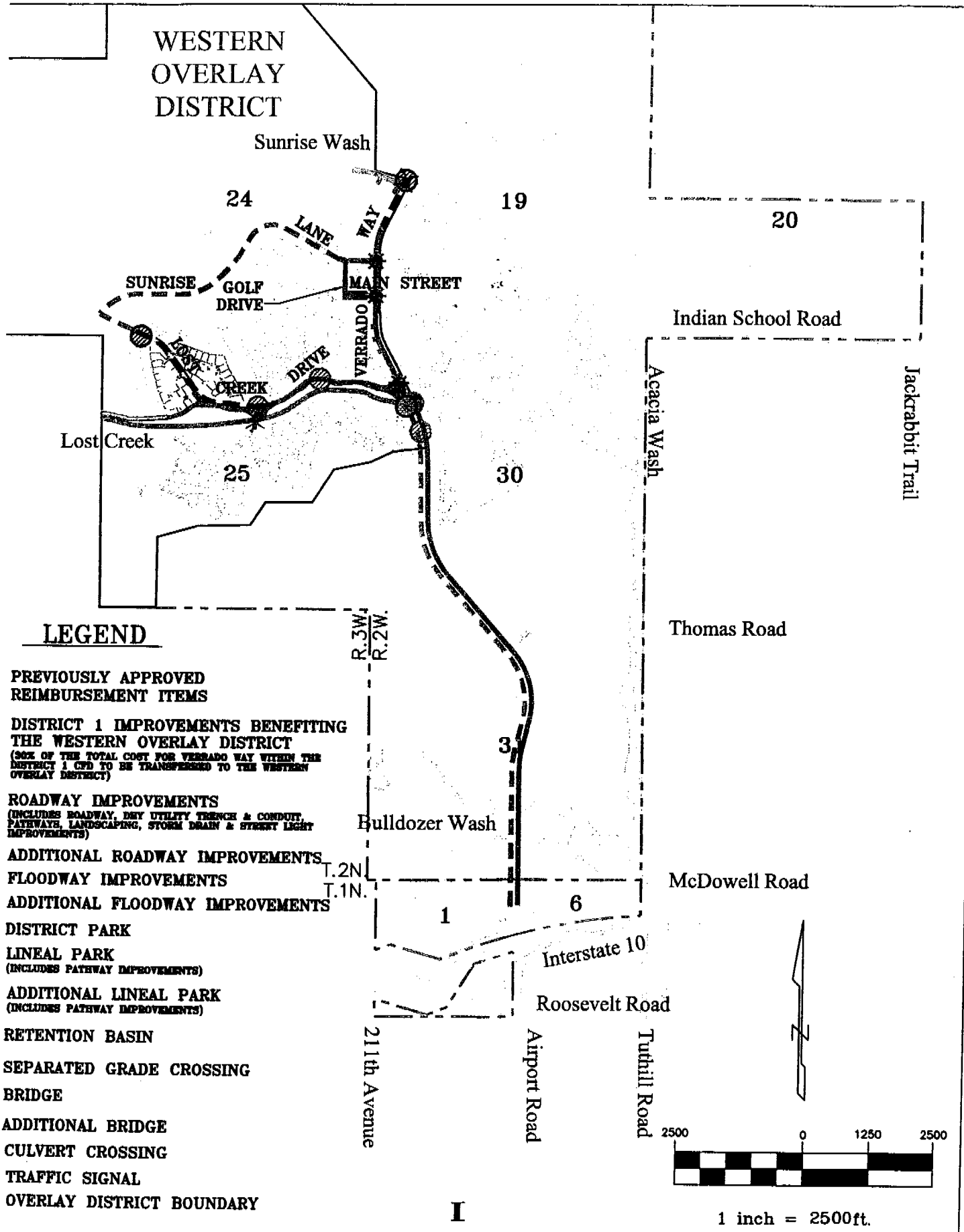

AMENDED INFRASTRUCTURE EXHIBIT FOR WESTERN OVERLAY DISTRICT

VERRADO
BUCKEYE, ARIZONA

WOOD/PATEL
CIVIL ENGINEERS • HYDROLOGISTS • LAND SURVEYORS • CONSTRUCTION MANAGERS
2051 West Northern, Suite 100, Phoenix, Arizona 85021 Phone: (602) 335-8500

06/09/04
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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 2004 Bonds.

TABLE NO. 3

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

TOTAL PROJECT SUMMARY

(Estimated Cost of Public Infrastructure / Timetable)

ITEM	DESCRIPTION	QTY	UNIT	CONSTRUCTION COST	ESTIMATED CONTRACT AWARD	ESTIMATED COMPLETION DATES
A	Previously Approved Reimbursement Items					
	1. Roadway, Sidewalk, Street Light & Storm Drain Improvements	1.5	miles	$ 3,321,272	-	complete
	2. Dry Utility Trench and Conduit	1.5	miles	$ 574,369	-	complete
	3. Roadway Landscaping	1.5	miles	$ 837,581	-	complete
	4. Bridge over Lost Creek Wash (northbound)	1	each	$ 1,146,297	-	complete
	5. Culvert Crossings	1	each	$ 420,982	-	complete
	6. Floodway Improvements (Lost Creek Wash, Acacia Wash, Sunrise Wash)	2.5	miles	$ 1,474,024	-	complete
	7. Traffic Signal Bases, Poles and Interconnect (3 on Verrado Way)	3	each	$ 383,357	-	complete
	8. Linear Park (adjacent to Lost Creek Wash and Acacia Wash)	2.5	miles	$ 581,334	-	complete
	9. Grade Separated Ped Crossings	3	each	$ 812,918	-	complete
	10. Verrado Way South - Northbound Lanes only	2.1	miles	$ 654,346	-	complete
	SUBTOTAL			**$ 10,206,480**		
B	Roadway, Sidewalk, Street Light and Storm Drain Improvements	2.7	miles	$ 1,652,555	June, 2004	Sept., 2004
C	Dry Utility Trench & Conduit, as necessary for roadway and landscape improvements	2.7	miles	$ 162,513	June, 2004	Sept., 2004
D	Roadway Landscaping	2.7	miles	$ 776,637	June, 2004	Oct., 2004
E	Traffic Signal Lights and Mast Arms (3 on Verrado Way)	3	each	$ 189,000	April, 2005	June, 2005
F	Lineal Park and Multiple-Use Path System	0.4	miles	$ 345,000	Aug. , 2004	Nov., 2004
G	Bridge @ Verrado Way over Lost Creek Wash (southbound)	1	each	$ 1,260,927	June, 2005	Oct., 2005
	SUBTOTAL			**$ 4,386,632**		
H	Additional Roadway, Sidewalk, Street Light and Storm Drain Improvements	1.5	miles	$ 1,349,970	June, 2005	Sept., 2005
I	Additional Dry Utility Trench & Conduit, as necessary for roadway and landscape improvements	1.5	miles	$ 157,245	June, 2005	Sept., 2005
J	Additional Roadway Landscaping	1.5	miles	$ 174,064	June, 2005	Sept., 2005
K	Grade Separated Ped X-ing under Lost Creek Drive West	1	each	$ 298,070	June, 2005	Sept., 2005
L	Culvert Crossing @ Verrado Way over Sunrise Wash	1	each	$ 458,000	June, 2005	Sept., 2005
	SUBTOTAL			**$ 2,437,349**		
	TOTAL PAYMENT			**$ 17,030,461**		

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
Western Overlay Projected O and M Cash Flows
6/24/2004

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
O&M Operating Expenses:																		
O&M Administrative	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	240,706
Roadway Improvements	-	97,840	100,775	103,798	106,912	110,120	113,423	116,826	120,331	123,941	127,659	131,489	135,433	139,496	143,681	147,992	152,432	157,004
Multi-Use Path System	-	4,605	4,743	4,885	5,032	5,183	5,338	5,499	5,664	5,833	6,008	6,189	6,374	6,566	6,763	6,965	7,174	7,390
Roadway Landscaping	-	117,851	121,387	125,028	128,779	132,642	136,622	140,720	144,942	149,290	153,769	158,382	163,133	168,027	173,068	178,260	183,608	189,116
Lineal Park	-	35,368	36,429	37,522	38,648	39,807	41,001	42,231	43,498	44,803	46,147	47,532	48,958	50,426	51,939	53,497	55,102	56,755
Total Costs	-	255,664	263,334	271,234	279,371	287,752	296,385	305,276	314,434	323,886	333,584	343,591	353,899	364,516	375,451	386,715	398,316	410,266

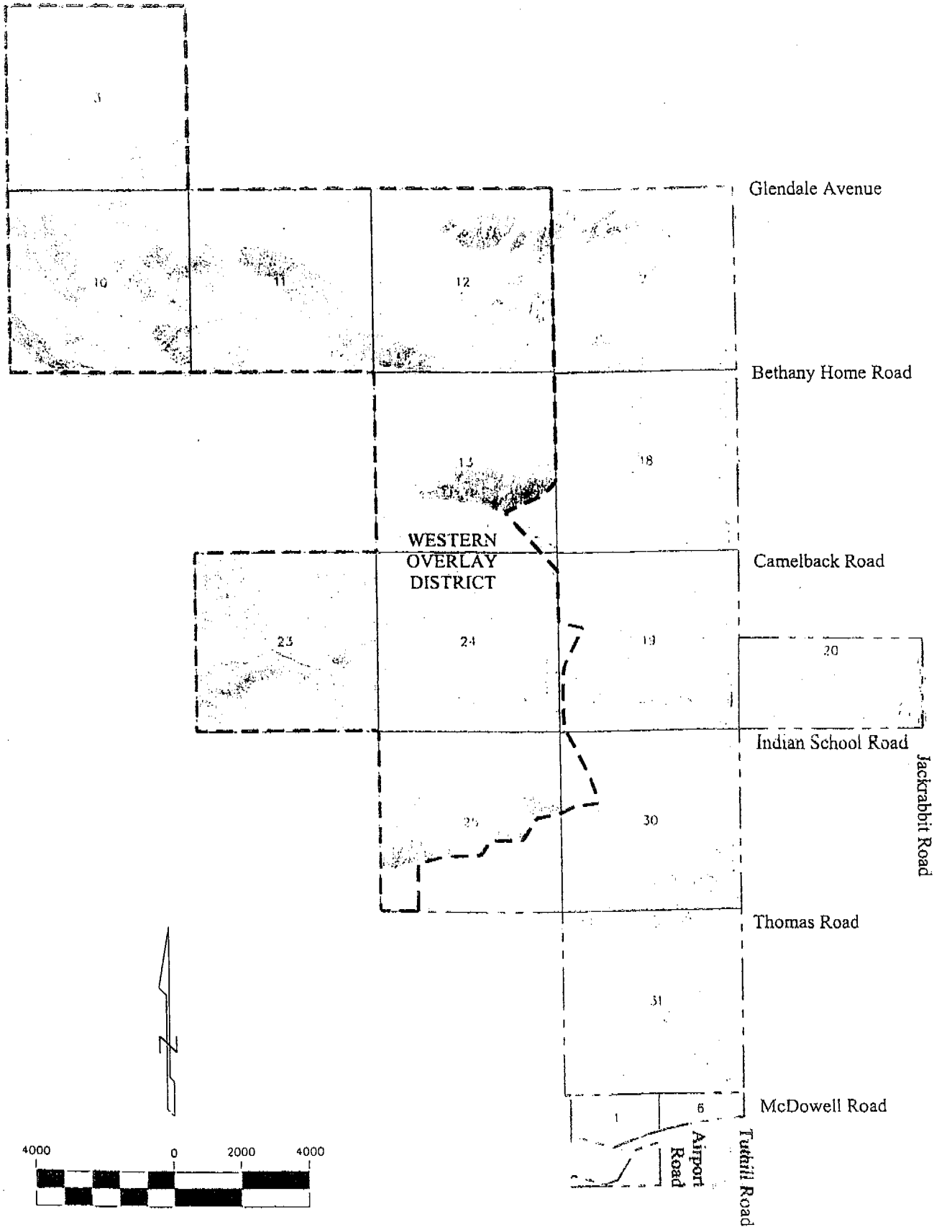
Footnote (1): Includes Projected Municipal Service Costs and Municipality Overhead, in current dollars, based on Initial Budget (as such term is defined in the District IGA), and District Consulting Costs, in current dollars, based on actual costs incurr

Note 1: Costs are inflated at 3% annual rate starting 2005

Note 2: 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 maint

SECTION FIVE

MAP OF AREA TO BE BENEFITED



1 inch = 4000ft.

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

VERRADO

BUCKEYE, ARIZONA

DMB

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

05/02/02
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SECTION SIX

PLAN OF FINANCE

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 2004 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 $60,000,000 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 $13,000,000. The 2004 B onds are expected to be issued in August 2004.

(4) Sources and Use of Funds.

SOURCES:

Series 2004 Bonds (not to exceed $13,000,000)		**$ 13,000,000**
USES ***(See Section Two)***		
Subtotal		**$ 12,620,000**
Cost of Issuance [1]	$250,000	
Underwriters Discount	$130,000	
Subtotal		**$ 380,000**
TOTAL		**$13,000,000**

1 Costs of insuring the 2004 Bonds to an "A" rating or better may be added.

(5) Use of Proceeds.

The proceeds from the sale of the 2004 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 2004 Bonds

Variable Rate Bond Sale

It is expected that the Series 2004 Bonds will be sold as variable rate bonds backed by a letter of credit. If the Bonds are sold as variable rate bonds, it is expected that the Bonds would be rated "A" or higher and will be sold in a public sale. The Bonds will have a 25-year final maturity with an anticipated interest only period no greater than 5 years with principal amortized over the remaining 20 years.

In the variable rate mode, it is anticipated that the Series 2004 Bonds will be backed by a letter of credit whereby the trustee will always draw on the letter of credit for the payment of debt service. As described below under "District Tax Rate", the District will cause to be levied an ad valorem tax rate for each tax year of at least $3.00 per $100 of secondary assessed valuation on all taxable property within the boundaries of the District. The ad valorem taxes collected by the District will reimburse the letter of credit bank for the debt service payments. In the event that the ad valorem taxes collected by the District from the $3.00 tax rate are insufficient to fully reimburse the letter of credit bank, the Developer will fund the shortfall pursuant to a Standby Contribution Agreement and the letter of credit bank will have no recourse to the District to raise the tax rate above the $3.00 level.

Fixed Rate, Unrated Bond Sale

In the event that the Series 2004 Bonds are sold as fixed rate bonds, the Bonds will be unrated and will be sold in a limited offering. The Bonds will have a 25-year final maturity with an anticipated 5-year interest only period with principal amortized over the remaining 20 years.

As described below under "District Tax Rate", the District will cause to be levied an ad valorem tax rate for each tax year of at least $3.00 per $100 of secondary assessed valuation on all taxable property within the boundaries of the District. This levy, combined with funds available pursuant to a Standby Contribution Agreement between a developer entity and the District, will be sufficient to pay the debt service on the fixed rate bonds of the District. The Standby Contribution Agreement will be in effect for the life of the Bonds or until such time as the District agrees to release the Standby Contribution Agreement.

(7) District Assessed Valuation

The amount of secondary valuation for 2003-04 is $957,355.

(8) District Tax Rate

Beginning in fiscal year 2002-2003, the District will levy a tax of $.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 District will levy a tax of up to an additional $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 2004 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 2004 Bonds. It is expected that by the time principal amortization begins, the tax base may not be sufficient to provide for the payment of the full debt service of the 2004 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 2004 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 initially by an irrevocable direct pay Letter of Credit issued by a commercial bank with a minimum "A" category rating. The Standby Contribution Agreement with sufficient financial guarantees to adequately cover debt service will be in effect for the life of the 2004 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 from its respective obligations.

(9) Absorption.

See Table No. 2.

(10) Homeowner Obligation.

Based on an average home price of $586,200 at the total $3.30 ($3.00 for debt service plus $0.30 for operations and ~~maintenance~~) tax levy, a homeowner's tax bill for the District equals approximately $1,586 annually, or $132 per month.

In addition, based on an average home price of $586,200 at the total $3.30 District 1 tax levy ($3.00 for debt service plus $0.30 for operations and maintenance), a homeowner's tax bill for the District 1 District equals approximately $1,586 annually, or $132 per month. Therefore, a homeowner's tax bill for both the ~~Western~~ Overlay District and the District 1 District equals approximately $3,172 annually, or $264 per month.

Table 5
Western Overlay CFD's
Projected Absorption, Revenue and Debt Service Schedule

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Western Overlay															
Cumulative Absorption based on COE (Units)															
Residential Absorption (Lots)	-	-	-	51	138	274	390	629	918	1,323	1,623	1,685	1,907	2,213	2,430
bh-Residential Absorption (Acres)	-	-	-	-	-	-	-	-	12	15	18	26	29	33	37
Cumulative Full Market Values (000's) [1]															
Residential Full Market Values	-	-	-	29,290	79,023	157,296	223,573	339,260	480,700	687,985	842,822	875,851	999,798	1,170,653	1,334,936
bh-Residential Full Market Values	-	-	-	-	-	-	-	-	-	18,829	23,545	28,546	42,036	46,268	52,763
Total Full Market Values	-	-	-	**29,290**	**79,023**	**157,296**	**223,573**	**339,260**	**480,700**	**706,814**	**866,366**	**904,398**	**1,041,834**	**1,216,921**	**1,387,699**
Full Cash Value [2]	-	-	-	**24,018**	**64,799**	**128,983**	**183,330**	**278,193**	**394,174**	**579,587**	**710,420**	**741,606**	**854,304**	**997,875**	**1,137,913**
Assessed Value [3]	-	-	-	**2,402**	**6,480**	**12,898**	**18,333**	**27,819**	**39,417**	**60,275**	**73,938**	**77,672**	**90,601**	**105,479**	**120,281**
Assessed Value Per $100	-	-	-	**24**	**65**	**129**	**183**	**278**	**394**	**603**	**739**	**777**	**906**	**1,055**	**1,203**
Inflation Adj. Assessed Value Per $100 [4]	-	-	-	**25**	**71**	**145**	**213**	**332**	**485**	**764**	**965**	**1,044**	**1,254**	**1,504**	**1,766**
CFD Tax Revenue Received (000's) [5]															
	$ Per $00														
Western Overlay - Tax Revenue	$ 3.00	-	-	-	-	**17**	**174**	**379**	**616**	**889**	**1,387**	**2,137**	**2,807**	**3,125**	**3,605**	**4,371**
Western Overlay - O&M Revenue	$ 0.30	-	-	-	-	**2**	**17**	**38**	**62**	**89**	**139**	**214**	**281**	**312**	**361**	**437**
Bond Issuance Net Proceeds (000's) [6]															
	Par Amount														
Bond Proceeds #1	$ 13,000	-	-	12,620	-	-	-	-	-	-	-	-	-	-	-
Debt Service Requirement (000's) [7]															
Annual Debt Service		-	-	-	**(459)**	**(389)**	**(389)**	**(388)**	**(396)**	**(861)**	**(871)**	**(880)**	**(866)**	**(875)**	**(864)**	**(866)**

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 Homes/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 82% 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 2004

6 Western Overlay 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 Capitalized Interest.

8 Debt Service requirements are based on $13 Million issuance, no capitalized interest, quarterly variable rate payments, average coupon of 3.0%, and a life of 25 years.

Table 5
Western Overlay CFD's
Projected Absorption, Revenue and Debt Service Schedule

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Western Overlay											
Cumulative Absorption based on COE (Units)											
Residential Absorption (Lots)	2,648	2,734	2,775	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Non-Residential Absorption (Acres)	41	45	48	49	49	49	49	49	49	49	49
Cumulative Full Market Values (000's) [1]											
Residential Full Market Values	1,513,716	1,604,051	1,627,355	1,641,246	1,641,246	1,641,246	1,641,246	1,641,246	1,641,246	1,641,246	1,641,246
Non-Residential Full Market Values	59,258	65,754	72,249	76,870	77,869	77,869	77,869	77,869	77,869	77,869	77,869
Total Full Market Values	1,572,975	1,669,804	1,699,604	1,718,116	1,719,115	1,719,115	1,719,115	1,719,115	1,719,115	1,719,115	1,719,115
Full Cash Value [2]	1,289,839	1,369,240	1,393,675	1,408,855	1,409,674	1,409,674	1,409,674	1,409,674	1,409,674	1,409,674	1,409,674
Assessed Value [3]	136,273	145,012	148,254	150,341	150,545	150,545	150,545	150,545	150,545	150,545	150,545
Assessed Value Per $100	1,363	1,450	1,483	1,503	1,505	1,505	1,505	1,505	1,505	1,505	1,505
Inflation Adj. Assessed Value Per $100 [4]	2,061	2,259	2,379	2,485	2,563	2,640	2,719	2,801	2,885	2,971	3,060
CFD Tax Revenue Received (000's) [5]											
	$ Per $00										
Western Overlay - Tax Revenue	$ 3.00	5,137	6,064	6,740	7,098	7,445	7,689	7,919	8,157	8,402	8,654	8,913
Western Overlay - O&M Revenue	$ 0.30	514	606	674	710	744	769	792	816	840	865	891
Bond Issuance Net Proceeds (000's) [6]											
	Par Amount										
Bond Proceeds #1	$ 13,000	-	-	-	-	-	-	-	-	-	-	-
Debt Service Requirement (000's) [7]											
Annual Debt Service		(874)	(881)	(863)	(872)	(874)	(879)	(858)	(861)	(865)	(869)	(869)

Notes:

1 Projected absorption is based on various inte
Charles Lesser.
2 Homes/Non-Residential Acres full market valu
3 Full Cash Values are 82% of Full Market Value
4 Assessed Values are 10% of Full Cash Values
5 Assumes a 3% annual inflation rate applied to
6 Western Overlay tax rate of $3 per $100 of ass
7 Net Proceeds represents Gross Proceeds red
8 Debt Service requirements are based on $13 M

APPENDIX A

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

rrel 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.
Randall Beck, P.E.
Timothy A. Huval, P.E.
Jack K. Moody, P.E.
Scott A. Nelson, R.L.S.
Richard L. Hiner, P.E.
Leslie J. Kland, P.E.
Curtis L. Brown, P.E., R.L.S.
Paul M. Haas, P.E.
Shimin Zou, Ph.D., P.E.
Michael T. Young, P.E.
Shawn D. Gustafson, P.E.
Joseph C. Daconta, P.E.
Robert S. Unger, R.L.S.
Steven J. Rinkeviczie, P.E.
Sherrick H. Campbell, P.E.
James L. Condit, P.E.
Sandra J. Lie, P.E.
Joel P. McCarty, P.E.
Michael Weinberg, P.E.

Revised December 13, 2001
Revised December 7, 2001
December 4, 2001
WP #011479.RES2

See Exhibit "A"

PARCEL DESCRIPTION
Whitestone Western Overlay
Proposed Communities Facilities District

All of Sections 3, 10, 11, 12, 13, 23, 24, and 25, Township 2 North, Range 3 West, of the Gila and Salt River Meridian, Maricopa County, Arizona:

EXCEPT that portion of said Section 13 described as follows:

Commencing at southeast corner of said Section 13, said point being the **POINT OF BEGINNING** of the herein described parcel;
THENCE along the south line of said section, North 89°44'56" West, a distance of 511.36 feet,
THENCE leaving said south line, North 41°24'03" West, a distance of 1542.82 feet;
THENCE North 66°18'31" East, a distance of 1096.84 feet;
THENCE North 53°37'52" East, a distance of 408.18 feet;
THENCE North 40°52'17" East, a distance of 194.39 feet;
THENCE North 30°39'54" East, a distance of 137.07 feet, to the east line of said section;
THENCE along said east line, South 00°02'23" East, a distance of 2107.18 feet;
to the **POINT OF BEGINNING.**

Also **EXCEPT** that portion of said Section 24 described as follows:

Commencing at the northeast corner of said Section 24, said point being the **POINT OF BEGINNING** of the herein described parcel;
THENCE along the east line of said section, South 00°00'48" West, a distance of 25.29 feet, to the northwest corner of Section 19, Township 2 North, Range 2 West;
THENCE continuing along the east line of said Section 24, being also the west line of said Section 19, South 00°09'09" East, a distance of 554.14 feet;
THENCE leaving said east line, North 41°24'03" West, a distance of 775.45 feet, to the north line of said Section 24;
THENCE along said north line, South 89°44'56" East, a distance of 511.36 feet, to the **POINT OF BEGINNING.**

Also **EXCEPT** that portion of said Section 25 described as follows:

Commencing at the southeast corner of said Section 25, said point being the **POINT OF BEGINNING** of the herein described parcel;
THENCE along the south line of said section, North 89°52'16" West, a distance of 2635.55 feet, to the south quarter corner of said section;
THENCE continuing along said south line, North 89°41'26" West, a distance of 1540.83 feet;

THENCE leaving said south line, North 00°18'34" East, a distance of 1387.15 feet;
THENCE North 74°27'47" East, a distance of 808.85 feet;
THENCE North 88°51'14" East, a distance of 1018.02 feet;
THENCE North 34°09'28" East, a distance of 526.03 feet;
THENCE North 89°04'17" East, a distance of 926.23 feet;
THENCE North 33°10'50" East, a distance of 759.21 feet;
THENCE North 78°09'05" East, a distance of 738.91 feet;
THENCE North 63°43'26" East, a distance of 11.13 feet, to the east line of said section;
THENCE along the east line of said section, South 00°05'18" East, a distance of 251.32 feet, to the east quarter corner of said section;
THENCE continuing along said east line, South 00°01'39" East, a distance of 2629.44 feet, to the **POINT OF BEGINNING.**

TOGETHER WITH

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

Commencing at southwest corner of said Section 19, said point being the **POINT OF BEGINNING** of the herein described parcel;
THENCE along the west line of said Section 19, North 00°42'31" East, a distance of 12.64 feet, to the southeast corner of Section 24, Township 2 North, Range 3 West;
THENCE continuing along the east line of said Section 19, being also the west line of said Section 24, North 00°05'25" West, a distance of 2619.63 feet, to the west quarter corner of said Section 19;
THENCE continuing along said east line and said west line, North 00°44'02" West, a distance of 19.94 feet, to the east quarter corner of said Section 24;
THENCE continuing along said east line and said west line, North 00°09'09" West, a distance of 543.26 feet;
THENCE leaving said east line and said west line, South 76°53'02" East, a distance of 703.84 feet;
THENCE South 27°05'15" West, a distance of 1017.48 feet, to the beginning of a non-tangent curve;
THENCE southwesterly along said curve, having a radius of 1028.50 feet, concave easterly, whose radius bears South 63°15'01" East, through a central angle of 26°57'05", a distance of 483.80 feet, to the curve's end;
THENCE South 00°12'07" East, a distance of 137.21 feet;
THENCE South 08°00'15" East, a distance of 66.30 feet;
THENCE South 00°12'07" East, a distance of 119.97 feet;
THENCE South 12°24'07" West, a distance of 54.99 feet;

THENCE South 00°12'07" East, a distance of 737.35 feet;
THENCE South 16°14'38" East, a distance of 99.51 feet;
THENCE South 00°12'07" East, a distance of 126.07 feet, to the beginning of a curve;
THENCE southerly along said curve, having a radius of 1004.00 feet, concave easterly through a central angle of 10°12'52", a distance of 178.99 feet, to a point of intersection with a non-tangent curve;
THENCE southerly along said curve, having a radius of 937.53 feet, concave easterly, whose radius bears North 79°33'17" East, through a central angle of 09°24'28", a distance of 153.94 feet, to the south line of said Section 19, and a point of intersection with a non-tangent line;
THENCE along said south line, South 89°34'53" West, a distance of 192.37 feet, to the **POINT OF BEGINNING.**

TOGETHER WITH

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

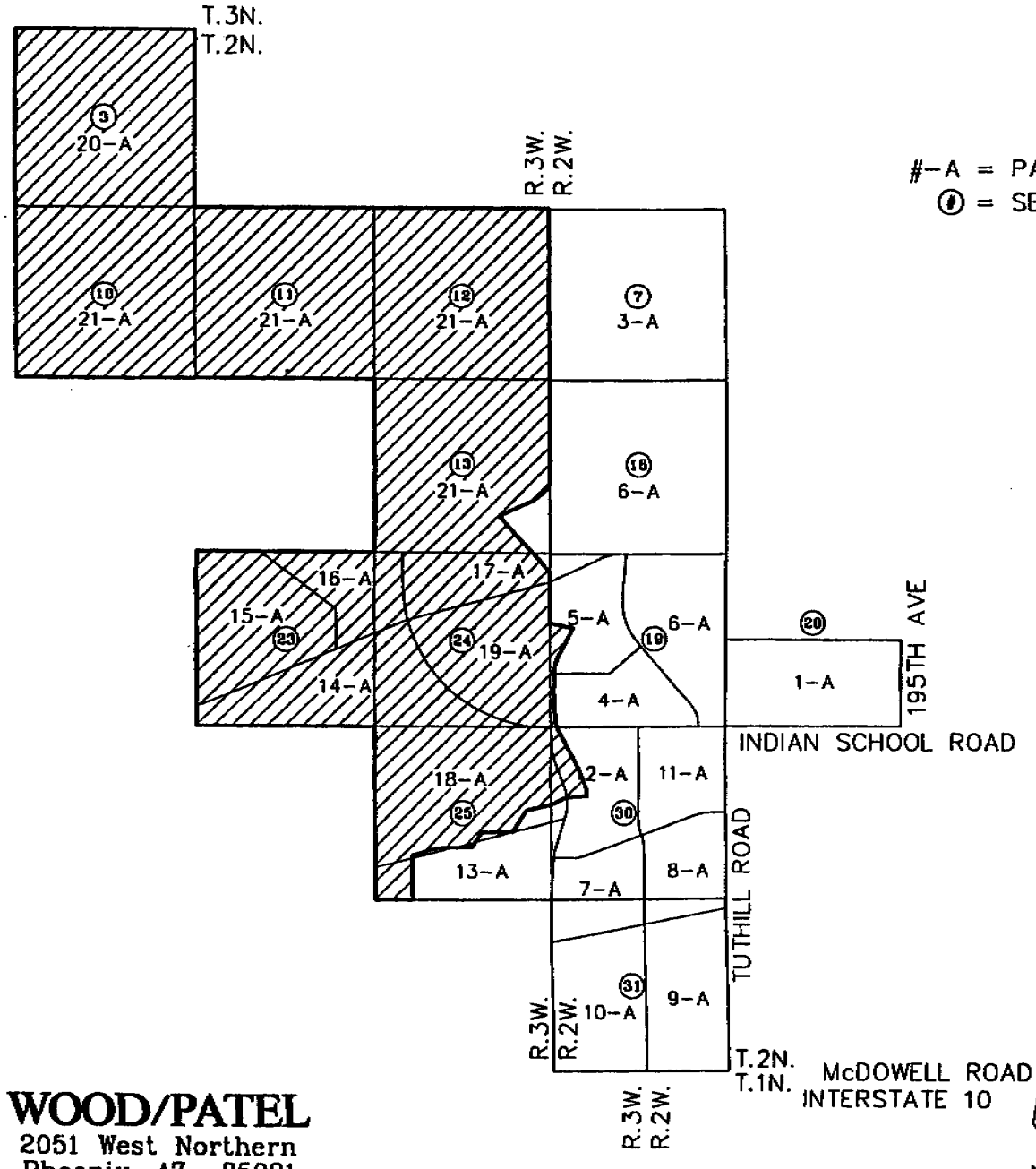
Commencing at the northwest corner of said Section 30, said point being the **POINT OF BEGINNING** of the herein described parcel;
THENCE along the north line of said section, North 89°34'53" East, a distance of 192.37 feet, to the beginning of a non-tangent curve;
THENCE leaving said north line, southerly along said curve, having a radius of 937.53 feet, concave northeasterly, whose radius bears North 70°08'49" East, through a central angle of 08°02'06", a distance of 131.48 feet, to a point of intersection with a non-tangent curve;
THENCE southeasterly along said curve, having a radius of 1001.00 feet, concave northeasterly, whose radius bears North 63°16'48" East, through a central angle of 00°05'34", a distance of 1.62 feet, to the curve's end;
THENCE South 26°48'46" East, a distance of 130.25 feet;
THENCE South 28°08'12" East, a distance of 259.65 feet;
THENCE South 26°48'46" East, a distance of 390.95 feet;
THENCE South 33°04'47" East, a distance of 41.22 feet;
THENCE South 26°48'46" East, a distance of 204.57 feet;
THENCE South 22°04'11" East, a distance of 145.12 feet;
THENCE South 26°48'46" East, a distance of 216.45 feet to the beginning of a curve;
THENCE southeasterly along said curve, having a radius of 2197.50 feet, concave westerly through a central angle of 20°20'33", a distance of 780.21 feet, to a point of intersection with a non-tangent line;
THENCE South 83°31'47" West, a distance of 688.20 feet;
THENCE South 63°43'26" West, a distance of 452.25 feet, to the west line of said section;

THENCE along said west line, North 00°05'18" West, a distance of 2380.46 feet, to the **POINT OF BEGINNING.**

Containing 4,926.0973 acres, or 214,580,800 square feet of land, more or less.

Subject to existing rights-of-way and easements.

Y:\WP\Parcel Descriptions\011479.RES2 Caterpillar Western Overlay District.doc



REGISTERED LAND SURVEYOR
CERTIFICATE NO.
31610
SCOTT A.
WARREN
Date Signed 12/13/01
ARIZONA, U.S.A.

Scott A. Warren

EXHIBIT "A"

WHITESTONE WESTERN OVERLAY
PROPOSED COMMUNITIES FACILITIES DISTRICT
12-13-01
WP#011479.RES2
PAGE 5 OF 5
NOT TO SCALE
T:\980708\LEGAL\0708L4R2

WOOD/PATEL
2051 West Northern
Phoenix, AZ 85021
Phone: (602) 335-8500
Fax: (602) 335-8580

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 Town of Buckeye – Community Facilities Districts – Notice of Hearing File No. 006718-00056 published in the regular and entire issue of said newspaper, for One (1) consecutive week(s), commencing with the issue date July 8, 2004 and ending with the issue dated July 8, 2004.

Ida White

Subscribed and sworn to before me this 8 day of July 2004

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 HEARING

TO THE GENERAL PUBLIC AND THE MEMBERS OF THE BOARD OF DIRECTORS OF SUNDANCE COMMUNITY FACILITIES DISTRICT; VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT; WESTPARK COMMUNITY FACILITIES DISTRICT AND OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT LOCATED IN THE TOWN OF BUCKEYE, ARIZONA:

BUDGET HEARINGS: the Boards of Directors of the following Districts: Sundance Community Facilities District (*"Sundance"*), Verrado District 1 Community Facilities District, Verrado Western Overlay Community Facilities District (*"Verrado Western Overlay"*) and Westpark Community Facilities District will meet consecutively on July 20, 2004, beginning at 6:00 p.m., in the Town Council Chambers, 100 North Apache, Suite A, Buckeye, AZ 85326 to conduct consecutive public hearings on the statements and estimates of each District's expenditures as set forth in the tentative budget for each District heretofore approved by each District and on the adoption of each District's final budget for fiscal year beginning July 1, 2004 and ending June 30, 2005.

FEASIBILITY REPORT HEARINGS: After the budget hearings, Sundance will meet to conduct a public hearing on, and to consider and review (1) a feasibility report relative to a proposed project to be financed by the issuance of general obligation bonds of Sundance and, possibly, (2) a feasibility report relative to a proposed project to be financed by the issuance of Sundance Assessment District No. 3 special assessment revenue bonds. Verrado Western Overlay will then meet to conduct a public hearing on, and to consider and review an amended feasibility report relative to a proposed project to be financed by the issuance of general obligation bonds of Verrado Western Overlay.

A copy of each feasibility report may be reviewed on or after July 8, 2004 and a copy of each budget may be reviewed now, at the office of the District Clerk, 100 North Apache, Suit A, Buckeye, AZ 85326

Published in the Buckeye Valley News July 8, 2004.

SUNDANCE COMMUNITY FACILITIES DISTRICT;
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT;
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT; AND
WESTPARK COMMUNITY FACILITIES DISTRICT
TOWN OF BUCKEYE, ARIZONA
JULY 20, 2004
6:00 P.M.

AGENDA

Members of the Sundance Community Facilities District Board, Verrado Western Overlay Community Facilities District Board, Verrado District 1 Community Facilities District Board and Westpark Community Facilities District Board will attend either in person or by telephone conference call or video presentations.

1. Call to order of each Community Facilities District.

2. Note attendance.

3. MINUTES:
Minutes of each of the meetings held on July 6, 2004 presented to each Board for their review and approval.

4. APPROVE OR RATIFY EXPENDITURES

5. BUSINESS:

   A. Each Board will conduct a public hearing on its respective proposed budget for each Community Facilities District.
      (1) Open public hearing
      (2) Staff overview
      (3) Receive public comment
      (4) Close public hearing

   B. Board of **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 05-04 ADOPTING THE FINAL BUDGET BY THE DISTRICT BOARD FOR THE FISCAL YEAR BEGINNING JULY 1, 2004 AND ENDING JUNE 30, 2005; AND DECLARING AN EMERGENCY.

   C. Board of **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 06-04 LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE DISTRICT AN AD VALOREM PROPERTY TAX SUFFICIENT TO RAISE THE AMOUNTS ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET FOR FISCAL YEAR ENDING ON JUNE 30, 2005 AND DECLARING AN EMERGENCY.

   D. Board of **Verrado District 1 Community Facilities District** will consider, for possible action, adoption of Resolution No. 02-04 ADOPTING THE FINAL BUDGET BY

THE DISTRICT BOARD FOR THE FISCAL YEAR BEGINNING JULY 1, 2004 AND ENDING JUNE 30, 2005; AND DECLARING AN EMERGENCY.

E. Board of **Verrado District 1 Community Facilities District** will consider, for possible action, adoption of Resolution No. 03-04 LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE DISTRICT AN AD VALOREM PROPERTY TAX SUFFICIENT TO RAISE THE AMOUNTS ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET FOR FISCAL YEAR ENDING ON JUNE 30, 2005 AND DECLARING AN EMERGENCY.

F. Board of **Verrado Western Overlay Community Facilities District** will consider, for possible action, adoption of Resolution No. 02-04 ADOPTING THE FINAL BUDGET BY THE DISTRICT BOARD FOR THE FISCAL YEAR BEGINNING JULY 1, 2004 AND ENDING JUNE 30, 2005; AND DECLARING AN EMERGENCY.

G. Board of **Verrado Western Overlay Community Facilities District** will consider, for possible action, adoption of Resolution No. 03-04 LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE DISTRICT AN AD VALOREM PROPERTY TAX SUFFICIENT TO RAISE THE AMOUNTS ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET FOR FISCAL YEAR ENDING ON JUNE 30, 2005 AND DECLARING AN EMERGENCY.

H. Board of **Westpark Community Facilities District** will consider, for possible action, adoption of Resolution No. 02-04 ADOPTING THE FINAL BUDGET BY THE DISTRICT BOARD FOR THE FISCAL YEAR BEGINNING JULY 1, 2004 AND ENDING JUNE 30, 2005; AND DECLARING AN EMERGENCY.

I. Board of **Westpark Community Facilities District** will consider, for possible action, adoption of Resolution No. 03-04 LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE DISTRICT AN AD VALOREM PROPERTY TAX SUFFICIENT TO RAISE THE AMOUNTS ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET FOR FISCAL YEAR ENDING ON JUNE 30, 2005 AND DECLARING AN EMERGENCY.

J. Board of the **Sundance Community Facilities District** will conduct a Public Hearing on the feasibility reports submitted in connection with the proposed issuance of general obligation bonds and assessment bonds by the District and the projects financed with such proceeds.
   (1) Open public hearing
   (2) Staff overview
   (3) Receive public comment
   (4) Close public hearing

K. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 07-04 RESCINDING RESOLUTION NO. 06-03 PREVIOUSLY ADOPTED ON APRIL 1, 2003; APPROVING THE FEASIBILITY REPORT RELATING TO THE ISSUANCE OF GENERAL OBLIGATION BONDS BY THE DISTRICT TO FINANCE THE ACQUISITION OF PUBLIC INFRASTRUCTURE AND IMPROVEMENTS.

L. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 08-04 APPROVING THE FEASIBILITY REPORT RELATING TO THE ACQUISITION, CONSTRUCTION AND FINANCING OF CERTAIN IMPROVEMENTS BENEFITING SUNDANCE COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING THE INTENT OF THE DISTRICT TO ISSUE ASSESSMENT DISTRICT NO. 3, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2004, TO FINANCE SAID IMPROVEMENTS.

M. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 09-04: DECLARING ITS INTENTION TO ACQUIRE AND/OR CONSTRUCT CERTAIN IMPROVEMENTS DESCRIBED IN THE FEASIBILITY REPORT; FORMING A SPECIAL ASSESSMENT DISTRICT NO. 3; DETERMINING THAT ASSESSMENT DISTRICT NO. 3, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2004, WILL BE ISSUED TO FINANCE THE COSTS AND EXPENSES THEREOF AND DECLARING THE IMPROVEMENTS TO BE OF MORE THAN LOCAL OR ORDINARY PUBLIC BENEFIT AND THAT THE COSTS OF SAID IMPROVEMENTS WILL BE ASSESSED UPON THE LOTS AND PARCELS COMPRISING ASSESSMENT DISTRICT NO. 3; PROVIDING THAT THE PROPOSED IMPROVEMENTS WILL BE PERFORMED AND DISTRICT ASSESSMENT REVENUE BONDS ISSUED UNDER THE PROVISIONS OF TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, AND ALL AMENDMENTS THERETO.

N. Board of the **Sundance Community Facilities District** will consider, for possible action, adoption of Resolution No. 10-04: ORDERING THE PUBLIC INFRASTRUCTURE PROJECTS PERFORMED TO BE FINANCED BY SPECIAL ASSESSMENT REVENUE BONDS.

O. Board of **Verrado Western Overlay Community Facilities District** 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

P. Board of **Verrado Western Overlay Community Facilities District** will consider, for possible action, adoption of Resolution No. 04-04 APPROVING THE AMENDED AND RESTATED FEASIBILITY STUDY RELATING TO THE DISTRICT AND APPROVING THE SALE OF BONDS OF THE DISTRICT.

6. CITIZEN COMMENTS/APPEARANCES FROM THE FLOOR

7. ADJOURNMENT

POSTED 7-15-04 11:00 a.m.

SWR:gmh 530886 07/12/04

SUNDANCE COMMUNITY FACILITIES DISTRICT;
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT;
VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT; AND
WESTPARK COMMUNITY FACILITIES DISTRICT
TOWN OF BUCKEYE, ARIZONA
JULY 20, 2004
6:00 P.M.

MINUTES

Members of the Sundance Community Facilities District Board, Verrado Western Overlay Community Facilities District Board, Verrado District 1 Community Facilities District Board and Westpark Community Facilities District Board will attend either in person or by telephone conference call or video presentations.

1. Call to Order
Chairman Hull called the joint meeting of the Community Facilities District to order at 6:01 p.m.

2. Roll Call

Members Present:	Chairman Hull, Vice Chairman Urwiller, Board Member Meck, Board Member Beard, Board Member May, Board Member Doster, and Board Member Garza.
Staff Present:	Carroll Reynolds, Scott Ruby, Linda Garrison, Mary Saiz

3. Approval of Minutes
Moved by Board Member Doster, seconded by Board Member May to approve the minutes of the July 6, 2004 joint meeting of the Community Facilities District as presented. The motion passed unanimously.

4. APPROVE OR RATIFY EXPENDITURES – None.

5. **Public Hearing: Sundance Community Facilities District, Verrado Western Overlay CFD, Verrado District 1 CFD, and West Park Community Facilities District**
Mayor Hull opened the public hearing at 6:02 p.m. to hear public input on the proposed budgets for the Sundance Community Facilities District; Verrado Western Overlay Community; Verrado District 1 Community Facilities District; and Westpark Community Facilities District.
Scott Ruby reviewed the budgets along with the assessed valuation and ad valorem property tax in each of the districts. Mayor Hull closed the public hearings on the proposed budget for the Sundance Community Facilities District, the Verrado District 1 CFD, Verrado Western Overlay CFD, and the Westpark CFD at 6:17 p.m.

Sundance Community Facilities District Final Budget – Resolution 05-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution No. 05-04 adopting the Final Budget of the Sundance Community Facilities District for the Fiscal Year beginning July 1, 2004 and ending June 30, 2005, declaring an emergency and read by title only. The motion passed unanimously.

Sundance Community Facilities District Tax Levy – Resolution 06-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution 06-04 levying upon the assessed valuation of the property within the Sundance Community Facilities District an Ad Valorem property tax sufficient to raise the amounts estimated to be required in the annual budget for Fiscal Year ending June 30, 2005, declaring an emergency, and read by title only. The motion passed unanimously.

Verrado District 1 Community Facilities District - Resolution 02-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution No. 02-04 adopting the Final Budget of the Verrado District 1Community Facilities District for the Fiscal Year beginning July 1, 2004 and ending June 30, 2005, declaring an emergency and read by title only. The motion passed unanimously.

Verrado District 1 Community Facilities District - Resolution 03-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt adopting Resolution 03-04 levying upon the assessed valuation of the property within the Verrado District 1 Community Facilities District an Ad Valorem property tax sufficient to raise the amounts estimated to be required in the annual budget for Fiscal Year ending June 30, 2005, declaring an emergency, and read by title only. The motion passed unanimously.

Verrado Western Overlay Community Facilities District - Resolution 02-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution No. 02-04 adopting the Final Budget of the Verrado Western Overlay Community Facilities District for the Fiscal Year beginning July 1, 2004 and ending June 30, 2005, declaring an emergency and read by title only. The motion passed unanimously.

Verrado Western Overlay Community Facilities District – Resolution 03-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution 03-04 levying upon the assessed valuation of the property within the Verrado Western Overlay Community Facilities District an Ad Valorem property tax sufficient to raise the amounts estimated to be required in the annual budget for Fiscal Year ending June 30, 2005, declaring an emergency, and read by title only. The motion passed unanimously.

Westpark Community Facilities District - Resolution 03-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution No. 03-04 adopting the Final Budget of the West Park Community Facilities District for the Fiscal Year beginning July 1, 2004 and ending June 30, 2005, declaring an emergency and read by title only. The motion passed unanimously.

Westpark Community Facilities District - Resolution 03-04
Moved by Board Member Urwiller, seconded by Board Member May to adopt Resolution 03-04 levying upon the assessed valuation of the property within the West Park Community Facilities District an Ad Valorem property tax sufficient to raise the amounts estimated to be required in the

annual budget for Fiscal Year ending June 30, 2005, declaring an emergency, and read by title only. The motion passed unanimously.

Sundance Community Facilities District – Public Hearing
Mayor Hull opened a public hearing at 6:23 p.m. to hear citizen input on the feasibility report submitted in connection with the proposed issuance of general obligation bonds and assessment bonds by the District and the projects financed with such proceeds. Mr. Ruby gave an overview regarding the feasibility reports as required by law. There being no public comment, Mayor Hull closed the public hearing at 6:38 p.m.

Sundance Community Facilities District – Resolution 07-04 Approving the Feasibility Report Relating to the Issuance of General Obligation bonds
Moved by Board Member Meck, seconded by Board Member Doster to adopt Resolution 07-0 rescinding Resolution 06-03 previously adopted on April 1, 2003; approving the feasibility report relating to the issuance of General Obligation Bonds by the District to finance the acquisition of public infrastructure and improvements and read by title only. The motion passed unanimously l

Sundance Community Facilities District – Resolution 08-04 Approving the Relating to the Acquisition, Construction and Financing of Certain Improvements
Moved by Board Member Meck, seconded by Board Member Doster to adopt Resolution 08-04 Approving the feasibility report relating to the acquisition, construction and financing of certain improvements benefiting Sundance Community Facilities District (Town of Buckeye, Arizona) and declaring the intent of the District to issue Assessment District No. 3 Special Assessment Revenue Bonds, Series 2004, to finance said improvements and read by title only. The motion passed unanimously.

Sundance Community Facilities District – Resolution 09-04 Declaring its Intention t Acquire and/or Construct Certain Improvements
Moved by Board Member Meck, seconded by Board Member Doster to adopt Resolution 09-0 declaring its intention to acquire and/or construct certain improvements described in the Feasibility Report; forming a Special Assessment District No. 3; determining that Assessment District No. 3, Special Assessment Revenue Bonds, Series 2004, will be issued to finance the costs and expenses thereof and declaring the improvements to be of more than local or ordinary public benefit and that the costs of said improvements will be performed and District Assessment Revenue Bonds issued under the provisions of Title 48, Chapter 4, Article 6, and Arizona Revised Statutes, and all amendments thereto and read by title only. The motion passed unanimously.

Public Hearing – Verrado Western Overlay Community Facilities District
Mayor Hull opened the public hearing at 6:39 p.m. to hear citizen input on the amended and

restated feasibility report submitted in connection with the proposed issuance of general obligation bonds by the District. Scott Ruby reviewed the feasibility report and introduced Matt Diamond and Terry Moss of Dain Rauscher, and Mike LaValley of Stone and Youngberg who will be handling the general obligation bonds explained their part in the bonds process. There being no input from the citizens, Mayor Hull closed the public hearing at 6:46 p.m.

Verrado Western Overlay Community Facilities District – Resolution 04-04 Approving the Amended and Restated Feasibility Study
Moved by Board Member Meck, seconded by Board Member May to adopt Resolution 04-04 approving the amended and restated Feasibility Study relating to the District and approving the Sale of Bonds of the District and read by title only. The motion passed unanimously.

Comments from the Floor – None.

Adjournment
There being no further business to come before the Districts, moved by Vice Chairman Urwiller, seconded by Board Member May to adjourn (6:47 p.m.). The motion passed unanimously.

Dustin Hull, Chairman

ATTEST:

Linda Garrison, District Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Joint Meeting of the Districts on the 20th day of July 2004. I further certify that the meetings were duly called and that a quorum was present.

Linda Garrison, District Clerk

SWR:gmh 530886 07/12/04

RESOLUTION NO. 04-04 (Verrado WO feasibility res.)

RESOLUTION OF THE BOARD OF DIRECTORS OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), APPROVING THE AMENDED AND RESTATED FEASIBILITY STUDY RELATING TO THE DISTRICT AND APPROVING THE SALE OF GENERAL OBLIGATION BONDS OF THE DISTRICT.

WHEREAS, pursuant to Section 48-715, Arizona Revised Statues ("*A.R.S.*"), as amended, the Board of Directors (the "*Board*") of the Verrado Western Overlay 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 $10,000,000 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, on March 4, 2003 the Board adopted Resolution No. 01-03 approving the Feasibility Study; and

WHEREAS, since March 4, 2003, 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 July, 2004 (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 increase the amount of general obligation bonds that may be sold, to update the list of infrastructure improvements and to update other matters contained therein; and

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

BE IT RESOLVED BY THE DISTRICT BOARD OF THE VERRADO WESTERN OVERLAY 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.

PASSED, ADOPTED AND APPROVED on July 20, 2004.

District Chairman

District Clerk

APPROVED AS TO FORM:

District Attorney

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on July 20, 2004, 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 538666 07/13/04

CLERK'S CERTIFICATE

The undersigned is the duly appointed, qualified and acting District Clerk of the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) and hereby certifies that attached hereto is a true and correct copy of: (i) the agenda for the meeting of the Board of Directors held on November 2, 2004, and that said agenda was posted and was on file in my office for not less than twenty-four (24) hours prior to the commencement of the meeting; (ii) excerpts of minutes of a meeting of said Board of Directors held on November 2, 2004, and (iii) a resolution of said Board of Directors adopted at such meeting; that a quorum was present at such meeting and at the time the resolution was adopted; that said resolution was adopted by a vote of 6 ayes, 0 nays and 0 abstained; that the Chairman of the District Board and District Clerk have executed and attested, respectively, said resolution; and said resolution, as executed, is on file in my office.

DATED: NOV 17, 2004

Linda Hansen
District Clerk, Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

KCH:joy 41059

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT MEETING
BUCKEYE, AZ

NOVEMBER 2, 2004

AGENDA

Buckeye Council Chambers
100 N. Apache Road
Buckeye, AZ 85326
6:00 p.m.

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

Members of the Verrado Western Overlay Community Facilities Board will either attend in person or by telephone conference call or video presentation. Items listed may be considered by the Board in any order.

1. Call to Order/Roll Call.

2. Council to consider and if advisable adopt Resolution 04-04 authorizing the Sale of Variable Rate General Obligation Bonds and approving related documents and read by tile only.
Board Action: Discussion and possible motion.

3. Adjournment.
Board Action: Motion to adjourn.

POSTED: 10-28-04

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT MINUTES
BUCKEYE, AZ

NOVEMBER 2, 2004

Call TO Order
Chairman Hull called the Verrado Western Overlay Community Facilities District meeting to order at 6:02 p.m.

Members Present:	Chairman Hull, Vice Chairman Urwiller, Board Member Meck, Board Member Beard, and Board Member May. Board Member Garza arrived at 6:08 p.m.
Members Absent:	Board Member Doster
Staff Present:	Carroll Reynolds, Scott Ruby, Linda Garrison, Lucinda Aja, Larry Harmer, Rick Morley, Dee Hathaway, Toni Brown, Ron Brown, and Scott Rounds.

Resolution 04-04 Authoring the Sale of Variable Rate General Obligation Bonds and approving related documents
Scott Ruby reviewed the Sale of Variable Rates General Obligation Bonds with the Board. Mr. Ruby reported that the Verrado Western Overlay is the portion west of Verrado Way. Board Member Meck questioned the Attorney regarding the financing. After some discussion, moved by Board Member Meck, seconded by Vice Chairman Urwiller to adopt Resolution 04-04 authorizing the Sale of Variable Rate General Obligations Bonds and approving related documents in the form presented and read by title only.

Adjournment
There being no further business to come before the Verrado Western Overlay Community Facilities District Moved by Vice Chairman Urwiller, seconded by Board Member Beard to adjourned (6:15 p.m.). The motion passed unanimously.

_____
Dustin Hull, Chairman

ATTEST:

_____
Linda Garrison, Board Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Verrado Western Overlay Community Facilities District meeting held on November 2, 2004. I further certify that the meeting was duly called and that a quorum was present.

_____
Linda Garrison, Board Clerk

RESOLUTION NO. 04-04 (VERRADO WESTERN OVERLAY)

A RESOLUTION OF THE BOARD OF DIRECTORS OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) AUTHORIZING THE ISSUANCE OF ITS DISTRICT VARIABLE RATE GENERAL OBLIGATION BONDS, SERIES 2004 IN THE PRINCIPAL AMOUNT OF $13,000,000; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS SECURING THE PAYMENT OF THE BONDS; AWARDING THE BONDS TO THE PURCHASER THEREOF; RATIFYING AND APPROVING A PRELIMINARY OFFICIAL STATEMENT RELATING TO THE BONDS; APPROVING A FINAL OFFICIAL STATEMENT 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 Western Overlay 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 to be prepared, dated as of June 21, 2002, which study was amended and restated as of March 4, 2004 and again amended and restated as of July, 2004 (the study, as amended and restated, is referred to as the "*Feasibility Study*"). The Feasibility Study described 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, the Feasibility 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. A public hearing on the Feasibility Study was held June 21, 2002, a second hearing to consider the Feasibility Study as amended and restated on March 4, 2004, and a third hearing to consider the Feasibility Study as again amended and restated was held July 20, 2004 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, March 4, 2004, and July 20, 2004, 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, subject to the limitations specified in the Indenture (as defined below), 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) and other amounts specified in the Indenture, 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 October 1, 2004, or such later date as may be approved by the officer executing the same (the "*Indenture*"), from the District to Wells Fargo Bank, N.A., as trustee (the "*Trustee*"), to secure, and process the issuance, registration, transfer and payment and the disbursement and investment of proceeds of, the Bonds. (Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.) The District Board has determined by this resolution to authorize the issuance of the Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Bonds by the Trustee, to authorize the execution and delivery of the Indenture.

(f) There have been presented in connection herewith the proposed forms of the following documents:

(1) The Indenture;

(2) The Purchase Contract relating to the Bonds (the "*Purchase Contract*"), by and between the District and RBC Dain Rauscher Inc. (the "*Underwriter*");

(3) The Standby Contribution Agreement dated as provided in the Indenture (the "*Standby Contribution Agreement*"), by and among the District, the Trustee, the Company and DMB Realco II, LLC (the "*Guarantor*");

(4) The Preliminary Official Statement relating to the Bonds (the "*Preliminary Official Statement*"), and which, with such completions and changes as may be necessary will constitute the form of the Final Official Statement for the Bonds (the "*Final Official Statement* ");

(5) The indemnity letters required by the Purchase Contract and the indemnity letter relating to the Development Agreement;

(6) The Reimbursement Agreement dated as provided in the Indenture (the "*Reimbursement Agreement*" by and between the Company and Compass Bank (the

"*Bank*") including the form of the Letter of Credit to be issued by the Bank (the "*Letter of Credit*");

(7) The Remarketing Agreement dated as provided in the Indenture (the "*Remarketing Agreement*") by and between the District and RBC Dain Rauscher Inc. (the "*Remarketing Agent*"); and

(8) A Letter of Representations, dated the date of initial delivery of the Bonds (the "*DTC Letter*"), by and between the District and The Depository Trust Company. (The documents described in Clauses (1) through (8), 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 to be rated in one of the four highest investment grade ratings of a nationally recognized bond rating agency and can therefore be 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 Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004*". The designation of the Bonds may be changed prior to issuance, with the approval of the District Manager, to further describe the Bonds. The Bonds shall be issued in an aggregate principal amount of $13,000,000, shall be in fully registered form only, shall be dated as of their date of initial issuance and delivery and shall bear interest at rates determined in accordance with the Indenture and mature, and be subject to mandatory redemption on the dates and in the amounts as may be approved by the Chairman or the District Manager and set forth in the Indenture. The maximum 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 1, 2029. 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 Indenture and shall bear such other terms and provisions as set forth in the Indenture. The Bonds shall be sold to the Underwriter pursuant to the Purchase Contract. As a condition to the execution and delivery of the Bonds, there shall be executed and delivered the Bond Documents in substantially the same form as presented herewith with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the Chairman or the District Manager.

3. **Forms, Terms and Provisions and Execution and Delivery of Bonds**. The forms, terms and provisions of the Bonds provided for in the Indenture, be and they hereby

are approved, with only such changes therein as are not inconsistent herewith and as are approved by the officers authorized in the Indenture to execute the Bonds and, if appropriate, each is hereby authorized to execute and deliver them.

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

5. **Authorization to Execute and Deliver Order to Trustee**. The District Manager is authorized to execute and deliver to the Trustee the written order of the District for the authentication and delivery of the Bonds by the Trustee.

6. **Other Actions Necessary**. The Chairman (or any other member of the District Board in the event the Chairman is absent or 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 Official Statement, 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 Official Statement 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 Official Statement 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 Official Statement 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, subject to the limitations as to tax rate set forth in the Indenture.

(b) Moneys derived from the levy of the tax provided for in this Section when collected constitute funds to pay Debt Service and certain related costs as set forth in the Indenture 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 Town 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. Subject to the limitation on tax rate set forth in the Indenture, 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. Appointments. Wells Fargo Bank, N.A., is hereby confirmed as Trustee, Registrar, Paying Agent and Tender Agent for the purpose of the Indenture. RBC Dain Rauscher Inc. is hereby appointed Remarketing Agent pursuant to the Remarketing 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 be the person serving as Town Manager, currently Carroll E. Reynolds, and such person is hereby appointed District Manager.

11. Repeal of Resolution. After any of the Bonds are delivered by the Trustee to the Underwriter upon receipt of payment therefor, this resolution shall be and remain irrepealable until the Bonds and the interest thereon shall have been fully paid, canceled and discharged.

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

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

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

PASSED by the District Board of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) on November 2, 2004.

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

Chairman, District Board

ATTEST:

District Clerk

APPROVED AS TO FORM:

Gust Rosenfeld P.L.C.
Bond Counsel

CERTIFICATE

I hereby certify that the above and foregoing Resolution No. 04-04 was duly passed by the Board of Directors of the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) at a regular meeting held on November 2, 2004, and that a quorum was present thereat and that the vote thereon was 6 ayes and _____ nays; 1 did not vote or were absent.

District Clerk

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

and

WELLS FARGO BANK, N.A.,
as Trustee

INDENTURE OF TRUST

AND

SECURITY AGREEMENT

DATED AS OF NOVEMBER 1, 2004

VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

TABLE OF CONTENTS

PAGE

Parties 1
Recitals 1
Granting Clauses 3

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01 Definitions 5
Section 1.02 Acts of Owners 20
Section 1.03 Notices, Etc 21
Section 1.04 Form and Contents of Documents Delivered to the Trustee 23
Section 1.05 Effect of Headings and Table of Contents 23
Section 1.06 Successors and Assigns 23
Section 1.07 Severability Clause 23
Section 1.08 Benefits of Indenture 23
Section 1.09 Governing Law 24
Section 1.10 Notice of Section 38-511, Arizona Revised Statutes, as Amended 24
Section 1.11 Business Day 24

ARTICLE II

FORM OF BONDS

Section 2.01 Form Generally 25
Section 2.02 Form of Bonds 25
Section 2.03 Form of Certificate of Authentication 35
Section 2.04 Form of Assignment 35

ARTICLE III

AUTHORIZATION, TERMS AND ISSUANCE OF THE BONDS

Section 3.01 Title and Terms 36
Section 3.02 Payment of Interest on Bonds; Interest Rights Preserved 37
Section 3.03 Execution, Authentication, Delivery and Dating 38
Section 3.04 Registration, Transfer and Exchange 39
Section 3.05 Mutilated, Destroyed, Lost and Stolen Bonds 42
Section 3.06 Additional Bonds 43

Section 3.07	Cancellation and Destruction of Bonds	43
Section 3.08	Persons Deemed Owners	43
Section 3.09	Determination of Rates	43
Section 3.10	Conversion to Fixed Rate	45
Section 3.11	Tender of Bonds for Purchase	47
Section 3.12	Remarketing of Bonds	51
Section 3.13	Limit Upon Remarketing to Issuer	52
Section 3.14	Delivery of Remarketed Bonds and Purchased Bonds	53

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01	Optional Redemption of Bonds	54
Section 4.02	Mandatory Sinking Fund Redemption; Credits	54
Section 4.03	Redemption of Purchased Bonds	56
Section 4.04	Method of Selecting Bonds for Redemption	57
Section 4.05	Notices of Redemption	57
Section 4.06	Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue	58
Section 4.07	Cancellation	58
Section 4.08	Partial Redemption of Bonds	58
Section 4.09	Notice of Redemption	58
Section 4.10	Bonds Redeemed in Part	60

ARTICLE V

FUNDS

Section 5.01	Bond Payment Fund	61
Section 5.02	Deposits to and Application of Bond Payment Fund	61
Section 5.03	Payments into and Use of Moneys in the Bond Purchase Fund	63
Section 5.04	Custody of the Bond Purchase Fund	64
Section 5.05	Rebate Account	64
Section 5.06	Custody of the Rebate Account	65
Section 5.07	Repayment to the Issuer	65
Section 5.08	Acquisition and Construction Fund	65
Section 5.09	Deposits to and Application of Acquisition and Construction Fund	65
Section 5.10	Disposition of Proceeds of Bonds	65
Section 5.11	Investment of and Security for Funds	66
Section 5.12	Reports by Trustee	66
Section 5.13	Letter of Credit	67
Section 5.14	Substitution of Letter of Credit	68
Section 5.15	Requirements of a Letter of Credit	69
Section 5.16	Transfer of Letter of Credit	69

Section 5.17	Consent of the Bank	69
Section 5.18	Nonpresentment of Bonds	70

ARTICLE VI

DEFEASANCE AND RELEASES

Section 6.01	Payment of Indebtedness; Satisfaction and Discharge of Indenture	71
Section 6.02	Defeasance	72
Section 6.03	Application of Deposited Money	73
Section 6.04	Release of Standby Contribution Agreement	73
Section 6.05	Satisfaction of Issuer's Obligations.	74
Section 6.06	Waiver of Greater Tax Levy	74

ARTICLE VII

REMEDIES

Section 7.01	Events of Default	75
Section 7.02	Suits for Enforcement; Mandamus	75
Section 7.03	Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment	76
Section 7.04	Application of Money Collected	76
Section 7.05	Trustee May File Proofs of Claim	77
Section 7.06	Trustee May Enforce Claims Without Possession of Bonds	78
Section 7.07	Right of Owners to Receive Principal, Premium and Interest	78
Section 7.08	Rights and Remedies Cumulative	78
Section 7.09	Delay or Omission Not Waiver	78
Section 7.10	Control by Owners	78
Section 7.11	Rights and Remedies of Owners	79
Section 7.12	Waiver of Past Defaults	80
Section 7.13	Undertaking for Costs	80
Section 7.14	Remedies Subject to Applicable Law	80

ARTICLE VIII

THE TRUSTEE

Section 8.01	Certain Duties and Responsibilities	81
Section 8.02	Certain Rights of Trustee	81
Section 8.03	Not Responsible for Recitals or Application of Proceeds	82
Section 8.04	May Hold Bonds	83
Section 8.05	Money Held in Trust	83
Section 8.06	Compensation and Reimbursement	83

Section 8.07	Corporate Trustee Required; Eligibility	83
Section 8.08	Resignation and Removal; Appointment of Successor	84
Section 8.09	Acceptance of Appointment by Successor	85
Section 8.10	Merger, Conversion, Consolidation, or Succession to Business	85
Section 8.11	Paying Agents; Appointment and Acceptance of Duties; Removal	85
Section 8.12	Trustee's Agents	86

ARTICLE IX

CONCERNING THE REMARKETING AGENT AND THE TENDER AGENT

Section 9.01	Appointment of Remarketing Agent	87
Section 9.02	Powers and Duties of Remarketing Agent	87
Section 9.03	Change of Remarketing Agent	87
Section 9.04	Successor Remarketing Agents	87
Section 9.05	Appointment of Tender Agent	88
Section 9.06	Powers and Duties of Tender Agent	88
Section 9.07	Property Held in Trust	88
Section 9.08	Compensation of the Tender Agent	88
Section 9.09	Permitted Acts	89
Section 9.10	Removal or Resignation of Tender Agent	89
Section 9.11	Transfer of Rights and Property to Successor Tender Agent	89

ARTICLE X

SUPPLEMENTAL INDENTURES; AMENDMENTS TO BOND RESOLUTION OR STANDBY CONTRIBUTION AGREEMENT

Section 10.01	Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement Without Consent of Owners	90
Section 10.02	Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement With Consent of Owners	90
Section 10.03	Execution of Supplemental Indentures and Amendments to Bond Resolution or Standby Contribution Agreement	91
Section 10.04	Effect of Supplemental Indentures and Amendments to Bond Resolution or Standby Contribution Agreement	92
Section 10.05	Reference in Bonds to Supplemental Indentures or Amendment to Bond Resolution or Standby Contribution Agreement	92

Section 10.06	Consent to Supplemental Indentures While the Standby Contribution Agreement is in Effect	92
Section 10.07	Amendment of Custody Agreement	92

ARTICLE XI

COVENANTS

Section 11.01	Pledge and Levy of Taxes	93
Section 11.02	Payment of Debt Service	94
Section 11.03	Reimbursement of Bank	95
Section 11.04	Maintenance of Agency	95
Section 11.05	Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money	96
Section 11.06	Further Assurances; Recording	97
Section 11.07	Compliance with Federal Law	97
Section 11.08	No Personal Liability of Officials of the Issuer	98
Section 11.09	Partial Invalidity	98
Section 11.10	Reference to Bank	98
Section 11.11	Eastern Time	98
Section 11.12	Notice to Rating Agency	98

Signatures 99

THIS INDENTURE OF TRUST AND SECURITY AGREEMENT, dated as of November 1, 2004 (this "*Indenture*"), from Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), a community facilities district formed by the Town of Buckeye, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), to Wells Fargo Bank, N.A., a national banking association with trust powers, as trustee (hereinafter together with any successor to the trust herein granted referred to as the "*Trustee*"),

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Enabling Act*"), the governing board of the Issuer (the "*Board*") caused a general obligation bond election to be held on August 7, 2001 (the "*Election*"), submitting to those persons who 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 Issuer dated as of June 19, 2001 and recorded in the records of the Maricopa County Recorder on June 26, 2001 (the "*General Plan*"); and

WHEREAS, the issuance of $60,000,000 general obligation bonds was approved at the Election; and

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

WHEREAS, pursuant to a resolution of the Board adopted on November 2, 2004 (the "*Bond Resolution*"), the Board (1) has authorized 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 and in the Report to the extent authorized in the Election and (2) has entered in its minutes a record of the Bonds sold and their numbers and dates and levied and caused a limited 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, 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 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 having an interest in real property within the boundaries of the Issuer (hereinafter referred to as the "*Company*") have entered into a Development, Financing Participation and Intergovernmental Agreement No. 1 (the "*Development Agreement*"), as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Enabling Act) and the financing of public infrastructure; and

WHEREAS, with regard to the property which makes up the real property included within the boundaries of the Issuer, the Municipality, the Issuer and the Company 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 Company and DMB Realco II, LLC, an Arizona limited liability company (hereinafter referred to as the "Guarantor") have also entered into a Standby Contribution Agreement, dated as of November 1, 2004 (the "*Standby Contribution Agreement*"), by and among the Issuer, the Company, the Guarantor and the Trustee under which Standby Contribution Agreement the Company and the Guarantor shall make certain contributions to the Bond Payment Fund established hereunder; and

WHEREAS, pursuant to that certain Reimbursement Agreement dated of even date with the Bonds (hereinafter referred to as the "Reimbursement Agreement") Compass Bank, an Alabama banking corporation (hereinafter referred to in its role as issuer of the Letter of Credit (as hereinafter defined), the "Bank"), has agreed to issue its irrevocable, direct pay letter of credit (hereinafter referred to, together with any substitute therefor, the "Letter of Credit") in connection with the Bonds; and

WHEREAS, to provide for the remarketing from time to time of the Bonds, the Issuer has entered into a Remarketing Agreement dated as of November 1, 2004 (the "Remarketing Agreement"), by and between the Issuer and RBC Dain Rauscher Inc. (the "Remarketing Agent"); and

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

WHEREAS, all things have been done which are necessary to make the Bonds, when executed by the Issuer, and authenticated and delivered by the Trustee, 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, except as otherwise provided herein, to secure the payment of the principal of and interest on the Outstanding Bonds (hereinafter defined) and the performance of the covenants therein and herein contained and to declare the terms and conditions on which the Outstanding Bonds are secured, and in consideration of the premises and of the purchase of beneficial interests in the Bonds by the purchasers 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:

GRANTING CLAUSE FIRST

All money and investments held for the credit of the Bond Payment Fund established with the Trustee as hereinafter described shall be to secure only the payment of the principal of, premium if any, on and interest on the Outstanding Bonds, or the reimbursement of the Bank for amounts drawn under the Letter of Credit for such purposes, but excluding any money in the Rebate Account as hereinafter described; and

GRANTING CLAUSE SECOND

The Issuer's interest in the Standby Contribution Agreement; and

GRANTING CLAUSE THIRD

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

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

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Owners (hereinafter defined) from time to time of all the Outstanding 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 or cause to be paid, the principal of and interest on the Outstanding Bonds according to the true intent and meaning thereof (subject to the limited sources and amounts as described herein), or there shall be deposited with the Trustee or a Paying Agent (hereinafter defined) 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, and shall pay or cause to be paid to the Bank all sums due to the Bank hereunder (subject to the limited sources and amounts as described herein) then upon the full and final payment or deemed 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 Owners of the Outstanding 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.

"Acquisition and Construction Fund" means the fund of the Issuer so defined in Section 5.08.

"Act" when used with respect to any Owner or Owners means certain actions of such Owner or Owners and the instrument evidencing such actions as described in Section 1.02.

"Authorized Denomination" means Bonds of the same Stated Maturity in the principal amount, so long as the Bonds bear interest at the Weekly Rate, of $100,000 and integral multiples thereof or such higher denomination as set by the Issuer.

"*Available Moneys*" means, with respect to the Bonds, (i) whenever a Letter of Credit is required to be maintained for the Bonds, (a) moneys obtained by the Trustee from the Bank pursuant to such Letter of Credit and held by the Trustee pursuant to the provisions of Section 5.02(B)(iv) for payment of Debt Service on the Bonds, (b) moneys obtained by the Tender Agent from the Bank pursuant to such Letter of Credit and held by the Tender Agent pursuant to the provisions of Section 5.03 hereof for payment of the Purchase Price of Bonds, (c) moneys derived from a remarketing of Bonds which are paid directly to and held by the Tender Agent for payment of the Purchase Price of such Bonds pursuant to Section 3.11(G) hereof, (d) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Issuer pursuant to the Bankruptcy Code (as hereinafter defined) has been filed and no other bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, (e) any other moneys the application of which to the payment of the Debt Service on, or Purchase Price of, the Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Issuer pursuant to the Bankruptcy Code, and (e) the proceeds from the investment of moneys described in clauses (a) through (e) above, and (ii) at any other time, any moneys.

"*Bank*" means Compass Bank, an Alabama banking corporation and any successor thereto, as issuer of the Letter of Credit and in the event a Substitute Letter of Credit is delivered in accordance with Section 5.14 hereof, the Substitute Bank.

"*Bankruptcy Code*" means the United States Bankruptcy Code of 1978, as amended, 11 U.S.C., § 101 *et seq.*

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

"*BMA Municipal Index*" means The Bond Market Association Municipal Swap Index as of the most recent date for which such Index was published or such other weekly, high-grade Index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such Index is no longer produced by Municipal Market Data, Inc. or its successor, then "BMA Municipal Index" shall mean such other reasonably comparable Index as may be selected by the Issuer.

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

"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 Payment Fund" means the fund of the Issuer so defined in Section 5.01.

"*Bond Purchase Agreement*" means the Purchase Contract, dated November 16, 2004, between the Issuer and the Underwriter.

"*Bond Purchase Fund*" means the fund of that name established pursuant to Section 5.03 hereof and maintained in accordance with Section 5.04 hereof.

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

"*Bond Registrar*" means the Trustee or the Trustee's Agent, as keeper of the Bond Register.

"Bond Resolution" means the Issuer Resolution adopted on November 2, 2004 which, among other things provided for the issuance of the Bonds.

"*Bond Year*" means the twelve-month period beginning on July 2 of any year and ending on July 1 of the subsequent year.

"*Bond Year Bank Fees*" means, with respect to any Bond Year (i) the regular quarterly fee due the Bank pursuant to the Reimbursement Agreement of 1.25% per annum of the average amount available under the Letter of Credit for such Bond Year (without regard to any increase in the event of a default under the Reimbursement Agreement), (ii) the drawing fee of $250 for each draw under the Letter of Credit, and (iii) the wire fee of $25 for each draw under the Letter of Credit, provided that these amounts may be adjusted with the prior written consent of the Issuer.

"*Bond Year Debt Service*" means, with respect to any Bond Year, the Debt Service on the Bonds coming due during that Bond Year.

"*Bond Year Draws*" means, with respect to any Bond Year, the amounts drawn on the Letter of Credit during that Bond Year to pay Bond Year Debt Service for that Bond Year.

"*Bond Year Tax Collections*" means, with respect to any Bond Year, all revenues actually received by the District during that Bond Year from the levy and collection of the ad valorem property tax pursuant to Section 11.01.

"*Bonds*" means all bonds authenticated and delivered hereunder, being the Issuer's $13,000,000 District Variable Rate General Obligation Bonds, Series 2004.

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

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

"*Business Day*" for any Bonds means any day that the principal office of the Bank, the Remarketing Agent and the Tender Agent, if any, and the Trustee and the Paying Agent are open and the Securities Depository is not closed.

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

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

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

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

"*Conversion*" means the change of the interest rate on the Bonds from the Weekly Rate to the Fixed Rate made in accordance with the provisions of Section 2.13.

"*Conversion Date*" means the day on which the interest rate on the Bonds is converted from the Weekly Rate to the Fixed Rate.

"*Conversion Notice*" means a written notice specifying a Conversion Date as provided in Section 3.10(B).

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

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the Issuer relating to the execution, sale and delivery of the Bonds and the execution and delivery of this Indenture, the Reimbursement Agreement, the Letter of Credit, the Remarketing Agreement and the Standby Contribution Agreement, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, the Bank, the Remarketing Agent, 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.

"*Custody Agreement*" means, with respect to the Bonds, a custody agreement or a pledge and security agreement, if any, entered into by the Trustee, as custodian, and the Bank, and any and all amendments and supplements thereto, relating to the Bonds owned by or pledged to the Bank.

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

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

"*Development Agreement*" means the Development, Financing Participation and Intergovernmental Agreement No. 1 by and between the Municipality, the Issuer and the Company.

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

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

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

"DTC" means The Depository Trust Company, New York, and its successors and assigns.

"Election" means the election of the Issuer held on August 7, 2001, to authorize the issuance of the Bonds.

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

"*Event of Default*" means an Event of Default as described in Section 7.01.

"*Fixed Rate*" means the rate at which a Bond bears interest from the Conversion Date to its maturity, as established in accordance with Section 3.09(B).

"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.

"*General Plan*" means the General Plan for the Issuer dated as of June 19, 2001 and recorded in the records of the Maricopa County Recorder on June 26, 2001.

"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 owners 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.

"*Guarantor*" means DMB Realco II, LLC, an Arizona limited liability company.

"*Immediate Notice*" means notice by telephone, telex or telecopier to such telephone number, telex number or telecopier number as the addressee has directed in writing, promptly followed by written notice by first class mail postage prepaid to such address as the addressee has directed in writing.

"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.

"Indexing Agent" means the person appointed by the Issuer pursuant to Section 3.09(A)(iv).

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

"Interest Payment Date" means (i) so long as the Bonds bear interest at the Weekly Rate, the first day of each month, and (ii) so long as the Bonds bear interest at the Fixed Rate, each January 1 and July 1.

"Issuer" means Verrado Western Overlay Community Facilities District, a community facilities district formed by the Municipality and duly organized and validly existing, pursuant to the laws of the State.

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

"Issuer 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.

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

"*Letter of Credit*" means an irrevocable direct pay letter of credit or other agreement or arrangement issued or extended by the Bank, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the payment of Debt Service on the Bonds and for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of this Indenture, which Letter of Credit meets the requirements of Section 5.13, or any Substitute Letter of Credit delivered in accordance with Section 5.14.

"*Letter of Credit Substitution Date*" means the day on which a Substitute Letter of Credit becomes effective and replaces the existing Letter of Credit.

"*Mandatorily Tendered Bonds*" means the Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Mandatory Tender Date" means any date on which the Bonds are required to be purchased in accordance with Section 3.11(D).

"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 Rate*" means 9% per annum; provided, however, that the Maximum Rate shall not exceed the maximum interest rate permitted by law from time to time.

"*Moody's*" means Moody's Investors Service, Inc., a corporation organized and existing pursuant to the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Issuer by notice to the Trustee, the Bank, if any, and the Trustee's Agent, if any.

"Municipality" means the Town of Buckeye, Arizona.

"*No Remarketing Notice*" means a notice given by the Bank to the Trustee and the Remarketing Agent pursuant to the Reimbursement Agreement to the effect that a Reimbursement Agreement Default has occurred and that from and after the date specified therein no Tendered Bonds are to be remarketed.

"Officer's Certificate" means a certificate signed by an Issuer Representative and delivered to the Trustee.

"*Opinion of Bond Counsel*" means an opinion of Bond Counsel addressed to the Issuer, the Remarketing Agent, the Bank and the Trustee to the effect that an action proposed to be taken will not cause interest on the Bonds to be included in the gross income of the owners of such Bonds for Federal income tax purposes and that such action is authorized or permitted by this Indenture and has been taken in accordance with this Indenture.

"*Opinion of Counsel*" means an opinion in writing of legal counsel, who may be counsel to the Trustee or the Issuer.

"*Optional Tender Date*" means the date on which a Bond bearing interest at the Weekly Rate is subject to tender and repurchase at the option of the Owner or Beneficial Owners pursuant to Section 3.11(A) or (B).

"*Optionally Tendered Bonds*" means the Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

"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 Owners of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed in advance of their Stated Maturity, notice of such redemption has been duly given pursuant to this Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;

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

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

(5) Bonds which have been defeased pursuant to Section 6.02; and

(6) Bonds, for which all Debt Service with respect thereto has been paid, including payment or deemed payment from draws under the Letter of Credit.

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

"*Parity Debt Service*" means principal and interest due on outstanding general obligation bonds of the Issuer other than the Bonds.

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

"*Paying Agent*" means the Trustee pursuant to Section 8.11 hereof and any other bank or banks, if any, designated pursuant to this Indenture to receive and disburse the principal of and interest or premium on the Bonds.

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

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

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States:

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

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

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

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

Repurchase Agreements must satisfy the following criteria.

1. 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.

K. Governmental Obligations.

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

"*Predecessor Bonds*" of any particular bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular bond, and, for purposes of this definition, any bond authenticated and delivered under Section 3.05 in lieu of a mutilated, lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Bond.

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

"*Purchase Price*" means an amount equal to one hundred percent (100%) of the principal amount of any Bonds tendered or deemed tendered to the Tender Agent for purchase pursuant to Section 3.11 hereof, plus accrued and unpaid interest thereon to the date of purchase; provided, however, if the date of purchase is an Interest Payment Date with respect to such Bonds, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Owner as of the applicable Regular Record Date.

"*Purchased Bond*" means any Bond during the period from and including the date it is purchased or paid for by a draw on the Letter of Credit to, but excluding, the earliest of (i) the date on which the principal, redemption price or Purchase Price of such Bond, together with all interest accrued thereon, is paid or deemed paid at Maturity, or (ii) the date on which such Bond is to be purchased if the Trustee then holds, in trust for the benefit the Bank, sufficient moneys to pay the Purchase Price of such Bond, together with the interest accrued thereon to the date of purchase.

"*Purchased Bond Rate*" means the rate at which a Purchased Bond bears interest, which shall be a rate equal to the lesser of (i) the greater of (A) 1.00% per annum above the interest rate most recently published in *The Wall Street Journal* as the "Prime Rate", or if not available, a similar rate from a substantially similar source selected by the Bank, as in effect from time to time, or (B) 4.50% per annum; (ii) the Maximum Rate; and (iii) the rate per annum, expressed as a percentage, for each Bond Year equal to the Bond Year Tax Collections divided by the average principal amount of Bonds Outstanding during such Bond Year, provided, however, that in no event shall such rate exceed the Maximum Rate applicable thereto.

"*Qualified Index Criteria*" means yield evaluations at par of notes or bonds of not less than five "high grade" component issuers, which notes or bonds are rated in either of the two highest short-term rating category by Moody's and S&P and are subject to tender upon seven (7) days' notice, and the interest on which is, pursuant to the Code, excludable from gross income for Federal income tax purposes.

"*Rate*" means the Weekly Rate or the Fixed Rate, as applicable.

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

"*Rating Event*" means that (i) the short-term rating of the Bonds has fallen below the top two categories from Moody's, (ii) the long-term rating of the Bonds has fallen below the top three categories from Moody's without regard to ratings modifiers, (iii) the short-term rating of the Bank has fallen below the top two categories from Moody's or S&P without regard to ratings modifiers, or (iv) the long-term rating of the Bank has fallen below the top three categories from Moody's or S&P without regard to ratings modifiers.

"*Rebate Account*" means the fund of the Issuer created and so named pursuant to Section 5.05.

"*Rebate Consultant*" means the consultant retained by the Issuer to determine rebate liability pursuant to Section 5.05.

"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" means, with respect to any Interest Payment Date, (i) so long as the Bonds bear interest at the Weekly Rate, the close of business on the Business Day preceding such Interest Payment Date, and (ii) so long as the Bonds bear interest at the Fixed Rate, the fifteenth day (whether or not a Business Day) of the calendar month preceding such Interest Payment Date.

"*Reimbursement Agreement*" means the reimbursement agreement, pursuant to which the Bank agrees to issue a Letter of Credit as such agreement may from time to time be amended or supplemented, and thereafter means the agreement pursuant to which a Substitute Bank agrees to issue any Substitute Letter of Credit at the time in effect, as such agreement may from time to time be amended or supplemented.

"*Reimbursement Agreement Default*" means the occurrence of any Event of Default as defined in the Reimbursement Agreement which has not been cured within the applicable cure period, if any, pursuant to Section 3.11(D)(v).

"*Reimbursement Date*" means each date on which the Trustee shall transfer tax collections to the Bank to reimburse the Bank for amounts drawn under the Letter of Credit. For each Bond Year, the Reimbursement Dates shall be January 1 and July 1 of such Bond Year.

"*Remarketing Agent*" means a Remarketing Agent, if any, appointed and serving in such capacity pursuant to Section 9.01 hereof or any successor Remarketing Agent. Initially, the Remarketing Agent shall be RBC Dain Rauscher Inc.

"*Remarketing Agreement*" means the Remarketing Agreement dated as of November 1, 2004, by and between the Issuer and RBC Dain Rauscher Inc. and any substitute remarketing agreement between the Issuer and the Remarketing Agent which may from time to time be entered into with respect to the remarketing or placement of Bonds, as from time to time amended and supplemented.

"*Report*" means the Feasibility Study dated June 21, 2002 and amended and restated as of July, 2004, with respect to the issuance of not to exceed $13,000,000 principal amount of bonds by the Issuer.

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

"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.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Board by notice to the Trustee, the Bank, and Trustee's Agent, if any.

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

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

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

"Standby Contribution Agreement" means that certain Standby Contribution Agreement, dated as of November 1, 2004 by and among the Issuer, the Company, the Guarantor and the Trustee.

"State" means the State of Arizona.

"*Stated Expiration Date*" means, with respect to a particular Letter of Credit, the stated date of expiration or termination of the Letter of Credit, including any extensions thereof.

"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 Bank*" means one or more commercial banks, trust companies or financial institutions (other than the then current Bank) obligated under any Substitute Letter of Credit and acceptable to the Issuer with a rating by Moody's and S&P in the top two short-term rating categories and the top three long-term rating categories assigned by such Rating Agency (without giving effect to numeric or other qualifiers).

"*Substitute Letter of Credit*" means, with respect to the Bonds, an irrevocable direct pay letter of credit or other agreement or arrangement issued or extended by a Substitute Bank, pursuant to which moneys are to be obtained upon substantially the same terms and conditions contained in the Letter of Credit for the payment of Debt Service on the Bonds and for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of this Indenture, which Letter of Credit is acceptable to the Issuer and meets the requirements of Section 5.13 on or prior to the Letter of Credit Substitution Date with respect to the Bonds; however, none of the following shall be deemed a Substitute Letter of Credit: (i) a change in the Reimbursement Agreement pursuant to which the Letter of Credit is issued; (ii) a change in the number of days of interest or interest rate covered by the Letter of Credit; and (iii) a renewal of the term of the existing Letter of Credit if, in the case of such renewal, there is delivered to the Issuer, the Trustee and the Remarketing Agent an opinion of counsel for the Bank or the Substitute Bank, as the case may be, regarding the enforceability of such Letter of Credit, in substantially the form delivered to the Trustee upon execution and delivery of the initial Letter of Credit.

"*Substitute Reimbursement Agreement*" means, with respect to the Bonds, any agreement (other than the initial Reimbursement Agreement for the Bonds) between the Company, the Guarantor and any Substitute Bank (which agreement shall be satisfactory in form and substance to the Trustee and the Issuer) as it may from time to time be amended or supplemented, pursuant to which a Substitute Letter of Credit shall be in effect for the Bonds.

"*Substitute Weekly Index*" means the index used to determine the Weekly Rate during a Weekly Rate Period pursuant to Section 3.09(A)(iv) if one is not otherwise established pursuant to Section 3.09(A)(iii) or (iv).

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

"*Tax Deposit Date*" means each date on which the Issuer shall deposit tax revenues from the ad valorem property tax levy with the Trustee. For each Bond Year, the Tax Deposit Dates shall be January 1 and July 1.

"*Tender Agent*" means the Trustee, who is hereby appointed as Tender Agent pursuant to Section 9.05 hereof and having the duties, responsibilities and rights provided herein, and its successor or successors and any successor Trustee which may at any time be substituted in its place pursuant hereto.

"*Tender Date*" means each Optional Tender Date or Mandatory Tender Date.

"*Tender Notice*" means the notice delivered by or on behalf of the Owner or Beneficial Owner of Bonds subject to Optional Tender pursuant to Section 3.11(A) or (B) hereof.

"*Tendered Bond*" means a Bond or portion thereof in an Authorized Denomination mandatorily tendered or tendered at the option of the Owner or Beneficial Owner thereof for purchase in accordance with Section 3.11 hereof, including a Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

"*Trust Estate*" means the properties, cash and securities granted to the Trustee by or on behalf of the Issuer as security for the Issuer's performance hereunder, except for any cash specifically excluded therefrom.

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

"*Trustee's Agent*" means any agent designated by the Trustee pursuant to Section 8.12 hereof and at the time serving in that capacity.

"*Underwriter*" means RBC Dain Rauscher Inc. as the underwriter of the Bonds pursuant to the Bond Purchase Agreement.

"*Weekly Index Alternative Rate*" means the index used to determine the Weekly Rate during a Weekly Rate Period pursuant to Section 3.09(A)(iii) if not otherwise determined pursuant to Section 3.09 (A)(iii).

"*Weekly Rate*" means the rate at which the Bonds bear interest during each Weekly Rate Period until the Conversion Date, as established from time to time pursuant to Section 3.09(A) hereof, except the Bonds bearing interest at the Purchased Bond Rate.

"*Weekly Rate Period*" means any period commencing on the date of initial issuance and delivery of the Series 2004 Bonds or the Wednesday of a calendar week and extending to and including the next succeeding Tuesday.

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

Section 1.02. Acts of Owners.

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

(B) The fact and date of the execution by any Owner of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a company on behalf of such corporation or company, such certificate or affidavit shall also constitute sufficient proof of the officer's or member's authority. The fact and date of execution of any such instrument or writing and the authority of any person executing as or on behalf of any Owner may also be proved in any other manner which the Trustee deems sufficient.

(C) The ownership of any Bond shall be proved by the Bond Register.

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

Section 1.03. Notices, Etc.

(A) Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, or act of Owners or other document provided or permitted by this Indenture by any Owner, the Issuer, the Bank, the Remarketing Agent, the Tender Agent, the Trustee, the Paying Agent, the Trustee's Agent or the Company to be made upon, given or furnished to, or filed with,

(i) 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, N.A., 100 W. Washington Street, MAC S4101-22E, Phoenix, Arizona 85003, Attention: Corporate Trust Department, or at any other address furnished in writing to such Person by the Trustee;

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

(iii) the Bank shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Bank at its principal office or if in writing and mailed, first-class postage prepaid, to the Bank addressed to it at Compass Bank, 999 18th Street, Suite 2800, Denver Colorado 80202, Attention: Matthew J. Chorske or at any other address furnished in writing to such Person by the Bank;

(iv) the Remarketing Agent shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Remarketing Agent at its principal office or if in writing and mailed, first-class postage prepaid, to the Remarketing Agent addressed to it at RBC Dain Rauscher Inc., 1211 Avenue of the Americas, Suite 3201, New York, New York 10036, Attention: Craig Laraia or at any other address furnished in writing to such Person by the Remarketing Agent;

(v) the Tender Agent shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Tender Agent at its principal office or if in writing and mailed, first-class postage prepaid, to the Tender Agent addressed to it at Wells Fargo Bank, N.A., 100 W. Washington Street, MAC S4101-22E, Phoenix, Arizona 85003, Attention: Corporate Trust Department, or at any other address furnished in writing to such Person by the Tender Agent;

(vi) the Paying Agent shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Paying Agent at its principal corporate trust office or if in writing and mailed, first-class postage prepaid, to the Paying Agent addressed to it at Wells Fargo Bank, N.A., 100 W. Washington Street, MAC S4101-22E, Phoenix, Arizona 85003, Attention: Corporate Trust Department, or at any other address furnished in writing to such Person by the Paying Agent;

(vii) the Trustee's Agent, if any, shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee's Agent at its principal corporate trust office or if in writing and mailed, first-class postage prepaid, to the Trustee's Agent addressed to it at Wells Fargo Bank, N.A., 100 W. Washington Street, MAC S4101-22E, Phoenix, Arizona 85003, Attention: Corporate Trust Department, or at any other address furnished in writing to such Person by the Trustee's Agent; and

(viii) the Company shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Company if in writing and mailed, first-class postage prepaid, addressed to it at 7600 E. Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258, Attention: Andrew S. Beams, or at any other address furnished in writing to such Person by the Company.

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

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

Section 1.04. Form and Contents of Documents Delivered to the Trustee.

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

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

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

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

Section 1.05. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.06. Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 1.07. Severability Clause. In case any provision herein or in the bonds or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

Section 1.08. 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, the Bank, the Paying Agent, the Remarketing Agent, the Tender Agent, the Trustee's Agent and the Owners of Outstanding Bonds, any benefit or any legal or equitable right, remedy, or claim

under this Indenture. The Bank is a third-party beneficiary hereof for the purpose of enforcing the obligations of the District to levy and cause the tax to be collected as limited herein and paid to the Trustee and the obligation of the Trustee to pay from such tax collections to the Bank the amounts provided herein. The Company is a third-party beneficiary hereof for the purpose of enforcing the obligations of the District to levy and cause the tax to be collected as limited herein and paid to the Trustee and, while the Letter of Credit or Purchased Bonds are outstanding, the obligation of the Trustee to pay from such tax collections to the Bank the amounts provided herein and for the purpose of enforcing the obligations of the District and the Remarketing Agent to remarket the Bonds or Outstanding Purchased Bonds as limited herein.

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 Day. 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 hereby, and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an Opinion of Counsel) placed thereon (or attached thereto) as may, consistently herewith, be determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

(B) The definitive Bonds shall be printed 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 BOND]

REGISTERED REGISTERED

No. R-_____ $_____

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

Except as otherwise provided in the Indenture, this bond may be transferred, in whole but not in part, only to another nominee of the Depository (as defined herein) or to a successor Depository or to a nominee of a successor Depository.

UNITED STATES OF AMERICA
STATE OF ARIZONA

VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

INTEREST RATE	MATURITY DATE	ORIGINAL DATED DATE	CUSIP NO.:
Variable	July 1, 2029	November 17, 2004	92511R AA 7

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT: THIRTEEN MILLION AND NO/100 DOLLARS

Verrado Western Overlay Community Facilities District (the "*Issuer*"), 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, for value received, hereby promises to pay to the "Owner" specified above or registered assigns (the "*Owner*"), in lawful money of the United States of America, on the "Maturity Date" specified above unless earlier redeemed as provided herein, the "Principal Amount" specified above and to pay interest 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*"), on each Interest Payment Date, at the rate per annum as may be set from time to time pursuant to the Indenture.

Interest Rates. Subject to the provisions of the Bond Resolution (as such term is hereinafter defined) and the Indenture, the Bonds shall initially bear interest at a Weekly Rate determined by the Remarketing Agent pursuant to the Indenture and will continue to accrue interest at the Weekly Rate until maturity in accordance with the Indenture unless and until converted to the Fixed Rate. Each Bond may, at the election of the Issuer, be converted to bear interest at a Fixed Rate determined by the Remarketing Agent in accordance with the Indenture. In no event shall the interest rate on any Bonds exceed nine percent (9%) per annum.

Under certain circumstances, Bonds purchased with the proceeds of amounts drawn on the Letter of Credit (as hereinafter defined) and not remarketed may bear interest at the Purchased Bond Rate determined pursuant to the Indenture.

Additional terms, conditions and events which may affect the setting of the Weekly Rate or the Conversion to, and setting of, the Fixed Rate are set forth in the Indenture.

Payment. So long as the Bonds bear interest at the Weekly Rate, the Interest Payment Dates shall be the first day of each month, and interest shall be calculated on the basis of a 365/366 day year and actual number of days elapsed.

Following conversion of the Bonds to bear interest at the Fixed Rate, the Interest Payment Dates shall be January 1 and July 1 of each year, and interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

As provided in the Indenture, the interest, principal and Redemption Price (as such term is defined in the Indenture) payable on the Bonds shall be paid to CEDE & Co. or its registered assigns in same-day funds no later than 2:30 p.m. (Eastern Time) on the date due (or in accordance with then existing arrangements between the Issuer and DTC).

If the specified date for any such payment shall be a Saturday, a Sunday, or a legal holiday or equivalent for banking institutions generally in the city where the designated corporate trust office of the Paying Agent is located then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority and Issue. This Bond is one of a duly authorized issue of bonds of the Issuer having the designation specified in its title (the "*Bonds*"), 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 November 1, 2004 (herein, together with all indentures supplemental thereto, referred to as the "*Indenture*"), from the Issuer to Wells Fargo Bank, N.A., as trustee (the "*Trustee*"), which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder of the Owners of the Bonds, the Trustee, and the Issuer, and the terms upon which the bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Owner of this Bond hereby consents. The Bonds are authorized and issued by a resolution of the Board of Directors of the Issuer adopted on November 2, 2004 (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*").

Obligation. 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, 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 within the boundaries of the Issuer sufficient together with any other moneys from sources available pursuant to the Enabling Act (including, with respect to the Bonds but not any other obligations or bonds, amounts available from the Letter of Credit and the Standby Contribution Agreement as described below) to pay debt service on the Bonds when due. DMB White Tank, LLC, an Arizona limited liability company (the "*Company*") master developer of the land within the boundaries of the Issuer, and DMB Realco II, LLC, an

Arizona limited liability company (the "*Guarantor*") have entered into a Standby Contribution Agreement dated as of November 1, 2004 (the "*Standby Contribution Agreement*") with the Issuer pursuant to which the Company and the Guarantor will, under certain circumstances, make payments to the Trustee to pay the Bonds to the extent necessary to supplement tax revenues. THE STANDBY CONTRIBUTION AGREEMENT MAY BE RELEASED PRIOR TO THE MATURITY OF THE BONDS BY THE ISSUER UPON SATISFACTION OF CERTAIN CONDITIONS SET FORTH IN THE INDENTURE.

The Company and the Guarantor have also requested Compass Bank, an Alabama banking corporation (together with any successor thereto, the "Bank"), to issue its direct pay letter of credit (together with any letter of credit hereafter substituted thereto pursuant to the Indenture, the "Letter of Credit").

Payment of (i) the principal and interest on this Bond, when due either at Stated Maturity or prior redemption, and (ii) the Purchase Price of this Bond if tendered for purchase pursuant to the Indenture are secured by the Letter of Credit. The Letter of Credit is subject to substitution, expiration and termination under certain circumstances as described in the Indenture.

Payment of principal, interest, premium, Redemption Price or Purchase Price shall be paid only with Available Moneys. Available Moneys means (i) whenever a Letter of Credit is required to be maintained for the Bonds, (a) moneys obtained by the Trustee from the Bank pursuant to the Letter of Credit and held by the Trustee pursuant to the Indenture or payment of principal of and interest or premium on the Bonds when due, (b) moneys obtained by the Trustee in its capacity as Tender Agent under the Indenture (together with any other agent appointed for such purpose, the "Tender Agent") from the Bank pursuant to the Letter of Credit and held by the Tender Agent pursuant to the Indenture for payment of the Purchase Price of Bonds, (c) moneys derived from a remarketing of Bonds which are paid directly to and held by the Tender Agent for payment of the Purchase Price of such Bonds pursuant to the Indenture, (d) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Issuer pursuant to the Bankruptcy Code (as hereinafter defined) has been filed and no other bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, (e) any other moneys the application of which to the payment of the principal, interest, premium, Redemption Price or Purchase Price of the Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Issuer pursuant to the Bankruptcy Code, and (f) the proceeds from the investment of moneys described in clauses (a) through (e) above, and (ii) at any other time, any moneys.

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 any integral multiples thereof or such higher denomination as determined by the Issuer.

Optional Redemption.

(A) **Weekly Rate Bonds**. So long as the Bonds bear interest at the Weekly Rate, the Bonds shall be subject to redemption prior to maturity (i) at the election or direction of the Issuer with the consent of the Bank, or (ii) at the election and direction of the Bank, upon the occurrence of a Reimbursement Agreement Default. In either case such redemption may be in whole or in part, on any Business Day, at a Redemption Price equal to 100% of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, but without premium.

(B) **Fixed Rate Bonds**. Unless, at the time Bonds are converted to the Fixed Rate, the Issuer establishes other dates and redemption prices at which the Bonds may be redeemed at the election or direction of the Issuer, the Bonds once converted to the Fixed Rate shall be subject to redemption prior to maturity at the election or direction of the Issuer in whole or in part at any time after the period set forth below, at a redemption price equal to the percentages of the principal amount of each Bond or portion thereof to be redeemed as set forth below, plus accrued interest, if any, to the date of redemption:

Number of years remaining to maturity at the date of Conversion	Number of years following Conversion when the Bonds may be redeemed and redemption price	
	10 years or more but less than 11 years	11 years or more
11 years or more	101%	100%
10 or more years but less than 11 years	100%	Not applicable
Less than 10 years	Not subject to redemption	

Mandatory Redemption. The Bonds shall be redeemed on the following Redemption Dates and in the following amounts upon not more than 60 nor less than 30 days prior notice given by mail as provided in 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 1)		PRINCIPAL AMOUNT
2010		$500,000
2011		500,000
2012		500,000
2013		500,000
2014		600,000
2015		600,000
2016		600,000
2017		600,000
2018		600,000
2019		600,000
2020		600,000
2021		700,000
2022		700,000
2023		700,000
2024		700,000
2025		700,000
2026		800,000
2027		800,000
2028		800,000
2029	(maturity)	900,000

There shall be credited against and in satisfaction of any Sinking Fund Installment payable on any date for the Bonds the principal amount of Bonds entitled to such Sinking Fund Installment (a) purchased with moneys in the Redemption Fund and canceled by the Trustee; (b) redeemed at the option of the Issuer pursuant to the optional redemption provisions of the Trust Agreement, (c) purchased by the Issuer and delivered to the Trustee for cancellation, and (d) deemed to have been paid in accordance with the defeasance provisions of the Indenture.

Redemption of Purchased Bonds. Bonds which have been purchased with proceeds of a draw on the Letter of Credit and not remarketed ("*Purchased Bonds*") shall be redeemed in advance of maturity as provided in the Indenture.

Selection of Bonds to be Redeemed; Notice of Redemption. In the case of redemptions of Bonds, the Trustee shall select the Bonds to be redeemed by lot, using such method of selection as the Trustee shall consider proper in its discretion. Notice of the call for redemption shall be given by the Trustee by transmitting a copy of the redemption notice by first-class mail, not less than 30 days prior to the redemption date, to the Owners of the Bonds to be redeemed in whole or in part at the address last showing on the registration books. If at the time of mailing the notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all of the Bonds to be called for redemption, which moneys are or will be available for redemption of Bonds, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited. Failure to give notice in the manner prescribed above with respect to any Bonds, or any defect in such notice,

shall not affect the validity of the proceedings for redemption for any Bonds with respect to which notice was properly given. Upon the occurrence of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon and premium, if any, the Bonds called for redemption shall not thereafter bear interest, be protected by the Bond Resolution or be deemed to be Outstanding for the purposes of the Bond Resolution or the Indenture.

Optional Tender. For so long as any Bond bears interest at the Weekly Rate, a Participant, acting on behalf of a Beneficial Owner, has the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Bond for purchase on any Optional Tender Date, by giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective designated offices, not later than the close of business, Eastern Time, on the seventh calendar day prior to the Optional Tender Date, a Tender Notice which states (i) the aggregate principal amount in an Authorized Denomination of each Bond or portion thereof to be purchased and (ii) that such principal amount of Bonds (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture.

Any Tender Notice given or delivered shall be irrevocable and shall be binding on the Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner and the principal amount of the Bonds for which a Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice, ownership of such aggregate principal amount of Bonds shall be recorded as provided in the Indenture.

Mandatory Tender. So long as Bonds bear interest at the Weekly Rate, the Bonds are subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"): (i) on the Conversion Date; (ii) on a date that is not less than three (3) Business Days prior to the expiration date of any Letter of Credit then in effect with respect to the Bonds (or if such day is not a Business Day, on the immediately preceding Business Day), unless such Letter of Credit has been extended or a Substitute Letter of Credit is delivered to the Trustee and effective at least twenty (20) days prior to such expiration date; (iii) on the effective date of a Substitute Letter of Credit delivered pursuant to the Indenture with respect to such Bonds (or if such day is not a Business Day, on the immediately preceding Business Day) unless at least 35 days prior to the effective date of the Substitute Letter of Credit, the Trustee and the Issuer receive evidence in writing from each Rating Agency maintaining a rating on the Bonds that the substitution of the Substitute Letter of Credit will not cause the reduction or withdrawal of the rating on the Bonds, provided that such Mandatory Tender Date, if required, is not later than the third Business Day immediately preceding the date on which the then-existing Letter of Credit terminates in accordance with its terms (or if such day is not a Business Day, on the immediately preceding Business Day); (iv) upon an Event of Default under the Reimbursement Agreement, immediately if requested by the provider of the Letter of Credit (the "Bank"), or, if not so requested by the Bank, then in 7 Business Days if the Event of Default arises out of nonpayment of amounts due the Bank, or the insolvency, bankruptcy or similar proceedings, or liquidation or

termination of the Company or Guarantor and is not cured prior to 11:00 a.m. on the Mandatory Tender Date or in 120 days (or, if not a Business Day, the prior Business Day) if arising out of other matters and such Event of Default is not cured prior to the Business Day preceding the Mandatory Tender Date; and (v) no later than the Business Day following the Business Day in which the Trustee receives notice from the Issuer, the Remarketing Agent, the Tender Agent or the Bank of the occurrence of a Rating Event with respect to the Bank.

Failure to Deliver Tendered Bonds. If an Owner fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Bond subject to tender for purchase (each, a "Tendered Bond"), such tendered Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the purchase date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of the Owner of a Bond to the receipt of interest, if any, due thereon on the date such Bond is required to be purchased.

Purchase of Tendered Bonds. On each Tender Date, the Tendered Bond shall be purchased at the applicable Purchase Price, which shall be paid by 3:00 p. m., Eastern Time, on the Tender Date. All moneys received by the Tender Agent as proceeds of the sale of the Tendered Bonds that have been transferred to the Tender Agent shall be deposited and held by the Tender Agent in a separate and segregated account. Additional amounts, if any, received by the Tender Agent from the Bank pursuant to draws on the Letter of Credit shall be deposited and held by the Tender Agent in an additional separate and segregated account. The moneys in such accounts shall not be commingled with any other moneys, shall be held un-invested and irrevocably pledged to the Owners of the Tendered Bonds for payment and shall be applied to the payment of the Purchase Price of Tendered Bonds. The Issuer shall have no obligation to pay the Purchase Price of Tendered Bonds except for amounts drawn on the Letter of Credit for such purpose or amounts received from the remarketing of such Tendered Bonds.

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

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

selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as Owner.

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

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

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

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

Amendments. The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Owners of the bonds under the Bond Resolution, the Indenture and the Standby Contribution Agreement at any time by the Issuer with the consent of the Bank and the Owners of a majority in principal amount of the Bonds at the time Outstanding (as such term is defined in the Indenture) affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Owners of specified percentages in aggregate principal amount of the bonds at the time Outstanding, on behalf of the Owners of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Owner of this Bond or any Predecessor Bond evidencing the same debt shall be conclusive and binding upon such Owner and upon all future Owners 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. The Bond Resolution and the Indenture further permit certain amendments of the Indenture and the Standby Contribution Agreement without consent of the Owners but with the consent of the Bank.

Owners. 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.

Authentication Required. 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 herein described Bond Resolution or the Indenture or be valid or obligatory for any purpose.

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 limited taxing power of the Issuer as described herein) is pledged to the payment of the Bonds.

Miscellaneous. 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 limited 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 WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
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.]

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

CERTIFICATE OF AUTHENTICATION

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

WELLS FARGO BANK, N.A., as Trustee

By_____
Authorized Representative

Section 2.04. Form of Assignment. Each of the Bonds shall have on the reverse thereof the following form:

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

TEN COM - as tenants in common TEN ENT - as tenants by the entireties JT TEN - as joint tenants with right of survivorship and not as tenants in common	UNIF GIFT/TRANS MIN ACT - _____ (Custodian) Custodian for _____ (Minor) Under Uniform Gifts/Transfers to Minors Act of _____ (State)

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

ASSIGNMENT

For Value Received the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address, and zip code of transferee):

_____

_____

(Print or typewrite Social Security or other identifying number of transferee: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints (print or typewrite name of attorney) _____, attorney, to transfer the within Bond on the book kept for registration thereof, with full power of substitution in the premises.

DATED: _____

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

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

ARTICLE III

AUTHORIZATION, 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 WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) DISTRICT VARIABLE RATE GENERAL OBLIGATION BONDS, SERIES 2004" dated as of the date of their initial issuance and delivery.

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

(C) The aggregate principal amount of the Bonds which may be authenticated and delivered and Outstanding is limited to $13,000,000, and the Stated Maturity of the Bonds is July 1, 2029.

(D) The Bonds shall bear interest from and including their date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each Interest Payment Date. Initially, the Bonds will bear interest at the Weekly Rate. The first Interest Payment Date will be the first day of the month following the date of initial issuance and delivery of the Bonds.

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

(ii) If the Book-Entry-Only System is not in effect, the principal of or Redemption Price for the Bonds shall be payable upon surrender of the Bonds to the Paying Agent when due.

(F). The Bonds shall be subject to redemption pursuant to Article IV.

(G) The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

(H) So long as the Bonds bear interest at the Weekly Rate, interest shall be calculated on the basis of a 365/366 day year and actual number of days elapsed. Following conversion to the Fixed Rate, interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

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

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

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

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

(ii) any interest on any Bond which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (herein referred to as "*Defaulted Interest*") shall forthwith cease to be payable to the 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, subject to the limited sources as provided herein, 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 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.

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

Section 3.03. Execution, Authentication, Delivery and Dating.

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

(B) Forthwith upon the execution and delivery of this Indenture, the Issuer shall deliver to the Trustee the Bonds, executed by the Issuer, and the Trustee shall thereupon authenticate the Bonds and deliver the Bonds to or for the benefit of the Securities Depository upon receipt by the Trustee of:

(i) the Bond Resolution, duly and validly adopted by the Board, authorizing the execution and delivery hereof and the authentication and delivery of the Bonds,

(ii) the Standby Contribution Agreement duly and validly executed and delivered by the parties thereto, and evidence satisfactory to the Trustee of performance of the obligations of the Company, the Guarantor and the Issuer thereunder to be performed by the Company, the Guarantor and the Issuer prior to or simultaneously with the delivery of the Bonds,

(iii) the purchase price for the Bonds specified in the Bond Purchase Agreement,

(iv) the Reimbursement Agreement, duly and validly executed and delivered by the parties thereto, and evidence satisfactory to the Trustee of the performance of the obligations of the Company, the Guarantor and the Bank thereunder to be performed by the Company, the Guarantor and the Bank prior to or simultaneously with the delivery of the Bonds, and

(v) the Letter of Credit, duly and validly executed and delivered by the Bank and in full force and effect and evidence satisfactory to the Trustee that all conditions to the effectiveness of the Letter of Credit have been satisfied.

(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 herein.

(D) No Bond shall be entitled to any right or benefit under this Indenture, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided in Section 2.02, executed by the Trustee by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or authenticated and delivered.

(E) All Bonds authenticated and delivered by the Trustee hereunder shall be dated the date of their initial authentication and delivery.

(F) The Bonds shall constitute general obligations of the Issuer. The Bonds shall be payable from (i) the proceeds of ad valorem property taxes imposed each year upon all taxable property in the Issuer, (ii) any revenue derived directly or indirectly from the enforcement of the collection of such taxes, (iii) all moneys and earnings thereon held in the Funds or accounts herein created under the terms hereof (except the Bond Purchase Fund and the Rebate Account), (iv) drawings by the Paying Agent or the Trustee on the Letter of Credit, and (v) amounts paid by the Company or the Guarantor under the Standby Contribution Agreement.

Section 3.04. Registration, Transfer and Exchange.

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

(B) Book-Entry-Only System.

(i) The Bonds shall be initially executed and delivered in the form of a separate, single, authenticated, fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond Register in the name of CEDE & Co., as nominee of DTC, the Securities Depository for the Bonds. The Trustee, the Trustee's Agent, the Paying Agent, the Tender Agent, the Bank, the Remarketing Agent and the Issuer may treat the Securities Depository (or its nominee) as the sole, exclusive, and absolute owner of the Bonds registered in its name for all purposes, whether or not such Bond shall be overdue (including, without limitation, receiving payment of the principal, premium, if any, and interest on the Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice required or permitted to be given to Owners hereunder, registering the transfer of Bonds, obtaining any consent from the Owners, and providing for any other action to be taken by the Owners hereunder), and none of the Trustee, the Trustee's Agent, the Paying Agent, the Tender Agent, the Remarketing Agent, the Bank, or the Issuer shall be affected by any knowledge or notice to the contrary. So long as the Bonds are registered in the name of a Securities Depository, including DTC, or its nominee, including CEDE & Co., payment of the principal of, premium, if any, purchase price of, and interest on such Bonds shall be made only to the Securities Depository or its nominee as such Owner, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid. None of the Paying Agent, the Tender Agent, the Trustee, the Trustee's Agent, the Remarketing Agent,

the Bank, or the Issuer shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in a Bond under or through the Securities Depository or any Participant, or any other person which is not shown in the Bond Register as being an Owner, with respect to: the accuracy of any records maintained by the Securities Depository or any Participant; the payment by the Securities Depository or any Participant of any amount in respect of the principal of, premium, if any, purchase price of, or interest on the Bonds; any notice which is permitted or required to be given to Owners hereunder; the selection by the Securities Depository or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by the Securities Depository (or its nominee) as the Owner of the Bonds. Except under the conditions specified in subsection (C) of this Section 3.04, no person other than the Securities Depository shall receive authenticated Bonds. Upon delivery by the Securities Depository to the Paying Agent of written notice to such effect, the Securities Depository may substitute a new nominee in place of any existing nominee and subject to the provisions herein with respect to Record Dates, the term "CEDE & Co." in this Indenture shall refer to such new nominee of the Securities Depository.

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

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

(iv) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the Issuer or the Trustee with respect to any consent or other action to be taken by Owners, the Issuer, or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the incumbent Securities Depository, if any, notice of such record date not less than 15 calendar days in advance of such record date to the extent practicable.

(C) Discontinuance of Book-Entry-Only System. In the event (i) DTC, or any successor as Securities Depository, determines not to continue to act as Securities Depository, or (ii) the Issuer determines that the incumbent Securities Depository shall no longer so act, and delivers a written certificate of an Issuer Representative to such incumbent Securities Depository, the Remarketing Agent, the Trustee, the Tender Agent, the Bank, and the Paying Agent to that effect, then the Issuer shall discontinue the Book-Entry-Only System with the incumbent Securities Depository. If the Issuer determines to replace the incumbent Securities Depository with another Securities Depository, the Issuer shall prepare or direct the preparation of replacement Bonds for the Bonds registered in the name of the incumbent Securities Depository,

or its nominee, to be registered in the name of such successor Securities Depository, or its nominee, or make such other arrangements acceptable to the Issuer, the Paying Agent, the Trustee, the Bank, and the successor Securities Depository as are not inconsistent with the terms of this Indenture. If the Issuer fails to identify a successor Securities Depository to replace the incumbent Securities Depository, then the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the incumbent Securities Depository or its nominee, but shall be registered in whatever name or names the incumbent Securities Depository, or its nominee, shall designate in accordance with the provisions of Section 3.04(D) hereof. In such event the Issuer shall, at its expense, prepare, execute, and deliver a sufficient quantity of Bonds to the Trustee for authentication and delivery to carry out the transfers and exchanges provided in this Section and Section 3.04(D) hereof. All such Bonds shall be in fully registered form in Authorized Denominations.

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

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

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

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

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

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

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

(vii) Neither the Issuer nor the Trustee shall be required (1) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Bonds under Section 4.05 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.

Section 3.05. Mutilated, Destroyed, Lost and Stolen Bonds.

(A) If (1) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Trustee such security or indemnity as may be required by it to save each of the Issuer and Trustee harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon a request of the Issuer Representative, the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of like tenor, aggregate principal amount and Stated Maturity bearing a number not contemporaneously outstanding, provided, however, in case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer or the Trustee in its discretion may pay such Bond instead of issuing a new Bond. If, after the delivery of such new Bond or payment, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued or payment made presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such new Bond or payment from the Person to whom it was delivered or to which payment was made or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expenses incurred by the Issuer or the Trustee in connection therewith.

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

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

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

Section 3.06. Additional Bonds. Nothing herein shall be construed to limit the right of the Issuer to issue additional bonds or obligations payable from any source whatsoever except that, while the Letter of Credit is in effect or while any Bonds are Purchased Bonds, no bonds may be issued with a senior or parity lien to the Bonds on ad valorem property tax revenues of the Issuer without the prior consent of the Bank. Any Additional Bonds shall be separately designated to distinguish them from the Bonds and shall not be secured by or payable from the Letter of Credit or draws thereon.

Section 3.07. Cancellation and Destruction of Bonds. All Bonds surrendered for payment, redemption, transfer, exchange, replacement or conversion, shall be promptly canceled by the Trustee and, if surrendered to the Issuer or any Paying Agent, shall be delivered to the Trustee and, if not already canceled, shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously certified or authenticated and delivered which the Issuer may have acquired by any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond canceled as provided in this Section, except as expressly provided by this Indenture. Cancelled Bonds shall be promptly destroyed by the Trustee and certificates evidencing such destruction shall be maintained by the Trustee.

Section 3.08. Persons Deemed Owners. The Paying Agent, the Trustee, the Remarketing Agent, the Bank, the Tender Agent, the Trustee's Agent and the Issuer may treat the Owner of a Bond as the sole, exclusive, and absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and the Paying Agent, the Trustee, the Remarketing Agent, the Bank, the Tender Agent, the Trustee's Agent and the Issuer shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, purchase price of, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid. All Bonds paid in full pursuant to the provisions of this Section, including those paid by amounts drawn under the Letter of Credit, shall be cancelled by the Paying Agent and shall not be redelivered.

Section 3.09. Determination of Rates.

(A) Weekly Rate. The following provisions apply to the Bonds (other than a Purchased Bond) so long as they bear interest at the Weekly Rate:

(i) Standard for Weekly Rate. The Weekly Rate shall be determined by the Remarketing Agent for the Bonds to be the rate of interest that, if borne by the Bonds for such Weekly Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities of the same general nature as the Bonds the interest on which is excludable from gross income for Federal income tax purposes and which are comparable as to credit and maturity or tender dates with the credit and Maturity or Tender Dates of the Bonds, would be the lowest

interest rate that would enable the Bonds to be sold on the first day of the applicable Weekly Rate Period at a price of par, plus accrued interest, if any.

(ii) Notice of Weekly Rate. On the Business Day after the Weekly Rate is set, the Remarketing Agent shall notify the Trustee, the Tender Agent, the Bank, the Company and the Issuer by facsimile or electronic means, of the interest rate borne by the Bonds for such Weekly Rate Period.

(iii) Remarketing Agent Determines Weekly Rate. The Remarketing Agent shall determine a Weekly Rate for each Weekly Rate Period applicable to the Bonds by the close of business, Eastern Time, on the Tuesday preceding the first day of such Weekly Rate Period, or the next succeeding day if Tuesday is not a Business Day. If for any reason (i) the Weekly Rate for a Weekly Rate Period is not established as aforesaid, (ii) no Remarketing Agent shall be serving hereunder, (iii) the Weekly Rate so established is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Weekly Rate, then the Weekly Rate for such Weekly Rate Period shall be 110% of the Weekly Index Alternative Rate on the date such Weekly Rate was to have been determined by the Remarketing Agent. If for any reason the Weekly Rate applicable to the Bonds for a Weekly Rate Period can not be determined by reference to the Weekly Index Alternative Rate, then the rate to be borne by the Bonds shall be the rate for the Bonds in effect on the day preceding the first day of such Weekly Rate Period.

(iv) Weekly Index Alternate Rate. The Weekly Index Alternative Rate applicable to the Bonds shall be the BMA Municipal Index unless, in the reasonable opinion of the Remarketing Agent and the Bank, the BMA Municipal Index is not available on a timely basis for use in determining the Weekly Index Alternative Rate, whereupon the Remarketing Agent shall determine the Substitute Weekly Index, based upon the Qualified Index Criteria, on the first day of the Weekly Rate Period for which a Weekly Rate is to be set by reference to the Weekly Index Alternative Rate; provided, however, that if the Remarketing Agent fails or is unable to determine the Substitute Weekly Index, the Issuer shall appoint an Indexing Agent who shall determine the Substitute Weekly Index. If, in the reasonable opinion of the Issuer, the Indexing Agent fails or is unable for any reason to determine the Substitute Weekly Index for any Weekly Rate Period, the Issuer shall appoint a replacement Indexing Agent to determine the Substitute Weekly Index.

(B) Fixed Rate. Upon conversion to the Fixed Rate, each Bond will bear interest at a Fixed Rate. The Fixed Rate for each Bond shall be determined by the Issuer and the Remarketing Agent or other investment banking firm or firms with which the Issuer has entered into an agreement for the purchase, as underwriters, of the Bonds upon conversion to the Fixed Rate on the Conversion Date. If for any reason the Fixed Rate is not determined as aforesaid, then the Rate Period for the Bonds shall convert to a Weekly Rate Period on the Conversion Date.

(C) Purchased Bond Rate. Subject to the limitations on payment of the Purchased Bond Rate, a Purchased Bond will bear interest at the Purchased Bond Rate payable on each January 1 and July 1 during the period the Bond is a Purchased Bond.

(D) Limitations on Rates. No Bond shall bear interest at a rate which exceeds the Maximum Rate.

(E) Limitation on Rate Periods. No Weekly Rate Period for the Bonds shall extend beyond the fifth (5th) day (or the preceding Business Day if such day is not a Business Day) prior to the scheduled expiration date of the Letter of Credit, if any, then in effect.

(F) No Liability. In determining the rate applicable to the Bonds, the Issuer and the Remarketing Agent shall have no liability to the Trustee, the Tender Agent, the Bank, or any Owner, except for its respective willful misconduct or negligence.

Section 3.10. Conversion to Fixed Rate.

(A) Generally.

(i) Requirements for Conversion. No Conversion to the Fixed Rate shall occur pursuant to this Section unless:

(a) on the Conversion Date, no Event of Default described in this Indenture has occurred and is continuing;

(b) on or prior to 10:00 a.m., Eastern Time, on the day that the Issuer delivers a Conversion Notice in accordance with paragraph (B)(i) of this Section, the Issuer, the Trustee and the Remarketing Agent have received a letter from Bond Counsel stating that, based on the then-current law, such Bond Counsel knows of no reason why the Opinion of Bond Counsel required by clause (C) below could not be rendered on the Conversion Date;

(c) on or prior to 10:00 a.m., Eastern Time, on the Conversion Date, the Issuer shall deliver to the Remarketing Agent, the Tender Agent and the Trustee, an Opinion of Bond Counsel with respect to such proposed Conversion; and

(d) if conversion will require a draw on the Letter of Credit, the Bank shall have consented to the conversion.

(ii) Failed Conversion. In the event that (a) the requirements of this subsection (A) have not been met on a scheduled Conversion Date, or (b) on the Business Day preceding a scheduled Conversion Date, the Remarketing Agent notifies the Trustee and the Issuer in writing that any Bonds cannot be remarketed at the Fixed Rate, or (c) on or prior to the Business Day preceding a Conversion Date, the Issuer notifies the Remarketing Agent and the Trustee in writing that it does not want the Bonds to be converted to the Fixed Rate, then, no Conversion will occur and the Bonds shall continue to bear interest at the Weekly Rate.

(iii) Time for Notice. The Conversion Date is (a) at least fifteen (15) days after receipt by the Trustee and the Tender Agent of the Conversion Notice (or such shorter

period as may be agreed to by the Trustee), and (b) at least three (3) days after the Tender Agent has mailed the notice referred to in subsection (B)(ii) of this Section; and

(iv) Agreement for Purchase of Remarketed Bonds. At least three (3) days prior to the proposed Conversion Date, the Trustee has received a certificate of an Issuer Representative stating that a written agreement has been entered into by the Issuer and a firm or firms of investment bankers providing for the purchase, as underwriters, and resale to the public of the Bonds on the Conversion Date at a price equal to the principal amount thereof (or such other price as the Issuer may determine if the sale of the Bonds at such other price would provide sufficient funds to pay the Purchase Price of the Bonds and would not prevent the Opinion of Bond Counsel required by subsection (A)(i)(c) of this Section from being delivered upon such sale), which written agreement (y) may be subject to reasonable terms and conditions which, in the judgment of the Issuer, reflect current market standards and (z) must include a provision requiring payment of the Purchase Price for the Bonds to be made in immediately available funds on the Conversion Date.

(v) Failure to Remarket at the Fixed Rate. If, on the Conversion Date for the Bonds, a remarketing at the Fixed Rate has been arranged for less than all the Outstanding Bonds, no Conversion will occur and the Bonds shall continue to bear interest at the Weekly Rate.

(vi) Conversion to Serial Bonds. The Issuer may, by notice given to the Trustee at the same time and in the same manner as a Conversion Notice is given (which notice may be contained in such Conversion Notice), elect that after the Conversion Date one or more of the Sinking Fund Installments of any Bonds that are term bonds may be converted to serial bonds maturing on the dates on which and in the principal amounts in which such Sinking Fund Installments are due and payable, provided, however, that the principal amount of each serial bond or Sinking Fund Installment shall be in an Authorized Denomination. In the event the Outstanding aggregate principal amount of Bonds that are term bonds and are to be converted on the Conversion Date is less than the aggregate of the Sinking Fund Installments established for such term bonds pursuant to Section 4.02 hereof and the Issuer has made an election pursuant to this subsection (A)(vi), the principal amount of Bonds to mature in any one or more years may be reduced by the Issuer in any manner the Issuer shall determine.

(B) Notice Requirements.

(i) Notice of Conversion. Not less than fifteen (15) days prior to the Conversion Date, the Issuer shall deliver to each of the Remarketing Agent, the Trustee and the Tender Agent a Conversion Notice, which notice shall be deemed received upon telephone confirmation of receipt thereof by the Remarketing Agent and the Trustee.

(ii) Notice to Owners. As soon as practicable after receipt of a Conversion Notice, but in any event not more than three (3) Business Days after the date such Conversion Notice is received, the Tender Agent shall give notice by first-class mail, or, so long as the Book-Entry-Only System is in effect, by such notice as is permitted by the

Securities Depository under the Book-Entry-Only System, to the Owners of the Bonds to be converted, which notice shall state in substance:

(a) the Conversion Date;

(b) that the interest rate on the Bonds is to be converted to the Fixed Rate on the Conversion Date;

(c) that the conversion shall not occur unless the Trustee receives an Opinion of Bond Counsel on or before the Conversion Date;

(d) the name and address of the designated corporate trust offices of the Trustee and the Tender Agent;

(e) that all of the Bonds are subject to mandatory tender for purchase at the Purchase Price on the Conversion Date pursuant to Section 3.11(D) hereof; and

(f) that upon the Conversion, if and to the extent that there are on deposit with the Tender Agent on the Conversion Date moneys sufficient to pay the Purchase Price of the Bonds, such Bonds (or portions thereof in Authorized Denominations) not delivered to the Tender Agent on the Conversion Date shall nevertheless be deemed to have been properly tendered for purchase and shall cease to constitute or represent a right on behalf of the Owner thereof to the payment of principal of or interest thereon and shall represent and constitute only the right to receive payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon from and after the Conversion Date.

Failure to mail the notice described in this clause (ii), or any defect therein, shall not affect the validity of any rate, the conversion to the Fixed Rate, the mandatory tender of Bonds, or extend the period for tendering any of the Bonds for purchase, and the Trustee shall not be liable to any Owner by reason of its failure to mail such notice or any defect therein.

(C) Additional Notice Parties. Each notice required or permitted by subsections (A) or (B) of this Section shall also be given to the Bank, if any, and each Rating Agency maintaining a rating on the Bonds; provided, however, that the giving of any such notice to such persons shall not be a condition precedent to the Conversion of the Bonds, to the effectiveness of any election made pursuant to Section 3.10(A)(vi) or to the rescission of a Conversion Notice, and failure to give any such notice to such persons shall not affect the validity of the proceedings for such Conversions, continuance or rescission.

Section 3.11. Tender of Bonds for Purchase.

(A) Optional Tender Of Book Entry Bonds. For so long as any Bond, which is a Book Entry Bond, bears interest at the Weekly Rate, a Participant, acting on behalf of a Beneficial Owner, has the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Bond for purchase on any Optional

Tender Date, by giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective designated offices, not later than the close of business, Eastern Time, on the seventh calendar day prior to the Optional Tender Date, a Tender Notice which states (i) the aggregate principal amount in an Authorized Denomination of each Bond or portion thereof to be purchased and (ii) that such principal amount of Bonds (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to this Indenture.

Any Tender Notice given or delivered in accordance with this subsection (A) shall be irrevocable and shall be binding on the Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner and the principal amount of the Bonds for which a Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice given pursuant to this subsection (A), ownership of such aggregate principal amount of Bonds shall be recorded as provided in Section 3.14.

(B) Optional Tender Of Other Bonds. For so long as any Bond which is not a Book Entry Bond bears interest at a Weekly Rate, the Owner of such Bond shall have the right to tender any such Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(i) Giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective principal offices, not later than the close of business, Eastern Time, on the seventh calendar day prior to the Optional Tender Date, an irrevocable telephonic Tender Notice subsequently confirmed in writing the same day, by facsimile or electronic means, which Tender Notice states (a) the aggregate principal amount in an Authorized Denomination of such Bonds to be purchased, and (b) that such Bonds (or portion thereof in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to this Indenture; and

(ii) Delivery of such Bonds (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., Eastern Time, on such Optional Tender Date; provided, however, that no Bonds (or portion thereof in an Authorized Denomination) shall be purchased unless the Bonds so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any Tender Notice given or delivered in accordance with this subsection (B) shall be irrevocable and shall be binding on the Owner giving or delivering such Tender Notice and on any transferee of such Owner and the principal amount of the Bonds for which such Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a

Tender Notice given pursuant to this subsection (B), ownership of such aggregate principal amount of Bonds shall be recorded as provided in Section 3.14.

(C) Additional Notice Parties. The Remarketing Agent shall give the Tender Agent prompt notice by telephone of the receipt of any Tender Notice pursuant to subsections (A) or (B) of this Section.

(D) Mandatory Tender. Any Bond (other than Bonds bearing interest at a Fixed Rate) is subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

(i) Conversion of Bonds. On the Conversion Date;

(ii) Expiration of Letter of Credit. On a date that is not less than three (3) Business Days prior to the expiration date of the Letter of Credit (or if such day is not a Business Day, on the immediately preceding Business Day), unless such Letter of Credit has been extended or a Substitute Letter of Credit is delivered and effective at least twenty (20) days prior to such expiration date;

(iii) Substitution of Letter of Credit. On the effective date of a Substitute Letter of Credit delivered pursuant to Section 5.14 hereof unless at least 35 days before the effective date of the Substitute Letter of Credit, the Trustee and the Issuer receive evidence of maintenance of ratings pursuant to Section 5.14(C) (or if such day is not a Business Day, on the immediately preceding Business Day), provided that such date is no later than three (3) Business Days prior to the termination date of the then-existing Letter of Credit (or if such day is not a Business Day, on the immediately preceding Business Day);

(iv) Default Under Reimbursement Agreement. If (a) notice from the Company or the Bank that an Event of Default has occurred under the Reimbursement Agreement and a request from the Bank to cause the mandatory tender and purchase or redemption of the Bonds are received by the Trustee (1) prior to 11:30 a.m. Eastern Time on a Business Day then on such Business Day or (2) at or after 11:30 a.m. on a Business Day then the subsequent Business Day, or (b) such notice is received by the Trustee but not a request from the Bank to cause the mandatory tender and purchase or redemption of the Bonds, then (1) if the Event of Default arises out of the nonpayment by the Company and the Guarantor of any amount due the Bank under the Reimbursement Agreement, or the insolvency, bankruptcy, receivership, liquidation or termination of the Company or the Guarantor, on the 7th Business Day following receipt of such notice unless the Bank notifies the Issuer and the Trustee no later than 11:00 a.m. Eastern Time on such Business Day that the Event of Default has been cured, or (2) otherwise on the 120th day (or, if not a Business Day, the prior Business Day) following receipt of such notice unless the Bank notifies the Issuer and the Trustee no later than the Business Day prior to such Mandatory Tender Date that the Event of Default has been cured; and

(v) Rating Event. If the Trustee receives prior to 11:30 a.m. Eastern Time on a Business Day notice from the Issuer, the Remarketing Agent, the Tender Agent or the

Bank of the occurrence of a Rating Event, then on such Business Day or if such notice is received at or after 11:30 a.m. on a Business Day then the subsequent Business Day.

(E) Notices of Mandatory Tenders. Whenever the Bonds are to be tendered for purchase upon Conversion to the Fixed Rate, the Tender Agent shall give the notices required by Section 3.10(B)(ii) hereof. Whenever the Bonds are to be tendered for purchase in accordance with subsection (D)(ii) or (iii) of this Section, the Tender Agent shall, not less than ten (10) days in the case of (D)(ii), or thirty (30) days in the case of D(iii), prior to the Mandatory Tender Date, give notice by first-class mail to the Owners that the Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date specified in such notice in accordance with subsection (D) of this Section. Whenever the Bonds are to be tendered for purchase in accordance with subsection (D)(iv) or (v), the Tender Agent shall give Immediate Notice to the Owners that the Bonds are or were subject to mandatory tender on the Mandatory Tender Date and will be or were deemed tendered on that date.

(F) No Delay of Other Tender or Redemption. No provision for Mandatory Tender pursuant to this Section shall prevent or delay any optional or mandatory redemption or optional or mandatory tender from occurring as otherwise provided in this Indenture.

(G) Tendered and Deemed Tendered Bonds. The Owner of a Bond subject to Tender shall deliver the Bond to the Tender Agent on or before the applicable Tender Date. If an Owner fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Bond subject to mandatory tender for purchase or any Bond, for which an election to tender has been duly made, such Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the Purchase Date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of any person who on a record date is the Owner of a Bond to receipt of interest, if any, due thereon on the date such Bond is required to be purchased. Delivery of Tendered Bonds which are Book-Entry Bonds shall be made pursuant to the procedures of the Securities Depository and the Book-Entry-Only System.

(H) Purchase of Tendered Bonds. On each Tender Date, the Tendered Bond shall be purchased at the applicable Purchase Price, which shall be paid by 3:00 p.m., Eastern Time, on the Tender Date. Moneys for the payment of the Purchase Price of the Tendered Bonds shall be paid by the Tender Agent solely from the following sources and in the following order of priority:

(i) Proceeds of the remarketing of the Tendered Bonds (or portions thereof in Authorized Denominations) pursuant to Section 3.12; and

(ii) Moneys obtained pursuant to the Letter of Credit then in effect with respect to the Bonds in accordance with Section 3.12 hereof.

Tendered Bonds purchased as provided above shall be delivered as provided in Section 3.14 hereof. No Tendered Bond so purchased shall cease to be Outstanding hereunder solely by reason of the purchase thereof.

(I) No Issuer Obligation to Purchase. The Issuer shall have no obligation to pay the Purchase Price of Tendered Bonds from any amounts other than described in subsections (H)(i) and (ii) above. No Owner shall have any claim for payment of the Purchase Price out of the taxes levied and collected by the Issuer or to compel the Issuer to levy or collect taxes for such purpose.

(J) Segregation of Amounts Received by Tender Agent. All moneys received by the Tender Agent as proceeds of the sale of Tendered Bonds pursuant to Section 3.12 hereof that have been transferred to the Tender Agent pursuant to Section 3.12 hereof shall be held by the Tender Agent in the Bond Purchase Fund pursuant to Section 5.03 hereof.

Section 3.12. Remarketing of Bonds.

(A) Duty to Remarket Tendered Bonds. Except as otherwise provided in this Section, upon receipt of any notice given pursuant to Section 3.10(B) or Section 3.11 hereof that any Bonds will be or are required to be tendered for purchase in accordance with Section 3.11 hereof, the Remarketing Agent shall use its reasonable best efforts to remarket such Tendered Bond on its Tender Date at a price equal to the Purchase Price. By 3:00 p.m., Eastern Time, on the Business Day immediately preceding each Tender Date, the Remarketing Agent shall give notice by telephone, subsequently confirmed in writing the same day by facsimile or electronic means, of the principal amount of Tendered Bonds for which it has arranged a remarketing (and such other particulars with respect thereto as the Issuer, the Trustee, the Tender Agent or the Remarketing Agent deem necessary), along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing, to the Trustee, the Tender Agent, the Issuer, the Bank and the Company, and, by 11:00 a.m., Eastern Time, on the Tender Date, shall transfer to the Tender Agent the proceeds of the remarketing of the Tendered Bonds. By (x) 11:15 a.m., Eastern Time, on each Tender Date, and (y) the close of business, Eastern Time, on the Business Day prior to the Conversion Date for a Tendered Bond, the Tender Agent shall notify the Issuer, the Bank and the Company of the amount required to be paid by the Bank for the Purchase Price of Bonds to be tendered for which the Remarketing Agent has not arranged a remarketing; provided, however, that the failure to give such notice shall not affect the right of the Tender Agent to obtain moneys pursuant to the Letter of Credit. By 11:30 a.m., Eastern Time, on each Tender Date (including the Conversion Date), the Tender Agent or the Trustee, as the case may be, shall then take such actions as may be required pursuant to the Letter of Credit to obtain moneys thereunder in an amount equal to the full Purchase Price of all such Tendered Bonds, less the proceeds of the remarketing of such Tendered Bonds theretofore transferred to the Tender Agent by the Remarketing Agent. The Tender Agent shall notify the Issuer of the amount so obtained.

For purposes of this subsection (A), if the Remarketing Agent fails to transfer to the Tender Agent by 11:15 a.m., Eastern Time, on a Tender Date the proceeds of the remarketing of Tendered Bonds, it shall be assumed that no arrangement for the remarketing of any Tendered Bonds has been made and the Tender Agent shall take the action specified hereunder to obtain moneys with which to pay the Purchase Price of all the Tendered Bonds.

(B) Remarketing of Purchased Bonds. Except as otherwise provided in this Section, the Remarketing Agent shall use its reasonable best efforts to remarket all Outstanding Purchased Bonds at a price equal to the Purchase Price. By 3:00 p.m., Eastern Time, on any Business Day, the Remarketing Agent shall give notice by telephone, subsequently confirmed in writing the same day by facsimile or electronic means, if it has arranged a remarketing of all, but not less than all, of the Outstanding Purchased Bonds and the date of closing of such remarketing (the "*Purchased Bond Remarketing Date*") (and such other particulars with respect thereto as the Issuer, the Trustee, the Tender Agent, the Bank or the Remarketing Agent deem necessary), to the Trustee, the Tender Agent, the Issuer, the Bank and the Company, and, by 12:30 p.m., Eastern Time, on the Purchased Bond Remarketing Date, the Tender Agent shall transfer to or for the Benefit of the Bank the proceeds of the remarketing of such Purchased Bonds. For purposes of this Section 3.12(B), if the Tender Agent fails to transfer to the Bank by 12:30 p.m., Eastern Time, on a Purchased Bond Remarketing Date, the proceeds of the remarketing of all of the Outstanding Purchased Bonds, it shall be assumed that no arrangement for the remarketing of any Purchased Bonds has been made and the Tender Agent shall return any such Purchased Bonds to the Bank.

(C) Limitations on Remarketings. The Remarketing Agent shall not, during any period prior to the Conversion Date, remarket Tendered Bonds (i) if upon such remarketing the amount available to be drawn pursuant to the Letter of Credit for the payment of the principal or Purchase Price of the Outstanding Bonds is less than the amount required in accordance with Section 5.13(A) hereof, (ii) if the Letter of Credit will expire or terminate within twenty (20) days after the Tender Date of the Tendered Bonds or the Purchased Bond Remarketing Date, as applicable, unless and until such Letter of Credit has been extended or a Substitute Letter of Credit has been delivered to the Tender Agent in accordance with Section 5.14 hereof, (iii) if the Bank has delivered a No Remarketing Notice to the Issuer or the Trustee and such No Remarketing Notice remains in effect and has not been annulled or rescinded, or (iv) any event has occurred and is continuing which is cause for a mandatory tender of the Bonds.

Section 3.13. Limit Upon Remarketing to Issuer. Tendered Bonds shall not be remarketed to the Issuer, or any affiliate thereof unless, prior to such sale, the Issuer has delivered to the Trustee an unqualified written opinion of counsel experienced in bankruptcy matters and satisfactory to the Trustee and each Rating Agency then maintaining a rating on the Bonds (which opinion may assume that no Owners are "insiders" within the meaning of Title XI of the United States Bankruptcy Code) to the effect that payment of such amounts to Owners would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Board or any affiliate thereof, as the case may be, become a debtor in a proceeding commenced thereunder. Neither the Trustee nor the Trustee's Agent shall be required to monitor the actions of the Remarketing Agent to ensure that it will not remarket any Bonds to the Issuer or any affiliate thereof, and for the purposes of this Section, the Trustee and the Trustee's Agent may, in the absence of actual notice to the contrary, assume that no funds furnished to the Trustee's Agent by the Remarketing Agent constitute proceeds of the remarketing of any Bonds to the Issuer or any affiliate thereof.

Section 3.14. Delivery of Remarketed Bonds and Purchased Bonds.

(A) Tendered Bonds purchased pursuant to Section 3.11 hereof and Purchased Bonds remarketed pursuant to Section 3.12(B) shall be delivered as follows:

(i) Tendered Bonds in the aggregate principal amount purchased with Available Moneys described in paragraph (i) of Section 3.11(G) hereof, upon receipt of payment therefor, shall be authenticated and delivered by the Trustee to the purchasers thereof, registered in the name of the applicable purchaser or its designee, or, in the case of Book Entry Bonds, recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the accounts of the Participants purchasing or representing the purchasers of such aggregate principal amount; and

(ii) Tendered Bonds in the aggregate principal amount purchased with Available Moneys described in clause (ii) of Section 3.11(G) hereof, upon receipt of payment therefor, shall become Purchased Bonds and shall be registered for transfer to the Trustee on behalf of the Bank or, at the direction of the Bank, to another Person, or, in the case of Book Entry Bonds, recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the account of the Trustee on behalf of the Bank or, at the direction of the Bank, to the account of another Person. Upon such registration of transfer in the case of Purchased Bonds that are not Book Entry Bonds, the Bonds issued in respect thereof shall be (a) delivered to and held by the Trustee on behalf of the Bank or (b), if requested by the Bank, delivered to and held by the Bank or a designee thereof.

(iii) Purchased Bonds which are remarketed on a Purchased Bond Remarketing Date from proceeds of the remarketing, upon receipt of such proceeds, shall be authenticated and delivered by the Trustee to the purchasers thereof, registered in the name of the applicable purchaser or its designee, or, in the case of Book Entry Bonds, recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the account of the Participants purchasing or representing the purchasers of such aggregate principal amount. Upon receipt of payment for all Purchased Bonds on a Purchased Bond Remarketing Date, such Purchased Bonds shall be deemed tendered for remarketing by the Owner thereof on behalf of the Bank or its designee.

(B) Notwithstanding the provisions of Section 3.14(A) hereof, no Tendered Bonds or Purchased Bonds shall be delivered to the purchasers thereof (other than the Bank) upon a remarketing unless the amount available to be paid pursuant to the Letter of Credit shall be equal to the principal amount of Bonds that will be Outstanding Bonds, other than Purchased Bonds, after the delivery to such purchasers, together with interest on such principal amount at the Maximum Rate for 50 days or such longer period as may be required by any Rating Agency then providing a rating on the Bonds to allow for the highest possible short-term rating and the Trustee receives a certificate of the Bank to that effect.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Optional Redemption of Bonds.

(A) Weekly Rate Bonds. So long as the Bonds bear interest at the Weekly Rate, the Bonds shall be subject to redemption prior to maturity (i) at the election and direction of the Issuer with the consent of the Bank, or (ii) at the election and direction of the Bank, upon the occurrence of a Reimbursement Agreement Default. In either case such redemption may be in whole or in part, on any Business Day, at a redemption price equal to 100% of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, but without premium.

(B) Fixed Rate Bonds. Unless, at the time Bonds are converted to the Fixed Rate, the Issuer establishes other dates and redemption prices at which the Bonds may be redeemed at the election or direction of the Issuer, the Bonds once converted to the Fixed Rate shall be subject to redemption prior to maturity at the election or direction of the Issuer in whole or in part at any time after the period set forth below, at a redemption price equal to the percentages of the principal amount of each Bond or portion thereof to be redeemed as set forth below, plus accrued interest, if any, to the date of redemption:

Number of years remaining to maturity at the date of Conversion	Number of years following Conversion when the Bonds may be redeemed and redemption price	
	10 years or more but less than 11 years	11 years or more
11 years or more	101%	100%
10 or more years but less than 11 years	100%	Not applicable
Less than 10 years	Not subject to redemption	

(C) Available Monies. The redemption price of any Bond being redeemed shall be paid only with Available Monies.

Section 4.02. Mandatory Sinking Fund Redemption; Credits. Unless and until an election is made by the Issuer pursuant to Section 3.10(A)(vi) hereof, the Bonds shall be subject to redemption, in part, through application of Sinking Fund Installments beginning on July 1, 2010, as herein provided, upon notice given as prescribed herein, at the redemption price of one hundred percent (100%) of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the Bonds to be so redeemed shall then be Outstanding, there shall be due, and the Issuer shall be required to pay for the retirement of the Bonds each year, the amount set forth opposite such year in the following table, and the said amount to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such Bonds:

REDEMPTION DATE (July 1)		PRINCIPAL AMOUNT
2010		$500,000
2011		500,000
2012		500,000
2013		500,000
2014		600,000
2015		600,000
2016		600,000
2017		600,000
2018		600,000
2019		600,000
2020		600,000
2021		700,000
2022		700,000
2023		700,000
2024		700,000
2025		700,000
2026		800,000
2027		800,000
2028		800,000
2029	(maturity)	900,000

The Sinking Fund Installments shall be rounded to the nearest Authorized Denomination then in effect (the sinking fund amount shall be rounded down if there are two nearest Authorized Denominations); provided, however, if a Sinking Fund Installment is rounded down, the excess amount not redeemed shall be added to the succeeding Sinking Fund Installment, and if a Sinking Fund Installment is rounded up, the excess amount redeemed shall be subtracted from the succeeding Sinking Fund Installment.

There shall be credited against and in satisfaction of the Sinking Fund Installment payable on any date for the Bonds the principal amount of Bonds entitled to such Sinking Fund Installment (a) purchased with moneys in the Redemption Fund and canceled by the Trustee; (b) redeemed at the option of the Issuer pursuant to Section 4.01 hereof, (c) purchased by the Issuer and delivered to the Trustee for cancellation and (d) deemed to have been paid in accordance with Section 6.02 hereof. Bonds redeemed at the option of the Issuer, purchased by the Issuer or deemed to have been paid in accordance with Section 6.02 hereof shall be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments payable with respect to the Bonds on such dates as the Issuer shall specify in a written direction delivered to the Trustee at least fifteen (15) days prior to the earliest date on which notice of redemption of the Bonds entitled to such Sinking Fund Installment may be given by the Trustee, and the Sinking Fund Installment payable with respect to the Bonds on each date specified in such direction shall be reduced by the principal amount of the Bonds so purchased, redeemed or deemed to have been paid in accordance with Section 6.02 hereof to be applied in satisfaction of such Sinking Fund Installment as set forth in such direction.

The redemption price of any Bond being redeemed shall be paid only with Available Monies.

Section 4.03. Redemption of Purchased Bonds.

(A) Partial Redemption of Purchased Bonds. The Bonds that are Purchased Bonds shall be subject to redemption prior to maturity in part at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds or portion thereof to be redeemed plus accrued interest thereon to the date of redemption at the times and in the principal amounts required by the Reimbursement Agreement.

(B) Redemption of Purchased Bonds in Whole. If so provided in the Reimbursement Agreement, the Bonds that are Purchased Bonds shall be subject to redemption prior to maturity in whole as soon as practicable upon receipt by the Trustee of a default notice given by the Bank or its agent pursuant to the Reimbursement Agreement, which default notice expressly states that the Purchased Bonds are to be redeemed in whole at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds to be redeemed together with interest accrued thereon to the date of redemption. The obligation of the Issuer to pay the purchase price shall be limited to the lesser of (i) the purchase price stated herein, and (ii) the Bond Year Tax Collection available therefor for the Bond Year in which the redemption occurs. The Bank waives any claim to payment of any greater amount from the Issuer or the levy of taxes by the Issuer, and Purchased Bonds so called for redemption will be deemed redeemed and will be no longer Outstanding even if the Bank receives less than 100% of the par amount thereof plus accrued interest.

(C) Mandatory Redemption of Purchased Bonds After Six Months. Bonds that are Purchased Bonds and are not remarketed are subject to mandatory redemption on the date which is the first day of the sixth month following the month in which the Bonds became Purchased Bonds, at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds to be redeemed together with interest accrued thereon to the date of redemption. If (a) the Purchased Bonds have not been remarketed solely because: (i) of a Rating Event which has not been cured, provided the Company and the Guarantor have made diligent and reasonable efforts to cure such Rating Event and have made reasonable progress towards curing such Rating Event, or (ii) the Remarketing Agent is unable to remarket all of the Purchased Bonds at a price equal to the Purchase Price for a reason other than the financial condition or performance of the Company or the Guarantor, or (iii) the Remarketing Agent is unable to offer the Purchased Bonds for remarketing because the Weekly Rate would exceed the Maximum Rate for a reason other than the financial condition or performance of the Company or the Guarantor; and (b) the mandatory redemption date (or, if previously delayed, the delayed mandatory redemption date) is at least 6 months prior to the first mandatory sinking fund redemption date on the Bonds, then, upon request of the Bank or the Company and with the consent of the Issuer, which consent will not unreasonably be withheld, the mandatory redemption can be delayed in additional increments of up to 6 months each. The obligation of the Issuer to pay the purchase price shall be limited to the lesser of (i) the purchase price stated herein, and (ii) the Bond Year Tax Collection available therefor for the Bond Year in which the redemption occurs. The Bank waives any claim to payment of any greater amount from the Issuer or the levy of taxes by the Issuer, and Purchased Bonds so called for redemption will be deemed redeemed

and will be no longer Outstanding even if the Bank receives less than 100% of the par amount thereof plus accrued interest.

Section 4.04. Method of Selecting Bonds for Redemption. In the case of redemptions of Bonds, other than mandatory redemptions, the Issuer will select the maturities of the Bonds to be redeemed. If less than all of the outstanding Bonds of like maturity are to be redeemed pursuant to Sections 4.01, 4.02 or 4.03 hereof, the Trustee shall select for redemption, using such method of selection as it deems proper in its discretion, the Purchased Bonds of any maturity before selecting any other Bonds of any maturity for redemption. Bonds of any maturity which are not Purchased Bonds shall be selected by the Trustee by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Section 4.05. Notices of Redemption.

(A) Except as hereinafter provided, a copy of the notice of the call for any such redemption identifying the Bonds to be redeemed shall be given by the Trustee by first class mail, postage prepaid, to the Owners of Bonds to be redeemed at their addresses as shown on the Bond Register not less than thirty days prior to the redemption date. If only Purchased Bonds are to be redeemed, the Trustee shall give the Owner thereof immediate notice not less than one day prior to the redemption date. The Trustee shall not give notice of any optional redemption of Bonds pursuant to Section 4.01 hereof unless the Issuer shall provide the Trustee with a written request not less than 45 days (or such lesser number of days as may be acceptable to the Trustee) prior to the proposed redemption date, specifying the redemption date and the principal amount to be redeemed.

(B) Failure to give notice in the manner prescribed herein with respect to any Bonds, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Bonds with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon and premium, if any, the Bonds called for redemption on such date shall not thereafter bear interest, be protected by this Indenture or be deemed to be Outstanding for the purposes hereof. The Trustee shall redeem, in the manner provided in this article, such aggregate principal amount of such Bonds at the principal amount thereof plus accrued interest to the redemption date and unpaid thereon and premium, if any, as will exhaust as nearly as practicable such funds. At the direction of the Issuer, such funds may be invested in Government Obligations until needed for redemption payout.

(C) If any Bond is transferred or exchanged on the Bond Register by the bond registrar after notice has been given of an optional or mandatory tender or calling such Bond for redemption, the Bond Registrar will attach a copy of such notice to the Bond issued in connection with such transfer.

(D) If the Letter of Credit will not be in effect at the time set for redemption and there shall not have been deposited with the Trustee, at the time of mailing of notice of redemption, moneys sufficient to redeem all the Bonds called for redemption, which moneys are or will be available for redemption of Bonds, such notice will state that it is conditional upon the

deposit of the Available Moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 4.06. Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue. If the Letter of Credit is not in effect, on or before the redemption date specified in any notice of redemption delivered pursuant to Section 4.05 hereof, an amount of money sufficient to redeem all the Bonds called for redemption at the appropriate redemption price, including accrued interest to the date fixed for redemption, shall be deposited with the Trustee by the Issuer. If the Letter of Credit is in effect, the Trustee shall draw on the redemption date, the amount necessary to redeem all the Bonds called for redemption. On the redemption date the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit or draw of Available Monies having been made in accordance with the provisions of this Article, then, notwithstanding that any Bond called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond. From and after such date of redemption (such notice having been given and such deposit having been made) the Bonds to be redeemed shall not be deemed to be Outstanding for the purposes hereof, and the Issuer shall be under no further liability in respect thereof, as provided in Section 5.18 hereof.

Section 4.07. Cancellation. Except as otherwise provided under the Book-Entry-Only System, all Bonds which have been redeemed, including those redeemed through draws on the Letter of Credit, and all Bonds delivered to the Trustee by the Issuer for cancellation shall be canceled by the Trustee and destroyed as provided in Section 3.07 hereof.

Section 4.08. Partial Redemption of Bonds. Upon surrender of any Bonds for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at no cost to such Owner, a new Bonds or Bonds of the same maturity and of Authorized Denominations, in an aggregate principal amount equal to that portion of the Bonds not redeemed.

Section 4.09. Notice of Redemption.

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

(B) All notices of redemption shall include a statement as to

(i) the Redemption Date,

(ii) the Redemption Price,

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

(iv) 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

(v) that, except as otherwise provided under the Book-Entry-Only System, Bonds to be redeemed are to be surrendered for payment of the Redemption Price to the Paying Agent 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 Structures-Call Notification
440 S. 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

(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
New York, New York 10007
Attention: Municipal News Reports

Financial Information, Inc.'s
Financial Daily Called Bond Service
Post Office Box 473
Jersey City, New Jersey 07303

Kenney Information Service's Notification Services
65 Broadway
New York, New York 10006

and to the approved central post office for continuing disclosure, or if none, to all nationally recognized municipal securities information repositories.

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

Section 4.10. Bonds Redeemed in Part. Except as otherwise provided under the Book-Entry-Only System, any Bond which is to be redeemed only in part shall be surrendered at the principal corporate trust office of the Trustee, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner of such Bond, without service charge, a new Bond or Bonds of the same Stated Maturity and of any Authorized Denomination or Denominations as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

ARTICLE V

FUNDS

Section 5.01. Bond Payment Fund. There is hereby created by the Issuer and established with the Trustee, a special fund of the Issuer designated its "*General Obligation Bonds, Series 2004 Bond Payment Fund*" (herein referred to as the "*Bond Payment Fund*"). The money deposited to the Bond Payment 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 5.05 hereof.

Section 5.02. Deposits to and Application of Bond Payment Fund.

(A) The Issuer shall deposit with the Trustee and the Trustee shall deposit to the credit of the Bond Payment Fund:

(i) on each Tax Deposit Date all amounts collected by or remitted to the Issuer as ad valorem taxes to the extent provided in Section 11.01(A) hereof, and not previously deposited;

(ii) immediately upon receipt, the amount received from proceeds of the initial sale of the Bonds indicated in Section 5.10(A) on the Closing Date;

(iii) immediately upon receipt, amounts received pursuant to subsection (C) hereof; and

(iv) such other funds as the Issuer shall, at its option deem advisable.

(B) The Trustee shall transfer money contained in the Bond Payment Fund to the accounts described below at the following respective times in the manner hereinafter provided, which accounts the Trustee hereby agrees to establish and maintain and each such account shall constitute a trust fund for the benefit of the Owners of the Bonds and the Bank, and the money in each such account shall be disbursed only for the purposes and uses hereinafter authorized.

(i) Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Account from, and only to the extent of, money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, shall be sufficient to pay interest payable on the Outstanding Bonds on such Interest Payment Date. Money in the Interest Account shall be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Bonds or, to the extent such interest has been paid by a draw on the Letter of Credit, on each Reimbursement Date with respect to the Bond Year of such payment to reimburse the Bank for the amount drawn to pay such interest.

(ii) Principal Account. The Trustee, on each Principal Payment Date, shall deposit in the Principal Account from, and only to the extent of amounts available therein, moneys in the Bond Payment Fund an amount which shall be sufficient to pay the principal

becoming due on each Principal Payment Date. Money in the Principal Account shall be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Bonds due on such date, or, to the extent such principal was paid by a draw on the Letter of Credit, on each Reimbursement Date with respect to the Bond Year of such payment to reimburse the Bank for the amount drawn to pay such principal.

(iii) Redemption Account. When no Letter of Credit is in effect, the Trustee shall deposit in the Redemption Account amounts received from the Issuer to pay the principal of and premium on Bonds to be redeemed pursuant to Section 4.01 hereof, and money in the Redemption Account shall be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the principal of and premium, if any, on Outstanding Bonds upon the redemption thereof pursuant to Section 4.01 hereof.

(iv) Letter of Credit Account The Trustee shall deposit the proceeds of draws on the Letter of Credit in the Letter of Credit Account. When the Letter of Credit is in effect, money in the Letter of Credit Account shall be used and withdrawn by the Trustee on each Interest Payment Date, each Principal Payment Date, and each Redemption Date and used to pay the interest and premium, if any, on and principal of the Bonds (whether at Stated Maturity or redemption in advance of Stated Maturity).

(C) If on or before July 1 of any Bond Year, the Trustee determines that Bond Year Tax Collections for such Bond Year will exceed the amount necessary to pay all Bond Year Debt Service or Bond Year Draws, as applicable, for such Bond Year and all Bond Year Bank Fees for such Bond Year, such excess shall be used to optionally redeem Bonds at the earliest practicable date but in no event later than August 1 of the subsequent Bond Year. Such redemption shall be in increments of $100,000. Any amount of such excess not used for such redemption shall be treated as Bond Year Tax Collections for such subsequent Bond Year.

(D) The following provisions apply if no Letter of Credit is in effect, or if the Bank is in default, or denies it obligations, under the Letter of Credit:

(i) On or, if either day is not a Business Day, before March 10 and September 10 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 Company under the Standby Contribution Agreement for the March Company Payment and the September Company Payment, respectively, as defined in the Standby Contribution Agreement. On or, if either day is not a Business Day, before March 27 and September 27 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit into the Bond Payment Fund 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, before June 1 and December 1 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 Company under the Standby Contribution Agreement for the difference

between the amount in the Bond Payment Fund 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 1 or January 1, as the case may be (a "Tax Contribution Request"). On or, if either day is not a Business Day, before December 10 and June 10 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit into the Bond Payment Fund upon receipt all amounts paid to it pursuant to a Tax Contribution Request which payment is required pursuant to Section 2.1(B) of the Standby Contribution Agreement.

Section 5.03. Payments into and Use of Moneys in the Bond Purchase Fund.

(A) The Trustee shall establish and maintain, or cause the Tender Agent to establish and maintain, so long as any Bonds are Outstanding and bear interest at the Weekly Rate, the Bond Purchase Fund. There shall be established two separate segregated accounts within the Bond Purchase Fund to be known as the "*Remarketing Proceeds Account*" and the "*Letter of Credit Account*". Amounts on deposit in each such account shall not be commingled with any other moneys. There shall be deposited into the Bond Purchase Fund from time to time the following:

(i) The price received upon the remarketing of Tendered Bonds to any person pursuant to the Remarketing Agreement (other than Tendered Bonds sold to the Issuer or any affiliate (as defined in the Bankruptcy Code) of the Issuer (as certified by the Issuer) as provided in Section 3.13 hereof) to be deposited in the Remarketing Proceeds Account;

(ii) The price received from the underwriter or purchaser (other than the Issuer or any affiliate (as defined in the Bankruptcy Code) of the Issuer (as certified by the Issuer) of Tendered Bonds upon the Conversion of the interest rate thereon to a Fixed Rate to be deposited in the Remarketing Proceeds Account;

(iii) Moneys obtained by the Trustee or the Tender Agent pursuant to the Letter of Credit to be applied to pay the Purchase Price of Tendered Bonds to be deposited into the Letter of Credit Account; and

(B) The Issuer shall have no obligation to deposit any funds into the Bond Purchase Fund, notwithstanding the insufficiency of the amounts obtained pursuant to (i), (ii) or (iii) above to pay the purchase price of Tendered Bonds.

(C) Unless otherwise directed by the Bank, the Trustee shall take such actions as are necessary to cause the Trustee, as custodian for the Bank, to be reflected as the Beneficial Owner of Purchased Bonds in the records of the Securities Depository, including, if requested by the Bank, the assignment of separate CUSIP numbers for such Purchased Bonds. On any bond sale date, the Trustee's agent shall take such actions as are necessary to cause the purchaser or its nominee to be reflected as the Beneficial Owner under the Book-Entry-Only System effective from and after such date. Any Owner of an Optionally Tendered Bond required to tender such Bond for purchase on an Optional Tender Date with respect to such Bond and any Owner of a Mandatorily Tendered Bond required to tender such Bond for purchase on a Mandatory Tender

Date with respect to such Bond shall be entitled solely to payment of the Purchase Price for such Bond and shall not be entitled to the payment of any principal thereon or any interest accrued thereon on or after such Optional or Mandatory Tender Date provided that the Purchase Price has been deposited with the Trustee's Agent. Any such Bond deemed to be tendered shall no longer be considered to be an Outstanding Bond hereunder.

(D) If the Book-Entry-Only System is not in effect, on any Optional Tender Date or Mandatory Tender Date, the Trustee shall transfer on the Bond Register ownership of all of the Bonds tendered or required to be tendered to the name of the purchaser thereof, including without limitation, registration of Purchased Bonds.

(E) Moneys in the Remarketing Proceeds Account and the Letter of Credit Account, in that order, shall be held exclusively in trust for the payment of the Purchase Price of Tendered Bonds; provided, however, that proceeds of any drawing made pursuant to the Letter of Credit shall not be used to purchase Purchased Bonds. Moneys obtained by the Trustee pursuant to the Letter of Credit in excess of the amount needed for the payment of the Purchase Price of Tendered Bonds shall be promptly paid to the Bank. In the event any Tendered Bonds shall not be presented for purchase and moneys to pay such Purchase Price of Tendered Bonds are held in the Bond Purchase Fund, such moneys on deposit in the Bond Purchase Fund shall be invested only in Government Obligations described under part (i) of the definition of Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that moneys therefrom are anticipated to be required. Amounts held to pay the Purchase Price for more than four years shall be applied pursuant to Section 5.18 hereof with respect to unclaimed payments of principal and interest.

Section 5.04. Custody of the Bond Purchase Fund. The Bond Purchase Fund shall be in the custody of the Trustee, as Tender Agent, and the Issuer authorizes and directs the Trustee, as Tender Agent, to withdraw sufficient funds from the Bond Purchase Fund for the purposes set forth in Section 5.03 hereof, which authorization and direction the Trustee, as Tender Agent, hereby accepts.

Section 5.05. Rebate Account. There is hereby created by the Issuer, and established with the Trustee, the special fund of the Issuer designated its "District Variable Rate General Obligation Bonds, Series 2004 Rebate Account" (hereinafter referred to as the "Rebate Account"). There shall be deposited into the Rebate Account investment income on moneys, provided by the written direction of the Issuer, moneys received from the Issuer, moneys transferred to the Rebate Account from the Bond Payment Fund pursuant to the provisions of this Section; and all other moneys received by the Trustee when accompanied by written directions not inconsistent with this Indenture that such moneys are to be paid into the Rebate Account. The Trustee shall cause amounts on deposit in the Rebate Account to be forwarded to the United States Treasury at the address, at the times and in the amounts set forth in the Issuer's written direction. The Issuer may retain a Rebate Consultant to determine the amount of rebate liability owed from time to time with respect to the Bonds.

If, upon receipt of the Issuer's direction, the moneys on deposit in the Rebate Account are insufficient for the purposes thereof, the Trustee at the written direction of the Issuer shall transfer moneys to the Rebate Account from the Bond Payment Fund. The Trustee hereby

agrees to perform the duties set forth in herein. Upon receipt by the Trustee of an opinion of a nationally recognized rebate analyst acceptable to the Issuer to the effect that the amount in the Rebate Account is in excess of the amount required, such excess shall be transferred to the Bond Payment Fund.

Section 5.06. Custody of the Rebate Account. The Rebate Account shall be in the custody of the Trustee but in the name of the Issuer and the Issuer authorizes and directs the Trustee to withdraw funds from the Rebate Account for the purposes set forth in Section 5.05 hereof, which authorization and direction the Trustee hereby accepts.

Section 5.07. Repayment to the Issuer. Any amounts remaining in the funds or accounts established hereby after payment in full of the Bonds (or provision for such payment), the fees and expenses of the Trustee, the reimbursement of the Bank (as limited herein), the annual fees and all other amounts required to be paid hereunder (including payments into the Rebate Account and to the United States of America) shall be paid to the Issuer.

Section 5.08. Acquisition and Construction Fund. There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "*General Obligation Bonds, Series 2004 Acquisition and Construction Fund*" (herein referred to as the "*Acquisition and Construction Fund*"). The money deposited to the Acquisition and Construction Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Section 5.09.

Section 5.09. Deposits to and Application of Acquisition and Construction Fund. The Issuer shall deposit to the credit of the Acquisition and Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Bond Payment Fund as provided in Section 5.10. Upon an Issuer Request, amounts on deposit in the Acquisition and Construction Fund shall be applied by the Trustee in the amounts and to the persons set forth in such Issuer Request to pay Costs of Issuance and Costs of Acquisition and Construction and, to the extent the funds deposited to the Acquisition and Construction Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the Issuer as provided by Issuer Request to transfer such unexpended proceeds or income to the Bond Payment Fund. On November 1, 2007, any amounts remaining in the Acquisition and Construction Fund shall be transferred to the Bond Payment Fund.

Section 5.10. 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 Payment Fund. No deposit shall be made.

(B) Acquisition and Construction Fund. All of the proceeds from the Bonds shall be deposited to the credit of the Acquisition and Construction Fund for the purposes described in Section 5.09.

Section 5.11. Investment of and Security for Funds.

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

(B) Money held for the credit of the Acquisition and Construction Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Permitted Investments as directed by the Issuer.

(C) Money held for the credit of the Bond Purchase Fund shall, as nearly as may be practical, be continuously invested and reinvested by the Trustee in Government Obligations as directed by the Issuer.

(D) 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.

(E) 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.

(F) Moneys obtained pursuant to the Letter of Credit may be invested only in Government Obligations described under part (i) of the definitions of Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such amounts or the date or dates such amounts are anticipated to be required.

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

Section 5.12. Reports by Trustee. As soon as possible after January 1 and July 1 of each year, the Trustee shall provide to the Issuer, the Bank, the Underwriter and, while the Standby Contribution Agreement is in effect, the Company, and counsel to the Issuer (as identified by a certificate of the Issuer) the balances as of such date in each Fund established hereunder.

Section 5.13. Letter of Credit.

(A) During any Weekly Rate Period, the Company, pursuant to the Standby Contribution Agreement shall provide a Letter of Credit, approved as to its operational terms by the Trustee, which meets the requirements of Section 5.14 hereof applicable to a Substitute Letter of Credit and Section 5.15 hereof, together with an opinion of counsel to the Issuer or Bond Counsel addressed to the Trustee to the effect that such Letter of Credit meets the requirements of Sections 5.14 and 5.15 hereof.

The minimum amount of moneys available to be obtained pursuant to the Letter of Credit on any date shall be the sum of (i) the principal amount of the Bonds Outstanding on such date (other than Purchased Bonds or Bonds held by or for the account of the Issuer), plus (ii) an amount with respect to interest on the Bonds equal to interest accruing for 50 days with respect to such Bonds at the Maximum Rate or such longer period as may be required by any Rating Agency then maintaining a rating on the Bonds to allow for the highest possible short-term rating.

(B) The Trustee shall take such actions as may be required by the Letter of Credit in accordance with its terms to obtain moneys (i) at the times specified in Section 3.01 hereof, in the amount necessary to pay principal of and premium, if any, and interest on the Bonds when due, and (ii) at the times specified in Section 3.11(G) hereof, in the amount necessary, determined in accordance with Section 3.11(G) hereof, to pay the Purchase Price of Tendered Bonds (other than Purchased Bonds) payable on the purchase date for the Bonds. Moneys obtained pursuant to the Letter of Credit shall be used by the Trustee, the Paying Agent and the Tender Agent (as applicable) to pay, on the date due and payable, Debt Service on the Bonds and the Purchase Price of the Outstanding Bonds (other than Purchased Bonds).

Notwithstanding anything herein to the contrary, moneys obtained pursuant to the Letter of Credit shall not be deemed the property of the Issuer, the Company or the Guarantor and shall be applied solely in accordance with the terms hereof.

(C) Bonds, the principal of, premium, if any, on and accrued interest on which shall have been paid by a draw upon the Letter of Credit, shall be no longer Outstanding hereunder, notwithstanding any failure to reimburse the Bank therefor.

(D) Tendered Bonds (or portions thereof in Authorized Denominations), any portion of the Purchase Price of which has been paid with moneys obtained pursuant to the Letter of Credit, shall remain outstanding and be Purchased Bonds and, if the Book-Entry-Only System is not in effect, shall be registered to the Trustee or a designee thereof, and upon such registration of transfer, the Bonds issued in respect thereof shall be delivered to and held by the Trustee on behalf of the Bank. So long as the Book-Entry-Only System is in effect, the Purchased Bonds shall remain registered to the nominee of the Securities Depository but the Beneficial Ownership shall be reflected on the books of the applicable Direct or Indirect Participant as held by the Trustee, on behalf of the Bank. Upon Maturity, Purchased Bonds shall no longer be Outstanding, and shall be deemed paid by the Bank pursuant to the draw under the Letter of Credit, regardless of whether the Bank has been reimbursed for the amount drawn to pay the Purchase Price thereof.

(E) None of the Trustee, the Tender Agent or the Paying Agent, if any, has any lien on the moneys obtained pursuant to the Letter of Credit or the proceeds of the remarketing of Tendered Bonds in respect of its compensation or other amounts owing to it. Neither the Tender Agent nor the Trustee shall seek indemnification prior to obtaining moneys pursuant to the Letter of Credit, making payments to Owners or effecting a mandatory tender of the Bonds.

(F) The Tender Agent shall furnish to the Bank such notices as are required by the terms of this Indenture or by the terms of the Letter of Credit, including, without limitation, all notices for obtaining moneys, transfers, cancellations and increases or decreases in the amount available thereunder.

Section 5.14. Substitution of Letter of Credit.

(A) Substitution or Replacement. Upon satisfaction of the requirements set forth in this Section, in the applicable Letter of Credit, and in the applicable Reimbursement Agreement, the Issuer may allow the Company to replace the Letter of Credit with a Substitute Letter of Credit approved as to operational terms by the Trustee. The Substitute Letter of Credit shall be delivered to the Trustee.

(B) Documents to be Delivered. Prior to the substitution of any Substitute Letter of Credit, the following shall be delivered to the Trustee, the Issuer and the Tender Agent:

(i) An opinion of counsel to the Substitute Bank to the effect that such Substitute Letter of Credit constitutes a legal, valid and binding obligation of the Substitute Bank enforceable in accordance with its terms, subject only to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights insofar as the same may be applicable in the event of a bankruptcy, insolvency, moratorium or other similar proceeding or occurrence with respect to the Substitute Bank and to equitable principles;

(ii) An opinion of Bond Counsel with respect to the substitution or replacement of the Substitute Letter of Credit; and

(iii) Evidence that the Substitute Bank is rated in one of the two highest short-term rating categories and one of the three highest long-term rating categories of each Rating Agency, without regard to ratings modifiers.

(C) Maintenance of Rating. At least 35 days prior to the effective date of any Substitute Letter of Credit, the Company may deliver to the Trustee, the Issuer and the Tender Agent, evidence from each Rating Agency then maintaining a rating on the Bonds that the substitution of the Substitute Letter of Credit shall not cause the rating on the Bonds to be reduced or withdrawn.

(D) Notice of Substitution. The Trustee shall provide the Owners with notice of the Letter of Credit Substitution Date not less than 30 days prior thereto. The Letter of Credit Substitution Date shall be a Mandatory Tender Date, pursuant to Section 3.11(E) unless the maintenance of rating evidence is delivered pursuant to subsection (C) above for all Rating Agencies then maintaining a rating on the Bonds.

(E) Mandatory Tender. Notwithstanding any other provisions of this Article V, an existing Letter of Credit shall not be released and delivered to the Bank until any mandatory tender of Bonds required pursuant to Section 3.11(D)(iii) has been completed, any required drawings have been made thereon by the Tender Agent or Trustee, as the case may be, and honored by the existing Bank.

Section 5.15. Requirements of a Letter of Credit. Any Letter of Credit must have a term of not less than three hundred sixty (360) days and must provide money at the times and in the amounts specified in Section 5.13 hereof. No Letter of Credit shall be amended without the consent of the Trustee. The Trustee shall not consent to any such amendment of a Letter of Credit unless it has obtained an opinion of Bond Counsel that the proposed amendment will not adversely affect the interests of any of the Owners in any material respect, unless such amendment shall not become effective until after the date on which there is a mandatory tender of the Bonds. For the purposes of this Section an "amendment" of a Letter of Credit shall not include an extension of the Letter of Credit.

Section 5.16. Transfer of Letter of Credit. The Trustee shall, on or prior to the effective date of its resignation or removal pursuant to Section 8.08 hereof, cause the transfer of any Letter of Credit then in effect in accordance with its terms to the successor Trustee.

Section 5.17. Consent of the Bank. The Trustee shall provide the Bank with a copy of all notices required to be delivered to or by the Owners. No consent of or notice to the Bank shall be required under any provision hereof nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, restrictions, rights, remedies, waivers or accelerations pursuant to any provision of this Indenture during any time in which:

(A) Such Bank is in default in its obligation to make funds available under and in compliance with the terms of its Letter of Credit;

(B) The Letter of Credit of such Bank for any reason ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any provision of the Letter of Credit is denied by the Bank or any governmental agency or authority, in all of the above cases contrary to the terms of the Letter of Credit;

(C) A petition has been filed and is pending against the Bank pursuant to any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within thirty (30) days after such filing; and

(D) The Bank has filed a petition, which is pending, pursuant to any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law, of any jurisdiction, whether now or hereafter in effect, or has consented to the filing of any petition against it under such law; or government due to war or peace time emergency or the United States government declares a moratorium on the Bank's activities.

Section 5.18. Nonpresentment of Bonds. In the event any Bonds, or portions thereof, are not presented for payment when the principal thereof becomes due, either at Stated Maturity, the date fixed for redemption thereof, or otherwise, if funds sufficient for the payment thereof, including accrued interest thereon, have been deposited into the Bond Payment Fund or otherwise made available to the Trustee for deposit therein, then on and after the date said principal becomes due, all interest thereon shall cease to accrue and all liability of the Issuer to the Owner or Owners thereof for the payment of such Bonds shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the Owner or Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part pursuant to this Indenture with respect to, said Bonds. Such moneys shall not be required to be invested during such period by the Trustee. If any Bonds are not presented for payment within the period of three years following the date when such Bonds become due, whether by maturity or otherwise, the Trustee shall, at the written request of the Issuer, return to the Issuer the funds theretofore held by it for payment of such Bonds and such Bonds shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer. The obligations of the Trustee pursuant to this Section shall be subject, however, to any law applicable to the unclaimed funds or the Trustee providing other requirements for the disposition of unclaimed property.

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:

(i) Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent as provided in Section 5.02,

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

(iii) 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 (ii) 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 Outstanding for principal (and premium, if any) and interest to the Stated Maturity or Redemption Date, as the case may be, and

(iv) 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, subject to the limited sources and amounts provided herein, 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; and

(C) in the absence of an Issuer Request as aforesaid, the payment of all Outstanding Bonds shall not render this Indenture inoperative; and

(D) notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 8.06 shall survive; and

(E) for the purpose of determining the interest due on any Bond during a Weekly Rate Period for which the Weekly Rate has not been determined, the rate shall be assumed to be the Maximum Rate.

Section 6.02. Defeasance.

(A) 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.

(B) 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, (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, and (3) if the Letter of Credit is in effect, such deposit shall be made solely from Available Funds. Any money and Governmental Obligations deposited with the Trustee for such purpose shall be held by the Trustee in a segregated account in trust for the Owners of the Bonds with respect to which such deposit is made and together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on the Bonds when due. No money or Governmental Obligations so deposited pursuant to this Section shall be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured

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

(C) For the purpose of determining the interest due on any Bond during a Weekly Rate Period for which the Weekly Rate has not been determined, the rate shall be assumed to be the Maximum Rate.

Section 6.03. Application of Deposited Money. Money or Governmental Obligations deposited with the Trustee pursuant to Section 6.02 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such money or Governmental Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent as the Trustee may determine) to the Owners entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

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

(A) Evidence satisfactory to the Issuer that, for the immediately prior year, the current year and each future year in which any Bond is scheduled to be outstanding, a secondary tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer was or is projected to be sufficient to pay when due the scheduled Debt Service on the Bonds during each such year. Such evidence shall consist of a written projection, prepared by the Issuer or its financial advisor, that is based upon the application of such secondary tax rate in light of:

(i) for the immediately prior year, (x) the historical secondary assessed valuation of the property within the boundaries of the Issuer for the prior year, and (y) the historical delinquency factor/collection rate for such year;

(ii) for the current year, (x) the actual secondary assessed valuation of the property within the boundaries of the Issuer for the current year, and (y) a delinquency factor/collection rate that is the lesser of (I) the rate in subparagraph (i)(y) above and (II) a 95% collection rate; and

(iii) for each future year, (x) an assessed valuation of the property within the boundaries of the Issuer equal to the amount in subparagraph (ii)(x) above, (y) a delinquency factor/collection rate that is the lessor of (I) subparagraph (i)(y) above and (II) a 95% collection rate, and (z) such other factors, not inconsistent with the foregoing, as the Issuer reasonably determines to be relevant for the purposes of this calculation.

(B) Written approval by the Issuer which shall not be withheld unreasonably.

(C) The Bonds have been previously converted to the Fixed Rate at the option of the Issuer.

Upon proof of satisfaction of each of the above conditions, the Issuer shall 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.

Section 6.05. Satisfaction of Issuer's Obligations. The Issuer's obligation with respect to any Purchased Bond or any Bond otherwise held by or for the benefit of the Bank shall be limited to causing the levy of the ad valorem property tax at a rate of $3.00 per $100 of secondary assessed value and to provide the revenues collected therefrom to the Trustee as provided herein. The Bank shall have no claim against the Issuer for any Bond Year Debt Service, Bond Year Bank Fees or Bond Year Draws for any Bond Year in excess of the Bond Year Tax Collections for such Bond Year.

Section 6.06. Bank Waiver of Greater Tax Levy. Notwithstanding the provisions of A.R.S. Section 48-719, the Bank waives any right to require the Issuer to levy at a higher rate than $3.00 per $100 of secondary assessed value in any Bond Year or to levy in any Bond Year for Bond Year Debt Service, Bond Year Bank Fees or Bond Year Draws due for any prior Bond Year, whether paid or unpaid.

ARTICLE VII

REMEDIES

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

(A) Default in the payment of the principal of or premium, if any, or the Purchase Price on any Bonds when the same shall become due and payable, whether at the Stated Maturity thereof, on a sinking fund payment date, tender for purchase or upon proceedings for redemption;

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

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

Section 7.02. Suits for Enforcement; Mandamus.

(A) The Trustee in its discretion, subject to the provisions of Section 7.10, may proceed to protect and enforce its rights and the rights of the Owners under this Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained herein or in the Standby Contribution Agreement, the Letter of Credit or the Reimbursement Agreement or in aid of the execution of any power granted herein or in the Standby Contribution Agreement, the Letter of Credit or the Reimbursement Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Owners but in no event shall any suit, action or proceeding accelerate the payment of any amounts due in the future other than through redemption from amounts drawn on the Letter of Credit at the direction of the Bank pursuant to Section 4.01(A)(ii) or 4.03(B) or as required pursuant to Section 4.03(C).

(B) In addition to all rights and remedies of any Owner provided herein, in the event the Issuer defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations of the Issuer set forth in this Indenture, or in the Standby Contribution Agreement, the Trustee shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring, but subject to the limitation on sources of revenue as

described herein, the directors and other officers of the Issuer to cause the Issuer to make such payment or to observe and perform any covenant, obligation, or condition of the Issuer prescribed in this Indenture or the Standby Contribution Agreement.

Section 7.03. Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment.

(A) If

(i) default occurs in the payment of any interest on any Bond when such interest becomes due and payable, or

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

then upon demand of the Trustee, the Issuer shall pay or cause to be paid to the Trustee for the benefit of the Owners of such Bonds, but solely from the limited sources and in the limited amounts specified herein, the amount then so due and payable on the Bonds for principal (and premium, if any) and interest, but not any such amounts due in the future, and, in addition thereto, but solely from the sources specified herein, 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, but solely from the sources, and subject to the limitations, specified herein.

(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, 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 Bonds, for the benefit of the Owners thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid, but solely from the sources, and subject to the limitations, specified herein. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien of this Indenture upon the Trust Estate or any rights, powers, or remedies of the Trustee hereunder, or any rights, powers, or remedies of the Owners of the Bonds.

Section 7.04. Application of Money Collected. Except for the proceeds of draws on the Letter of Credit, 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 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;

(C) Third: To the reimbursement of the Bank for amounts drawn under the Letter of Credit subject to the limitations as to amount and source contained herein and in the Reimbursement Agreement; and

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

Section 7.05. Trustee May File Proofs of Claim.

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

(i) 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 Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Owners allowed in such judicial proceeding, and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator, or other similar official in any such judicial proceeding is hereby authorized by each Owner to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements, and advances to the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.06.

(B) Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization,

arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding.

Section 7.06. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Section 7.07. Right of Owners to Receive Principal, Premium and Interest. The Owner of any Bond shall have the right to receive, after payment of all amounts due to the Trustee hereunder, payment of the principal of and interest on any such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date), but solely from the limited sources and in the limited amounts provided herein, and to institute suit for the enforcement of any such payment, and such rights shall not be further impaired without the consent of such Owner; provided, however, that no Owner shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver, or loss of the lien hereof upon the Trust Estate, or any part thereof, as security for Bonds held by any other Owner.

Section 7.08. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as otherwise provided herein with regard to the rights or remedies of Owners, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.09. Delay or Omission Not Waiver. No delay or omission of the Trustee or any Owner of any Bond to exercise any right or remedy accruing upon a default under this Article shall impair any such right or remedy or constitute a waiver of any such default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners, as the case may be.

Section 7.10. Control by Owners.

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

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

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

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

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

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

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

(B) Before taking action pursuant to this Section, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct.

Section 7.11. Rights and Remedies of Owners. No Owner of any Bond has any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 7.01 hereof, or of which by Section 7.01 hereof it is deemed to have notice, nor unless such default has become an Event of Default and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding has made written request to the Trustee and has satisfied the conditions of Section 7.10 and offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers herein granted, or to institute such action, suit or proceeding in its own name; it being understood and intended that no one or more Owners of the Bonds has the right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his, her or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Owners of the Bonds then outstanding. Nothing contained in this Indenture shall, however, affect or impair the right of any Owner of a Bond to enforce payment, by the institution of any suit, action or proceeding in equity or at law, of the principal of, premium, if any or interest on any such Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed. For purposes of this Section, so long as the Bonds are held by the Securities Depository pursuant to the Book-Entry-Only System hereof, the Trustee shall be permitted to accept direction from the Beneficial Owners of the Bonds,

rather than the Owner, upon receipt by the Trustee of appropriate certification of such Beneficial Ownership.

Section 7.12. Waiver of Past Defaults.

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

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

Section 7.13. Undertaking for Costs. All parties to this Indenture agree, and each Owner of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Owner, or group of Owners of any series of the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Owner for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

Section 7.14. Remedies Subject to Applicable Law. All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law. Notwithstanding the foregoing, the Bank expressly waives any right to require the levy of taxes at a rate higher than provided for in this Indenture.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Certain Duties and Responsibilities.

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

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

(i) this Subsection shall not be construed to limit the effect of Subsection (A) of this Section;

(ii) 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;

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

(iv) no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in Section 7.10(B) provided that no indemnity will be required in order to draw under the Letter of Credit, make payments to Owners or effect a mandatory tender of the Bonds.

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

Section 8.02. 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:

(i) 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

(ii) 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 Issuer may be sufficiently evidenced by an Issuer 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 11.07(B), an appropriate certificate of the Rebate Consultant;

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

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

(F) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document (including particularly, but not by way of limitation) Acts, Issuer 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 hereof or of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of the Bonds or the proceeds thereof.

Section 8.04. May Hold Bonds. The Trustee, any Paying Agent, the Bond Registrar, the Tender Agent 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, the Tender Agent 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

(i) 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

(ii) 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. The Trustee shall have no right to use or apply amounts drawn on the Letter of Credit or paid for the Purchase Price of Tendered Bonds for any amounts due the Trustee for compensation, expenses, reimbursements or indemnity.

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. 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 and the Bank. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

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

(D) The Trustee may be removed at any time by the Issuer by Issuer Resolution delivered to the Trustee, the Bank, and any Remarketing Agent, Paying Agent, Tender Agent and Bond Registrar.

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

(F) The Issuer shall given notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Owners, the Bank, and any Remarketing Agent, Paying Agent, Tender Agent and Bond Registrar. 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, the Bank and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers, and trusts of the retiring Trustee, and shall duly assign, transfer, and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 8.06. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers, and trusts.

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

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

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

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

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

otherwise provided in the Book-Entry-Only System) duly presented to it for payment or redemption, which Bonds shall thereafter be delivered to the Trustee for cancellation.

Section 8.12. Trustee's Agents. The Trustee may approve one or more Trustee's Agents with respect to any of the Trustee's duties under the Indenture and the Bonds. Each Trustee's Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Issuer and the Trustee a written acceptance thereof. The Trustee may remove any Trustee's Agent by written notice to the Trustee's Agent and the Issuer.

ARTICLE IX

CONCERNING THE REMARKETING AGENT AND THE TENDER AGENT

Section 9.01. Appointment of Remarketing Agent. The Issuer shall appoint and employ the services of a Remarketing Agent or Agents while the Bonds bear interest at the Weekly Rate. Initially, the Remarketing Agent shall be RBC Dain Rauscher Inc.

Section 9.02. Powers and Duties of Remarketing Agent. Any Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it hereby and by the Remarketing Agreement and the Letter of Credit. Acceptance of the duties and obligations of the Remarketing Agent for the Bonds hereunder and under the Remarketing Agreement and the Letter of Credit, if any, shall be signified and acknowledged by execution of the Remarketing Agreement. Any Remarketing Agreement shall provide that the Remarketing Agent will, *inter alia*:

(A) Determine the rates and give notice of such rates in accordance with Article III hereof;

(B) Keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice; and

(C) Use its reasonable best efforts to remarket Tendered Bonds (including Purchased Bonds) in accordance with the terms hereof and the terms of the Remarketing Agreement.

The Remarketing Agreement may contain such other provisions as the Issuer deems necessary or advisable.

Section 9.03. Change of Remarketing Agent. The provisions regarding the removal and resignation of the Remarketing Agent shall be as set forth in the Remarketing Agreement.

Section 9.04. Successor Remarketing Agents.

(A) Any person which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested in all the property, rights and powers of such Remarketing Agent hereunder.

(B) In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Issuer shall appoint or cause the appointment of a successor within thirty (30) days of any such action.

(C) Each successor Remarketing Agent shall at all times be either a member of the National Association of Securities Dealers, Inc. or registered as a dealer of municipal securities pursuant to the Securities Exchange Act of 1934, as amended, and have net capital of at least $15,000,000. The Trustee shall give written notice to the Owners, Moody's and S&P of any resignation, removal or appointment of the Remarketing Agent.

(D) If, at any time and for any reason, there is no entity serving as Remarketing Agent, the Trustee shall assume the duties of Remarketing Agent solely for the purpose of accepting notices of tender.

Section 9.05. Appointment of Tender Agent. The Trustee shall serve as Tender Agent for the Bonds. Any successor Trustee shall signify its acceptance of the duties and obligations of the Tender Agent imposed hereby by written instrument of acceptance delivered to the Issuer and the Bank in accordance with Section 8.09 hereof.

Section 9.06. Powers and Duties of Tender Agent. The Tender Agent shall perform all of the duties imposed upon it hereby, and, if reasonably acceptable to the Tender Agent, by any Letter of Credit in effect from time to time and the Remarketing Agreement.

The Tender Agent makes no representations as to the validity or sufficiency hereof, of the Bonds, or in respect of the security afforded hereby and the Tender Agent shall not incur any responsibility in respect thereof. The Tender Agent shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

The Tender Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it hereby.

The duties and obligations of the Tender Agent shall be determined by the express provisions hereof and the Tender Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth herein.

Section 9.07. Property Held in Trust. All moneys and securities conveyed to or held by the Tender Agent at any time pursuant to the terms hereof shall be and hereby are assigned, transferred and set over unto the Tender Agent in trust for the purposes and under the terms and conditions hereof.

Section 9.08. Compensation of the Tender Agent. Unless otherwise provided by contract with the Tender Agent, the Issuer shall pay to the Tender Agent, from time to time, reasonable compensation for all services rendered by it hereunder and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder. The Tender Agent has no lien therefor on any funds at any time held by it hereunder. None of the provisions contained herein shall require the Tender Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Tender Agent shall not be required to take any

action at the request or direction of a Bank made or given pursuant hereto unless and until such Bank has indemnified and saved the Tender Agent harmless against any liabilities and all reasonable expenses, charges, counsel fees and other disbursements, including those of the Tender Agent's attorneys, agents and employees, incurred in connection with or as a result of taking the action requested or directed by a Bank to be taken, provided that the Tender Agent shall not be entitled to indemnity as a condition for drawings on the Letter of Credit. The provisions of this Section shall survive the resignation or removal of the Tender Agent or the Bonds being paid or deemed paid in accordance with this Indenture.

The rights, privileges, protections, immunities and benefits given to the Trustee by this Indenture, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by the Tender Agent in each of its capacities hereunder, and to each agent, custodian and other person employed by the Tender Agent to act hereunder.

The provisions of this Section shall survive termination of this Indenture.

Section 9.09. Permitted Acts. The Tender Agent may become the owner of or may deal in Bonds as fully and with the same rights as if it were not such Tender Agent. The Tender Agent may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Issuer or any committee formed to protect the rights of Owners of Bonds or to effect or aid in any reorganization growing out of the enforcement hereof or of the Bonds or this Indenture, whether or not such committee shall represent the Owners of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

Section 9.10. Removal or Resignation of Tender Agent. Unless the Bonds have been converted to the Fixed Rate, the Tender Agent may not resign or be removed except upon its resignation or removal as Trustee. No such removal or resignation shall take effect until a successor Trustee has been appointed.

Section 9.11. Transfer of Rights and Property to Successor Tender Agent. Any successor Tender Agent appointed pursuant to the provisions hereof shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally appointed as Tender Agent. However, the Tender Agent then ceasing to act shall nevertheless, on request by the Issuer or of such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of such Tender Agent in and to any property held by it hereunder, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions set forth herein. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer.

ARTICLE X

SUPPLEMENTAL INDENTURES; AMENDMENTS TO BOND RESOLUTION OR STANDBY CONTRIBUTION AGREEMENT

Section 10.01. Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement Without Consent of Owners. Without the consent of the Owners of any Bonds, but with the consent of the Bank, the Issuer, when authorized by Issuer Resolution, and the Trustee may from time to time enter into one or more indentures supplemental hereto in form satisfactory to the Trustee, or the Issuer, with the consent of the other parties thereto, may amend the Bond Resolution or the Standby Contribution Agreement for any of the following purposes:

(A) to correct or amplify the description of an property at any time subject to the lien hereof, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien hereof, or to subject to the lien hereof additional property; or

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

(C) to evidence the succession of another entity to the Issuer and the assumption by any such successor of the covenants of the Issuer herein, in the Bond Resolution, the Standby Contribution Agreement or the Bonds contained; or

(D) to add to the covenants of the Issuer for the benefit of the Owners of all of the Bonds; or

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

Section 10.02. Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement With Consent of Owners.

(A) With the consent of the Bank and of the Owners of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture or such amendment, by Act of such Owners delivered to the Issuer and the Trustee, the Issuer, when authorized by Issuer Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto or amendments to the Bond Resolution or the Standby Contribution Agreement, for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions hereof or of the Bond Resolution or the Standby Contribution Agreement or modifying in any manner the rights of the Owners of the Bonds under this Indenture, the Bond Resolution, or the Standby Contribution Agreement; provided, however, that no such

supplemental indenture or amendments to the Bond Resolution or the Standby Contribution Agreement shall, without the consent of the Owner of each Outstanding Bond affected thereby:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or (except for resetting the Weekly Rate for each Weekly Rate Period) the interest on, any Bond, or change 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

(ii) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Owners of which is required for any such supplemental indenture or amendment to the Standby Contribution Agreement and the Bond Resolution, or the consent of Owners of which is required for any waiver provided for in this Indenture of compliance with certain provisions hereof or certain defaults hereunder and their consequences; or

(iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

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

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

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

Section 10.03. Execution of Supplemental Indentures and Amendments to Bond Resolution or Standby Contribution Agreement. In executing, or accepting the additional trusts created by, any supplemental indenture or amendment to the Bond Resolution or the Standby Contribution Agreement permitted by this Article or the modification thereby of the trusts created hereby, the Trustee shall be entitled to receive and, subject to Section 8.01, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture or adoption of such amendment is authorized or permitted hereby. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture or be governed by any amended Bond Resolution or Standby Contribution Agreement which affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

Section 10.04. Effect of Supplemental Indentures and Amendments to Bond Resolution or Standby Contribution Agreement. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Indenture for all purposes, and upon the amendment of the Bond Resolution or the Standby Contribution Agreement under this Article, the Bond Resolution or the Standby Contribution Agreement shall be modified in accordance therewith, and such amendment shall form a part of the Bond Resolution or the Standby Contribution Agreement for all purposes, and every Owner of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 10.05. Reference in Bonds to Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement. Bonds authenticated and delivered after the execution of any supplemental indenture, amendment to the Bond Resolution or the Standby Contribution Agreement pursuant to this Article may bear a notation as to any matter provided for in such supplemental indenture, amended Bond Resolution or the Standby Contribution Agreement. If the Issuer shall so determine, new Bonds so modified as to conform to any such supplemental indenture, amended Bond Resolution or the Standby Contribution Agreement may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

Section 10.06. Consent to Supplement Indentures While the Standby Contribution Agreement is in Effect. The Issuer shall not enter into any supplemental indenture while the Standby Contribution Agreement is in effect without the prior written consent of the Company. For purposes of this Section 10.06, the Company shall be able to enforce its consent right against the Issuer and the Trustee.

Section 10.07. Amendment of Custody Agreement. No amendment of any Custody Agreement shall be effective without the written consent of the Issuer and the Trustee.

ARTICLE XI

COVENANTS

Section 11.01. Pledge and Levy of Taxes.

(A) Subject to the limits described herein, for each Bond Year while any Bond is Outstanding, the Issuer shall annually 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 within the boundaries of the Issuer, to pay Bond Year Debt Service or Bond Year Draws, as applicable, and Bond Year Bank Fees for such Bond Year, and to pay principal and interest on all outstanding general obligation bonds of the Issuer due for such Bond Year hereafter issued ("*Parity Debt Service*") when due. For each Bond Year while any Bond is Outstanding, the Issuer shall cause to be levied a tax rate of $3.00 per $100 of secondary assessed valuation to pay such Bond Year Debt Service or Bond Year Draws, as applicable, Bond Year Bank Fees and Parity Debt Service, provided, however, that the tax rate for any Bond Year may be less than $3.00 per $100 of secondary assessed valuation if such lower tax rate shall produce based on the then current secondary assessed valuation of the property within the boundaries of the Issuer Bond Year Tax Collections for such Bond Year sufficient to pay in full the Bond Year Debt Service or Bond Year Draws, as applicable, Bond Year Bank Fees and any Parity Debt Service for such Bond Year.

(B) In setting the levy for any Bond Year, the Issuer may take into account amounts expected to be available under the Letter of Credit during such Bond Year provided, however, that the Issuer shall not cause to be levied less than $3.00 per $100 of secondary assessed valuation for any Bond Year unless such lower tax rate shall produce, based on the then current secondary assessed valuation of the property within the boundaries of the Issuer, Bond Year Tax Collections for such Bond Year sufficient to pay in full the Bond Year Debt Service or Bond Year Draws, as applicable and Bond Year Bank Fees for such Bond Year without regard to any amounts expected to be available under the Letter of Credit. For this purpose, if the rate of interest to be applied to the Bonds during any period is not determined, interest during such period shall be assumed to be the Maximum Rate.

(C) 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 in accordance with any 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.

(D) Moneys to be applied to pay Debt Service derived from the levy of the tax provided for in Section 11.01(A) when collected constitute funds to pay Debt Service and shall be kept separately from other funds of the Issuer.

(E) 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. 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.

(F) The Issuer shall not be obligated to levy or cause to be levied any tax with respect to any Bond Year:

(i) for payment of Debt Service on Bonds which are no longer Outstanding, including Bonds which are no longer Outstanding due to payment from amounts drawn under the Letter of Credit prior to such Bond Year;

(ii) for payment of interest on Bonds to the extent such interest has been paid or provided for, including interest paid from amounts drawn under the Letter of Credit prior to such Bond Year;

(iii) at a rate greater than $3.00 per $100 of secondary assessed valuation except as necessary to pay principal and interest on Outstanding Bonds other than Purchased Bonds if and to the extent amounts drawn under the Letter of Credit or paid pursuant to the Standby Contribution Agreement are insufficient for such purpose;

(iv) to pay the Purchase Price of any Bonds tendered for purchase pursuant to Section 3.11; and

(v) for payments to the Bank of Bond Year Debt Service for, or for reimbursement of the Bank for Bond Year Draws for any prior Bond Year whether or not otherwise paid or provided for.

(G) To the extent the Bond Year Tax Collections with respect to any Bond Year are not sufficient to pay all Bond Year Debt Service or Bond Year Draws for such Bond Year, the Bank shall rely solely upon the Reimbursement Agreement, the Company and the Guarantor for such shortfall and the Issuer may treat any Bonds with a Maturity during such Bond Year and any Bond Year Debt Service for such Bond Year as paid in full for the purpose of payment to the Bank from any tax levy or other funds of the Issuer.

Section 11.02. Payment of Debt Service.

(A) The Issuer shall duly and punctually pay Debt Service on the Bonds or reimburse the Bank for amounts drawn under the Letter of Credit to pay Debt Service in accordance with the terms and subject to the limitations hereof.

(B) If the specified date for any such payment shall be other than a Business Day, then such payment may be made on the next succeeding Business Day without additional interest and with the same force and effect as if made on the specified date for such payment.

Section 11.03. Reimbursement of Bank.

(A) If, with respect to any Bond Year, the Letter of Credit is in effect and amounts are drawn thereunder and used to pay when due the Bond Year Debt Service during such Bond Year, the Bond Year Tax Collections for such Bond Year to the extent sufficient therefor, shall be used to reimburse the Bank on the Reimbursement Date occurring on or after such payment but in no event later than July 1 of the Bond Year for such Bond Year Draws for such Bond Year.

(B) The Bank shall give the Trustee instructions as to how and where to send the reimbursements.

(C) The Issuer shall have no obligation to pay, from any source whatsoever, or to levy or cause to be levied any tax for:

(i) any interest on any amounts drawn under the Letter of Credit;

(ii) any Bond Year Draw for a Bond Year except to the extent amounts are available therefor from the Bond Year Tax Collections for such Bond Year;

(iii) any costs or fees of the Bank other than Bond Year Bank Fees; and

(iv) any Bond Year Bank Fees for any Bond Year, except to the extent that Bond Year Tax Collections for such Bond Year exceed Bond Year Debt Service or Bond Year Draws, as applicable for such Bond Year.

(D) For any Bond Year, to the extent the Bond Year Tax Collections exceed the Bond Year Debt Service (including such portion payable as reimbursement of Bond Year Draws), the Trustee shall pay the Bond Year Bank Fees.

Section 11.04. Maintenance of Agency. The Issuer shall maintain an agency where Bonds of each series may be presented or surrendered for payment, where Bonds 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 designated 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 11.05. Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.

(A) The sums which are segregated by the Trustee or deposited with any other Paying Agent to pay the principal of or interest on any Bonds becoming due on any due date shall be held in trust for the benefit of the Owners of such Bonds and the Bank. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Owners and the Bank entitled to such principal or interest, as the case may be.

(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

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

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

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

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

Section 11.06. 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 Bank 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 11.07. 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 will comply with the rebate requirements set forth in the Tax Certificate.

(C) Any Issuer Representative is hereby authorized to execute on behalf of the Issuer the Tax Certificate 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 Certificate shall constitute a certification, 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 Certificate. The Tax Certificate 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 Certificate.

(D) The Issuer further recognizes that Section 149(a) of the Code requires the Bonds to be issued and to remain in fully registered form in order for interest thereon to be excludable from gross income for purpose of federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the Issuer agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form if such action would cause interest on the Bonds to be included in gross income for federal income tax purposes.

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

Section 11.08. No Personal Liability of Officials of the Issuer. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any elected or appointed official, officer, agent, servant or employee of the Issuer in his or her individual capacity and neither the members of the governing body of the Issuer nor any official executing the Bonds, including any officer or employee of the Trustee, shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 11.09. Partial Invalidity. If any one or more of the conditions, covenants, or terms contained herein or required herein to be observed or performed by or on the part of the Issuer, the Paying Agent, the Remarketing Agent, the Tender Agent, the Bank, or the Trustee shall be contrary to law, then such condition or conditions, such covenant or covenants, or such term or terms shall be null and void and shall be deemed separable from the remaining conditions, covenants, and terms hereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection, and security afforded to them hereunder and under all provisions of applicable law. The parties hereto declare that they would have executed and delivered this Indenture and each and every other article, section, paragraph, subdivision, sentence, clause, and phrase hereof and would have authorized the issuance and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses, or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable, or invalid.

Section 11.10. Reference to Bank. Notwithstanding any provisions contained herein to the contrary, after the expiration or termination of the Letter of Credit and after all obligations relating to the Bonds and owed to the Bank pursuant hereto or pursuant to the Reimbursement Agreement have been paid in full or discharged, all references to the Bank contained herein shall be null and void and of no further force and effect.

Section 11.11. Eastern Time. Unless otherwise expressly stated, all times referred to in this Indenture shall be Eastern Time as then in effect in the City of New York, New York.

Section 11.12. Notice to Rating Agency. The Trustee shall give prompt written notice to S&P and Moody's (with a copy to the Issuer) in the event:

(A) The Trustee or Remarketing Agent resigns or is replaced.

(B) This Indenture, the Reimbursement Agreement or the Letter of Credit is amended or supplemented.

(C) The Letter of Credit is renewed or extended, expires, or is terminated.

(D) The Bonds are converted to the Fixed Rate.

(E) The substitution of a Substitute Letter of Credit for the then current Letter of Credit.

(F) There has been a redemption (other than a mandatory sinking fund redemption pursuant to Section 4.02 hereof) or defeasance of the Bonds.

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

By _____
Chairman, District Governing Board

ATTEST:

_____
District Clerk

WELLS FARGO BANK, N.A., as Trustee

By _____
Its A. V. P

November 17, 2004

Wells Fargo Bank, National Association
as Trustee
100 West Washington Street
MAC S4101-22E
Phoenix, Arizona 85003

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

Pursuant to Section 11.03(B) of that Indenture of Trust and Security Agreement dated as of November 1, 2004 ("Indenture") between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) and Wells Fargo Bank, National Association as Trustee, reimbursements are to be sent to Compass Bank, an Alabama banking corporation, as the "Bank" under the Indenture, in accordance with the following wiring instructions:

BBK: Compass Bank (ABA #107005319)

BNF: DMB White Tank LLC/Verrado CFD DSR Fund #2502495944

Ref: Verrado Western Overlay CFD

Attn: Matthew J. Chorske

Tel: (303) 217-2235

COMPASS BANK, an Alabama banking corporation

By: _____
Name: Matthew J. Chorske
Its: Senior Vice President

STANDBY CONTRIBUTION AGREEMENT

DATED AS OF NOVEMBER 1, 2004

BY AND AMONG

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

DMB WHITE TANK, LLC

DMB REALCO II, LLC

AND

WELLS FARGO BANK, N.A., AS TRUSTEE

THIS IS THE STANDBY CONTRIBUTION AGREEMENT dated as of November 1, 2004, by and among Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "Issuer"), DMB White Tank, LLC, an Arizona limited liability company (the "Company"), DMB Realco II, LLC, an Arizona Limited liability company ("Realco II" and, together with the Company, the "Companies") and Wells Fargo Bank, N.A., as trustee (the "Trustee") under that certain Indenture of Trust and Security Agreement, dated as of November 1, 2004 (the "Indenture").

All initially capitalized terms used herein which are not otherwise defined shall have the meaning set forth in the Indenture.

RECITALS

The Issuer is issuing its District Variable Rate Limited General Obligation Bonds, Series 2004 in the aggregate principal amount of $13,000,000 (the "Bonds") concurrently herewith under and pursuant to the Indenture.

As provided in the Indenture, 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").

As provided in the Indenture and in the amended and restated Feasibility Study presented to and approved by the Governing Board of the Issuer (the "Board") on July 20, 2004 (the "Feasibility Study"), the Issuer shall provide for a mechanism by which the Companies, jointly and severally, 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").

As provided in the Indenture and herein, to facilitate the issuance and sale of the Bonds, the Companies will provide a direct pay letter of credit securing payment of principal, interest and premium, if any, on the Bonds, when due, whether at maturity or prior redemption and payment of the purchase price of any Bonds tendered for purchase pursuant to the Indenture.

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.

The Companies hereby covenant and agree with the Issuer and the Trustee as follows:

ARTICLE 1

LETTER OF CREDIT

Section 1.1. **Maintenance of Letter of Credit**. The Companies shall obtain and maintain in full force and effect, so long as any Bonds (A) are outstanding, (B) have not been converted to bear interest at a Fixed Rate (as defined in the Indenture) and (C) are not Purchased Bonds (as defined in the Indenture), a direct pay letter of credit meeting all of the requirements for the Letter of Credit under the Indenture (the "Letter of Credit") issued by a bank meeting the requirements therefor under the Indenture (the "Bank") pursuant to an agreement providing for reimbursement of the Bank for draws made under the Letter of Credit (the "Reimbursement Agreement"). The initial Letter of Credit shall be that certain Irrevocable, Direct-Pay Letter of Credit No. S26861C issued by Compass Bank, an Alabama banking corporation, to the Trustee, pursuant to that certain Reimbursement Agreement dated as of November 1, 2004, by and between Compass Bank and the Company.

Section 1.2. **Payment of Costs of Letter of Credit**. The Companies, jointly and severally, shall pay when due to the Bank pursuant to the Reimbursement Agreement:

A. All costs of obtaining and maintaining the Letter of Credit, including fees and charges of the Bank.

B. All amounts due to the Bank in reimbursement for draws under the Letter of Credit, except to the extent paid from the limited ad valorem tax collections as provided in the Indenture.

C. All amounts due to the Bank as interest on drawings under the Letter of Credit.

D. All amounts due to the Bank as interest on any Bonds held by or for the benefit of the Bank following the purchase thereof with the proceeds of a draw on the Letter of Credit pursuant to the mandatory or optional tender provisions of the Indenture ("Purchased Bonds"), except to the extent paid from the limited ad valorem tax collections as provided in the Indenture.

E. All other amounts due the Bank pursuant to the Reimbursement Agreement or the Letter of Credit.

Section 1.3. **Satisfaction of Payment Obligation**. So long as the following conditions (the "Payment Conditions") remain satisfied:

A The Letter of Credit is in full force and effect in compliance with the requirements of the Indenture;

B. The Bank satisfies the requirements therefor under the Indenture;

C. The Bank is not in default under, or denying its obligations under the Letter of Credit;

D All amounts due pursuant to Section 1.2 hereof have been paid;

then the obligations of the Companies under Section 2.1 shall be deemed satisfied and no payments thereunder shall be required.

Section 1.4. Reinstatement of Payment Obligations. If, at any time, any Payment Condition is unsatisfied, then the obligations under Section 2.1 shall be immediately in full force and effect and all payments required thereunder shall be paid when due as provided therein.

Section 1.5. Substitute Letter of Credit. The Companies may provide a substitute letter of credit (the "Substitute Letter of Credit") and provided that such substitute letter meets the requirements for a Substitute Letter of Credit under the Indenture and that the provider thereof (the "Substitute Bank") meets the requirements for a Substitute Bank under the Indenture, the Issuer and the Trustee may accept the Substitute Letter of Credit and the Substitute Bank as the Letter of Credit and Bank, respectively, under the Indenture and hereunder.

ARTICLE 2

COVENANTS AND AGREEMENTS

Section 2.1. Standby Payment Obligation. Except as otherwise provided in Sections 1.3 and 1.4 thereof:

A. In any tax year while the Standby Contribution Agreement is in effect and so long as the Issuer has adopted a resolution which fixes, levies and assesses a tax rate for such tax year of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the Issuer with respect to Debt Service (or such lesser tax rate as may be permitted in Section 10.01 of the Indenture) and payment of principal and interest on the Bonds, the Companies 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 September 27 and March 27 of each year, commencing March 27, 2005, the September Company Payment and the March Company Payment (as defined below), respectively:

(i) **Payment on or before September 27**: On September 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) the current secondary assessed valuation of taxable property within the boundaries of the Issuer as reported by the Maricopa County Assessor and (b) the amount of property taxes which a tax rate of $3.00 per $100 (or such lower rate as may be permitted in Section 11.01 of the Indenture) of secondary assessed valuation (assuming 95% collection of taxes) would produce based upon such current secondary assessed valuation (the "Tax Year Tax Amount"). On September 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 on the next succeeding January 1 (the "January 1 Debt Service"), (b) the amount in the Bond Payment Fund (as defined in the Indenture) available to pay Debt Service on September 10 (the "September Available Moneys"), and (c) the difference between (x) the January 1 Debt Service and (y) the sum of (A) the September Available Moneys and (B) the excess of one-half (1/2) of the Tax Year Tax Amount over the principal and interest due on such January 1 on the Bonds (such difference being the "September Company Payment").

(ii) **Payment on or before March 27**: On March 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 optional redemption) due on the next succeeding July 1 (the "July 1 Debt Service"), (b) the amount in the Bond Payment Fund available to pay Debt Service on March 10 (the "March Available Moneys"), and (c) the difference between (x) the July 1 Debt Service and (y) the sum of (A) the March Available Moneys and (B) the excess of one-half (1/2) of the Tax Year Tax Amount over the principal and interest due on such July 1 on the Bonds (such difference being the "March Company Payment").

On March 10 and September 10 (or the immediately preceding Business Day as described above), the Trustee shall submit a request for payment to the Companies for payment of the March Company Payment and the September Company Payment, respectively, which in each case shall be paid by the Companies to the Trustee on or before March 27 and September 27, respectively, and shall be deposited in the Bond Payment Fund pursuant to Section 5.02(D) of the Indenture.

B. In addition to the requirements set forth in Section 2.1(A) hereof, 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 and the payment of principal and interest on the Bonds (or such lesser tax rate as may be permitted in Section 11.01 of the Indenture), the Company 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 10 and June 10 of each year the December Company Payment and the June Company Payment (as defined below), respectively:

(i) **Payment on or before December 10**: On December 1 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference between the amount in the Bond Payment Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding January 1 (such difference being the "December Company Payment").

(ii) **Payment on or before June 10**: On June 1 of each year, or if such day is not a Business Day, the immediately preceding Business Day, the Trustee shall determine the difference between the amount in the Bond Payment Fund on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding July 1 (such difference being the "June Company Payment").

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

D. For the purpose of calculating the amounts due from the Companies hereunder, tax collections shall be allocated first to the payment of principal and interest on the Bonds.

Section 2.2. Obligations Absolute and Unconditional. The obligations of the Companies under this Standby Contribution Agreement shall be absolute and unconditional (except as set forth in Sections 1.3 and 2.1 hereof) and shall remain in full force and effect until the Companies are 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 Companies:

A. the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer or of the Companies under the Development Agreement; or

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

C. the waiver of the payment, performance or observance by the Issuer or the Companies of any of the obligations, covenants or agreements of any of them contained in the Indenture, the Development Agreement or 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 Development Agreement or this Standby Contribution Agreement, whether or not with notice to the Companies; or

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

F. the taking or the omission of any of the actions referred to in the Indenture, the Development Agreement or 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 or the 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 either of the Companies 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 Development Agreement in any such proceeding; or

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

J. to the extent permitted by law, the release or discharge of the Company 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 Company fully to perform any of its obligations set forth in this Standby Contribution Agreement, the Development Agreement; or

L. the invalidity of the 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 Company 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 Company against the Trustee.

Section 2.4. **Remedies of Trustee**. Upon the occurrence of any failure to pay amounts due hereunder, the Trustee, in its sole discretion, shall have the right to proceed first directly against the Companies or either of them under this Standby Contribution Agreement without proceeding against or exhausting any other remedies which it may have against the Issuer, the Company, Realco II or any other person, firm or corporation and without resorting 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. **Payment of Trustee's Costs, Attorneys' Fees**. To the extent permitted by applicable law, the Company 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 Companies hereunder, whether the same shall be enforced by suit or otherwise.

ARTICLE 3

AMENDMENTS

Section 3.1. **Amendments Pursuant to Indenture**. The Companies, the Issuer and the Trustee, at any time and from time to time, may enter into one or more instruments supplemental hereto, under the conditions set forth in Article X of the Indenture.

ARTICLE 4

THE TRUSTEE AND THE ISSUER

Section 4.1. **Trustee's Acceptance**. 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 4.2. **Issuer's Acceptance**. The Issuer hereby accepts the application of the amounts contributed by the Companies pursuant to the provisions of this Standby Contribution Agreement and shall take such actions as are necessary to accomplish the purposes set forth herein.

ARTICLE 5

RELEASE OF STANDBY CONTRIBUTION AGREEMENT

Section 5.1. **Release Pursuant to Indenture**. This Standby Contribution Agreement shall be released by the Trustee upon direction by the Issuer in accordance with Section 6.04 of the Indenture.

ARTICLE 6

MISCELLANEOUS

Section 6.1. **Obligations Absolute Upon Issuance**. The obligations of the Companies hereunder shall arise absolutely and unconditionally (except as provided in Sections 1.3 and 2.1) when the Bonds shall have been issued, sold and delivered by the Issuer.

Section 6.2. **Entire Agreement, Counterparts**. This Standby Contribution Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

Section 6.3. **Partial Invalidity**. The invalidity or unenforceability of any one or more phrases, sentences, clauses or Sections in this Standby Contribution Agreement shall not affect the validity or enforceability of the remaining portions of this Standby Contribution Agreement, or any part thereof.

Section 6.4. **Execution of Further Documents**. Any consent, approval, direction or other instrument required by this Standby Contribution Agreement to be signed and executed by the owners of the Bond may be in any number of concurrent writings of similar tenor and may be signed or executed by such owners of the Bond in person or by agent appointed in writing. Proof of the execution of any such consent, approval, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made pursuant to the Indenture, shall be sufficient for any of the purposes of this Standby Contribution Agreement and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument.

Section 6.5. **Governing Law**. This Standby Contribution Agreement shall be governed exclusively by the laws of the State of Arizona.

Section 6.6. **Benefitted Parties**. This Standby Contribution Agreement is entered into by the Companies with the Trustee and the Issuer for the benefit of the Issuer, the Trustee and the owners 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 Bond Resolution. The Companies hereby expressly waive 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. With the exception of rights herein expressly conferred, nothing herein expressed or mentioned in or to be implied from this Standby Contribution Agreement is intended or shall be construed to give to any person other than the parties hereto and the owners of the Bonds any legal or equitable right, remedy or claim under or in respect of this Standby Contribution Agreement. This Standby Contribution Agreement and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties hereof and the owners of the Bonds herein provided and shall inure to the benefit of and bind their respective successors and assigns.

Section 6.7. **Cancellation**. To the extent applicable by provision of law, the parties acknowledge that this Standby Contribution Agreement is subject to cancellation pursuant to A.R.S. Section 38-511, the provisions of which are incorporated herein.

Section 6.8. **Limited Liability**. Notwithstanding anything to the contrary contained in this Standby Contribution Agreement or any other document signed by the Company or Realco II or by which the Company or Realco II has or will become bound in connection with the actions or proceedings giving rise to this Standby Contribution Agreement, none of the members of the Company or Realco II shall have any personal liability, nor shall any of their assets be subject to any personal liability for any obligation, hereunder, and the sole recourse against the Company and Realco II hereunder shall be limited to the assets of the Company and Realco II, whether now owned or hereafter acquired.

Section 6.9. **Joint and Several**. The liability and obligation of the Company and Realco II shall be joint and several.

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

ATTEST:

District Clerk

By _____
District Manager

DMB WHITE TANK, LLC, an Arizona limited liability company

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

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

By _____
Its Vice-President

DMB REALCO II, LLC, a limited liability company

By DMB Realco, LLC, an Arizona limited liability company, its Member and Sole Manager

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

By _____
Its Vice-President

WELLS FARGO BANK, N.A., as Trustee

By _____
Its _____

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE GENERAL
OBLIGATION BONDS, SERIES 2004

PURCHASE CONTRACT

November 16, 2004

District Board
Verrado Western Overlay 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 Western Overlay 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 Official Statement (as hereinafter defined).

In addition to acceptance of this Contract by the District as provided hereinabove, the obligations of the Underwriter under this 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 DMB White Tank, LLC (the "Developer") and DMB Realco II, (the "Guarantor") as Attachment I and Attachment II, respectively. The Bonds (as defined below) are secured by an irrevocable direct pay letter of credit (the "Letter of Credit") provided by Compass Bank (the "Bank").

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 Variable Rate General Obligation, Series 2004 (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 attached 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 November 2, 2004 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, to be dated as of November 1, 2004 (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 $12,870,000 (representing the par amount of the Bonds ($13,000,000) less Underwriter's discount of $130,000).

2. Offering. The Underwriter is making an offering of all of the Bonds at prices not to exceed the public offering prices set forth on the cover of the Official Statement (as hereinafter defined) and may subsequently change such offering prices without any requirement of prior notice. The Underwriter may offer and sell portions of the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement.

3. The Official Statement.

(a) The Preliminary Official Statement, dated November 4, 2004, as supplemented on November 10, 2004 (collectively, the "Preliminary Official Statement"), of the Issuer relating to the Bonds has been prepared for use in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Official Statement is hereby deemed "final" by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(b) The Issuer hereby authorizes the preparation of the Official Statement, to be dated even date herewith (the "Official Statement"), of the Issuer relating to the Bonds and the use of the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Contract (but, in any event, not later than within seven business days after the Issuer's acceptance of this Contract and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board.

(c) If, after the date of this Contract to and including the date the Underwriter is no longer required to provide the Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities repository, but in no case less than 25 days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer shall notify the Underwriter (and provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement shall comply with law. If such notification shall be subsequent to the Closing Date, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(d) Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the Closing Date.

4. Representations, Warranties, and Covenants of the Issuer. The undersigned, on behalf of the Issuer, hereby represents and warrants to, and the Issuer hereby covenants with, as applicable, the Underwriter that:

(a) The Issuer is a community facilities utilities district of the State of Arizona (the "State"), duly created, organized and existing under the laws of the State, specifically Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended and supplemented (the "Act"), and has full legal right, power and authority under the Act, and at the Closing Date shall have full legal right, power and authority under the Act and the Bond Resolution (i) to enter into, execute and deliver this Contract, the Bond Resolution, the Indenture, 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 Official Statement and (iv) to approve, execute and authorize the use and distribution of the Official Statement (including, as ap-

plicable, the Preliminary Official Statement), and the Issuer has complied, and shall on the Closing Date be in compliance in all respects, with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Resolution and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Preliminary Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Preliminary Official Statement and the Bond Resolution (i) authorizes the authorization, execution, delivery and issuance, as applicable, of the Issuer Documents and the Bonds as well as the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) and the selling of the Bonds to the Underwriter, (ii) has been duly and validly adopted by the Issuer and (iii) is in full force and effect;

(c) The Issuer Documents shall constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Bond Resolution and this Contract, shall constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Bond Resolution and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and upon the issuance, authentication and delivery of the Bonds as aforesaid and the Indenture shall provide, for the benefit of the registered owners, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth therein;

(d) The Issuer is not in breach of or default in any respect under any applicable constitutional provision, statute or administrative rule or regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Bond Resolution and compliance with the provisions on the Issuer's part contained therein shall not conflict with or constitute a breach of or default under any constitutional provision, statute, administrative rule or regulation, judgment, de-

cree, 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 Official Statement, and the proceeds of the sale of the Bonds will be applied generally as described in the Preliminary Official Statement;

(g) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the 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 Official Statement or, when finalized, the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of the Issuer Documents, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially, adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) The Preliminary Official Statement did not and, as of the date hereof, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided, that as to the information provided by the Developer or Guar-

antor, 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 Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Contract) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 3 of this Contract, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement, as so supplemented or amended, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer shall apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Resolution and the Indenture and shall not to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal or State income tax purposes of the interest on the Bonds;

(l) The Issuer shall furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to (A) qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (B) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (ii) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer shall not be required to expend any monies, to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and shall advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial information regarding the Issuer in the Preliminary Official Statement fairly presents, and in the Official Statement shall fairly present, the financial position and results of the Issuer as of the dates and for the periods therein set forth, and, prior to the Closing, there shall be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer;

(n) The Issuer is not a party to any litigation or other proceeding pending or threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer, and except as disclosed in the Preliminary Official Statement, the Issuer is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which may have a material adverse effect on the financial condition, operations or prospects of the Issuer or ability of the Issuer to comply with all the requirements set forth in the Preliminary Official Statement, the Bond Resolution, the Issuer Documents and the Bonds;

(o) Prior to the Closing Date, the Issuer shall not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds without the prior approval of the Underwriter; and

(p) The officers and officials of the Issuer executing the Official Statement, the Issuer Documents and the Bonds and the officers and officials of the Issuer listed on the certificate of the Issuer to be delivered on the Closing Date have been or will have been duly appointed and are or will be qualified to serve as such officers and officials of the Issuer, and any certificate signed by any officer or official of the Issuer authorized to do so in connection with the transactions contemplated by this Contract shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

5. Closing. (a) At 9:00 a.m., Mountain Standard Time, on November 17, 2004, 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 per-

formance 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 Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and Counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) On the Closing Date, all official action of the Issuer relating to the Issuer Documents and the Bonds shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) Prior to or on the Closing Date, the Bond Resolution shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered, and the Trustee shall have duly authenticated, the Bonds;

(f) Prior to or on the Closing Date, no "event of default" shall have occurred or be existing under this Contract nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an event of default under this Contract;

(g) Prior to or on the Closing Date, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer or the Developer or the Guarantor, from that set forth in the Official Statement that in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(h) Prior to or on the Closing Date, the Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(i) On the Closing Date, the Standby Contribution Agreement dated as of November 1, 2004 (the "SCA") by and among the Issuer, the Developer, the Guarantor and the Trustee shall be duly executed by the respective parties and shall be in full force and effect;

(j) Prior to or on the Closing Date, all steps to be taken and all instruments and other documents to be executed and all other legal matters in connection with the transactions contemplated by this Contract shall be reasonably satisfactory in legal form and effect to the Underwriter; and

(k) Prior to or on the Closing Date, the Underwriter shall have received two copies of the transcript of all proceedings of the Issuer relating to the authorization and issuance of the Bonds, certified, as necessary, by appropriate officials of the Issuer, including, but not limited to, the following opinions, letter, consent, certificate and other documents:

(1) An unqualified approving opinion of Gust Rosenfeld P.L.C., Bond Counsel, as to the Bonds, dated the Closing Date, addressed to the Issuer and substantially in the form included in the Official Statement;

(2) the supplemental opinion of such counsel, as Bond Counsel and Counsel to the Issuer, dated the Closing Date, addressed to the Underwriter and substantially in the form attached hereto as Exhibit A;

(3) the 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 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 Official Statement, no litigation is pending or threatened before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the issuance or delivery of the Bonds, the application of the proceeds thereof or the performance by the Issuer of the provisions of the Issuer Documents or the 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 Official Statement was, as of its date, and will be, as of the Closing Date, true, correct and complete in all material respects and did not, as of its date, and does not, as of the Closing Date, include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading and no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect, 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 Official Statement 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 certificate from the Bank in form and substance satisfactory to the Underwriter;

(13) An opinion of Quarles & Brady Streich Lang LLP, counsel to the Bank in form and substance satisfactory to the Underwriter; and

(14) Such additional opinions, letters, certificates (including certificates as to the accuracy and completeness of those sections of the Official Statement 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 fa-

vorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress, an order, decree or injunction issued by any court of competent jurisdiction or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, or that the Bond Resolution or the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state "blue sky" or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereon) upon trading securities generally by any governmental authority or any national securities exchange or a general banking moratorium declared by federal, State of New York or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force or increase materially those now in force with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), for the validity or enforceability of the Special Assessments to pay principal of and interest on the Bonds;

(g) any event occurring or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the Issuer or the Developer;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement and

(k) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay or cause to be paid 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 Official Statement, the Official Statement and the Issuer Documents in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby; (2) the fees and disbursements of the Trustee in connection with the issuance of the Bonds; (3) the fees and disbursements of Bond Counsel and Counsel to the Underwriter; (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 _____
Principal

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

By _____
Chairman, District Board

ATTEST:

_____
Linda Garrison, District Clerk

APPROVED AS TO FORM:

GUST ROSENFELD P.L.C.
Attorney for the District

By _____

SCHEDULE

Dated Date: Date of Execution and Delivery

Aggregate Principal Amount: $13,000,000

Interest Payment Dates: On the first business day of each month

Maturity Schedule:

$13,000,000 Term Bond due July 1, 2029
All Bonds priced at 100%

Redemption Provisions:

As set forth in the Official Statement dated November 16, 2004.

EXHIBIT A

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

_____, 2004

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

Re: $_____,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

WE HAVE ACTED as Bond Counsel to Verrado Western Overlay 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 Variable Rate 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 _____, 2004 (hereinafter referred to as the "Resolution") and an Indenture of Trust and Security Agreement, dated as of _____ 1, 2004 (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 Official Statement, dated _____, 2004 (hereinafter referred to as the "Official Statement") and (iii) are being sold pursuant to a Purchase Contract, dated _____, 2004 (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 Official Statement;

(iv) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Purchase Contract);

(v) An executed copy of the Indenture;

(vi) An executed copy of a Letter of Representations, dated even date herewith (hereinafter referred to as the "Letter"), by and between the Issuer and The Depository Trust Company;

(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 Official Statement, 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, the Developer and the Guarantor relating to the Official Statement and the District Documents.

WE ARE OF THE OPINION, based upon the foregoing and subject to the qualifications hereinafter set forth, that under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Issuer is duly organized and validly existing as a community facilities district pursuant to the Constitution and laws of the State of Arizona and has all requisite power and authority thereunder (a) to adopt the Resolution, (b) to authorize, execute, deliver and issue, as applicable, the District Documents, and the Bonds, (c) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement, dated November 4, 2004 (the "Preliminary Official Statement"), with respect to the Bonds) and (d) to carry out and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds (including performing the applicable obligations thereunder).

2. Adoption of the Resolution; authorization, execution, delivery and issuance, as applicable, of, and the due performance of the obligations of the District under, the District Documents and the Bonds and the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) by the Issuer under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or of any existing law, ordinance, administration regulation, court order or consent decree to which the Issuer is subject.

3. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bonds), is required in connection with the adoption by the Issuer of the Resolution or the authorization, execution, delivery, issuance and performance, as applicable, by the Issuer of the District Documents and the Bonds and the consummation of the transactions contemplated by the Official Statement.

4. The Issuer has duly (a) adopted the Resolution, 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 Official Statement, 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 Official Statement, the Bond Resolution, the District Documents or the Bonds or would in any way adversely affect the validity or enforceability of the Bond Resolution, the District Documents or the Bonds (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or hereby or by the Official Statement) or (iii) contesting in any way the completeness or

accuracy of the Preliminary Official Statement or the Official Statement. Further, there are no lawsuits pending or threatened against the Issuer which question the right of the Issuer to levy, receive and pledge 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 Official Statement, the Bond Resolution, the District Documents or the Bonds.

7. The information contained in the Official Statement on the cover thereof, under the headings "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT, "LITIGATION – District" and "TAX EXEMPTION" therein and in APPENDIX A – "GENERAL INFORMATION – THE DISTRICT" and "DISTRICT TAXATION" (excluding any numerical information), in Appendix C - "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 Official Statement, on the basis of our participation as Bond Counsel, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included in Appendix A thereto or otherwise included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

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

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the District Documents are dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other party thereto and to the extent that the enforceability of the District Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the District Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to

self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshalling of assets or (iv) purporting to grant to the owners of the Bonds or to any party to the District Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

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

Respectfully submitted,

EXHIBIT B

[LETTERHEAD OF APPLICABLE COUNSEL TO THE DEVELOPER]

_____, 2004

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

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

Re: $_____,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

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 _____, 2004 (hereinafter referred to as the "Purchase Contract"), by and between RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter") and Verrado Western Overlay 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. Official Statement issued by the District;

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

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

5. [insert organizational documents of Developer];

6. [insert authorizing resolutions of Developer];

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

8. 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 Official Statement, 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 Official Statement, 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 Official Statement to be engaged in by the Developer.

8. To our knowledge, the information contained in the Official Statement under the headings "RISK FACTORS" and "LITIGATION – Developer" therein and in APPENDIX a – "DISTRICT TAXATION – Ad Valorem Taxation in the District – Property Valuations," - THE STANDBY CONTRIBUTION AGREEMENT," "THE PUBLIC INFRASTRUCTURE 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 Official Statement, we have not undertaken to determine independently the accuracy, completeness or fairness of the other statements contained therein, except as and to the extent provided in this paragraph, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information. However, on the basis of such review, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

The phrase "to our knowledge" means the actual knowledge of all of the attorneys in this firm, including attorneys having knowledge as a result of a review of documents referenced in the sections of the Official Statement described in numbered paragraph 8 hereinabove and attorneys having knowledge as a result of conferences with officers and other representatives of the 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 Official Statement.

Respectfully submitted,

EXHIBIT C

[LETTERHEAD OF COUNSEL TO UNDERWRITER]

_____, 2004

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

Re: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

This opinion is rendered pursuant to the Purchase Contract, dated _____, 2004 (the "Purchase Contract"), by and between Verrado Western Overlay 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 $13,000,000 District Variable Rate General Obligation Bonds, Series 2004 (hereinafter referred to as the "Bonds"), and as counsel to the Underwriter solely for its use in connection with the issuance and the sale of the Bonds to the Underwriter by the District.

We have examined the Official Statement relating to the Bonds (hereinafter referred to as the "Official Statement"). We also have examined originals, or copies certified or otherwise identified to our satisfaction, of other documents, resolutions, instruments, records, certificates and opinions, have reviewed other laws and information and have made investigations, as we have considered necessary or appropriate, for the purpose of rendering this opinion.

In accordance with our understanding with you, we have rendered legal advice and assistance to you in the course of your investigations pertaining to, and your participation in the preparation of, the Official Statement. That assistance involved, among other things, inquiries concerning various legal and related matters, our review of certain corporate records, documents and proceedings and our participation in discussions with your representatives and other persons involved in the preparation of information for the Official Statement and representatives of the District and the Developer and the Guarantor (as such terms are defined in the Official Statement) concerning the contents of the Official Statement and related matters. While we are not passing upon, and do not assume responsibility for, the accuracy, completeness or fairness of the contents of the Official Statement, on the basis of the information which was developed in

the course of our performance of the services referred to hereinabove and without having undertaken to verify independently that accuracy, completeness or fairness, nothing has come to our attention which leads us to believe that the Official Statement, at its date or as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which such statements were made, not misleading. Reference in this paragraph to the Official Statement does not include the information contained in the Official Statement on the cover thereof, under the heading 'TAX EXEMPTION thereto nor the financial information or other technical or statistical data included in the Official Statement 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]

_____, 2004

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

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

Re: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2004

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. Official Statement issued by the District;

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

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

5. [insert organizational documents of Guarantor];

6. [insert authorizing resolutions of Guarantor];

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

8. 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 (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 Official Statement under the headings "LITIGATION – Developer" and "RISK FACTORS" (in each case as it relates 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 Official Statement, we have not undertaken to determine independently the accuracy, completeness or fairness of the other statements contained therein, except as and to the extent provided in this paragraph, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information. However, on the basis of such review, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

The phrase "to our knowledge" means the actual knowledge of all of the attorneys in this firm, including attorneys having knowledge as a result of a review of documents referenced in the sections of the Official Statement described in numbered paragraph 8 hereinabove and attorneys having knowledge as a result of conferences with officers and other representatives of the 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 Official Statement.

Respectfully submitted,

ATTACHMENT I

DEVELOPER INDEMNITY LETTER
FOR
$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
VARIABLE RATE GENERAL
OBLIGATION BONDS, SERIES 2004

November 17, 2004

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

District Board
Verrado Western Overlay 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: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

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 Western Overlay Community Facilities District (hereinafter referred to as the "District"), to enter into the Purchase Contract, dated _____, 2004 (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) The information pertaining to the Developer and the Project contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION – Developer" and "FINANCIAL INFORMATION" and in Appendix A – "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D – "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material facto or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material factor 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.

(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) Except as set forth in the Official Statement, there is not 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 Developer affecting the existence of the Developer, 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 (as defined in the Official Statement) and the Bond Resolution (as defined in the Official Statement), 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, the Developer Documents, the Letter of Credit (as defined in

the Official Statement), any action of the Developer 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 the Official Statement or any amendment or supplement thereto, or contesting the powers of the Developer or its authority with respect to the Bonds, the Developer Documents, the Letter of Credit or any action of the Developer contemplated by any of said documents.

(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, in its capacity as Underwriter and in its capacity, as Remarketing Agent (all of such roles deemed encompassed by the use of the term "Underwriter" in this Section 2) and each director, trustee, partner, member, officer, official or employee thereof and each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended (the Underwriter and any such person being herein called an "Underwriter Indemnified Party") and the District and each director, trustee, partner, member, officer, official or employee thereof and each person, if any, who controls the District within the meaning of the Securities Act of 1933, as amended (the District and any such person being herein called a "District Indemnified Party" and, together with each Underwriter Indemnified Party, the "Indemnified Parties"), for, from and against any and all losses, claims, damages or liabilities, several as to the Underwriter Indemnified Parties, but joint or several as to the District Indemnified Parties, (i) to which any such Indemnified Party may become subject, under any statute or regulation at law or in equity or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact set forth in the information identified in Section 1(b) above in the Official Statement or any amendment or supplement thereto, taken as a whole, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such section(s) or which is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official Statement and (ii) with respect to a District Indemnified Party only, to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened to the extent arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is

effected with the written consent of the 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 Official Statement.

Respectfully submitted,

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_____
Printed Name: Andrew S. Beams
Title: Vice President

ATTACHMENT II

GUARANTOR INDEMNITY LETTER
FOR
$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2004

November 17, 2004

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

District Board
Verrado Western Overlay 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: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2004

This Indemnity Letter is delivered by DMB Realco, II, LLC, an Arizona limited liability company (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 November 16, 2004 (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 liability company 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) The information pertaining to the Developer and the Project contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION – Developer" and "FINANCIAL INFORMATION" and in Appendix A – "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D – "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material facto or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material factor 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.

(c) Neither the execution or delivery of this Indemnity Letter or the Standby Contribution Agreement, dated as of November 1, 2004, 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) Except as set forth in the Official Statement, there is not 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 Guarantor affecting the existence of the Guarantor, 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 (as defined in the Official Statement) and the Bond Resolution (as

defined in the Official Statement), 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, the Guarantor Documents, the Letter of Credit (as defined in the Official Statement), any action of the Guarantor 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 the Official Statement or any amendment or supplement thereto, or contesting the powers of the Guarantor or its authority with respect to the Bonds, the Guarantor Documents, the Letter of Credit or any action of the Guarantor contemplated by any of said documents.

(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 Official Statement or any amendment or supplement thereto, taken as a whole, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such section(s) or which is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official

Statement and (ii) with respect to a District Indemnified Party only, to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened to the extent arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the 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 Official Statement.

Respectfully submitted,

DMB REALCO II, 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_____
Printed Name: Andrew S. Beams
Title: Vice President

DEVELOPER INDEMNITY LETTER
FOR
$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
VARIABLE RATE GENERAL
OBLIGATION BONDS, SERIES 2004

November 16, 2004

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

District Board
Verrado Western Overlay 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: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

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 Western Overlay Community Facilities District (hereinafter referred to as the "District"), to enter into the Purchase Contract, dated November 16, 2004 (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) The information pertaining to the Developer and the Project contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION – Developer" and "FINANCIAL INFORMATION" and in Appendix A – "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D – "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material facto or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material factor 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.

(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) Except as set forth in the Official Statement, there is not 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 Developer affecting the existence of the Developer, 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 (as defined in the Official Statement) and the Bond Resolution (as defined in the Official Statement), 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, the Developer Documents, the Letter of Credit (as defined in the Official Statement), any action of the Developer 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 the Official Statement or any amendment or

supplement thereto, or contesting the powers of the Developer or its authority with respect to the Bonds, the Developer Documents, the Letter of Credit or any action of the Developer contemplated by any of said documents.

(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, in its capacity as Underwriter and in its capacity, as Remarketing Agent (all of such roles deemed encompassed by the use of the term "Underwriter" in this Section 2) 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 pertaining to the Developer or the Project (as such terms is defined in the Official Statement) set forth in the information identified in Section 1(b) above in the Official Statement or any amendment or supplement thereto, taken as a whole, or arise out of or are based upon the omission or alleged omission to state therein a material fact pertaining to the Developer or the Project (as such terms is defined in the Official Statement) required to be stated in such section(s) or which is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official Statement and (ii) with respect to a District Indemnified Party only, to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened to the extent arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is

effected with the written consent of the 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 Official Statement.

Respectfully submitted,

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 _____
Printed Name: Andrew S. Beams
Title: Vice President

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

November 16, 2004

Verrado Western Overlay Community Facilities District
100 North Apache Road
Buckeye, AZ 85326
Attn: Carroll Reynolds, District Manager

Town of Buckeye
100 North Apache Road
Buckeye, AZ 85326
Attn: Town Manager

Re: Verrado Western Overlay Community Facilities District Series 2004 Bonds
($13,000,000 Variable Rate General Obligation Bonds)

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 Western Overlay 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 Western Overlay Community Facilities District) recorded July 3, 2001 in the Official Records of Maricopa County, Arizona Recorder at Document No. 2001-0594334 (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 and may elect to secure additional insurance in order to insure against some of the indemnity risks described in Section 8.1(a) of the District IGA. The District 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: Andrew S. Beams
Its: Vice-President

ACCEPTED AND AGREED:

Verrado Western Overlay Community Facilities District

By: _____
Name: Carroll Reynolds
Title: District Manager
Date: NOV 16 2004

GUARANTOR INDEMNITY LETTER
FOR
$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA) DISTRICT
GENERAL OBLIGATION BONDS,
SERIES 2004

16
November ~~17~~, 2004

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

District Board
Verrado Western Overlay 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: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District General Obligation Bonds, Series 2004

This Indemnity Letter is delivered by DMB Realco, II, LLC, an Arizona limited liability company (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 November 16, 2004 (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 liability company 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) The information pertaining to the Developer and the Project contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION – Developer" and "FINANCIAL INFORMATION" and in Appendix A – "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D – "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material facto or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material factor 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.

(c) Neither the execution or delivery of this Indemnity Letter or the Standby Contribution Agreement, dated as of November 1, 2004, 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) Except as set forth in the Official Statement, there is not 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 Guarantor affecting the existence of the Guarantor, 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 (as defined in the Official Statement) and the Bond Resolution (as defined in the Official Statement), 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, the Guarantor Documents, the Letter of Credit (as defined in the

Official Statement), any action of the Guarantor 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 the Official Statement or any amendment or supplement thereto, or contesting the powers of the Guarantor or its authority with respect to the Bonds, the Guarantor Documents, the Letter of Credit or any action of the Guarantor contemplated by any of said documents.

(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 pertaining to the Guarantor or the Project (as such terms is defined in the Official Statement) set forth in the information identified in Section 1(b) above in the Official Statement or any amendment or supplement thereto, taken as a whole, or arise out of or are based upon the omission or alleged omission to state therein a material fact pertaining to the Guarantor or the Project (as such terms is defined in the Official Statement) required to be stated in such section(s) or which is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official Statement and (ii) with respect to a District Indemnified Party only, to the extent of the aggregate amount

paid in any settlement of any litigation commenced or threatened to the extent arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the 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 Official Statement.

Respectfully submitted,

DMB REALCO II, 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 _____
Printed Name: Andrew S. Beams
Title: Vice President

[redacted]

SECRETARY OF STATE

2004 DEC 10 PM 4:32

FILED

200413386717

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. Keith C. Hoskins
Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327

1082

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

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

1a. ORGANIZATION'S NAME: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

OR

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

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

1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
46-0503784		Muni. Corp.	Arizona	☐ NONE

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

2a. ORGANIZATION'S NAME

OR

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

2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

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

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

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

OR

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

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

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit A attached hereto.

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

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

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

8. OPTIONAL FILER REFERENCE DATA

EXHIBIT A
TO UCC-1 FINANCING STATEMENT

Debtor: VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA), a municipal corporation
100 N. Apache, Suite A
Buckeye, Arizona 85326

Secured Party: WELLS FARGO BANK, N.A.
Attn: Corporate Trust Department
MAC S4101-22E
100 W. Washington Street
Phoenix, Arizona 85003

Reference is made to the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "*Indenture*") between the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), as Debtor (the "*Debtor*"), and Wells Fargo Bank, N.A., as Trustee (the "*Secured Party*"), relating to the issuance by the Debtor of its $13,000,000 District Variable Rate General Obligation Bonds, Series 2004. 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 Payment Fund established with the Secured Party as described in the Indenture, but excluding any money in the Rebate Account as set forth in the Indenture; and

B. All of Debtor's interest in the Standby Contribution Agreement dated as of November 1, 2004 by and among the Debtor, DMB White Tank, LLC and DMB Realco II, LLC; and

C. Any and all property that may, from time to time, by delivery or by writing of any kind, be subjected to the lien and security interest of the Indenture by the Debtor or by anyone on its behalf.

Compass Bank

P.O. Box 4444
Houston, Texas 77210-4444
713 499-8645 / Fax 713 499-8659
Toll Free 888 627-8860 / Fax 888 627-8861
www.compassweb.com

International Trade Services

IRREVOCABLE DIRECT-PAY LETTER OF CREDIT NO. S26861C

Issue Date: NOVEMBER 10, 2004
Expiration Date: NOVEMBER 10, 2007

Wells Fargo Bank, National Association, as Trustee
100 West Washington Street
MAC S4101-22E
Phoenix, Arizona 85003

Ladies and Gentlemen:

At the request and for the account of **DMB WHITE TANK, LLC**, an Arizona limited liability company (the "Account Party"), at the address of 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, COMPASS BANK, a state chartered banking association (the "Bank"), at the address of 24 Greenway Plaza, Suite 1601, Houston, Texas 77046, hereby establishes in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee (the "Trustee") under the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture") by and between the Trustee and Verrado Western Overlay Community Facilities District, a community facilities district formed by the Town of Buckeye, Arizona (the "District") for the benefit of the owners of the Bonds (defined below), this irrevocable direct-pay letter of credit (the "Letter of Credit") in the aggregate stated amount of **$13,160,274.00** (the "**Stated Amount**") of which $13,000,000.00 (the "Principal Portion") is available to pay the principal of and the portion of the purchase price constituting principal of, and $160,274.00 (the "Interest Portion") is available to pay the interest on and the portion of the purchase price constituting interest on, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"). The Interest Portion was calculated at the rate of 9.0% per annum for 50 days on the basis of a 365-day year.

Funds shall be available hereunder to make any payment of principal or purchase price of, or interest on the Bonds upon presentation of one or more facsimile or original demands by you to Compass Bank, 24 Greenway Plaza, Suite 1601, Houston, Texas 77046, Attention: International Trade Services, Telephone: (713) 499-8640, Facsimile: (713) 499-8659, in the form of Annex 1, 2, 3 or 4 hereto, as appropriate, in compliance with all instructions therein.

Each such presentation must be made not later than 4:00 p.m. Houston, Texas time on a day on which the Trustee, the Bank, or banks or trust companies in Phoenix, Arizona or Houston,

Compass Bank

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Houston, Texas 77210-4444
713 499-8645 / Fax 713 499-8659
Toll Free 888 627-8860 / Fax 888 627-8861
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International Trade Services

Texas, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed (a "Business Day") prior to the expiration of this Letter of Credit or any extension of such expiry date pursuant to the provisions hereof. This Letter of Credit shall expire at the close of business of the above office of the Bank on the date which is the earliest of (each, a "Termination Date"):

(a) **NOVEMBER 10, 2007** (the "**Expiration Date**"), or any extension of the Expiration Date pursuant to an amendment of this Letter of Credit in the form of Annex 7 hereto, or any earlier date on which this Letter of Credit shall terminate, expire or be cancelled;

(b) the first Business Day immediately following the date the Bonds were remarketed with a Fixed Rate as specified by the Trustee in a notice in the form of Annex 5 hereto;

(c) the first Business Day immediately following the date specified by the Trustee in a notice in the form of Annex 5 hereto as being the date that all outstanding Bonds have been paid or will be paid with funds deposited with the Trustee; or

(d) the first Business Day immediately following the date specified by the Trustee in a notice in the form of Annex 5 hereto as being the effective date of an alternate letter of credit received by the Trustee and meeting the requirements of the Indenture.

Drawings on this Letter of Credit will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Account Party.

No draw may be made under this Letter of Credit for any payment with respect to Bonds owned by or pledged to the Bank.

The amount of each demand presented hereunder will be the amount inserted in numbered paragraph (3) of said demand.

The Bank hereby agrees with the Trustee that each demand presented hereunder in the form of Annex 1 or Annex 2 hereto in full compliance with the terms hereof will be honored by payment to the Trustee in immediately available funds (a) no later than noon, Houston, Texas time, on the Business Day next succeeding the day on which such demand is presented as aforesaid if such presentation is made at or before noon, Houston, Texas time; or (b) no later than noon, Houston, Texas time, on the second Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after noon, Houston, Texas time.

Compass Bank

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The Bank hereby agrees with the Trustee that each demand presented hereunder in the form of Annex 3 or Annex 4 hereto in full compliance with the terms hereof will be duly honored by payment to the Trustee in immediately available funds (a) no later than 1:00 p.m., Houston, Texas time, on the day such demand is presented as aforesaid if such presentation is made at or before 10:30 a.m., Houston, Texas time; or (b) no later than 1:00 p.m., Houston, Texas time, on the Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after 10:30 a.m., Houston, Texas time.

The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time.

Upon each payment hereunder with respect to the principal of the Bonds, the Principal Portion shall be decreased by the amount of the payment and immediately thereafter the Interest Portion shall be decreased proportionally.

Upon receipt of a notice from the Trustee in the form of Annex 8 hereto stating that the remarketing agent has identified purchasers of the Bonds owned by or pledged to the Bank and that the Bank has notified the Trustee that it has been reimbursed in full for any drawings made pursuant to Annex 3 or Annex 4, as applicable, the Principal Portion and Interest Portion shall be reinstated by the amounts by which they were decreased upon such payment.

The Interest Portion shall be decreased upon, and to the extent of, each payment hereunder with respect to interest pursuant to a demand in the form of Annex 1 hereto. Upon payment hereunder pursuant to a demand in the form of Annex 1 hereto, the Interest Portion shall be automatically and immediately reinstated by the amount by which it was decreased upon such payment.

Only the Trustee or a successor Trustee may make a drawing under this Letter of Credit. Upon the payment to the Trustee of the amount demanded pursuant to presentation of drawing certifications, the Bank shall be fully discharged of its obligations under the Letter of Credit in respect of such demand for payment to the Trustee or any owner of Bonds or any person on behalf of any owner of Bonds who may have made or makes a demand for payment of principal of or purchase price of, or interest on, any Bond. By paying to the Trustee an amount demanded in accordance herewith, the Bank makes no representation as to the correctness of the amount demanded or the Trustee's calculations and representations on the drawing certificates required of the Trustee by this Letter of Credit.

If a drawing demand is not, in any instance, in strict conformance with the terms and conditions of this Letter of Credit, the Bank shall give the Trustee prompt notice that the purported drawing was not effected in accordance with this Letter of Credit, stating the reason therefore and that the Bank is holding any documents at the Trustee's disposal or is returning them to the Trustee, as the Bank may elect. Upon being notified that the purported drawing was not effected in conformity with this Letter of Credit, the Trustee may attempt to correct any such

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nonconforming drawing certificate if, and to the extent that, the Trustee is entitled (without regard to the provisions of this sentence) and is able to do so prior to the expiration of this Letter of Credit.

To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by and construed in accordance with the International Standby Practices 1998 or any revision thereto (the "ISP 98"). As to matters not covered by ISP 98 and to the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by the laws of the State of Arizona, including, to the extent not inconsistent with ISP 98, the Uniform Commercial Code as in effect in the State of Arizona.

This Letter of Credit may be transferred more than once but only in the amount of the full Stated Amount then in effect to any single transferee who has succeeded the Trustee as trustee under the Indenture. Transfers may be effected only through the above office of the Bank and only upon presentation to it of a duly executed instrument of transfer in the form attached hereto as Annex 6 and payment by the Account Party of any and all amounts due and owing to the Bank. Any transfer of this Letter of Credit as aforesaid must be endorsed by the Bank on the reverse hereof and the Bank must issue an amendment to this Letter of Credit.

Communications and notices with respect to this Letter of Credit shall be in writing and shall be addressed to us at our office specified above, specifically referring to the number of this Letter of Credit, and shall be addressed to you at your address specified above.

COMPASS BANK, A STATE CHARTERED BANKING ASSOCIATION

By: Geraldine M Gurley
Name: Geraldine M. Gurley
Title: Vice President

ANNEX 1

[TO DRAW ACCRUED INTEREST ONLY]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit for interest whether or not paid or due with respect to one or more of the Bonds on [insert the relevant date].

(3) The aggregate amount of interest owing on the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The amount requested does not exceed the Interest Portion of the Stated Amount.

(4) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing with respect to the Bonds referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of interest owing on such Bonds. No portion of such amount may be used to make any payment with respect to Bonds owned by the Bank.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 2

[TO DRAW PRINCIPAL AND INTEREST DUE UPON REDEMPTION OR AT SCHEDULED MATURITY]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit for principal and interest due and payable on one or more of the Bonds on [insert the relevant date].

(3) The aggregate amount of principal and interest owing on the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of the Bonds.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on the Bonds.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Bonds referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of principal of or interest owing on such Bonds. No portion of such amount may be used to make any payment with respect to Bonds owned by the Bank.

(7) Upon your honoring the drawing requested hereunder the Principal Portion of the Stated Amount shall be reduced to $[insert amount] and the Interest Portion of the Stated Amount shall be reduced to $[insert amount].

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 3

[TO DRAW PURCHASE PRICE UPON OPTIONAL TENDER OF BONDS PURSUANT TO SECTION 3.11(A)/(B) OF THE INDENTURE]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), in its capacity as the Trustee, hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit to pay the purchase price due and payable on the purchase from the owners thereof, following tender thereof pursuant to Section 3.11____ [insert (A) or (B)] of the Indenture, of one or more of the Bonds on [insert the relevant date].

(3) The aggregate amount owing on account of the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of said Bonds.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on said Bonds.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Bonds referred to in numbered paragraph (3) above as provided in the Indenture and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of principal and interest owing on such Bonds.

(7) The Trustee will cause the Paying Agent to register all Bonds which are required to be purchased by the Bank pursuant to Section 3.11____ [insert (A) or (B)] of the Indenture to be immediately registered on behalf of the Bank (or its nominee) in accordance with Section 5.13(D) of the Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 4

[TO DRAW PRINCIPAL AND INTEREST DUE UPON MANDATORY TENDER PURSUANT TO SECTION 3.11(D) OF THE INDENTURE]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the Owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit to pay the principal and interest due and payable on the Mandatory Tender Date established for the Bonds which date is [insert the relevant date].

(3) The aggregate amount owing on account of the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of said Bonds.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on said Bonds.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Bonds referred to in numbered paragraph (3) above as provided in the Indenture and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of principal of and interest owing on such Bonds.

(7) The Trustee will cause the Paying Agent to register all Bonds which are required to be purchased by the Bank pursuant to Section 3.11(D) of the Indenture to be immediately registered in the name of the Bank (or its nominee) in accordance with Section 5.13(D) of the Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 5

[FOR TRUSTEE TO TERMINATE LETTER OF CREDIT]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), in its capacity as the Trustee, hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(Select appropriate paragraph)

(2) The Bonds were remarketed with a Fixed Rate on [insert relevant date].

or

(3) All outstanding Bonds have been paid or will be paid with funds deposited with the Trustee on [insert relevant date].

or

(4) The Trustee has received an alternate letter of credit meeting the requirements of the Indenture, and the effective date of the alternate letter of credit is [insert relevant date].

The Trustee requests that the Bank terminate the Letter of Credit effective as of the close of business on [insert relevant date], which date is the earliest of (a) the first Business Day following the date on which the Bonds were remarketed with a Fixed Rate, (b) the first Business Day following the date on which all outstanding Bonds have been paid, or (c) the first Business Day following the date of receipt of an alternate letter of credit.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 6

[TO TRANSFER LETTER OF CREDIT]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Subject: Letter of Credit No. S26861C issued by Compass Bank

Ladies and Gentlemen:

For value received, we hereby transfer all of our rights under the above-captioned letter of credit (the "Letter of Credit"), as heretofore and hereafter amended, extended or increased to:

_____
[Name of Transferee]

_____
[Address of Transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, and whether now existing or hereafter made. The Letter of Credit may hereafter be amended, extended or increased without our consent or notice to us and you will give notice thereof directly to the transferee.

By its signature below the undersigned transferee (a) acknowledges that it has duly succeeded to _____, as Trustee under that certain Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture"), by and between Wells Fargo Bank, National Association, as Trustee and the Account Party, as amended or supplemented from time to time, relating to those Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004; and (b) consents and agrees to perform and comply with all the terms, covenants and conditions on its part to be performed or complied with under the Indenture.

The original Letter of Credit is returned with all amendments to this date. Please notify the transferee in such form as you deem advisable to this transfer and of the terms and conditions of the Letter of Credit, including amendments, as transferred. A copy of this instrument of transfer has been furnished to the Account Party for its information.

Very truly yours,

[Insert Name of Transferor]

By:_____
Name:_____
Title:_____

Acknowledged

[Insert Name and Title]

By:_____
Name:_____
Title:_____

ANNEX 7

[FOR BANK TO EXTEND EXPIRATION DATE OF LETTER OF CREDIT UPON REQUEST OF THE ACCOUNT PARTY]

Wells Fargo Bank, National Association
100 West Washington Street
MAC S4101-22E
Phoenix, Arizona 85003

Certificate Extending the Expiration Date of Letter of Credit

Amendment No. _____

You are hereby notified pursuant to Section 11.2 of the Reimbursement Agreement, dated as of November 1, 2004, by and between the DMB WHITE TANK, LLC, an Arizona limited liability company, and Compass Bank, a state chartered banking association (the "Bank"), that the Bank has approved an extension of Letter of Credit No. S26861C (the "Letter of Credit"). The new Expiration Date is _____.

You are hereby instructed to attach this Certificate Extending the Expiration Date of Letter of Credit No. S26861C to the Letter of Credit as an amendment to thereto which, upon attachment, shall form an integral part thereof.

Dated _____

COMPASS BANK, A STATE CHARTERED BANKING ASSOCIATION

By:_____
Name:_____
Title:_____

ANNEX 8

[TO REINSTATE PRINCIPAL AND INTEREST AFTER REMARKETING OF BONDS PURSUANT TO SECTION 3.12 OF THE INDENTURE]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), in its capacity as the Trustee, hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association, in its capacity as the Bank (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the Bonds.

(2) The remarketing agent has identified purchasers for Bonds owned by or pledged to the Bank ("Bank Bonds") in an aggregate face amount of $[insert amount].

(3) The Bank has notified the Trustee that it has been reimbursed for all drawing(s) paid under the Letter of Credit pursuant to demand(s) made by us under Annex 3 or Annex 4 to the Letter of Credit, for which $[insert amount] is attributable to principal of the Bonds and $[insert amount] is attributable to interest on the Bonds.

(4) The Trustee hereby demands that you reinstate the Principal Portion of the Letter of Credit in the amount of $[insert amount] constituting principal and reinstate the Interest Portion of the Letter of Credit in the amount of $[insert amount] constituting interest on the Bonds, and upon such reinstatement, that you transfer Bank Bonds in the amount set forth in paragraph (2) above to the remarketing agent.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

REMARKETING AGREEMENT

Remarketing Agreement, dated and effective as of November 1, 2004, between VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA) (the "Issuer") (the "Borrower") and RBC Dain Rauscher Inc. (the "Remarketing Agent").

WHEREAS, on November 17, 2004, the Issuer issued its District Variable Rate General Obligation Bonds in the aggregate principal amount of $13,000,000 (the "Bonds"), pursuant to that certain Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture") between the Issuer and Wells Fargo Bank, N.A., as trustee (the "Trustee"); and

WHEREAS, to secure the payment of the principal of, interest on and purchase price of the Bonds, Compass Bank (the "Bank"), issued its irrevocable letter of credit (the "Letter of Credit") to the Trustee; and

WHEREAS, the outstanding Bonds are subject to purchase upon notice and delivery to the Trustee as provided in the Indenture; and

WHEREAS, the Issuer has appointed the Remarketing Agent (and the Remarketing Agent by execution hereby accepts the appointment) as Remarketing Agent pursuant to the Indenture; and

WHEREAS, the Issuer and the Remarketing Agent desire to make additional provisions regarding the Remarketing Agent's role as Remarketing Agent for the Bonds.

NOW, THEREFORE, for and in consideration of the covenants herein made, the Issuer and the Remarketing Agent hereby agree as follows:

Section 1. *Definitions.* All capitalized terms used in this Remarketing Agreement which are not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Section 2. *Duties.* In reliance upon the representations and agreements, but subject to the terms and conditions contained in the Indenture and in this Remarketing Agreement, the Issuer hereby appoints the Remarketing Agent, and the Remarketing Agent hereby accepts such appointment, as exclusive remarketing agent in connection with the offering and sale of the Bonds from time to time in the secondary market subsequent to the initial offering, issuance and sale of the Bonds.

The Remarketing Agent will perform the duties specified as Remarketing Agent under the Indenture and this Remarketing Agreement. In acting as Remarketing Agent, the Remarketing Agent will act as agent and not as principal except as expressly provided in this Section.

The Remarketing Agent may, if it determines to do so in its sole discretion, buy as principal any such Bonds but it will not in any event be obligated to do so.

Section 3. *Disclosure Statement.* (a) If the Remarketing Agent determines that it is necessary or desirable to use a disclosure statement in connection with its offering of the Bonds,

the Remarketing Agent will notify the Issuer and the Issuer will provide the Remarketing Agent with a disclosure statement reasonably satisfactory to the Remarketing Agent and its counsel in respect of the Bonds. The Issuer will supply the Remarketing Agent with such number of copies of the disclosure statement and documents related thereto as the Remarketing Agent requests from time to time and will amend the disclosure statement (and/or the documents incorporated by reference in it) so that at all times the disclosure statement and any documents related thereto will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements in such documents, in the light of the circumstances under which they were made, not misleading. In addition, the Issuer will take all steps reasonably requested by the Remarketing Agent which the Remarketing Agent or its counsel may consider necessary or desirable to register the sale of the Bonds by the Remarketing Agent under any Federal or state securities law or to qualify the Indenture under the Trust Indenture Act of 1939, as amended, and will provide the Remarketing Agent such officers' certificates, counsel opinions, accountants' letters and other documents as may be customary in similar transactions. If the Issuer does not perform its obligations under this Section, the Remarketing Agent may immediately cease remarketing efforts.

(b) The Issuer has previously prepared and delivered to the Remarketing Agent a copy of the Official Statement, dated November 16, 2004, including the Appendices thereto as specifically described therein. The Issuer authorizes the use by the Remarketing Agent of the Official Statement in connection with the remarketing of Bonds. For purposes of this Remarketing Agreement, the Official Statement and any other documents provided to the Remarketing Agent pursuant to paragraph (a) of this Section shall be considered to be the Disclosure Statement (as defined in § 7 hereof).

Section 4. Representations, Warranties, Covenants and Agreements of the Remarketing Agent. The Remarketing Agent, by its acceptance hereof, represents, warrants, covenants and agrees with the Issuer as follows:

(a) It is authorized by law to perform all the duties imposed upon it by the Indenture and this Remarketing Agreement.

(b) The execution and delivery of this Remarketing Agreement and the consummation of the transactions contemplated herein and in the Indenture will not conflict with or constitute on the part of the Remarketing Agent a breach of or default under its charter documents, its by-laws, or any statute, indenture, mortgage, deed of trust, lease, note agreement or other agreement or instrument to which the Remarketing Agent is a party or by which it or its properties are bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Remarketing Agent or any of its activities or properties.

(c) This Remarketing Agreement has been duly authorized, executed and delivered by the Remarketing Agent.

(d) The Remarketing Agent will use its best efforts to remarket the Bonds pursuant to this Remarketing Agreement.

Section 5. *Representations, Warranties, Covenants and Agreements of the Issuer.* The Issuer, by its acceptance hereof, represents, warrants, covenants, and agrees with the Remarketing Agent as follows:

(a) It has full power and authority to take all actions required or permitted to be taken by it or under, and to perform and observe the covenants and agreements on its part contained in, the Indenture, the Letter of Credit, Reimbursement Agreement and the Assignment and Purchase Agreement dated the Closing Date with respect thereto and any other instrument or agreement relating thereto to which it is a party (collectively, the "Closing Documents").

(b) It has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for: (i) the execution, delivery and performance of the Closing Documents and which have been executed in connection with the transactions contemplated by the foregoing documents, and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Official Statement; *provided* that no representation is made with respect to compliance with the securities or Blue Sky laws of the various states of the United States.

(c) The Closing Documents which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, will constitute its legal, valid and binding obligations, enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws, or equitable principles relating to or limiting creditors' rights generally.

(d) The execution and delivery of the Closing Documents and which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated do not and will not violate any law, regulation, order, writ, injunction or decree of any court or governmental body or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer pursuant to any mortgage, resolution, agreement or instrument to which the Issuer is a party or by which it or any of its properties is bound other than those provided for in or contemplated by the Indenture and the Deed of Trust.

(e) All authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Issuer of the Closing Documents and which have been executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement have been obtained, given or taken and are in full force and effect; *provided* that no representation is made with respect to compliance with the securities or Blue Sky laws of the various states of the United States.

(f) To the knowledge of the Issuer, other than as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or threatened against or affecting it wherein an unfavorable decision, ruling or

finding is likely to have a material adverse effect on the financial condition or solvency of the Issuer or the ability of the Issuer to perform its obligations under the Closing Documents or any other agreement or instrument to which it is a party and which is used or contemplated for use in consummation of the transactions contemplated hereby or by the Official Statement.

(g) The Issuer will cooperate with the Remarketing Agent in the qualification of the Bonds for offering and sale and the determination of the eligibility of the Bonds for investment under the laws of such jurisdictions as the Remarketing Agent shall designate and will use its best efforts to continue any such qualifications in effect so long as required for the distribution of all the Bonds by the Remarketing Agent; *provided* that the Issuer shall not be required to incur any expense, consent to service of process in any such jurisdiction or qualify to do business in any jurisdiction where it is not now so subject.

Section 6. Conditions To Remarketing Agent's Obligations. The obligations of the Remarketing Agent under this Remarketing Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the Issuer of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants and agreements of the Issuer contained herein, on and as of the date of delivery of this Remarketing Agreement. The obligations of the Remarketing Agent on and as of each date on which Bonds are to be offered and sold pursuant to this Remarketing Agreement are also subject to the following further conditions:

(a) Each of the Closing Documents shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the Bonds, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect such additional resolutions, agreements, certificates and opinions, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to the Remarketing Agent; and

(b) No Event of Default (as such term is defined in the Closing Documents) shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an Event of Default.

Section 7. Reserved.

Section 8. Fees and Expenses. In consideration of the Remarketing Agent's services under this Remarketing Agreement, the Issuer will pay the Remarketing Agent as Remarketing Agent an annual amount equal to an aggregate of 1/8 of 1.0% of the aggregate principal amount of Bonds outstanding for the prior period under the Indenture, payable semi-annually in arrears on JUNE 1 and DEC 1, commencing on JUNE 1, 2005 and computed on the basis of the aggregate principal amount of the Bonds then outstanding. The Issuer also will pay all expenses in connection with the preparation of any Disclosure Statement and the registration of the Bonds and any other documents relating to the Bonds under any securities laws, qualifying the Indenture under the Trust Indenture Act and will reimburse the Remarketing Agent for all of its direct out-of-pocket expenses incurred by it as Remarketing Agent under this Remarketing Agreement and the Indenture, including reasonable counsel fees and disbursements.

Section 9. *Dealing in Bonds by Trustee, Bank and Remarketing Agent.* The Trustee, the Bank or the Remarketing Agent, in their respective individual capacity may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bond owners may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee or the Remarketing Agent, in their respective individual capacities, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer, and may act as depository, trustee, or agent for other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

Section 10. *Intention of Parties.* It is the intention of the parties hereto that no purchase, sale or transfer of any Bonds, as herein provided and provided in the Indenture, shall constitute or be construed to be extinguishment of any Bonds or the indebtedness represented thereby or the re-issuance of any Bonds.

Section 11. *Fails.* The Remarketing Agent will not be liable to the Issuer, the Trustee or the Bank on account of the failure of any person to whom the Remarketing Agent has sold a Bond to pay for such Bond or to deliver any document in respect of the sale. It is understood and agreed that the Remarketing Agent shall not be obligated to advance its own funds to purchase, or to effect the purchase of, any Bonds.

Section 12. *Remarketing Agent's Performance.* (a) The duties and obligations of the Remarketing Agent as Remarketing Agent shall be determined solely by the express provisions of this Remarketing Agreement and the Indenture, and the Remarketing Agent shall not be responsible for the performance of any other duties and obligations than as are specifically set forth in this Remarketing Agreement and the Indenture, and no implied covenants or obligations shall be read into this Remarketing Agreement or the Indenture against the Remarketing Agent.

(b) The Remarketing Agent may conclusively rely upon any notice or document given or furnished to the Remarketing Agent and conforming to the requirements of this Remarketing Agreement or the Indenture and shall be protected in acting upon any such notice or document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.

(c) The Remarketing Agent shall not be liable for any actions taken or omitted to be taken pursuant to this Remarketing Agreement, except for its own gross negligence or willful misconduct.

Section 13. *Termination.* This Remarketing Agreement will terminate upon the effective resignation or removal of the Remarketing Agent as Remarketing Agent in accordance with the Indenture. The Remarketing Agent will resign as Remarketing Agent under the Remarketing Agreement if requested to do so by the Issuer in writing with 30 days notice and may resign at any time upon 30 days notice. Following termination, the provisions of § 7 will continue in effect, and each party will pay the other any amounts owing at the time of termination.

Section 14. Miscellaneous. (a) except as otherwise provided, any notice or other communication herein required or permitted to be given shall be in writing or by telex or facsimile transmission or by telephone with subsequent written confirmation and may be personally served or sent by United States mail, first class postage prepaid, and shall be deemed to have been given upon receipt by the party notified. For the purposes hereof, the address of the parties (until notice of a change thereof is delivered as provided in this Section 14(a) shall be as follows:

Remarketing Agent: RBC Dain Rauscher Inc.
1211 Avenue of the Americas
32nd Floor
New York, New York 10036-8705
Attention: Short-Term Trading Desk

Issuer: Town of Buckeye, Arizona
100 N. Apache, Suite A
Buckeye, Arizona 85325
Attention: District Manager

The Remarketing Agent and the Issuer may, by notice given under this Remarketing Agreement, designate other addresses to which notices or other communications shall be directed.

(b) This Remarketing Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The terms "successors" and "assigns" shall not include any purchaser of any of the Bonds merely because of such purchase.

(c) All of the representations, warranties and covenants made in this Remarketing Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any party hereto, (ii) delivery of and any payment for any Bonds hereunder, or (iii) termination or cancellation of this Remarketing Agreement.

(d) Section headings have been inserted in this Remarketing Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Remarketing Agreement and will not be used in the interpretation of any provisions of this Remarketing Agreement.

(e) If any provision of this Remarketing Agreement 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 or public policy, or any other reason, such circumstances shall not have the effect of rendering the provisions in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provisions of this Remarketing Agreement invalid, inoperative or unenforceable to any extent whatsoever.

(f) This Remarketing Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) The terms of this Remarketing Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by all of the parties hereto.

(h) This Remarketing Agreement shall be governed by and construed in accordance with the laws of the State of Arizona and, to the extent applicable, the federal laws of the United States of America.

In witness whereof, the Remarketing Agent and the Issuer have caused this Remarketing Agreement to be signed in their names by undersigned officers, thereunto duly authorized, all as of the day and year first above written.

RBC Dain Rauscher Inc., as Remarketing Agent

By _____

Name Terry L. Mars

Title [Managing Director or Principal]

Date NOV 16 2004

Verrado Overlay Community Facilities District
(Town of Buckeye, Arizona)

By _____

Name Dustin "Dusty" Hull

Title Chairman, District Board

Date November , 2004

REIMBURSEMENT AGREEMENT

Between

DMB WHITE TANK, LLC,
an Arizona limited liability company

and

COMPASS BANK,
an Alabama banking corporation

Dated as of November 1, 2004

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITION OF TERMS 2

Section 1.1 Definitions 2

Section 1.2 Accounting Terms 8

Section 1.3 Interpretation 8

Section 1.4 Relation to Other Documents 9

ARTICLE 2 LETTER OF CREDIT, FEES AND PAYMENT PROVISIONS 10

Section 2.1 The Letter of Credit 10

Section 2.2 Fees 10

Section 2.3 Drawing Reimbursement 11

Section 2.4 Purchased Bonds 12

Section 2.5 Interest Rate; Default Rate 12

Section 2.6 Increased Costs 13

Section 2.7 Computations 13

Section 2.8 Non-Business Days 13

Section 2.9 Payments by Borrower 13

Section 2.10 Maintenance of Accounts 14

Section 2.11 Application of Funds 14

ARTICLE 3 CONDITIONS PRECEDENT 15

Section 3.1 Conditions Precedent to the Issuance of the Letter of Credit 15

Section 3.2 Additional Conditions Precedent to the Issuance of the Letter of Credit 17

ARTICLE 4 SECURITY DOCUMENTS; GUARANTEE 19

Section 4.1 Security 19

Section 4.2 Security Documents 21

Section 4.3 Guarantee 21

ARTICLE 5 REPRESENTATIONS AND WARRANTIES 22

Section 5.1 Organization; Good Standing 22

Section 5.2 Authorization and Power 22

Section 5.3 No Conflicts or Consents 22

Section 5.4 Enforceable Obligations 22

TABLE OF CONTENTS
(continued)

Page

Section 5.5	Accurate Information	22
Section 5.6	Regulation U	23
Section 5.7	Legal Proceedings; Hearings, Inquiries, and Investigations	23
Section 5.8	Material Agreements	23
Section 5.9	Approvals and Permits; Assets and Property	23
Section 5.10	Taxes	23
Section 5.11	ERISA	23
Section 5.12	Compliance with Law	24
Section 5.13	Recitals	24
Section 5.14	Security Documents	24
Section 5.15	Survival	24
Section 5.16	Drawings	24
Section 5.17	Legal Status	24
Section 5.18	No Stock Purchase	24
Section 5.19	Solvent	24
Section 5.20	Representations and Warranties Upon Delivery of Financial Statements, Documents, and Other Information	25
Section 5.21	Environmental Matters	25
Section 5.22	Investment Company Act	25
Section 5.23	Public Utility Holding Company Act	25
ARTICLE 6	AFFIRMATIVE COVENANTS	26
Section 6.1	Maintain Existence and Management	26
Section 6.2	Books and Records; Access By Bank	26
Section 6.3	Reporting Requirements	26
Section 6.4	Law; Judgments; Material Agreements; Approvals and Permits	27
Section 6.5	Payment of Taxes and Other Debt	27
Section 6.6	Assets and Property	27
Section 6.7	Insurance	27
Section 6.8	Notice of Default	27
Section 6.9	ERISA	27

TABLE OF CONTENTS
(continued)

Page

Section 6.10	Appraisals	28
Section 6.11	Inspection	28
Section 6.12	Further Assurances	28
Section 6.13	Costs and Expenses of Borrower's Performance of Covenants and Satisfaction of Conditions	28
Section 6.14	Facility Fee	28
Section 6.15	Collateral Account	28
Section 6.16	Changes in Legal Status	28
Section 6.17	District Improvements	29
Section 6.18	Repayments to Borrower	29
Section 6.19	Drawing Payment	29
ARTICLE 7	NEGATIVE COVENANTS	30
Section 7.1	Existence Restrictions	30
Section 7.2	Merger, Sale of Assets	30
Section 7.3	Liens	30
Section 7.4	Transfer Collateral	30
Section 7.5	Amendments	30
Section 7.6	Optional Redemption	30
Section 7.7	Change in Accounting Period	30
Section 7.8	Maximum Commitment Amount	30
Section 7.9	[Intentionally Left Blank]	31
Section 7.10	Financial Covenants	31
Section 7.11	District Debt	31
Section 7.12	Borrower Subordination	31
ARTICLE 8	AFFIRMATIVE COVENANTS OF BANK	32
Section 8.1	Optional Redemption of Bonds	32
Section 8.2	Mandatory Tender of Purchased Bonds	32
ARTICLE 9	EVENTS OF DEFAULT	33
Section 9.1	Events of Default	33
Section 9.2	Rights and Remedies	34

TABLE OF CONTENTS
(continued)

Page

ARTICLE 10 NATURE OF OBLIGATIONS; INDEMNIFICATION 36
Section 10.1 Obligations Absolute 36
Section 10.2 Continuing Obligation 36
Section 10.3 Liability of the Bank 36
Section 10.4 Indemnification 37
Section 10.5 Telecopied Documents 38
ARTICLE 11 TRANSFER, REDUCTION, REINSTATEMENT, EXTENSION OF LETTER OF CREDIT 39
Section 11.1 Transfer, Reduction and Reinstatement 39
Section 11.2 Extension 39
Section 11.3 Reinstatement of the Letter of Credit 39
ARTICLE 12 MISCELLANEOUS 40
Section 12.1 Control of the Bank and Borrower 40
Section 12.2 Costs, Expenses and Taxes 40
Section 12.3 Amendments and Waivers 40
Section 12.4 No Waiver; Remedies 41
Section 12.5 Notices 41
Section 12.6 Binding Effect 42
Section 12.7 Severability 43
Section 12.8 Governing Law 43
Section 12.9 Headings 43
Section 12.10 Participation 43
Section 12.11 No Third Party Beneficiaries 43
Section 12.12 Integration 43
Section 12.13 No Joint Venture 43
Section 12.14 Discretionary Rights 44
Section 12.15 Joint and Several 44
Section 12.16 Time of Essence 45
Section 12.17 Successors 45
Section 12.18 Set-off 45

Page

Section 12.19 JURY WAIVER 45
Section 12.20 Counterparts 46

SCHEDULES

"A" The Real Property

EXHIBITS

"1" Form of Letter of Credit
"2" Compliance Certificate

REIMBURSEMENT AGREEMENT

BY THIS REIMBURSEMENT AGREEMENT (together with any amendments or modifications, the "Reimbursement Agreement"), entered into as of the 1st day of November, 2004, by and between DMB WHITE TANK, LLC, an Arizona limited liability company (the "Borrower"), and COMPASS BANK, an Alabama banking corporation (the "Bank"), in consideration of the mutual promises herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

RECITALS

A. Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), a community facilities district formed by the Town of Buckeye, Arizona (the "District"), has issued its Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), in an aggregate principal amount not to exceed $13,000,000.00 pursuant to that Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture") between the District and Wells Fargo Bank, National Association, as Trustee (together with any successors thereto, the "Trustee") to finance, refinance or be reimbursed for any and all of the public infrastructure purposes provided for in the General Plan for the District (the "General Plan") dated January 10, 2001, to the extent authorized in the general bond election held on August 7, 2001 (the "Election").

B. In connection with the issuance of the Bonds, the District has required that Borrower cause to be delivered to the Trustee, for the benefit of the holders of the Bonds, an irrevocable direct pay letter of credit to secure payment of principal and interest with respect to the Bonds, and the purchase price with respect to the Bonds.

C. Borrower has requested the Bank to issue its irrevocable direct pay letter of credit, payments under which drawings are to be made exclusively from the general funds of the Bank and not from the funds of Borrower (such letter of credit, a form of which is attached hereto as Exhibit "1", as it may be amended, modified or restated from time to time, is herein called the "Letter of Credit"), in an amount not to exceed $13,160,274.00 (the "Initial Stated Amount") of which $13,000,000.00 will be available to pay principal of the Bonds either at maturity or upon redemption thereof or to pay the portion of the purchase price of Bonds representing the principal amount thereof, and of which $160,274.00 represents fifty (50) days of interest on the principal amount of Bonds calculated at the rate of nine percent (9.0%) per annum on the basis of a 365-day year; the Initial Stated Amount is subject to reduction and reinstatement in accordance with the terms of the Letter of Credit.

D. The Bank has agreed to provide such financial accommodations upon and subject to the terms and conditions hereinafter set forth.

AGREEMENT

ARTICLE 1

DEFINITION OF TERMS

Section 1.1 Definitions. For the purposes of this Reimbursement Agreement, unless the context otherwise requires, the following terms shall have the respective meanings assigned to them in this Article 1 or in the section hereof referred to below:

"Accounts" means the DSR Fund and the Collateral Account.

"Appraisal" means an appraisal of the Real Property (i) ordered by the Bank, (ii) prepared by an appraiser satisfactory to the Bank, (iii) in compliance with all federal and state standards for appraisals, (iv) reviewed by the Bank, and (v) in form and substance satisfactory to the Bank in its absolute and sole discretion.

"Available Amount" in effect at any time means the maximum aggregate amount available to be drawn at such time under the Letter of Credit, the determination of such maximum amount to assume compliance with all conditions for a Drawing and no reduction for (i) any amount drawn by the Trustee to make a regularly scheduled payment of interest on the Bonds, or (ii) any amount not available to be drawn because Bonds are held by or for the account of Borrower or pursuant to the Pledge Agreement. The maximum aggregate amount available to be drawn under the Letter of Credit equals the sum of one hundred percent (100%) of the principal amount of the Bonds then outstanding, plus the Interest Portion.

"Bank": See the Preamble hereto.

"Bond Counsel" means "Bond Counsel" as defined in the Indenture.

"Bond Documents" means the Indenture, the Bonds and the Bond Resolution (as defined in the Indenture).

"Bonds": See Recital A hereof.

"Borrower" means DMB WHITE TANK, LLC, an Arizona limited liability company.

"Business Day": See the Letter of Credit.

A "Change in Ownership" means the transfer, after the Date of Issuance, of more than fifty percent (50.0%) of the equity interests in Borrower or Guarantor to any Person or Persons who are not owners of any equity interest therein on the Date of Issuance, without the prior consent of the Bank.

"Code" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Collateral" means any real or personal property of any Person subject to the Security Documents.

"Collateral Account": See Section 6.15.

"Commitment Fee" means a fee equal to 0.75% of the Initial Stated Amount of the Letter of Credit. The Commitment Fee shall be nonrefundable under any circumstances.

"Control" means the power to direct or cause the direction of the management or policies of a Person, whether through rights of ownership under voting securities, under contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state.

"Custodian" means the Trustee, as the custodian under the Pledge Agreement.

"DSR Fund": See Section 4.1(d).

"Date of Issuance" means the date on which the executed Letter of Credit is delivered to the Trustee.

"Debt" means (A) obligations for borrowed money, (B) obligations representing the deferred purchase price of property other than trade accounts payable arising in, and on terms customary in, the ordinary course of Borrower's business, (C) obligations under conditional sales agreements, and (D) the unpaid principal amount of loans and other obligations guaranteed by Borrower, other than obligations incurred in the ordinary course of business in connection with the planning, development, marketing and/or sale of land in the District (including, without limitation, contracts for goods and services, contracts for the construction of improvements and agreements whereby Borrower guarantees cost overruns in the construction of improvements to the land in the District).

"Deed of Trust" means that Deed of Trust, Assignment of Rents, Security Agreement and Financing Statement to be recorded in the records of Maricopa County, Arizona, as amended from time to time, from Pledgor, as trustor for the benefit of the Bank with respect to the Real Property.

"Default Rate" means a fluctuating interest rate equal at all times to the greater of (i) four percent (4.00%) per annum above the Prime Rate in effect from time to time, or (ii) six percent (6.00%) per annum.

"District" means Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), a community facilities district formed by the Town of Buckeye, Arizona.

"Dollars" and the sign "$" mean lawful currency of the United States of America.

"Drawing" means a drawing made under the Letter of Credit for any purpose.

"Election": See Recital A hereof.

"Election Tax" means a tax rate of $3.00 per $100 of secondary assessed valuation on property within the boundaries of the District.

"ERISA" means the Employee Retirement Income Security Act of 1974 and the regulations and published interpretations thereunder, as in effect from time to time.

"Event of Default" means one of the events defined as such in Section 9.1 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expiration Date": See the Letter of Credit.

"Facility Fee" means a fee equal to an annual rate of one and one-quarter percent (1.25%) of the average Available Amount of the Letter of Credit in effect during the applicable Quarterly Period, which rate shall continue to be applicable if the Bonds become Purchased Bonds as the result of a Rating Event Drawing or a Failed Remarketing Drawing; provided, however, upon the occurrence of an Event of Default and during the continuation thereof, Facility Fee shall mean a fee equal to the Default Rate of the average Available Amount during the prior Quarterly Period. The increase in the Facility Fee shall be paid to Bank promptly upon Borrower's receipt of written demand therefor from Bank. The Facility Fee shall be earned and payable from the Date of Issuance until the Expiration Date. The Facility Fee shall be nonrefundable under any circumstances.

"Failed Remarketing Drawing" means a Drawing to purchase Bonds that are optionally tendered pursuant to Sections 3.11(A) and (B) of the Indenture and which in the reasonable opinion of the Remarketing Agent may not be promptly remarketed pursuant to Section 3.12 of the Indenture; a Failed Remarketing Drawing shall not include a Drawing to purchase the Bonds as a result of a mandatory tender pursuant to Section 3.11(d) of the Indenture.

"Financial Covenants" means those covenants described in Section 7.10.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof and which are consistently applied for all periods after the date hereof so as to properly reflect the financial condition, and the results of operations and changes in financial position, of Borrower, including without limitation accounting rules promulgated pursuant to Regulations S-X and S-K, except that any accounting principle or practice required to be changed by the said Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee of the said Boards) in order to continue as a generally accepted accounting principle or practice may be so changed.

"General Plan": See Recital A hereof.

"Governmental Authority" means any government (or any political subdivision or jurisdiction thereof), court, bureau, agency or other governmental authority having jurisdiction over Borrower or any of its business, operations or properties.

"Guarantee": See Section 4.3 hereof.

"Guarantor" means DMB REALCO II LLC, an Arizona limited liability company.

"Indenture": See Recital A hereof.

"Initial Stated Amount": See Recital C hereof.

"Interest Portion": See the Letter of Credit.

"Letter of Credit": See Recital C hereof.

"Lien" and "Lien and Encumbrance" mean, respectively, each and all of the following: (i) any lease or other right to use; (ii) any assignment as security, conditional sale, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, or other interest or right.

"Liquidity Loan": See Section 2.4(c) hereof.

"Liquidity Loan Rate" means a fluctuating interest rate equal at all times to the greater of (i) one percent (1.00%) per annum above the Prime Rate in effect from time to time, or (ii) four and one half percent (4.50%) per annum.

"Loan Documents" means this Reimbursement Agreement, the Security Documents and any other agreements, documents or instruments evidencing, guarantying, securing or otherwise relating to this Reimbursement Agreement, as such agreements, documents and instruments may be amended, modified, extended, renewed or supplemented from time to time.

"Loan Due Date" means (i) the day on which the Bank has made a demand loan to Borrower by the payment of a Drawing that is not a Rating Event Drawing or a Failed Remarketing Drawing, and (ii) a date that is six (6) months after the day on which the Bank has made a loan to Borrower by the payment of either a Rating Event Drawing or a Failed Remarketing Drawing, which date may be extended at the sole discretion of the Bank.

"Material Adverse Effect" means any circumstance or event which (i) has any material adverse effect upon the validity or enforceability of this Reimbursement Agreement, any other Loan Document or any Related Document, or (ii) materially impairs the ability of Borrower to fulfill its obligations under this Reimbursement Agreement or any Related Document.

"Maximum Commitment Amount": See Section 7.8(a).

"Moody's" has the meaning given it in the Indenture.

"Net Worth" means the remainder of assets less liability as reflected on the Internal Financial Statements of Borrower or Guarantor, as applicable, as referenced in Section 6.2 and Section 7.10.

"Obligations" means the obligations of Borrower under the Loan Documents.

"Participant(s)" means any bank(s) or other financial institutions which may purchase a participation interest from the Bank in the Letter of Credit, this Reimbursement Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

"Permitted Lien" means "Permitted Exceptions" as defined in the Deed of Trust.

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

"Pledge Agreement" means that Custody, Pledge and Security Agreement dated as of November 1, 2004, by and among Borrower, the Custodian and the Bank.

"Pledged Bond" means "Pledged Bond" as defined in the Pledge Agreement.

"Pledged Funds": See Section 8.1(h).

"Pledgor" means DMB White Tank, LLC, an Arizona limited liability company, as trustor under the Deed of Trust.

"Prime Rate" means the interest rate per annum most recently published in The Wall Street Journal ("Journal") as the "Prime Rate," provided, however, that if such rate is not available in the Journal, then such rate shall be otherwise determined by Bank from an alternate, substantially similar independent source available to Bank.

"Purchased Bonds" means all Bonds purchased by the Bank or purchased by the Trustee on behalf of the Bank.

"Purchased Bonds Rate" means "Purchased Bonds Rate" as defined in the Indenture.

"Quarterly Period" means three month periods ending on each March 31, June 30, September 30 and December 31.

"Rating Event" has the meaning given it in the Indenture.

"Rating Event Drawing" means a Drawing to purchase the Bonds tendered for purchase pursuant to Section 3.11(d)(vi) of the Indenture.

"Real Property" means that real property described on Schedule "A" attached hereto, consisting of approximately 152.72 net acres of commercial real estate at the intersection of Interstate Route 10 and Verrado Way, Buckeye, Arizona.

"Regulation U" means Regulation U promulgated by the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 221, or any other regulation hereafter promulgated by said Board to replace the prior Regulation U and having substantially the same function.

"Reimbursement Account" means the following account of the Bank, or such account as may be designated by the Bank in writing to the Borrower and the Trustee:

BBK: Compass Bank (ABA #107005319)

BNF: DMB White Tank LLC/Verrado CFD DSR Fund #2502495944

Ref: Verrado Western Overlay CFD

Attn: Matthew J. Chorske

Tel: (303) 217-2235

"Reimbursement Agreement": See the Preamble hereto.

"Related Documents" means the Letter of Credit, the Loan Documents, the Bond Documents, the Bonds, and any exhibits thereto.

"Reserve Requirement" means an amount equal to Interest Portion.

"S&P" has the meaning given it in the Indenture.

"SEC" means the Securities and Exchange Commission.

"Security Agreement": See Section 4.1(c).

"Security Documents": See Section 4.2.

"Significant Debt Agreement" means all documents, instruments and agreements executed by Borrower evidencing, or securing any Debt or any guaranty in excess of $100,000.00 in outstanding principal (or principal equivalent) amount.

"Standby Contribution Agreement" has the meaning given it in the Indenture.

"State" means the State of Arizona.

"Tax Collections Fund": See Section 8.1(h).

"Termination Date": See the Letter of Credit.

"Termination Fee": See Section 2.1(c).

"Title Policy": See Section 3.1(m).

"Town": See Recital A hereof.

"Trustee": See Recital A hereof.

Section 1.2 Accounting Terms. All accounting terms used herein without definition shall be interpreted in accordance with GAAP and, except as otherwise expressly provided herein or otherwise inconsistent with the terms of this Reimbursement Agreement, all determinations herein required shall be made in accordance with GAAP.

Section 1.3 Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. All capitalized terms not defined herein shall have the meaning ascribed to them in the Indenture.

Section 1.4 Relation to Other Documents. Nothing in this Reimbursement Agreement shall be deemed to amend or relieve Borrower of its obligations under any other Related Document. Except as otherwise provided herein, references to any document or instrument defined in this Article 1 are to such documents or instruments as amended or supplemented from time to time with the Bank's consent or as otherwise permitted by this Reimbursement Agreement.

ARTICLE 2

LETTER OF CREDIT, FEES AND PAYMENT PROVISIONS

Section 2.1 The Letter of Credit.

(a) Borrower hereby applies to the Bank for and authorizes and instructs the Bank to issue the Letter of Credit to the Trustee.

(b) The Bank agrees, on the terms and conditions hereinafter set forth, to issue the Letter of Credit to the Trustee for the account of Borrower.

Section 2.2 Fees. Borrower hereby agrees to pay to the Bank the following:

(a) On or before the Date of Issuance, the Commitment Fee.

(b) The Facility Fee from the Date of Issuance until the Termination Date, payable quarterly in arrears and collected initially on or before January 5, 2005 for the period from the Date of Issuance, and payable thereafter on or before each April 5, July 5, October 5 and January 5 for the prior Quarterly Period, and on the Expiration Date for the period from the prior Quarterly Period.

(c) In the event that the Letter of Credit is terminated, cancelled or substituted prior to the Expiration Date, in addition to all other amounts then due to the Bank (including, without limitation, an amount equal to the Facility Fee the Bank would have received, based on the daily average Available Amount and computed as of the effective date of such termination or substitution for the period from the first day of the then-current Quarterly Period (as described in Section 2.2(b) above) to such effective date), a termination fee in an amount equal to 0.30% of the Available Amount on the Date of Issuance (the "Termination Fee") shall be paid to the Bank on or before the effective date of such termination or substitution of the Letter of Credit. If, however, the termination, cancellation or substitution of the Letter of Credit occurs as a result of a Rating Event or as a result of any circumstance other than an Event of Default, the Termination Fee otherwise required by this subsection will not be charged.

(d) A drawing fee of $250.00 (the "Draw Fee") and a wire fee of $25.00, or such amount as the Bank from time to time charges for wiring services, in connection with, and payable at the time of, each Drawing.

(e) A transfer fee of $2,500.00 plus legal fees and costs incurred by the Bank due to such transfer payable upon each transfer of the Letter of Credit in accordance with its terms, payable on the date of the transfer.

(f) The Bank's customary fees with respect to the administration of a letter of credit, which are reflected on that certain schedule of fees provided by Bank to Borrower on or before the Date of Issuance, as modified from time to time thereafter.

Section 2.3 Drawing Reimbursement.

(a) Each Drawing paid by the Bank under the Letter of Credit (including, without limitation, amounts in respect of any reinstatement of the Interest Portion notwithstanding any failure by Borrower to reimburse the Bank for any previous Drawing to pay interest on the Bonds), other than a Rating Event Drawing or a Failed Remarketing Drawing, shall constitute a demand loan made by the Bank to Borrower on the date of such payment by the Bank under the Letter of Credit. Any such demand loan shall bear interest from the date of the making of such demand loan until payment in full, at the Default Rate. Borrower agrees to pay each such demand loan, together with interest thereon, on or before the applicable Loan Due Date. No interest shall be charged if payment is received by the Bank on the date of the Drawing or if, as of the date of any Drawing, monies in the DSR Fund equal or exceed the amount of the Drawing.

(b) After each Drawing paid by the Bank, the Bank is hereby authorized to debit the DSR Fund and, to the extent necessary, the Collateral Account maintained by Borrower with the Bank to pay for the fees and interest related to such Drawing to the extent not otherwise paid by Borrower. The Bank shall provide notice to the Borrower of each debit against the DSR Fund and, if applicable, the Collateral Account.

(c) The Bank is hereby authorized to debit the DSR Fund and, to the extent necessary, the Collateral Account maintained by Borrower with the Bank in an amount equal to any Drawing to the extent not otherwise paid by Borrower. The Bank shall provide notice to the Borrower of each debit against the DSR Fund and, if applicable, the Collateral Account.

(d) All reimbursement funds received by the Bank from the Trustee pursuant to Section 11.03 of the Indenture shall be applied as follows:

(i) to the payment of all amounts due and payable hereunder, including without limitation, any unpaid reimbursement of a Drawing, unpaid interest thereon and any unpaid fees;

(ii) to the Collateral Account to the extent necessary pursuant to Section 6.15; and

(iii) to the DSR Fund, the balance, if any.

(e) Notwithstanding the foregoing, any outstanding demand loans or any amounts due the Bank hereunder as of the Termination Date shall become due and payable on such Termination Date.

(f) Notwithstanding the foregoing, in the event that, as of any Reimbursement Date (as defined in the Indenture) as provided for in Section 11.03 of the Indenture, the Trustee fails to disburse to the Bank the required

amount of District tax collections, the Bank shall promptly request such disbursement as soon as reasonably possible.

Section 2.4 Purchased Bonds.

(a) All Purchased Bonds shall be registered in the name of the Trustee on behalf of the Bank or its nominee in accordance with Section 3.14 of the Indenture.

(b) All Purchased Bonds shall bear interest at the Purchased Bonds Rate.

(c) A Rating Event Drawing or a Failed Remarketing Drawing shall constitute a loan ("Liquidity Loan") made by the Bank to Borrower on the date of such payment by the Bank under the Letter of Credit. The outstanding balance of any such Liquidity Loan shall bear interest at the Liquidity Loan Rate from the date of making of the Liquidity Loan until payment in full. Borrower agrees to pay the Liquidity Loan on or before the applicable Loan Due Date. On the applicable Loan Due Date, all outstanding principal of the Liquidity Loan, accrued and unpaid interest thereon and all other amounts payable by Borrower and outstanding hereunder shall become due and payable. Interest on the outstanding balance of the Liquidity Loan shall be due and payable on or before the first Business Day of each month, commencing the first month after the payment by the Bank of the applicable Drawing.

(d) The Bank is hereby authorized to debit the DSR Fund and, to the extent necessary, the Collateral Account maintained by Borrower with the Bank to pay for the fees and interest on the Liquidity Loan to the extent not otherwise paid by Borrower. The Bank shall provide notice to the Borrower of each debit against the DSR Fund and, if applicable, the Collateral Account.

(e) All funds received by the Bank pursuant to the Indenture while the Bonds are Purchased Bonds, including without limitation, payments of interest on, and principal of, the Purchased Bonds, and, upon the remarketing of the Purchased Bonds in accordance with Section 3.16 of the Indenture, the Purchased Bond Purchase Price (as defined in the Indenture) shall be applied as follows:

(i) to the payment of all amounts due and payable by Borrower hereunder, including without limitation, unpaid interest on the Liquidity Loan, and any unpaid fees; and

(ii) to the prepayment of principal of the Liquidity Loan.

Section 2.5 Interest Rate; Default Rate.

(a) Borrower expressly agrees to an effective rate of interest that is the rate stated in this Article 2 plus any additional rate of interest resulting from any

other charges in the nature of interest paid or to be paid in connection with this Reimbursement Agreement.

(b) Upon the occurrence of an Event of Default and during the continuation thereof, and after maturity, including maturity upon acceleration, the Bank, at its option, may, if permitted under applicable law, do one or both of the following: (i) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the Default Rate, and (ii) increase the Facility Fee as described in the definition of Facility Fee. The interest rate will not exceed the maximum rate permitted by applicable law under any circumstances.

(c) If any payment is not paid within ten (10) days after such payment is due, then, at the option of the Bank, Borrower shall pay a late charge equal to five percent (5.0%) of the amount of such payment to compensate the Bank for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to the Bank.

Section 2.6 Increased Costs. If the compliance by the Bank with any guideline or request from any central bank or other governmental authority (whether or not yet having the force of law) shall either (A) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, the Bank in addition to the reserve, special deposit or similar requirement against letters of credit in effect as of the Date of Issuance, or (B) impose on the Bank any other condition regarding this Reimbursement Agreement, the Letter of Credit, any amount outstanding hereunder or any Drawing in addition to the conditions in effect as of the Date of Issuance, and the result of any event referred to in clause (A) or (B), above, shall be to increase the cost to the Bank of maintaining the Letter of Credit or agreeing to make or making, funding or maintaining any Drawing, then, upon demand by the Bank, Borrower shall pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for such increased cost. A certificate setting forth such increased cost incurred by the Bank as a result of any event referred to above, submitted by the Bank to Borrower, shall constitute such demand.

Section 2.7 Computations. Computations of the Default Rate and the fees under Section 2.2 hereof shall be made by the Bank on the basis of a year of 360 days, for the actual number of days elapsed.

Section 2.8 Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall not in such case be included in the computation of interest, commission or fee, as the case may be.

Section 2.9 Payments by Borrower. Except as otherwise provided herein, all payments to be made by or on behalf of the Borrower or the Trustee to the Bank on account of amounts at any time owing hereunder or in connection herewith shall be nonrefundable and shall not be considered made until received in lawful currency of the United States in the

Reimbursement Account, or at such other location as the Bank may notify Borrower or the Trustee in writing, in immediately available funds. The Borrower or the Trustee shall make each payment hereunder not later than 1:00 p.m. New York time, on the day when due in lawful money of the United States of America to the Reimbursement Account of the Bank in immediately available funds. Any payment received by the Bank after 4:00 p.m. New York time shall be deemed to have been received by the Bank on the next succeeding Business Day.

Section 2.10 Maintenance of Accounts. The Bank shall maintain, in accordance with its usual practice, an account or accounts evidencing the indebtedness of Borrower and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Reimbursement Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of Borrower therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of Borrower hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article 2.

Section 2.11 Application of Funds. Except as otherwise expressly provided herein, unless otherwise agreed to in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges; provided, however, upon delinquency or other default, the Bank reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied first to principal with any remaining amount applied to the indebtedness owing hereunder in such order and manner as the Bank may from time to time determine in its sole discretion.

ARTICLE 3

CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent to the Issuance of the Letter of Credit. As a condition precedent to the issuance of the Letter of Credit, the Bank shall have received (except that the Appraisal shall be ordered by the Bank at Borrower's expense), on or before the Date of Issuance, the following items in form and substance satisfactory to the Bank and its Counsel:

(a) This Reimbursement Agreement, duly executed and delivered by Borrower to the Bank.

(b) The Pledge Agreement, duly executed by Borrower and the Custodian.

(c) The Deed of Trust, duly executed and delivered to the Bank by Pledgor.

(d) The Guarantee, duly executed by the Guarantor.

(e) An Environmental Indemnity Agreement, duly executed by Borrower and the Guarantor.

(f) The Security Agreement, duly executed by Borrower.

(g) An opinion of counsel to Borrower, Pledgor and the Guarantor acceptable to the Bank.

(h) Payment of the Bank's fees, including without limitation the Commitment Fee, and its expenses and its Counsel's fee and expenses incurred to the Date of Issuance pursuant to this Reimbursement Agreement.

(i) The deposit of the Reserve Requirement in the DSR Fund.

(j) The deposit of funds in the Collateral Account to the extent necessary to comply with Section 7.8.

(k) The Appraisal.

(l) A current survey of the Real Property by a licensed surveyor acceptable to the Bank describing the boundaries of the Real Property and showing all means of ingress and egress, rights-of-way, easements (each of which shall be identified by docket and page or recording number where recorded) and all other customary and relevant information pursuant to ALTA standards and any title company requirements. All surveys shall be certified to the Bank and the title company issuing the Title Policy.

(m) An ALTA extended coverage mortgagee's title insurance policy [ALTA Loan Policy - 1992] or similar policy acceptable to the Bank (the "Title Policy"), with such endorsements as the Bank may require, issued by a title insurance company satisfactory to the Bank in the amount of the Obligations insuring the lien of the Deed of Trust to be a first and prior lien upon the Real Property, as security for all Obligations pursuant to the terms of this Reimbursement Agreement, subject only to such exceptions as the Bank may expressly approve in writing.

(n) If required by Bank, an environmental questionnaire and disclosure statement completed and signed by Borrower covering the current and former condition and uses of the Real Property and adjacent property, and/or, if reasonably required by Bank, a current preliminary environmental assessment (Phase I assessment) of the Real Property and adjacent property, plus any sampling and analysis (Phase II assessment) or special limited assessment that Bank may require after review of the Phase I assessment, together with any other environmental investigations and reports that Bank may require, all of which shall be by an environmental consulting firm acceptable to Bank and none of which shall reveal any existing or potential environmental condition adversely affecting the use or value of the Real Property.

(o) Certificates of insurance as required by Section 6.7.

(p) [Intentionally left blank].

(q) [Intentionally left blank].

(r) Copies of any Declaration of Covenants, Conditions and Restrictions and related documents pertaining to the Real Property.

(s) Evidence that all taxes and assessments levied against or affecting the Real Property have been paid current.

(t) Evidence that there exists adequate legal ingress and egress to the Real Property.

(u) Evidence that the Real Property is properly zoned and that such zoning is final and not subject to change.

(v) [Intentionally left blank].

(w) [Intentionally left blank].

(x) Copies of all non-residential lease agreements, if any, affecting the Real Property.

(y) [Intentionally left blank].

(z) Copies of the organizational documents of Borrower, Pledgor, the Guarantor, their managers, members and managers and members thereof and all amendments thereto, together with evidence of good standing in the state of formation, together with proper authorizations, resolutions and certificates and such other documents as the Bank may require relating to the existence and good standing of such entity and the authority of any person executing documents on behalf of such entity.

(aa) Executed copies of the Bond Documents together with copies of the written opinions of Bond Counsel as to the tax-exempt nature of the Bonds and as to other matters as the District, the Trustee and the purchaser of the Bonds may require and a reliance letter addressed to the Bank from Bond Counsel, allowing the Bank to rely on such opinions.

(bb) The Indenture.

(cc) Copies of the General Plan, District documents authorizing the Election, and all District documents authorizing the issuance of the Bonds.

(dd) Copies of any intergovernmental agreements between the District or the Town and the Borrower or affiliates thereof.

(ee) Copies of the documents relating to any outstanding Debt of the District.

(ff) Information as to the cost breakdown of the District and all taxes being levied by the District.

(gg) Copies of the District Resolutions stating that the District shall levy and cause to be collected a tax rate of at least $3.00 per $100 of secondary assessed valuation on all taxable property within the District to pay the debt service on the Bonds until redeemed or otherwise paid in full.

(hh) Copy of the executed Standby Contribution Agreement between the District and the Borrower with respect to the Bonds.

(ii) The Bank has received such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed copies thereof, and opinions as the Bank may reasonably request.

Section 3.2 Additional Conditions Precedent to the Issuance of the Letter of Credit. As a condition precedent to the issuance of the Letter of Credit, the following shall be true and correct in all material respects:

(a) No Event of Default shall result from the delivery of this Reimbursement Agreement.

(b) Since the date of the most recent financial statements provided to the Bank with respect to Borrower, no material change shall have occurred in the business or financial condition of any thereof.

(c) The representations and warranties contained in Article 5 hereof.

(d) The conditions precedent described in Section 3.1 shall have been satisfied.

ARTICLE 4

SECURITY DOCUMENTS; GUARANTEE

Section 4.1 Security. Borrower shall cause its obligations under this Reimbursement Agreement to be secured as follows:

(a) Pledge Agreement. At all times, by the Pledge Agreement.

(b) Deed of Trust. At all times, by the Deed of Trust constituting:

(i) A lien on the Real Property, subject only to such matters as specifically approved by the Bank therein;

(ii) A valid and effectual assignment of rents and leases covering the Real Property;

(iii) A valid and effectual security agreement granting the Bank a first and prior security interest in all of the property described in the Deed of Trust;

(iv) Valid and effectual assignments of Borrower's interest in all operating, management and supervision agreements, and all other documents relating to the ownership, development, construction, maintenance, leasing, management and operation of the Real Property;

together with any UCC financing statements for filing and/or recording and any other items reasonably required by the Bank to fully perfect the liens and security interests of the Bank.

(c) Security Agreement. At all times, a security agreement (the "Security Agreement") from the Borrower for the benefit of Bank, granting the Bank a first and prior security interest in the Accounts.

(d) Debt Service Reserve Fund. Borrower hereby establishes with the Bank a bank controlled account (the "DSR Fund") as follows:

(i) Borrower agrees to maintain funds in the DSR Fund equal to the Reserve Requirement.

(ii) The DSR Fund shall be in the name of Borrower (as a bank controlled account) with all interest, if any, earned on the DSR Fund credited thereto, but under the sole dominion and control of Bank and shall be invested subject to subparagraph (ix) herein below, as mutually agreed to by Borrower and Bank, in investments of at least investment grade.

(iii) Borrower hereby pledges to, and grants to, Bank a security interest in the DSR Fund and all proceeds thereof, as security for the performance of the obligation of Borrower hereunder.

(iv) Upon the occurrence and during the continuation of an Event of Default that remains uncured, Bank may apply any funds on deposit in the DSR Fund to the payment of any unpaid Drawings under the Letter of Credit, in such order as the Bank may determine in its sole discretion. In the event funds in the DSR Fund are at any time less than the Reserve Requirement, Borrower shall deposit, or cause to be deposited, to the DSR Fund funds equal to the deficiency, within one (1) Business Day of receipt of notice from Bank that a deficiency exists and the amount thereof. Failure to do so shall be deemed to be an Event of Default.

(v) Neither the Borrower nor any person or entity claiming on behalf of or through Borrower shall have any right to withdraw any of the funds held in the DSR Fund. Bank however hereby agrees to disburse to Borrower any amounts in the DSR Fund in excess of the Reserve Requirement so long as no Event of Default is outstanding.

(vi) On the Termination Date, the Bank shall apply funds then held in the DSR Fund to the payment of any amounts, if any, owed the Bank by Borrower hereunder, with the remainder to be disbursed to Borrower.

(vii) Borrower agrees that it will not create or permit to exist any lien, security interest or other charge or encumbrance upon or with respect to the DSR Fund, except as provided in or contemplated by this Reimbursement Agreement.

(viii) Bank shall exercise reasonable care in the custody and presentation of any funds held in the DSR Fund and shall be deemed to have exercised such care if such funds are accorded treatment substantially similar to that which Bank accords the property of its customers, it being understood that Bank shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any such funds.

(ix) To the extent necessary to maintain interest on the Bonds exempt from federal income taxation under Section 103 of the Code, investment of the DSR Fund may be restricted in yield or to certain types of investments upon written direction of Borrower.

(x) The Bank agrees to keep adequate records of the investment of any funds in the DSR Fund.

(e) Collateral Account. To the extent necessary pursuant to Section 6.15, the Collateral Account.

(f) Pledged Funds. All funds payable to the Borrower under the Indenture from the Bonds and/or the Tax Collection Fund.

Section 4.2 Security Documents. All of the documents required by the Bank to grant and perfect the liens and security interests required by this Article 4 shall be in form satisfactory to the Bank and may be referred to herein as the "Security Documents."

Section 4.3 Guarantee. Borrower shall cause its obligations under this Reimbursement Agreement to be guaranteed at all times pursuant to an Unconditional Guarantee of Payment (the "Guarantee") from the Guarantor for the benefit of the Bank.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

To induce the Bank to issue the Letter of Credit, Borrower to the extent applicable hereby represents and warrants to the Bank that:

Section 5.1 Organization; Good Standing. It is duly organized, validly existing and in good standing in all states in which the nature of its business and property makes such qualifications necessary or appropriate. Borrower has the legal power and authority to own its properties and assets and to transact the business in which it is engaged and is or will be qualified in those states wherein the nature of its proposed business and property will make such qualifications necessary or appropriate in the future.

Section 5.2 Authorization and Power. It has the power and requisite authority and legal right to execute, deliver and perform this Reimbursement Agreement and the other Loan Documents to be executed by it; it is duly authorized to, and has taken all action necessary to authorize it to, execute, deliver and perform this Reimbursement Agreement, the Letter of Credit and such other Loan Documents and is and will continue to be duly authorized to perform this Reimbursement Agreement and such other Loan Documents.

Section 5.3 No Conflicts or Consents. Neither the execution and delivery of this Reimbursement Agreement or the other Loan Documents to which it is a party, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, (a) will materially contravene or conflict with: (i) any provision of law, statute or regulation to which it is subject, (ii) any judgment, license, order or permit applicable to it, (iii) any indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it may be bound, or to which it may be subject, or (b) will violate any provision of its organization documents. No consent, approval, authorization or order of any court or Governmental Authority or other Person is required in connection with the execution and delivery by it of the Loan Documents or to consummate the transactions contemplated hereby or thereby, or if required, such consent, approval, authorization or order shall have been obtained.

Section 5.4 Enforceable Obligations. This Reimbursement Agreement and the other Loan Documents are the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except as limited by bankruptcy, insolvency or other similar laws or equitable principles of general application relating to the enforcement of creditors' rights. The Guarantee constitutes the legal, valid and binding obligation of the Guarantor according to the terms thereof.

Section 5.5 Accurate Information. All information in any loan application, financial statement, certificate, or other document, and all other information delivered by or on behalf of Borrower to the Bank is materially correct and complete, and there are no omissions therefrom that result in any such information being materially incomplete, incorrect, or misleading as of the date thereof. There has been no Material Adverse Effect relative to Borrower since the date of such information. All financial statements heretofore delivered to the Bank by Borrower were

prepared on an accrual basis in accordance with GAAP and accurately present the financial conditions and results of operations as at the dates thereof and for the periods covered thereby.

Section 5.6 Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Borrower which are subject to any limitation on sale, pledge, or other restriction hereunder.

Section 5.7 Legal Proceedings; Hearings, Inquiries, and Investigations. Except as disclosed to the Bank in writing prior to the date of this Reimbursement Agreement, (i) no legal proceeding is pending or, to best knowledge of Borrower, threatened before any arbitrator, other private adjudicator, or Governmental Authority to which Borrower is a party or by which Borrower or any assets or property of Borrower may be bound or affected that if resolved adversely to Borrower could result in a Material Adverse Effect, and to the best knowledge of Borrower, there exist no facts that would form any basis for any of the foregoing, and (ii) no hearing, inquiry, or investigation relating to Borrower or any assets or property of Borrower is pending or, to the best knowledge of Borrower, threatened by any Governmental Authority. Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 5.5.

Section 5.8 Material Agreements. It is not a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect. Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing its Debt.

Section 5.9 Approvals and Permits; Assets and Property. It has obtained and there are or will be in full force and effect all approvals and permits necessary for the conduct of the business of Borrower. Borrower owns or leases all assets and property necessary for conduct of the business and operations of Borrower. Such assets and property are not subject to any liens and encumbrances, other than as shown on its financial statements delivered pursuant to Section 5.5.

Section 5.10 Taxes. It has filed or caused to be filed all returns and reports which are required to be filed by any jurisdiction, and has paid or made provision for the payment of all taxes, assessments, fees or other governmental charges imposed upon its properties, income or franchises, as to which the failure to file or pay would have a Material Adverse Effect, except such assessments or taxes, if any, which are being contested in good faith by appropriate proceedings for which adequate reserves have been provided and as to which no Lien exists.

Section 5.11 ERISA. It is, in all material respects, in compliance with ERISA. No Reportable Event or Prohibited Transaction (as defined in ERISA) or termination of any plan has occurred and no notice of termination has been filed with respect to any plan established or maintained by Borrower and subject to ERISA. Borrower has not incurred any material funding deficiency within the meaning of ERISA or any material liability to the Pension Benefit Guarantee Corporation in connection with any such plan established or maintained by Borrower. Borrower is not a party to any Multiemployer Plan (as defined in ERISA).

Section 5.12 Compliance with Law. It is in substantial compliance with all laws, rules, regulations, orders and decrees that are applicable to it, or its properties, noncompliance with which would have a Material Adverse Effect.

Section 5.13 Recitals. The recitals and statements of intent with respect to Borrower appearing in this Reimbursement Agreement are true and correct.

Section 5.14 Security Documents. The liens, security interests and assignments created by the Security Documents will, when granted, be valid, effective and enforceable liens, security interests and assignments, except to the extent (if any) otherwise agreed in writing by the Bank, except as limited by bankruptcy, insolvency or other laws or equitable principles of general application to the enforcement of creditors' rights.

Section 5.15 Survival. All representations and warranties made herein shall survive the execution of this Reimbursement Agreement and the execution and delivery of all other documents and instruments in connection with the Letter of Credit, so long as the Bank has any commitment to Borrower hereunder and until all indebtedness hereunder have been paid in full.

Section 5.16 Drawings. Each request for a Drawing shall constitute an affirmation that the representations and warranties contained herein are true and correct as of the time of such request.

Section 5.17 Legal Status. Borrower represents and warrants to Lenders as follows: (i) Borrower's exact legal name is that indicated in the preamble hereof; (ii) Borrower is an organization of the type and organized in the jurisdiction set forth in the preamble hereof; (iii) Borrower's state issued organizational identification number is L-0858094-6; (iv) Borrower's place of business, or if more than one, its chief executive office, as well as its mailing address is accurately set forth herein; and (v) all other information set forth herein and in the Security Documents pertaining to Borrower is accurate and complete.

Section 5.18 No Stock Purchase.

(a) No part of the proceeds of any financial accommodation made by the Bank in connection with this Reimbursement Agreement will be used to purchase or carry "margin stock," as that term is defined in Regulation U, or to extend credit to others for the purpose of purchasing or carrying such margin stock.

(b) No portion of the Bond proceeds shall be used directly or indirectly to purchase ineligible securities, as defined by the applicable regulations of the Federal Reserve Board, underwritten by any affiliate of Bank during any underwriting period and for thirty (30) days thereafter.

Section 5.19 Solvent. It (both before and after giving effect to the obligations contemplated hereby) is solvent, has assets having a fair value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured, and has, and reasonably believes it will have, access to adequate capital for the conduct of its business

and the ability to pay its debts from time to time incurred in connection therewith as such debts mature.

Section 5.20 Representations and Warranties Upon Delivery of Financial Statements, Documents, and Other Information. Each delivery by Borrower to the Bank of financial statements, other documents, or information after the date of this Reimbursement Agreement shall be a representation and warranty that such financial statements, other documents, or information is, materially correct and complete, that there are no omissions therefrom that result in such financial statements, other documents, or information being materially incomplete, incorrect, or misleading as of the date thereof, and that such financial statements accurately present the financial condition and results of operations of Borrower as at the dates thereof and for the periods covered thereby.

Section 5.21 Environmental Matters. It, to the best of its knowledge, is in compliance in all material respects with all applicable environmental, health and safety statutes and regulations and Borrower does not have any material contingent liability in connection with any improper treatment, storage, disposal or release into the environment of any hazardous or toxic waste or substance. Any representation or warranty "to the best of its knowledge" shall mean the actual knowledge of John Bradley, Vice President, DMB Associates, Inc., the manager of DMB Realco, LLC, the managing member of DMB White Tank, LLC, Andrew Beams, Vice President, DMB Associates, Inc., the manager of DMB Realco, LLC, the managing member of DMB White Tank, LLC and Robert Kammerle, Director of Development, DMB White Tank, LLC, as of the date hereof and provided that in no event shall any of John Bradley, Andrew Beams or Robert Kammerle be personally liable for any such representation or warranty.

Section 5.22 Investment Company Act. It is not, and is not directly or indirectly controlled by, or acting on behalf of, any person which is, an "Investment Company" within the meaning of the Investment Company Act of 1940, as amended.

Section 5.23 Public Utility Holding Company Act. It is not a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

ARTICLE 6

AFFIRMATIVE COVENANTS

So long as the Expiration Date has not occurred or any amount is due or owing to the Bank under this Reimbursement Agreement, Borrower will, unless the Bank shall otherwise consent in writing in the Bank's absolute and sole discretion, comply to the extent applicable with each of the covenants contained in this Article 6.

Section 6.1 Maintain Existence and Management. It shall maintain in full force and effect all material rights and licenses necessary to carry on its business, the failure of which would have a Material Adverse Effect. Borrower shall maintain its present existence and shall maintain executive personnel and management at a level of experience and ability equivalent to present personnel and management.

Section 6.2 Books and Records; Access By Bank. It will maintain a single, standard, modern system of accounting (including, without limitation, a single, complete, and accurate set of books and records of its assets, business, financial condition, operations, property, prospects, and results of operations) in accordance with good accounting practices. During business hours and upon reasonable notice, Borrower will give representatives of the Bank access to all assets, property, books, records and documents of Borrower (subject to the rights of the tenants residing at the Real Property under their respective leases) and will permit such representatives to inspect such assets and property and to audit, copy, examine, and make excerpts from such books, records, and documents.

Section 6.3 Reporting Requirements. It shall deliver, or cause to be delivered, to the Bank the following:

(a) Within one hundred twenty (120) days after the close of each of its fiscal years, for itself, Guarantor and Pledgor, internal financial statements including balance sheets as of the end of such period, related profit and loss statements, and a statement of cash flows for each ("Internal Financial Statements"), all certified by its authorized financial officer.

(b) Within sixty (60) days after the close of the first three (3) quarterly periods of each of its fiscal years, for itself, Guarantor and Pledgor, their Internal Financial Statements, all certified by its authorized financial officer.

(c) Together with the Internal Financial Statements required under Sections 6.3(a) and (b), a compliance certificate for each in substantially the form of Exhibit "2" signed by the authorized financial officer of Borrower, Guarantor and Pledgor stating that no Event of Default exists, or if any Event of Default exists, stating the nature and status thereof.

(d) Borrower, Guarantor and Pledgor shall deliver to the Bank copies of their Federal Income Tax Returns, including all schedules, within sixty (60) days of their filing.

(e) Borrower shall cause to be delivered to the Bank (i) as soon as available but in any event within one hundred eight (180) days following the end of each fiscal year, a balance sheet of the District as of the end of such fiscal year and the related statements of operations and fund balances and changes in financial position for the year then ended, prepared in accordance with generally accepted accounting principles consistently applied, in reasonable detail and certified by a firm of independent certified public accountants selected by the District and satisfactory to the Bank; (ii) promptly upon certification of the tax rate levied to pay debt service on the Bonds, a certificate of an authorized officer of the District setting forth the amount of such tax rate so certified; (iii) as soon as available a copy of any report to the District of any auditors of the District; (iv) by October 1 of each calendar year, a certificate of the county assessor of Maricopa County, Arizona, as to the then certified Full Cash Value and Secondary Assessed Value for such calendar year; (v) by January 15 of each year, a copy of the District's budget as adopted for such year; and (vi) promptly such other reports or information of the District as the Bank may request.

(f) When requested by the Bank, such further information as the Bank may reasonably request relating to any such financial statements, the Guarantor or the Pledgor.

Section 6.4 Law; Judgments; Material Agreements; Approvals and Permits. It shall comply in all material respects with all laws, ordinances, regulations, and rules (federal, state, and local) and all final judgments, orders, and decrees of any arbitrator, other private adjudicator, or Governmental Authority relating to Borrower, or the assets, business, operations, or property of Borrower. Borrower shall comply in all material respects with all material agreements, documents, and instruments to which Borrower is a party or by which Borrower, or any of the other assets or property of Borrower is bound or affected. Borrower shall comply in all material respects with all conditions and requirements of all approvals and permits. Borrower shall obtain and maintain in effect from time to time all approvals and permits required for the business activities and operations then being conducted by Borrower in the Real Property.

Section 6.5 Payment of Taxes and Other Debt. It will pay and discharge (i) all income taxes and payroll taxes, (ii) all taxes, assessments, fees and other governmental charges imposed upon it or upon its income or profits, or upon any property belonging to it, before delinquent, which become due and payable, (iii) all lawful claims (including claims for labor, materials and supplies), which, if unpaid, might become a Lien upon any of its property and (iv) all of its Debt as it becomes due and payable, except as prohibited hereunder; provided, however, that it shall not be required to pay any such tax, assessment, charge, levy, claims or Debt if and so long as the amount, applicability or validity thereof shall currently be contested in good faith by appropriate actions and appropriate accruals and reserves therefor have been established in accordance with GAAP.

Section 6.6 Assets and Property. It will maintain, keep, and preserve all of its assets and property (tangible and intangible) necessary or useful in the proper conduct of its business and operations in good working order and condition, ordinary wear and tear excepted.

Section 6.7 Insurance. It will maintain with financially sound and reputable insurance companies insurance on all its assets in such amounts and covering such risks as is consistent with sound business practice, and it will furnish to Bank upon request full information as to the insurance carried.

Section 6.8 Notice of Default. It shall promptly give notice in writing to the Bank of (i) the occurrence of any Event of Default; (ii) any change in the name of Borrower or ownership interest in Borrower, (iii) any uninsured or partially insured loss through fire, theft, liability, or property damage with respect to its assets that could have a Material Adverse Effect, or (iv) any actions, suits or proceedings involving Borrower that could have a Material Adverse Effect.

Section 6.9 ERISA. If applicable, it will fund each Defined Benefit Plan and Defined Contribution Plan (as such terms are defined in ERISA) established or maintained by Borrower so that there is never an Accumulated Funding Deficiency (as defined in Section 412 of the Internal Revenue Code of 1986, as amended).

Section 6.10 Appraisals. In addition to an initial Appraisal to be obtained by the Bank at Borrower's expense, the Bank shall have the right to order Appraisals of the Real Property from time to time but not more frequently than annually at Borrower's expense unless otherwise required. Each Appraisal is subject to review and approval by the Bank. Borrower agrees upon demand by the Bank to pay to the Bank the reasonable cost and expense incurred by the Bank for any such Appraisals required by the Bank as a result of the occurrence of an Event of Default, and a fee prescribed by the Bank for review of each Appraisal by the Bank.

Section 6.11 Inspection. It will permit the Bank, by its respective representatives and agents, to inspect any of the Real Property, books and financial records of the Borrower, to examine and make copies of the books of accounts and other financial records of the Borrower, and to discuss the affairs, finances and accounts of the Borrower with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Bank may designate.

Section 6.12 Further Assurances. It shall promptly execute, acknowledge, and deliver such additional agreements, documents, and instruments and do or cause to be done such other acts as the Bank may reasonably request from time to time to better assure, preserve, protect, and perfect the interest of the Bank in the Collateral and the rights and remedies of the Bank under the Loan Documents.

Section 6.13 Costs and Expenses of Borrower's Performance of Covenants and Satisfaction of Conditions. It will perform all of its obligations and satisfy all conditions under the Loan Documents at its sole cost and expense.

Section 6.14 Facility Fee. Upon the occurrence of an Event of Default, it shall pay to the Bank, immediately upon written demand, the increase in the Facility Fee, until the first to occur of (a) the cure of such Event of Default or (b) the termination of the Letter of Credit. The Bank is hereby authorized to debit the operating account maintained by Borrower with the Bank in an amount equal to such increase.

Section 6.15 Collateral Account. It shall deposit with Bank, into an interest bearing market rate restricted access deposit account (the "Collateral Account"), funds in accordance with Section 7.8 hereof. All funds at any time in the Collateral Account are hereby assigned to Bank as additional security for the Obligation and all other indebtedness of Borrower arising hereunder. To the extent necessary to maintain interest on the Bonds exempt from federal income taxation under Section 103 of the Code, investment of the Collateral Account may be restricted in yield or to certain types of investments upon written direction of Borrower.

Section 6.16 Changes in Legal Status. It agrees as follows: (i) without providing at least thirty (30) days prior written notice to Bank, Borrower will not change its name, its place of business or, if more than one, its chief executive office, its mailing address or its organizational identification number if it has one; (ii) if Borrower does not have an organizational identification number and later obtains one, Borrower shall immediately notify Bank of such organizational identification number; and (iii) Borrower will not change its type of organization, jurisdiction of organization or other legal structure.

Section 6.17 District Improvements. It agrees to provide evidence promptly to the Bank of the acceptance by the Town of any improvements completed by the District.

Section 6.18 Repayments to Borrower. It hereby subrogates to the Bank any right of repayment held by Borrower from the District or the Trustee; provided, however, so long as no Event of Default has occurred or is continuing hereunder, Borrower shall be entitled to receive payments by the District in repayment of amounts advanced by Borrower to complete any District improvements.

Section 6.19 Drawing Payment. Its obligation to reimburse the Bank for any Drawing pursuant to Section 2.3 and to repay the Liquidity Loan pursuant to Section 2.4 is absolute and unconditional and is not reduced by any payments made by Borrower to the District or the Trustee pursuant to the Standby Contribution Agreement, the Indenture or otherwise.

ARTICLE 7

NEGATIVE COVENANTS

So long as the Expiration Date has not occurred or any amount is due or owing to the Bank under this Reimbursement Agreement, unless the Bank shall otherwise consent in writing in Bank's absolute and sole discretion, Borrower to the extent applicable shall comply with each of the negative covenants contained in this Article 7:

Section 7.1 Existence Restrictions. It shall not be dissolved or liquidated. Borrower shall not amend, modify, restate, supplement, or terminate its organizational documents. Borrower shall not reorganize itself or consolidate with or merge into any other corporation or permit any other corporation to be merged into Borrower.

Section 7.2 Merger, Sale of Assets. It will not: (i) sell, lease, transfer or dispose of substantially all of its assets to another entity except in the ordinary course of its business; or (ii) consolidate with or merge into another entity, permit any other entity to merge into it or consolidate with it, or permit any Change in Ownership.

Section 7.3 Liens. It shall not create or suffer to be created any Lien or Encumbrance on any property encumbered by the Security Documents, except for Permitted Liens.

Section 7.4 Transfer Collateral. Except in the ordinary course of its business, and except for Permitted Liens, it will not assign, transfer or convey any of its right, title and interest in the Collateral (whether real or personal) encumbered by the Security Documents, except as otherwise provided in the Deed of Trust.

Section 7.5 Amendments. It shall not amend, modify or supplement, or agree to any amendment or modification of, or supplement to, any of the Related Documents.

Section 7.6 Optional Redemption. Except as otherwise provided for herein, it shall not declare, instruct the Trustee to declare or permit an optional redemption of the Bonds pursuant to the Indenture, unless such optional redemption will be funded without a Drawing.

Section 7.7 Change in Accounting Period. It shall not change the times of commencement or termination of its fiscal year or other accounting periods; or change its methods of accounting other than to conform to GAAP applied on a consistent basis.

Section 7.8 Maximum Commitment Amount.

(a) It shall not allow the Available Amount less the balance of the Collateral Account to exceed at any time the following (the "Maximum Commitment Amount"): an amount equal to sixty-five percent (65.0%) of the fair market value of the Real Property as evidenced by the Appraisal, as it may be updated.

(b) In the event that the Available Amount exceeds the Maximum Commitment Amount, it shall within one (1) Business Day of demand by the

Bank deliver funds to the Bank equal to such excess amount for deposit to the Collateral Account.

Section 7.9 [Intentionally Left Blank].

Section 7.10 Financial Covenants. It will, and will cause Guarantor to, comply with the following:

(a) Net Worth of not less than $75,000,000.00.

Section 7.11 District Debt. It will not request the District to incur any additional Debt that would be on a parity with the Bonds or that would be payable from the Election Tax.

Section 7.12 Borrower Subordination. It acknowledges and agrees that its right to be paid any funds under the Indenture shall be subordinate to any payment obligations by Borrower, Guarantor or Pledgor owed to the Bank hereunder or pursuant to the Purchased Bonds. Borrower shall not ask, demand, sue for, take or receive from the District or the Trustee, directly or indirectly, in cash or other property or by set-off or in any other manner (including without limitation from or by way of collateral), payment of all or any of the principal of or interest on any Bonds until any and all Obligations to the Bank under this Reimbursement Agreement, including obligations to reimburse the Bank for Drawings (the "Reimbursement Obligations") shall have been paid and no Event of Default has occurred and is continuing hereunder. Any such cash or property received by the Borrower shall, to the extent an Event of Default has occurred and is continuing hereunder, at the time of receipt immediately be transferred to the Bank and applied to the Obligations, if any, then due. Notwithstanding the time or order of creation, attachment, filing, perfection or otherwise, the Borrower hereby agrees that any lien or security interest it may now or hereafter have upon any property or revenues of the District or the Trustee, if any, shall be junior and inferior in priority to payment of Purchased Bonds and to any lien or security interest the Bank or any owners of the Bonds may now or hereafter have upon any property or revenues of the District, including the security interests created by this Reimbursement Agreement, the Indenture and the Bond Resolution. The Borrower agrees that no payment or distribution to the Bank or any other owner of the Bonds shall entitle the Borrower to exercise any rights of subrogation in respect thereof during any period that an Event of Default has occurred and is continuing hereunder. The Borrower shall not sell, assign, pledge, encumber, hypothecate or otherwise transfer or dispose of any interest of the Borrower in all or any portion of the Bonds unless the transferee shall have assumed all obligations of the Borrower hereunder, including this limitation with respect to subsequent transfers of the Bonds. Unless and until an Event of Default has occurred and is continuing hereunder, nothing in the preceding clause is intended to, or shall, restrict or preclude the payment to Borrower, from proceeds of the Bonds, amounts advanced by Borrower to complete any District improvements.

ARTICLE 8

AFFIRMATIVE COVENANTS OF BANK

So long as no Event of Default is then continuing, unless the Borrower shall otherwise consent in writing:

Section 8.1 Optional Redemption of Bonds. The Bank shall not consent to an optional redemption of the Bonds as provided for in Section 4.01(A)(i) of the Indenture.

Section 8.2 Mandatory Tender of Purchased Bonds. The Bank shall comply with the provisions of Sections 3.11(D) and 3.12 of the Indenture applicable to the Bank in connection with a mandatory tender of Purchased Bonds.

ARTICLE 9

EVENTS OF DEFAULT

Section 9.1 Events of Default. The occurrence of any of the following events (including the expiration of any specified time) shall constitute an "Event of Default":

(a) Borrower shall fail to pay any amount specified herein when due.

(b) The failure of Borrower to comply with the Financial Covenants described in Section 7.10.

(c) The failure of Borrower to observe or perform any of its other covenants, conditions or provisions of this Reimbursement Agreement or any of the Related Documents if such failure is not remedied within ten (10) days after written notice thereof is given by the Bank, which ten (10) day period may be extended an additional forty-five (45) days if the Borrower is diligently pursuing the remedy but not reasonably able to cure such event within the ten (10) days.

(d) Any material representation or warranty made by Borrower herein or in any certificate, financial or other statement furnished by Borrower pursuant to this Reimbursement Agreement or any of the Related Documents shall prove to have been untrue or incomplete in any material respect when made.

(e) The occurrence and continuation of an event of default under the other Loan Documents, the Bond Documents or any of the other Related Documents or under any document or instrument given by Borrower in connection with any other indebtedness of Borrower to the Bank.

(f) Borrower shall (i) fail to pay any Debt subject to a Significant Debt Agreement when due and payable, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) or within any applicable grace period, or (ii) allow the occurrence of any material event of default with respect to such Debt.

(g) Admission by Borrower, the Guarantor or the Pledgor of insolvency or bankruptcy or its inability or failure generally to pay its debts as they become due, or Borrower, the Guarantor or the Pledgor makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for Borrower, the Guarantor or the Pledgor, or for a major part of its property.

(h) Appointment of a trustee in bankruptcy, custodian or receiver for Borrower, the Guarantor or the Pledgor, or for a major part of its property and failure to obtain discharge of such within ninety (90) days after such appointment.

(i) Institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy

law or similar law for the relief of debtors, by or against Borrower, the Guarantor or the Pledgor (other than bankruptcy proceedings instituted by Borrower, the Guarantor or the Pledgor against third parties), and, if instituted against Borrower, the Guarantor or the Pledgor, allowance against Borrower, the Guarantor or the Pledgor or consent by Borrower, the Guarantor or the Pledgor to such proceedings or failure to obtain dismissal, stay or other nullification within ninety (90) days after such institution.

(j) This Reimbursement Agreement or any of the Related Documents ceases to be valid and binding on Borrower, the Guarantor or the Pledgor, or is declared null and void, or the validity or enforceability thereof is contested by Borrower, the Guarantor or the Pledgor or Borrower, the Guarantor or the Pledgor denies it has any or further liability under this Reimbursement Agreement or any of the Related Documents.

(k) Any levy or execution upon, or judicial seizure of, any portion of any collateral or security subject to the Security Documents, that is not released or removed within thirty (30) days of its creation.

(l) Any attachment or garnishment of, or the existence or filing of any lien or encumbrance, other than any lien or encumbrance permitted by the Deed of Trust, against any portion of any collateral or security subject to the Security Documents, that is not bonded over, removed or released within thirty (30) days after its creation.

(m) The institution of any legal action or proceedings to enforce any Lien or Encumbrance upon any portion of any collateral or security subject to the Security Documents, that is not bonded over or dismissed within thirty (30) days after its institution.

(n) The liquidation, termination or dissolution of Borrower or Guarantor.

(o) A change in the business or financial condition of Borrower or Guarantor that results in a Material Adverse Effect.

(p) [Intentionally left blank].

(q) The failure of the Borrower to deposit funds to the Collateral Account as required by Section 7.8(b).

(r) The failure of the Borrower to maintain funds in the DSR Fund as required by Section 4.1(d).

Section 9.2 Rights and Remedies. If any Event of Default shall have occurred and be continuing, the Bank may:

(a) notify the Trustee of such Event of Default and provide a copy of such notice to Borrower and the District;

(b) request the Trustee to redeem the Bonds in whole or in part;

(c) request the Trustee to purchase the Bonds on behalf of the Bank;

(d) declare all principal amounts outstanding hereunder, all interest thereof and all other amounts payable hereunder to be forthwith due and payable, whereupon all principal amounts outstanding hereunder, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower;

(e) deliver a No Remarketing Notice to Trustee pursuant to Section 3.12 of the Indenture;

(f) apply any monies in the Accounts to the satisfaction of Borrower's obligations hereunder;

(g) request Borrower to deposit in the Collateral Account funds equal to the Available Amount less the then balance of the Collateral Account;

(h) proceed to protect and enforce its rights and remedies under this Reimbursement Agreement and all Security Documents; and/or

(i) avail itself of any other relief to which the Bank may be legally or equitably entitled;

provided, however, that in the event of an order for relief with respect to Borrower under the Federal Bankruptcy Code, all amounts reimbursable on demand hereunder, all interest accrued and unpaid thereon and all other amounts payable hereunder shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by Borrower.

ARTICLE 10

NATURE OF OBLIGATIONS; INDEMNIFICATION

Section 10.1 Obligations Absolute. The obligations of Borrower under this Reimbursement Agreement shall be absolute, unconditional and irrevocable, and shall not be subject to any right of setoff or counterclaim against the Bank or any Participant and shall be paid or performed strictly in accordance with the terms of this Reimbursement Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;

(b) any amendment or waiver of any provision of all or any of the Related Documents;

(c) the existence of any claim, setoff, defense or other rights which Borrower may have at any time against the Trustee, any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any Participant (other than the defense of payment to the Bank in accordance with the terms of this Reimbursement Agreement) or any other Person, whether in connection with this Reimbursement Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; or

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing excepting a default by the Bank in the payment or performance of the Bank's obligations under this Reimbursement Agreement or the Related Documents.

Section 10.2 Continuing Obligation. This Reimbursement Agreement is a continuing obligation, shall survive the expiration of the Letter of Credit and shall (a) be binding upon Borrower, its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that Borrower may not, except as otherwise expressly provided herein, assign all or any part of this Reimbursement Agreement without the prior written consent of the Bank.

Section 10.3 Liability of the Bank. Borrower assumes all risks of the acts or omissions of the Trustee and any transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a)

the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee and any transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents; or of any endorsement(s) thereon, even if such documents should, in fact, be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit; except only that Borrower shall have a claim against the Bank, and the Bank shall be liable to Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by Borrower which Borrower proves were caused by (i) the Bank's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms of the Letter of Credit, regardless of the validity or enforceability of the Letter of Credit, or (ii) the Bank's gross negligence in not paying or its willful failure to pay under the Letter of Credit after the presentation to it by the Trustee (or a successor trustee under the Indenture to whom the Letter of Credit has been transferred in accordance with its terms) of a certificate complying with the terms and conditions of the Letter of Credit, regardless of the validity or enforceability of the Letter of Credit, provided, however, that the maximum amount of damages recoverable by Borrower as provided above is expressly limited to the Initial Stated Amount of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 10.4 Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, Borrower hereby agrees to indemnify and hold harmless the Bank and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys' fees) which such indemnified party may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with (a) the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit; (b) the issuance, marketing, placement and sale of the Bonds; or (c) the use of the proceeds of the Bonds; provided that Borrower shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Bank in determining whether a certificate presented under the Letter of Credit complied with the terms of the Letter of Credit, regardless of the validity or enforceability of the Letter of Credit, or (ii) the Bank's gross negligence in not paying or its willful failure to pay, under the Letter of Credit after the presentation to it by the Trustee (or a successor trustee under the Indenture to whom the Letter of Credit has been transferred in accordance with its terms) a certificate complying with the terms and conditions of the Letter of Credit, regardless of the validity or enforceability of the Letter of Credit, or (iii) any information provided by the Bank with respect to the offering and sale of the Bonds. If any proceeding shall be brought or threatened against the Bank by reason of or in connection with the events described in clause (a), (b) or (c), above (and except as otherwise provided in clause (i) or (ii), above), the Bank shall promptly notify Borrower in writing and Borrower shall assume the defense thereof, including the employment of Counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, the Bank shall have the right to employ its own Counsel and to determine its own defense of such action in any such case. Nothing under this Section 10.4 is intended to limit Borrower's payment obligations.

Section 10.5 Telecopied Documents. Demands for payment under the Letter of Credit may be presented to the Bank by, among other methods, telecopy. Borrower acknowledges and assumes all risks relating to the use of such telecopied demands for payment and agrees that its obligations under this Reimbursement Agreement shall remain absolute, unconditional and irrevocable as provided in Section 10.1, above, if the Bank honors such telecopied demands for payment.

ARTICLE 11

TRANSFER, REDUCTION, REINSTATEMENT, EXTENSION OF LETTER OF CREDIT

Section 11.1 Transfer, Reduction and Reinstatement. The Letter of Credit may be transferred, reduced and reinstated only in accordance with the provisions set forth therein.

Section 11.2 Extension. The Expiration Date may be extended for a twelve (12) month period at the request of Borrower, subject to the following conditions:

(a) Borrower, (i) within thirty (30) days prior to the second anniversary of the Date of Issuance, and each year thereafter within thirty (30) days prior to the anniversary of the date of any extension of the Letter of Credit, shall have given the Bank written notice that Borrower desires such extension together with any updated financial information that the Bank may request of Borrower, and (ii) shall have paid to the Bank in cash or immediately available funds on or prior to the effective date of any extension of the Letter of Credit, such extension fees, legal fees and costs as the Bank shall reasonably request. The Bank's decision to consent to the extension period shall be in its sole and absolute discretion;

(b) The Bank, in its reasonable discretion, shall have determined that there has been no material adverse change in the financial condition of Borrower or any Guarantor; and

(c) No Event of Default and no event, that with the giving of notice or the passage of time, or both, would be an Event of Default, shall have occurred and be continuing on the date of Borrower's notice of extension to the Bank or on the commencement of the extension period.

Section 11.3 Reinstatement of the Letter of Credit. In the event, prior to the applicable Loan Due Date, all Purchased Bonds are remarketed pursuant to Sections 3.11(D) and 3.12 of the Indenture, the Bank agrees to reinstate the Letter of Credit in an amount equal to the aggregate principal amount of the remarketed Purchased Bonds together with fifty (50) days of interest thereon calculated at the rate of nine percent (9.0%) per annum on the basis of a 365-day year, subject to the following conditions:

(a) No Event of Default is then continuing.

(b) No Rating Event is then continuing.

(c) The date of said remarketing is not less than sixty (60) days prior to the Expiration Date, as it may have been extended by the Bank.

(d) The Bank shall have received from the Trustee a properly completed Annex 8 to the Letter of Credit.

ARTICLE 12

MISCELLANEOUS

Section 12.1 Control of the Bank and Borrower. The Bank and Borrower both hereby covenant to provide written notice to the Trustee, the Remarketing Agent, and the Bondholders thirty days prior to consummation of any transaction that would result in Borrower controlling or being controlled by the Bank. "Control" for this purpose has the meaning given to such term in section 2(a)(9) of the Investment Company Act of 1940.

Section 12.2 Costs, Expenses and Taxes. Borrower agrees to pay on demand all reasonable costs and expenses in connection with the preparation, negotiation, execution, delivery and administration of this Reimbursement Agreement, the Related Documents and any other documents which may be delivered in connection with this Reimbursement Agreement, including, without limitation, costs of the Appraisal and any reappraisals, appraisal review costs, document review costs, title insurance policies and endorsements costs, the reasonable fees (which shall not exceed $40,000.00 with respect to the initial delivery of this Reimbursement Agreement) and out-of-pocket expenses of Counsel for the Bank with respect thereto and with respect to advising the Bank as to its rights and responsibilities under this Reimbursement Agreement and all reasonable costs and expenses, if any, in connection with the enforcement of this Reimbursement Agreement and such other documents which may be delivered in connection with this Reimbursement Agreement. In addition, Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Reimbursement Agreement and such other documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 12.3 Amendments and Waivers.

(a) No amendment or waiver of any provision of this Reimbursement Agreement or consent to any departure by Borrower from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Reimbursement Agreement should be breached by Borrower and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

(b) So long as any of the Bonds remain outstanding, this Reimbursement Agreement shall not be amended in any way if as a result thereof the exemption from federal income taxes of interest payable on the Bonds would be adversely affected, as to which Borrower and the Bank may rely upon an opinion of Bond Counsel mutually acceptable to Borrower and the Bank and having a favorable reputation in the field of state and municipal finance law.

(c) No amendment of Section 9.1 of this Reimbursement Agreement or of the obligation of the Bank to send copies of default notices to the District shall be effective unless the same shall be consented to by the District in writing.

Section 12.4 No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right under this Reimbursement Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of such right under this Reimbursement Agreement preclude any other further exercise of such right or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 12.5 Notices. Unless specifically indicated otherwise herein, all notices and other communications provided for hereunder shall be in writing and, if to Borrower, addressed to:

DMB WHITE TANK, LLC
7600 East Doubletree Ranch Road, Suite 300
Scottsdale, Arizona 85258-2137
Attention: Andrew S. Beams, Vice President, DMB Associates, Inc.
Tel: (480) 367-7246
Fax: (480) 367-7446
Attention: John L. Bradley, Vice President, DMB Associates, Inc.
Tel: (480) 367-7292
Fax: (480) 367-7446

With copies to:

STOREY & BURNHAM, PLC
3030 East Camelback Road, Suite 265
Phoenix, Arizona 85018
Attention: Rebecca L. Burnham
Tel: (602) 468-0111
Fax: (602) 468-1335

With copies of all notices of Events of Default to:

VERRADO WESTERN OVERLAY COMMUNITY
FACILITIES DISTRICT (Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: District Manager

and to:

WELLS FARGO BANK, N.A.
100 West Washington Street
MAC S4101-080
Phoenix, Arizona 85003
Attention: Corporate Trust Department

or if to the Bank, addressed to it at the following address:

COMPASS BANK
999 18th Street, Suite 2800
Denver, Colorado 80202
Attention: Matthew J. Chorske
Tel: (303) 217-2235
Fax: (303) 217-2260

with copies to:

COMPASS BANK
2850 East Camelback, Suite 140
Phoenix, Arizona 85016
Attention: Steven J. Heslep

COMPASS BANK
24 Greenway Plaza, Suite 1601
Houston, Texas 77046
Attention: Geraldine M. Gurley
Tel: (713) 499-8640
Fax: (713) 499-8659

QUARLES & BRADY STREICH LANG LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attention: Henry A. Perras

or as to each party at such other address as shall be designated by such party in a written notice to the other parties.

Any notice or other communication shall be sufficiently given and shall be deemed given when delivered to the addressee in writing or when given by telephone immediately confirmed in writing by telecopier or other telecommunication device.

Section 12.6 Binding Effect. This Reimbursement Agreement shall become effective when it shall have been executed and delivered by Borrower and the Bank and thereafter shall be binding upon and inure to the benefit of Borrower and the Bank and their respective successors

and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Bank.

Section 12.7 Severability. Any provision of this Reimbursement Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 12.8 Governing Law. This Reimbursement Agreement shall be governed and construed in accordance with the laws of the State of Arizona and applicable federal law.

Section 12.9 Headings. Section headings in this Reimbursement Agreement are included herein for convenience of reference only and shall not constitute a part of this Reimbursement Agreement for any other purpose.

Section 12.10 Participation. Borrower acknowledges and agrees that the Bank may participate portions of its obligations under the Letter of Credit and the obligations of Borrower under this Reimbursement Agreement and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions and waives any notice of such participations. Borrower further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and Borrower waives any right of setoff it may at any time have against the Bank or any Participant with regard to the Participated Obligations.

Section 12.11 No Third Party Beneficiaries.

(a) This Reimbursement Agreement is made for the sole protection and benefit of the parties hereto and, except as described below, no other person or organization shall have any right of action hereon.

(b) Notwithstanding anything herein to the contrary, the District is a third-party beneficiary hereof for the purpose of enforcing the obligation of the Bank (i) to send copies to the District and the Trustee of all notices of Events of Default pursuant to Section 12.5, and (ii) not to amend Section 9.1 hereof without the consent of the District pursuant to Section 12.3(c).

Section 12.12 Integration. This Reimbursement Agreement embodies the entire Reimbursement Agreement of the parties with regard to the subject matter hereof. There are no representations, promises, warranties, understandings or agreements expressed or implied, oral or otherwise, in relation thereto, except those expressly referred to or set forth herein. Borrower acknowledges that the execution and delivery of this Reimbursement Agreement is its free and voluntary act and deed, and that said execution and delivery have not been induced by, nor done in reliance upon, any representations, promises, warranties, understandings or agreements made by the Bank, its agents, officers, employees or representatives.

Section 12.13 No Joint Venture. The Bank and Borrower each have separate and independent rights and obligations under this Reimbursement Agreement. Nothing contained

herein shall be construed as creating, forming or constituting any partnership, joint venture, merger or consolidation of Borrower and the Bank for any purpose or in any respect.

Section 12.14 Discretionary Rights. All rights, powers and remedies granted the Bank herein, or otherwise available to the Bank, are for the sole benefit and protection of the Bank, and the Bank may exercise any such right, power or remedy at its option and in its sole and absolute discretion without any obligation to do so. In addition, if, under the terms hereof, the Bank is given two or more alternative courses of action, the Bank may elect any alternative or combination of alternatives, at its option and in its sole and absolute discretion. All monies advanced by the Bank under the terms hereof and all amounts paid, suffered or incurred by the Bank in exercising any authority granted herein, including reasonable attorneys' fees, shall be secured by the Security Documents, shall bear interest at the highest rate payable on the Obligation until paid, and shall be due and payable by Borrower to the Bank immediately without demand.

Section 12.15 Joint and Several.

(a) If Borrower consists of more than one person or entity their liability shall be joint and several. The provisions hereof shall apply to the parties according to the context thereof and without regard to the number or gender of words or expressions used.

(b) In addition, Borrower waives and agrees not to assert: (i) any right to require the Bank to proceed against the obligations, to proceed against or exhaust any security for the obligations, to pursue any other remedy available to the Bank, or to pursue any remedy in any particular order or manner; (ii) the benefit of any statute of limitations affecting its liability hereunder or the enforcement hereof; (iii) the benefits of any legal or equitable doctrine or principle of marshalling; (iv) notice of the existence, creation or incurring of new or additional indebtedness of Borrower to the Bank; (v) the benefits of any statutory provision limiting the liability of a surety, including without limitation the provisions of Sections 12-1641, et seq., of the Arizona Revised Statutes; (vi) any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever (other than payment in full) of the liability of Borrower for payment of any other party hereto; and (vii) the benefits of any statutory provision limiting the right of the Bank to recover a deficiency judgment, or to otherwise proceed against any person or entity obligated for payment of the obligations, after any foreclosure or trustee's sale of any security for the obligations, including without limitation the benefits, if any, to a surety of Arizona Revised Statutes Section 33-814. Until payment in full of the obligations and the Bank has no obligation to make any further advances of the proceeds hereof, no party shall have any right of subrogation and each hereby waives any right to enforce any remedy which the Bank now has, or may hereafter have, against Borrower or any other party, and waives any benefit of, and any right to participate in, any security now or hereafter held by the Bank.

Section 12.16 Time of Essence. Time is expressly made of the essence of this Reimbursement Agreement.

Section 12.17 Successors. Except as otherwise provided herein, this Reimbursement Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their successors and assigns.

Section 12.18 Set-off. The Bank shall have a lien upon and a right of setoff against, and Borrower hereby grants to the Bank a security interest in, all monies, securities, deposits (general or special, time or demand, provisional or final) and all other property of Borrower at any time held by the Bank, or any branch, subsidiary, or affiliate of the Bank, and all other indebtedness at any time owing by the Bank, or any branch, subsidiary, or affiliate of the Bank. Every such lien or security interest may be enforced and every such right of setoff may be exercised by the Bank at any time and from time to time, without prior notice to Borrower (any such notice being expressly waived by Borrower), and the proceeds thereof applied to or for the credit or the account of Borrower, against any and all of the obligations of Borrower now or hereafter existing under the Loan Documents, irrespective of (i) whether or not the Bank shall have made any demand under the Loan Documents and (ii) whether such obligations are contingent, matured, or unmatured. The Bank agrees to promptly notify Borrower after the enforcement of any such lien or security interest or the exercise of any such right of setoff, provided that the failure to give such notice shall not affect the validity of any such enforcement or exercise. No lien, security interest or right of setoff shall be deemed to have been waived by any act or conduct on the part of the Bank, by any neglect to exercise such right of setoff or enforce such lien or security interest, or by any delay in so doing. The rights of the Bank under this paragraph are in addition to other rights and remedies (including, without limitation, other liens, security interests or rights of setoff) which the Bank may have under the Loan Documents or otherwise.

Section 12.19 JURY WAIVER. THE UNDERSIGNED AND BANK (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND BANK ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT OR ANY OTHER RELATED DOCUMENT. THIS PROVISION IS MATERIAL INDUCEMENT TO BANK TO PROVIDE THE FINANCING DESCRIBED HEREIN OR IN THE OTHER RELATED DOCUMENTS.

Section 12.20 Counterparts. This Reimbursement Agreement may be signed in any number of counterpart copies, but all such copies shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

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: ANDREW BEAMS
Title: VICE PRES

BORROWER

COMPASS BANK, an Alabama banking corporation

By: _____
Name: Matthew J. Chorske
Title: Senior Vice President

BANK

GUARANTOR ACKNOWLEDGEMENT

The undersigned is the Guarantor as defined in that Reimbursement Agreement dated as of November 1, 2004 by and between DMB WHITE TANK, LLC, an Arizona limited liability company, and COMPASS BANK, an Alabama banking corporation (the "Reimbursement Agreement"), and agrees to be bound by, and to comply with, the covenants and provisions in the Reimbursement Agreement applicable to it.

DMB REALCO II 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: Andrew S. Beams
Title: Vice President

Dated as of November 1, 2004.

SCHEDULE "A"

THE REAL PROPERTY

The Real Property shall consist of approximately 158 acres of commercial property at the northeast, northwest and southwest corners of the Interstate 10 and Verrado Way interchange in the Town of Buckeye, Arizona more particularly described pursuant to the Legal Description below:

Legal Description

All that real property situate in the County of Maricopa, State of Arizona, more particularly described as follows:

SCHEDULE "A"

Parcel No. 1:

A parcel of land lying within Section 1, Township 1 North, Range 3 West, and Section 6, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the North quarter corner of said Section 1, a G.L.O. brass cap, from which the center of said Section 1, a 1/2 inch rebar, bears South 00 degrees 05 minutes 13 seconds West (basis of bearing), a distance of 2622.44 feet, said North quarter corner being the point of beginning;
THENCE along the North line of said Section 1, North 89 degrees 15 minutes 59 seconds East, a distance of 2634.48 feet to the Northeast corner of said Section 1, being also the Northwest corner of said Section 6;
THENCE leaving the North line of said Section 1, along the North line of said Section 6, North 89 degrees 57 minutes 39 seconds East, a distance of 22.01 feet to the Westerly right-of-way line of Verrado Way, as shown on Sheet 3 of Map of Dedication for Verrado Phase I, recorded in Book 612, page 39, Maricopa County Records;
THENCE leaving said North line, along said Westerly right-of-way line, South 01 degrees 07 minutes 18 seconds West, a distance of 510.08 feet to the Northerly right-of-way line of Interstate 10;
THENCE leaving said Westerly right-of-way line, along said Northerly right-of-way line, South 89 degrees 50 minutes 56 seconds West, a distance of 77.18 feet, to the Southwest corner of that certain parcel described in Exhibit "B" of the Special Warranty Deed as recorded in Document 03-0969327, M.C.R.;
THENCE along the Easterly line of said parcel, North 00 degrees 09 minutes 05 seconds West, a distance of 32.00 feet, to the Northeast corner of said parcel;
THENCE leaving said Easterly line, along the Northerly line of said parcel, South 89 degrees 50 minutes 56 seconds West, a distance of 16.00 feet, to the Northwest corner of said parcel;
THENCE leaving said Northerly line, along the Westerly line of said parcel, South 00 degrees 09 minutes 05 seconds East, a distance of 32.00 feet, to the Southwest corner of said parcel;
THENCE leaving said Westerly line, South 89 degrees 50 minutes 56 seconds West, a distance of 44.56 feet;
THENCE South 05 degrees 33 minutes 33 seconds West, a distance of 322.39 feet;
THENCE South 37 degrees 51 minutes 50 seconds West, a distance of 41.60 feet;
THENCE South 70 degrees 14 minutes 24 seconds West, a distance of 211.17 feet;
THENCE South 59 degrees 34 minutes 11 seconds West, a distance of 250.55 feet;
THENCE South 52 degrees 21 minutes 10 seconds West, a distance of 379.66 feet;
THENCE South 62 degrees 48 minutes 26 seconds West, a distance of 557.52 feet;
THENCE North 74 degrees 12 minutes 10 seconds West, a distance of 1000.05 feet;
THENCE South 68 degrees 55 minutes 22 seconds West, a distance of 300.39 feet to the North-South mid-section line of said Section 1;
THENCE leaving said Northerly right-of-way line, along said North-South mid-section line, North 00 degrees 05 minutes 13 seconds East, a distance of 1351.07 feet to the point of beginning;

Parcel No. 2:

A parcel of land lying within Section 6, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the Northeast corner of said Section 6;
THENCE along the East line of said Section 6, South 00 degrees 04 minutes 51 seconds East, a distance of 200.00 feet, to the Southeast corner of Parcel No. 3 of a Quit Claim Deed, as recorded in Docket 10822, page 9, M.C.R. and the point of beginning;
THENCE continuing, South 00 degrees 04 minutes 51 seconds East, a distance of 491.44 feet, to said northerly right-of-way line of Interstate 10 and a point of intersection with a non-tangent curve;
THENCE leaving said East line, along said Northerly right-of-way line, Southwesterly along said curve, having a radius of 11,602.57 feet, concave Southeasterly, whose radius bears South 02 degrees 39 minutes 27 seconds East, through a central angle of 04 degrees 54 minutes 37 seconds, a distance of 994.34 feet to a point of intersection with a non-tangent line;
THENCE South 85 degrees 02 minutes 08 seconds West, a distance of 638.36 feet;
THENCE North 86 degrees 30 minutes 59 seconds West, a distance of 686.71 feet;
THENCE North 46 degrees 22 minutes 36 seconds West, a distance of 36.29 feet;
THENCE North 05 degrees 51 minutes 43 seconds West, a distance of 258.48 feet;
THENCE South 89 degrees 50 minutes 56 seconds West, a distance of 63.35 feet to the Easterly right-of-way line of said Verrado Way;
THENCE leaving said Northerly right-of-way line, along said Easterly right-of-way line, North 00 degrees 48 minutes 10 seconds East, a distance of 14.88 feet;
THENCE North 01 degrees 16 minutes 48 seconds East, a distance of 121.82 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 209.35 feet;
THENCE North 01 degrees 41 minutes 46 seconds East, a distance of 124.06 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 39.87 feet to said Northerly line of said Section 6;
THENCE leaving said Easterly right-of-way line, along said Northerly line, North 89 degrees 57 minutes 39 seconds East, a distance of 2370.60 feet, to the northwest corner of said Parcel No. 3;
THENCE leaving said northerly 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 point of beginning;

Parcel No. 3:

A parcel of land lying within Section 1, Township 1 North, Range 3 West of the Gila and Salt River base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the center of said Section 1, being the point of beginning;
THENCE along said North-South mid-section line of said Section 1, North 00 degrees 05 minutes 13 seconds East, a distance of 297.68 feet to the Southerly right-of-way line of said Interstate 10;
THENCE leaving said North-South mid-section line, along said Southerly right-of-way line, North 68 degrees 55 minutes 29 seconds East, a distance of 1551.60 feet;
THENCE North 77 degrees 27 minutes 12 seconds East, a distance of 422.90 feet;
THENCE South 83 degrees 12 minutes 14 seconds East, a distance of 127.73 feet;
THENCE North 89 degrees 55 minutes 39 seconds East, a distance of 455.90 feet;
THENCE South 45 degrees 55 minutes 25 seconds East, a distance of 34.89 feet;
THENCE South 00 degrees 09 minutes 06 seconds East, a distance of 202.75 feet;
THENCE leaving said Southerly right-of-way line, South 07 degrees 35 minutes 49 seconds East, a distance of 698.31 feet to the East-West mid-section line of said Section 1;
THENCE along said East-West mid-section line, South 89 degrees 41 minutes 33 seconds

West, a distance of 2561.75 feet to the point of beginning.

Parcel No. 4:

A temporary, non-exclusive easement for pedestrian and vehicular access, ingress and egress as set forth in Declaration of Temporary Access Easement recorded October 14, 2004 in Instrument No. 2004-1203175.

EXHIBIT "1"

IRREVOCABLE DIRECT-PAY LETTER OF CREDIT NO. S26861C

IRREVOCABLE DIRECT-PAY LETTER OF CREDIT NO. S26861C

Issue Date: NOVEMBER 10, 2004
Expiration Date: NOVEMBER 10, 2007

Wells Fargo Bank, National Association, as Trustee
100 West Washington Street
MAC S4101-22E
Phoenix, Arizona 85003

Ladies and Gentlemen:

At the request and for the account of DMB WHITE TANK, LLC, an Arizona limited liability company (the "Account Party"), at the address of 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, COMPASS BANK, a state chartered banking association (the "Bank"), at the address of 24 Greenway Plaza, Suite 1601, Houston, Texas 77046, hereby establishes in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee (the "Trustee") under the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture") by and between the Trustee and Verrado Western Overlay Community Facilities District, a community facilities district formed by the Town of Buckeye, Arizona (the "District") for the benefit of the owners of the Bonds (defined below), this irrevocable direct-pay letter of credit (the "Letter of Credit") in the aggregate stated amount of **$13,160,274.00** (the "**Stated Amount**") of which $13,000,000.00 (the "Principal Portion") is available to pay the principal of and the portion of the purchase price constituting principal of, and $160,274.00 (the "Interest Portion") is available to pay the interest on and the portion of the purchase price constituting interest on, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"). The Interest Portion was calculated at the rate of 9.0% per annum for 50 days on the basis of a 365-day year.

Funds shall be available hereunder to make any payment of principal or purchase price of, or interest on the Bonds upon presentation of one or more facsimile or original demands by you to Compass Bank, 24 Greenway Plaza, Suite 1601, Houston, Texas 77046, Attention: International Trade Services, Telephone: (713) 499-8640, Facsimile: (713) 499-8659, in the form of Annex 1, 2, 3 or 4 hereto, as appropriate, in compliance with all instructions therein.

Each such presentation must be made not later than 4:00 p.m. Houston, Texas time on a day on which the Trustee, the Bank, or banks or trust companies in Phoenix, Arizona or Houston, Texas, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed (a "Business Day") prior to the expiration of this Letter of Credit or any extension of such expiry date pursuant to the provisions hereof. This Letter of Credit shall expire at the close of business of the above office of the Bank on the date which is the earliest of (each, a "Termination Date"):

(a) **NOVEMBER 10, 2007** (the "**Expiration Date**"), or any extension of the Expiration Date pursuant to an amendment of this Letter of Credit in the form of Annex 7 hereto, or any earlier date on which this Letter of Credit shall terminate, expire or be cancelled;

(b) the first Business Day immediately following the date the Bonds were remarketed with a Fixed Rate as specified by the Trustee in a notice in the form of Annex 5 hereto;

(c) the first Business Day immediately following the date specified by the Trustee in a notice in the form of Annex 5 hereto as being the date that all outstanding Bonds have been paid or will be paid with funds deposited with the Trustee; or

(d) the first Business Day immediately following the date specified by the Trustee in a notice in the form of Annex 5 hereto as being the effective date of an alternate letter of credit received by the Trustee and meeting the requirements of the Indenture.

Drawings on this Letter of Credit will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Account Party.

No draw may be made under this Letter of Credit for any payment with respect to Bonds owned by or pledged to the Bank.

The amount of each demand presented hereunder will be the amount inserted in numbered paragraph (3) of said demand.

The Bank hereby agrees with the Trustee that each demand presented hereunder in the form of Annex 1 or Annex 2 hereto in full compliance with the terms hereof will be honored by payment to the Trustee in immediately available funds (a) no later than noon, Houston, Texas time, on the Business Day next succeeding the day on which such demand is presented as aforesaid if such presentation is made at or before noon, Houston, Texas time; or (b) no later

than noon, Houston, Texas time, on the second Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after noon, Houston, Texas time.

The Bank hereby agrees with the Trustee that each demand presented hereunder in the form of Annex 3 or Annex 4 hereto in full compliance with the terms hereof will be duly honored by payment to the Trustee in immediately available funds (a) no later than 1:00 p.m., Houston, Texas time, on the day such demand is presented as aforesaid if such presentation is made at or before 10:30 a.m., Houston, Texas time; or (b) no later than 1:00 p.m., Houston, Texas time, on the Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after 10:30 a.m., Houston, Texas time.

The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time.

Upon each payment hereunder with respect to the principal of the Bonds, the Principal Portion shall be decreased by the amount of the payment and immediately thereafter the Interest Portion shall be decreased proportionally.

Upon receipt of a notice from the Trustee in the form of Annex 8 hereto stating that the remarketing agent has identified purchasers of the Bonds owned by or pledged to the Bank and that the Bank has notified the Trustee that it has been reimbursed in full for any drawings made pursuant to Annex 3 or Annex 4, as applicable, the Principal Portion and Interest Portion shall be reinstated by the amounts by which they were decreased upon such payment.

The Interest Portion shall be decreased upon, and to the extent of, each payment hereunder with respect to interest pursuant to a demand in the form of Annex 1 hereto. Upon payment hereunder pursuant to a demand in the form of Annex 1 hereto, the Interest Portion shall be automatically and immediately reinstated by the amount by which it was decreased upon such payment.

Only the Trustee or a successor Trustee may make a drawing under this Letter of Credit. Upon the payment to the Trustee of the amount demanded pursuant to presentation of drawing certifications, the Bank shall be fully discharged of its obligations under the Letter of Credit in respect of such demand for payment to the Trustee or any owner of Bonds or any person on behalf of any owner of Bonds who may have made or makes a demand for payment of principal of or purchase price of, or interest on, any Bond. By paying to the Trustee an amount demanded in accordance herewith, the Bank makes no representation as to the correctness of the amount demanded or the Trustee's calculations and representations on the drawing certificates required of the Trustee by this Letter of Credit.

If a drawing demand is not, in any instance, in strict conformance with the terms and conditions of this Letter of Credit, the Bank shall give the Trustee prompt notice that the purported drawing was not effected in accordance with this Letter of Credit, stating the reason therefore and that the Bank is holding any documents at the Trustee's disposal or is returning them to the Trustee, as the Bank may elect. Upon being notified that the purported drawing was not effected in conformity with this Letter of Credit, the Trustee may attempt to correct any such nonconforming drawing certificate if, and to the extent that, the Trustee is entitled (without

regard to the provisions of this sentence) and is able to do so prior to the expiration of this Letter of Credit.

To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by and construed in accordance with the International Standby Practices 1998 or any revision thereto (the "ISP 98"). As to matters not covered by ISP 98 and to the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by the laws of the State of Arizona, including, to the extent not inconsistent with ISP 98, the Uniform Commercial Code as in effect in the State of Arizona.

This Letter of Credit may be transferred more than once but only in the amount of the full Stated Amount then in effect to any single transferee who has succeeded the Trustee as trustee under the Indenture. Transfers may be effected only through the above office of the Bank and only upon presentation to it of a duly executed instrument of transfer in the form attached hereto as Annex 6 and payment by the Account Party of any and all amounts due and owing to the Bank. Any transfer of this Letter of Credit as aforesaid must be endorsed by the Bank on the reverse hereof and the Bank must issue an amendment to this Letter of Credit.

Communications and notices with respect to this Letter of Credit shall be in writing and shall be addressed to us at our office specified above, specifically referring to the number of this Letter of Credit, and shall be addressed to you at your address specified above.

COMPASS BANK, A STATE CHARTERED BANKING ASSOCIATION

By:_____
Name:_____
Title:_____

ANNEX 1

[TO DRAW ACCRUED INTEREST ONLY]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit for interest whether or not paid or due with respect to one or more of the Bonds on [insert the relevant date].

(3) The aggregate amount of interest owing on the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The amount requested does not exceed the Interest Portion of the Stated Amount.

(4) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing with respect to the Bonds referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of interest owing on such Bonds. No portion of such amount may be used to make any payment with respect to Bonds owned by the Bank.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 2

[TO DRAW PRINCIPAL AND INTEREST DUE UPON REDEMPTION OR AT SCHEDULED MATURITY]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit for principal and interest due and payable on one or more of the Bonds on [insert the relevant date].

(3) The aggregate amount of principal and interest owing on the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of the Bonds.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on the Bonds.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Bonds referred to in numbered paragraph (3) above as provided in the Indenture, and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of principal of or interest owing on such Bonds. No portion of such amount may be used to make any payment with respect to Bonds owned by the Bank.

(7) Upon your honoring the drawing requested hereunder the Principal Portion of the Stated Amount shall be reduced to $[insert amount] and the Interest Portion of the Stated Amount shall be reduced to $[insert amount].

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 3

[TO DRAW PURCHASE PRICE UPON OPTIONAL TENDER OF BONDS PURSUANT TO SECTION 3.11(A)/(B) OF THE INDENTURE]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), in its capacity as the Trustee, hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit to pay the purchase price due and payable on the purchase from the owners thereof, following tender thereof pursuant to Section 3.11____ [insert (A) or (B)] of the Indenture, of one or more of the Bonds on [insert the relevant date].

(3) The aggregate amount owing on account of the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of said Bonds.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on said Bonds.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Bonds referred to in numbered paragraph (3) above as provided in the Indenture and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of principal and interest owing on such Bonds.

(7) The Trustee will cause the Paying Agent to register all Bonds which are required to be purchased by the Bank pursuant to Section 3.11____ [insert (A) or (B)] of the Indenture to be immediately registered on behalf of the Bank (or its nominee) in accordance with Section 5.13(D) of the Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 4

[TO DRAW PRINCIPAL AND INTEREST DUE UPON MANDATORY TENDER PURSUANT TO SECTION 3.11(D) OF THE INDENTURE]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the Owners of the Bonds.

(2) The Trustee is making demand for payment under the Letter of Credit to pay the principal and interest due and payable on the Mandatory Tender Date established for the Bonds which date is [insert the relevant date].

(3) The aggregate amount owing on account of the Bonds on said date is $[insert amount], which is the amount hereby demanded under the Letter of Credit. The Trustee has not heretofore made demand under the Letter of Credit for such amount or any portion thereof.

(4) Of said total amount, $[insert amount] is demanded with respect to principal of said Bonds.

(5) Of said total amount, $[insert amount] is demanded with respect to interest on said Bonds.

(6) Upon receipt of the amount demanded under the Letter of Credit the Trustee will apply the same exclusively to the payment of the amount owing in respect of the Bonds referred to in numbered paragraph (3) above as provided in the Indenture and no portion of said amount shall be deposited by the Trustee in any account maintained by or for the account of the Account Party or applied by the Trustee for any purpose other than to pay the amount of principal of and interest owing on such Bonds.

(7) The Trustee will cause the Paying Agent to register all Bonds which are required to be purchased by the Bank pursuant to Section 3.11(D) of the Indenture to be immediately registered in the name of the Bank (or its nominee) in accordance with Section 5.13(D) of the Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 5

[FOR TRUSTEE TO TERMINATE LETTER OF CREDIT]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), in its capacity as the Trustee, hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association (the "Bank") (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the owners of the Bonds.

(Select appropriate paragraph)

(2) The Bonds were remarketed with a Fixed Rate on [insert relevant date].

or

(3) All outstanding Bonds have been paid or will be paid with funds deposited with the Trustee on [insert relevant date].

or

(4) The Trustee has received an alternate letter of credit meeting the requirements of the Indenture, and the effective date of the alternate letter of credit is [insert relevant date].

The Trustee requests that the Bank terminate the Letter of Credit effective as of the close of business on [insert relevant date], which date is the earliest of (a) the first Business Day following the date on which the Bonds were remarketed with a Fixed Rate, (b) the first Business Day following the date on which all outstanding Bonds have been paid, or (c) the first Business Day following the date of receipt of an alternate letter of credit.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

ANNEX 6

[TO TRANSFER LETTER OF CREDIT]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Subject: Letter of Credit No. S26861C issued by Compass Bank

Ladies and Gentlemen:

For value received, we hereby transfer all of our rights under the above-captioned letter of credit (the "Letter of Credit"), as heretofore and hereafter amended, extended or increased to:

_____
[Name of Transferee]

_____
[Address of Transferee]

By this transfer, all of our rights in the Letter of Credit are transferred to the transferee, and the transferee shall have sole rights as beneficiary under the Letter of Credit, including sole rights relating to any amendments, and whether now existing or hereafter made. The Letter of Credit may hereafter be amended, extended or increased without our consent or notice to us and you will give notice thereof directly to the transferee.

By its signature below the undersigned transferee (a) acknowledges that it has duly succeeded to _____, as Trustee under that certain Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture"), by and between Wells Fargo Bank, National Association, as Trustee and the Account Party, as amended or supplemented from time to time, relating to those Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004; and (b) consents and agrees to perform and comply with all the terms, covenants and conditions on its part to be performed or complied with under the Indenture.

The original Letter of Credit is returned with all amendments to this date. Please notify the transferee in such form as you deem advisable to this transfer and of the terms and conditions of the Letter of Credit, including amendments, as transferred. A copy of this instrument of transfer has been furnished to the Account Party for its information.

Very truly yours,

[Insert Name of Transferor]

By:_____
Name:_____
Title:_____

Acknowledged

[Insert Name and Title]

By:_____
Name:_____
Title:_____

ANNEX 7

[FOR BANK TO EXTEND EXPIRATION DATE OF LETTER OF CREDIT UPON REQUEST OF THE ACCOUNT PARTY]

Wells Fargo Bank, National Association
100 West Washington Street
MAC S4101-22E
Phoenix, Arizona 85003

Certificate Extending the Expiration Date of Letter of Credit

Amendment No. _____

You are hereby notified pursuant to Section 11.2 of the Reimbursement Agreement, dated as of November 1, 2004, by and between the DMB WHITE TANK, LLC, an Arizona limited liability company, and Compass Bank, a state chartered banking association (the "Bank"), that the Bank has approved an extension of Letter of Credit No. S26861C (the "Letter of Credit"). The new Expiration Date is _____.

You are hereby instructed to attach this Certificate Extending the Expiration Date of Letter of Credit No. S26861C to the Letter of Credit as an amendment to thereto which, upon attachment, shall form an integral part thereof.

Dated _____

COMPASS BANK, A STATE CHARTERED BANKING ASSOCIATION

By:_____
Name:_____
Title:_____

ANNEX 8

[TO REINSTATE PRINCIPAL AND INTEREST AFTER REMARKETING OF BONDS PURSUANT TO SECTION 3.12 OF THE INDENTURE]

Compass Bank
24 Greenway Plaza, Suite 1601
Houston TX 77046

Attention: International Trade Services

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

Wells Fargo Bank, National Association (the "Trustee"), in its capacity as the Trustee, hereby certifies with respect to Irrevocable Direct-Pay Letter of Credit No. S26861C (the "Letter of Credit") issued by Compass Bank, a state chartered banking association, in its capacity as the Bank (terms defined in the Letter of Credit are used herein as therein defined, unless otherwise defined herein) that:

(1) The Trustee is the Trustee under the Indenture for the Bonds.

(2) The remarketing agent has identified purchasers for Bonds owned by or pledged to the Bank ("Bank Bonds") in an aggregate face amount of $[insert amount].

(3) The Bank has notified the Trustee that it has been reimbursed for all drawing(s) paid under the Letter of Credit pursuant to demand(s) made by us under Annex 3 or Annex 4 to the Letter of Credit, for which $[insert amount] is attributable to principal of the Bonds and $[insert amount] is attributable to interest on the Bonds.

(4) The Trustee hereby demands that you reinstate the Principal Portion of the Letter of Credit in the amount of $[insert amount] constituting principal and reinstate the Interest Portion of the Letter of Credit in the amount of $[insert amount] constituting interest on the Bonds, and upon such reinstatement, that you transfer Bank Bonds in the amount set forth in paragraph (2) above to the remarketing agent.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:_____
Name:_____
Title:_____

EXHIBIT "2"

COMPLIANCE CERTIFICATE

To: COMPASS BANK

Re: DMB WHITE TANK, LLC

This Compliance Certificate is furnished pursuant to Section 6.3(c) of that certain Reimbursement Agreement dated as of November 1, 2004 (as amended, modified, renewed or extended from time to time, the "Agreement") between DMB WHITE TANK, LLC, an Arizona limited liability company (the "Borrower"), and COMPASS BANK, as Lender. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFY THAT:

1. The undersigned are the duly elected _____ of the Borrower and _____ of the Guarantor;

2. The undersigned have reviewed the terms of the Agreement and have made, or have caused to be made under our supervision, a detailed review of the transactions and conditions of the Borrower and Guarantor during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and the undersigned have no knowledge of, the existence of any condition or event which constitutes an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

_____

_____

The foregoing certifications, together with the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, ____.

DMB WHITE TANK, LLC, an Arizona limited liability company

By:_____
Name:_____
Title:_____

DMB REALCO II 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:_____
Title:_____

FIDELITY NATIONAL TITLE

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
20041348419 11/17/2004 13:17
TRC1289-27-1-1--
ELECTRONIC RECORDING

When recorded, return to:

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attention: Henry A. Perras, Esq.

48001289 1/
TRC1289

DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

This Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (hereinafter called "Deed of Trust") is made as of the 1st day of November, 2004, by and among DMB WHITE TANK, LLC, an Arizona limited liability company, whose mailing address and whose chief executive office is located at 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, hereinafter called "Trustor," COMPASS BANK, an Alabama banking corporation, whose mailing address is 2850 East Camelback, Suite 140, Phoenix, Arizona 85016, Attention: Steven J. Heslep, when referred to in such capacity, hereinafter called "Trustee," and COMPASS BANK, an Alabama banking corporation, whose mailing address is 999 18th Street, Suite 2800, Denver, Colorado 80202, Attn: Matthew J. Chorske, when referred to in such capacity, hereinafter called "Beneficiary."

WITNESSETH:

SECTION 1. GRANTING CLAUSE; WARRANTY OF TITLE

1.1 Trustor hereby irrevocably grants, transfers, and assigns to Trustee, in trust, with power of sale, for the benefit of Beneficiary, all of Trustor's present and future estate, right, title and interest in and to that real property and all buildings, structures and other improvements now thereon or hereafter constructed thereon (the "Premises"), in the County of Maricopa, State of Arizona, described on Schedule "A" attached hereto and by this reference made a part hereof, together with all of Trustor's present and future estate, right, title and interest in and to all of the following which, with the Premises (except where the context otherwise requires), are hereinafter collectively called the "Trust Property":

(a) All appurtenances in and to the Premises;

(b) All water and water rights, ditches and ditch rights, reservoir and reservoir rights, stock or interests in irrigation or ditch companies, minerals, oil and gas rights, royalties, lease or leasehold interests owned by Trustor, now or hereafter used or useful in connection with, appurtenant to or related to the Premises;

(c) All right, title and interest of Trustor now owned or hereafter acquired in and to all streets, roads, alleys and public places, and all easements and rights of way, public or private, now or hereafter used in connection with the Premises;

(d) All machinery, equipment, fixtures and materials now or at any time attached to or located on the Premises together with all processing, manufacturing and service equipment and other personal property now or at any time hereafter located on, attached to or appurtenant to the Premises and used in connection with the management, ownership, maintenance and operation thereof;

(e) Any licenses, contracts, permits and agreements required or used in connection with the ownership, operation or maintenance of the Premises;

(f) Any and all insurance proceeds, and any and all awards, including interest, previously and hereafter made to Trustor for taking by eminent domain of the whole or any part of the Premises or any easements therein;

(g) Subject to the rights of Beneficiary under Section 3 hereof, all existing and future leases, subleases, licenses and other agreements for the use and occupancy of all or any portion of the Premises and all income, receipts, revenues, rents, issues and profits arising from the use or enjoyment of all or any portion of the Premises.

1.2 Trustor warrants that it is well and truly seized of a good and marketable title in fee simple to the Premises, that it is the lawful owner of the rest of the Trust Property, and that, except for those matters approved by Beneficiary and specifically described on Schedule B to the title insurance policy insuring this Deed of Trust (hereinafter called the "Permitted Exceptions"), to Trustor's knowledge the title to all the Trust Property is clear, free and unencumbered; Trustor shall forever warrant and defend the same unto Beneficiary, its successors and assigns, against all claims whatsoever.

TRUSTOR FURTHER REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

SECTION 2. OBLIGATION SECURED

This Deed of Trust is given for the purpose of securing, in such order of priority as Beneficiary may elect:

2.1 Payment, performance and observance by Trustor of each covenant, condition, provision and agreement contained in that Reimbursement Agreement of even date herewith, by and between Trustor and Beneficiary (hereinafter called the "Loan Agreement") pursuant to which Beneficiary has issued a letter of credit in the amount of THIRTEEN MILLION ONE HUNDRED SIXTY THOUSAND TWO HUNDRED SEVENTY-FOUR AND NO/100 DOLLARS ($13,160,274.00) for the account of Trustor and in any other document or instrument related to the indebtedness hereby secured and of all monies expended or advanced by Beneficiary pursuant to the terms thereof or to preserve any right of Beneficiary thereunder;

2.2 Payment, performance and observance by Trustor of each covenant, condition, provision and agreement contained herein and of all monies expended or advanced by Beneficiary pursuant to the terms hereof, or to preserve any right of Beneficiary hereunder, or to protect or preserve the Trust Property or any part thereof;

2.3 The full and timely payment of all amounts now or hereafter due and payable by Trustor to Beneficiary under any interest rate swap, cap, collar or similar transaction, or any master agreement for such transactions, now or hereafter in effect between Trustor and Beneficiary, whether such amounts are due and payable on the date(s) scheduled therefor, or otherwise; and

2.4 Payment of any and all additional loans and advances made by Beneficiary to Trustor and/or to the then record owner or owners of the Trust Property and any other indebtedness or obligation of Trustor and/or the then record owner or owners of the Trust Property to Beneficiary of any kind, direct or indirect (excluding, however, any such loan to, or indebtedness or obligation of, an individual for personal, family or household purposes) with interest thereon, late charges, extension and other fees, prepayment premiums and attorneys' fees, according to the terms of the promissory note(s), credit agreement(s) and/or guarantees evidencing such loans, advances, indebtedness and obligations, and all extensions, modifications, renewals or replacements thereof.

All of the indebtedness and obligations secured by this Deed of Trust are hereinafter collectively called the "Obligation."

SECTION 3. LEASES; ASSIGNMENT OF RENTS AND LEASES

3.1 To facilitate payment and performance of the Obligation, Trustor hereby absolutely transfers and assigns to Beneficiary all right, title and interest of Trustor in and to (i) all existing and future leases, subleases, licenses and other agreements for the use and occupancy of all or any part of the Trust Property, whether written or oral and whether for a definite term or month to month, together with all guarantees of the lessee's obligations thereunder and together with all extensions, modifications and renewals thereof (hereinafter called the "Leases"), and (ii) all income, receipts, revenues, rents, issues and profits now or hereafter arising from or out of the Leases or from or out of the Trust Property or any part thereof, including without limitation room rents, minimum rents, additional rents, percentage rents, occupancy and user fees and charges, license fees, parking and maintenance charges and fees, tax and insurance contributions, proceeds of the sale of utilities and services, cancellation premiums, claims for damages arising from any breach of the Leases, proceeds from any sale or other disposition of all or any portion of the Trust Property, and all other benefits arising from the use or enjoyment of, or the lease, sale or other disposition of, all or any portion of the Trust Property, together with the immediate and continuing right to receive all of the foregoing (hereinafter called the "Rents"). In furtherance of this Assignment, and not in lieu hereof, Beneficiary may require a separate assignment of rents and leases and/or separate specific assignments of rents and leases covering one or more of the Leases; the terms of all such assignments are incorporated herein by reference.

3.2 Trustor hereby authorizes and directs the lessees and tenants under the Leases that, upon written notice from Beneficiary, all Rents shall be paid directly to Beneficiary as they become due. Trustor hereby relieves the lessees and tenants from any liability to Trustor by reason of the payment of the Rents to Beneficiary. Nevertheless, Trustor shall be entitled to collect the Rents until Beneficiary notifies the lessees and tenants in writing to pay the Rents to Beneficiary. Beneficiary is hereby authorized to give such notification upon the occurrence of an Event of Default and at any time thereafter while such Event of Default is continuing. Receipt and application of the Rents by Beneficiary shall not constitute a waiver of any right of Beneficiary under this Deed of Trust or applicable law, shall not cure any Event of Default hereunder, and shall not invalidate or affect any act done in connection with such Event of Default, including, without limitation, any trustee's sale or foreclosure proceeding.

3.3 All Rents collected by Trustor shall be applied in the following manner:

First, to the payment of all taxes and lien assessments levied against the Trust Property, where provision for paying such is not otherwise made;

Second, to the payment of ground rents (if any) payable with respect to the Trust Property;

Third, to the payment of any amounts due and owing under the Obligation;

Fourth, to the payment of current operating costs and expenses (including repairs, maintenance and necessary acquisitions of property and expenditures for capital improvements) arising in connection with the Trust Property;

Fifth, to Trustor or its designee.

All Rents collected by Beneficiary may be applied to the items above listed in any manner that Beneficiary deems advisable and without regard to the aforestated priorities.

3.4 Trustor represents and warrants that: (i) the Leases, if any, are in full force and effect and have not been modified or amended except as disclosed in writing to Beneficiary, (ii) the Rents, if any, have not been waived, discounted, compromised, setoff or paid more than one month in advance except as disclosed in writing to Beneficiary, (iii) there are no other assignments, transfers, pledges or encumbrances of any Leases or Rents; and (iv) neither Trustor nor the lessees and tenants are in default under the Leases.

3.5 Trustor shall (i) fulfill or perform each and every term, covenant and provision of the Leases to be fulfilled or performed by the lessor thereunder; (ii) give prompt notice to Beneficiary of any notice received by Trustor of default thereunder or of any alleged default or failure of performance that could become a default thereunder, together with a complete copy of any such notice; and (iii) enforce, short of termination thereof, the performance or observance of each and every term, covenant and provision of each Lease to be performed or observed by the lessees and tenants thereunder.

3.6 Trustor, without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, shall not: (i) cancel, modify or alter, or accept the surrender of, any Lease; (ii) assign, transfer, pledge or encumber, the whole or any part of the Leases and Rents to anyone other than Beneficiary; (iii) accept any Rents more than one month in advance of the accrual thereof; (iv) do or permit anything to be done, the doing of which, or omit or refrain from doing anything, the omission of which, could be a breach or default under the terms of any Lease or a basis for termination thereof; or (v) enter in to any new tenant leases.

3.7 Beneficiary does not assume and shall not be liable for any obligation of the lessor under any of the Leases and all such obligations shall continue to rest upon Trustor as though this assignment had not been made. Beneficiary shall not be liable for the failure or inability to collect any Rents.

3.8 Neither the Assignment of Rents and Leases contained herein or in any separate assignment nor the exercise by Beneficiary of any of its rights or remedies thereunder or in connection therewith, prior to Beneficiary obtaining actual possession of the Trust Property as provided in Paragraph 8.2 hereof, shall constitute Beneficiary a "mortgagee in possession" or otherwise make Beneficiary responsible or liable in any manner with respect to the Trust Property or the occupancy, operation or use thereof. In the event Beneficiary obtains actual possession of the Trust Property as provided in Paragraph 8.2 hereof, Beneficiary shall have the rights, and Beneficiary's liability shall be limited, as provided in that Paragraph.

SECTION 4. SECURITY AGREEMENT

4.1 This Deed of Trust shall cover, and the Trust Property shall include, all property now or hereafter affixed or attached to or incorporated upon the Premises, which, to the fullest extent permitted by law, shall be deemed fixtures and a part of the Premises. To the extent any of the Trust Property consists of rights in action or personal property covered by the Uniform Commercial Code, this Deed of Trust shall also constitute a security agreement, and Trustor hereby grants to Beneficiary, as secured party, a security interest in such property and all proceeds thereof, for the purpose of securing the Obligation. In addition, for the purpose of securing the Obligation, Trustor hereby grants to Beneficiary, as secured party, a security interest in all of the property described below in, to, or under which Trustor now has or hereafter acquires any right, title or interest, whether present, future, or contingent: all equipment, inventory, accounts, general intangibles, instruments, documents, investment property, deposit accounts, letter-of-credit rights, supporting obligations and chattel paper, as those terms are defined in the Uniform Commercial Code, and all other personal property of any kind (including without limitation money and rights to the payment of money), whether now existing or hereafter created, that are now or at any time hereafter (i) in the possession or control of Beneficiary in any capacity; (ii) erected upon, attached to, or appurtenant to, the Premises; (iii) located or used on the Premises or identified for use on the Premises (whether stored on the Premises or elsewhere); or (iv) used in connection with, arising from, related to, or associated with the Premises or any of the personal property described herein, the construction of any improvements on the Premises, the ownership, development, maintenance, leasing, management, or operation of the Premises, the use or enjoyment of the Premises, or the operation of any business

conducted on the Premises; including without limitation all such property more particularly described as follows:

(a) Buildings, structures and improvements, and building materials, fixtures and equipment to be incorporated into any buildings, structures or improvements;

(b) Goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, including without limitation, all such items used for (i) generation, storage or transmission of air, water, heat, steam, electricity, light, fuel, refrigeration or sound; (ii) ventilation, air-conditioning, heating, refrigeration, fire prevention and protection, sanitation, drainage, cleaning, transportation, communications, maintenance or recreation; (iii) removal of dust, refuse, garbage or snow; (iv) transmission, storage, processing or retrieval of information; and (v) floor, wall, ceiling and window coverings and decorations;

(c) Income, receipts, revenues, rents, issues and profits, including without limitation, room rents, minimum rents, additional rents, percentage rents, occupancy and user fees and charges, license fees, parking and maintenance charges and fees, tax and insurance contributions, proceeds of the sale of utilities and services, cancellation premiums, and claims for damages arising from the breach of any leases;

(d) Water and water rights, ditches and ditch rights, reservoirs and reservoir rights, stock or interest in irrigation or ditch companies, minerals, oil and gas rights, royalties, and lease or leasehold interests;

(e) Plans and specifications prepared for the construction of any improvements, including without limitation, all studies, estimates, data, and drawings;

(f) Documents, instruments and agreements that may hereafter be created or recorded relating to, or in any way connected with, the operation, control or development of the Premises, including without limitation, any declaration of covenants, conditions and restrictions and any articles of incorporation, bylaws and other membership documents of any property owners association or similar group pertaining solely to all or any portion of the Premises;

(g) Claims and causes of action, legal and equitable, in any form whether arising in contract or in tort, and awards, payments and proceeds due or to become due, including without limitation those arising on account of any loss of, damage to, taking of, or diminution in value of, all or any part of the Premises or any personal property described herein;

(h) Sales agreements, escrow agreements, deposit receipts, and other documents and agreements for the sale or other disposition of all or any part of the Premises or any of the personal property described herein, and deposits, proceeds and benefits arising from the sale or other disposition of all or any part of the Premises or any of the personal property described herein;

(i) Policies or certificates of insurance, contracts, agreements or rights of indemnification, guaranty or surety, and awards, loss payments, proceeds, and premium refunds that may be payable with respect to such policies, certificates, contracts, agreements or rights;

(j) Contracts, agreements, permits, licenses, authorizations and certificates, including without limitation all architectural contracts, construction contracts, management contracts, service contracts, maintenance contracts, franchise agreements, license agreements, building permits and operating licenses;

(k) [Intentionally left blank];

(l) Refunds and deposits due or to become due from any utility companies or governmental agencies;

(m) Replacements and substitutions for, modifications of, and supplements, accessions, addenda and additions to, all of the personal property described herein;

(n) Books, records, correspondence, files and electronic media, and all information stored therein;

together with all products and proceeds of all of the foregoing, in any form, including all proceeds received, due or to become due from any sale, exchange or other disposition thereof, whether such proceeds are cash or non-cash in nature, and whether represented by checks, drafts, notes or other instruments for the payment of money. The personal property described or referred to in this Paragraph 4.1 is hereinafter called the "Personal Property." The security interests granted in this Paragraph 4.1 are hereinafter severally and collectively called the "Security Interest."

4.2 The Security Interest shall be self-operative with respect to the Personal Property, but Trustor shall execute and deliver on demand such additional security agreements and other instruments as may be requested in order to impose the Security Interest more specifically upon the Personal Property. The Security Interest, at all times, shall be prior to any other interests in the Personal Property except any lien or security interest granted in connection with any Permitted Exception. Trustor shall act and perform as necessary and shall execute and file all security agreements, financing statements, continuation statements and other documents requested by Beneficiary to establish, maintain and continue the perfected Security Interest. Trustor, on demand, shall promptly pay all costs and expenses of filing and recording, including the costs of any searches, deemed necessary by Beneficiary from time to time to establish and determine the validity and the continuing priority of the Security Interest.

4.3 Trustor shall not sell, transfer, assign or otherwise dispose of any Personal Property or any interest therein without obtaining the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, except Personal Property that Trustor is obliged to replace pursuant to the terms hereof. Unless Beneficiary then agrees otherwise in writing, all proceeds from any permitted sale or disposition in excess of that required for replacements shall be paid to Beneficiary to be applied to the Obligation, whether or

not then due. Trustor shall keep the Personal Property free of all security interests or other encumbrances, except the Security Interest and any security interests and encumbrances granted in connection with any Permitted Exception. Although proceeds of Personal Property are covered hereby, this shall not be construed to mean that Beneficiary consents to any sale of the Personal Property.

4.4 Trustor shall keep and maintain the Personal Property in good condition and repair, and shall promptly replace any part thereof that from time to time may become obsolete, badly worn or in a state of disrepair. All such replacements shall be free of any other security interest or encumbrance, except any security interest or encumbrance granted in connection with any Permitted Exception.

4.5 Except for purposes of replacement and repair, Trustor, without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, shall not remove, or permit the removal of, any Personal Property from the Premises.

4.6 Trustor hereby warrants, covenants and agrees that: (i) the Personal Property is or will be used primarily for business (other than farm) purposes; (ii) the Personal Property will be kept at the Premises; and (iii) Trustor's records concerning the Personal Property will be kept at Trustor's address as set forth in the beginning of this Deed of Trust.

4.7 Trustor represents and warrants that (i) the name specified above for Trustor is the true and correct legal name of Trustor, and (ii) the address specified above is the address of Trustor's chief executive office (or residence if Trustor is an individual without an office). Trustor shall give Beneficiary immediate written notice of any change in the location of: (i) Trustor's chief executive office (or residence if Trustor is an individual without an office), as set forth in the beginning of this Deed of Trust; (ii) the Personal Property or any part thereof; or (iii) Trustor's records concerning the Personal Property. Trustor shall give Beneficiary immediate written notice of any change in the name, identity or structure of Trustor.

4.8 All covenants and warranties of Trustor contained in this Deed of Trust shall apply to the Personal Property whether or not expressly referred to in this Section 4. The covenants and warranties of Trustor contained in this Section 4 are in addition to, and not in limitation of, those contained in the other provisions of this Deed of Trust.

4.9 Upon its recording in the real property records, this Deed of Trust shall be effective as a financing statement filed as a fixture filing. Trustor hereby irrevocably authorizes Beneficiary at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto and any continuation statements containing such information as Beneficiary shall require in order to perfect Beneficiary's security interest in the Personal Property. In addition, a carbon, photographic or other reproduced copy of this Deed of Trust and/or any financing statement relating hereto shall be sufficient for filing and/or recording as a financing statement. The filing of any other financing statement relating to any personal property, rights or interests described herein shall not be construed to diminish any right or priority hereunder.

SECTION 5. PROTECTION AND PRESERVATION OF THE TRUST PROPERTY

5.1 Trustor shall neither commit nor permit to occur any waste upon the Trust Property but shall at all times make or cause to be made all repairs, maintenance, renewals and replacements as may be necessary to maintain the Trust Property in good condition and repair. Trustor shall keep the Trust Property free of termites, dry rot, fungus, beetles and all other harmful or destructive insects and shall keep all plants, trees and shrubs included in the Trust Property neatly pruned and in good condition. Trustor shall keep the Trust Property free of rubbish and other unsightly or unhealthful conditions. Trustor shall neither use nor permit the use of the Trust Property in violation of applicable laws, ordinances, rules, and regulations (including without limitation zoning laws, building codes, and the requirements of Title III of the Americans with Disabilities Act of 1990 for accessibility and usability by disabled individuals), any other requirements of regulatory authorities having jurisdiction over the Trust Property, any covenants and restrictions running with the land, any leases and other contracts approved by Beneficiary relating to the Trust Property, or any policy of insurance insuring the Trust Property ("Legal Requirements"). Trustor shall neither use, generate, manufacture, produce, store or Release on, under or about the Premises, or transfer to or from the Premises, any Hazardous Substance nor permit any third party to do so. As used herein, the following terms shall have the meanings specified below:

The term "Environmental Law" shall mean any federal, state or local statute, ordinance, or regulation pertaining to health, industrial hygiene, or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"); the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq. ("RCRA"); and the Arizona Environmental Quality Act, Title 49, Arizona Revised Statutes, and all rules adopted and guidelines promulgated pursuant to the foregoing.

The term "Hazardous Substance" shall include:

(a) those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in CERCLA, RCRA, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., and in the regulations promulgated pursuant thereto;

(b) those substances defined as "hazardous substances" in A.R.S. Section 49-201 and in rules adopted or guidelines promulgated pursuant thereto;

(c) those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302 and amendments thereto); and

(d) all other substances, materials and wastes that are, or that become, regulated under, or that are classified as hazardous or toxic under, any Environmental Law.

The term "Release" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing, or dumping.

5.2 Trustor shall promptly complete any improvements that may be commenced and shall repair and restore any portions of the Trust Property that may be damaged or destroyed, in good and workmanlike manner according to plans and specifications approved by Beneficiary, and in compliance with all Legal Requirements. Trustor shall pay when due all claims for work performed and materials furnished on or in connection with the Trust Property or any part thereof and shall pay, discharge, or cause to be removed, all mechanic's, artisan's, laborer's or materialman's charges, liens, claims of liens or encumbrances upon the Trust Property. Trustor shall comply with all Legal Requirements, including any Legal Requirements that require alterations or improvements to be made to the Trust Property. Except as required by any Legal Requirements, Trustor shall not remove, substantially alter, or demolish any building or improvement included in the Trust Property without Beneficiary's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

5.3 (a) Trustor shall provide and maintain policies of fire and extended coverage insurance on all improvements existing as part of the Trust Property in an amount not less than the full insurable value, on a replacement-cost basis, of such improvements and, when requested by Beneficiary on account of any improvements existing or to be constructed on the Premises, shall also provide and maintain policies of insurance in amounts required by Beneficiary covering vandalism and malicious mischief, sprinkler leakage, rent abatement and/or business loss, flood damage, earthquake and all other risks commonly insured against by persons owning like properties in the locality of the Trust Property or commonly required by prudent institutional lenders making loans secured by liens against such properties. All such policies shall contain standard, non-contributory trust beneficiary clauses making losses payable to Beneficiary. Trustor shall also provide and maintain comprehensive public liability insurance in amounts required by Beneficiary and containing endorsements naming Beneficiary as an additional insured. All insurance policies shall be with companies from time to time approved by Beneficiary, shall provide that Beneficiary is to receive thirty (30) days' notice prior to cancellation and shall otherwise be in form and substance satisfactory to Beneficiary. Original policies of insurance shall be delivered to Beneficiary; renewal policies shall be delivered to Beneficiary thirty (30) days before the expiration of the then-existing policies with satisfactory proof that the premiums for renewal have been paid.

(b) In the event of loss, Trustor shall give immediate notice to Beneficiary, and Beneficiary may make proof of loss if not made promptly by Trustor. Each insurance company is hereby authorized and directed to make payment for loss directly to Beneficiary, instead of to Trustor or to Trustor and Beneficiary jointly; Beneficiary may apply all or any part of such insurance proceeds to the payment of the Obligation, whether or not then due, or the restoration or repair of the Trust Property. Beneficiary shall not be responsible for any insurance, for the collection of any insurance proceeds, or for the insolvency of any insurer. Application of insurance proceeds by Beneficiary shall not cure nor waive any Event of Default nor invalidate any act done hereunder because of any such Event of Default. In the event of the sale of the Trust Property under the power of sale herein granted to Trustee, or upon foreclosure

of this Deed of Trust as a mortgage, or in the event Beneficiary or a receiver appointed by the court shall take possession of the Trust Property without sale, then all right, title and interest of Trustor in and to all insurance policies then in force shall inure to the benefit of and pass to the beneficiary in possession, receiver or purchaser at such sale, as the case may be. Beneficiary is hereby appointed attorney in fact for Trustor to assign and transfer such policies.

(c) If the insurance proceeds are to be used for the restoration and repair of the Trust Property, they shall be held by Beneficiary in a non-interest bearing account selected by Beneficiary in its sole and absolute discretion (the "Restoration Account"). Trustor, at its expense, shall promptly prepare and submit to Beneficiary all plans and specifications necessary for the restoration and repair of the damaged Trust Property, together with evidence acceptable to Beneficiary setting forth the total expenditure needed for the restoration and repair based upon a fixed price contract with a reputable builder and covered by performance and labor and material payment bonds. The plans and specifications and all other aspects of the proposed restoration and repair shall be subject to Beneficiary's approval. In the event the insurance proceeds held in the Restoration Account are insufficient to complete the restoration and repair, Trustor shall deposit in the Restoration Account an amount equal to the difference between the amount then held in the Restoration Account and the total contract price for the restoration and repair. Trustor may commence restoration and repair of the damaged Trust Property only when authorized in writing by Beneficiary to do so and thereafter shall proceed diligently with the restoration and repair until completed. Disbursements shall be made from the Restoration Account for the restoration and repair in accordance with a disbursement schedule, and subject to other terms and conditions, acceptable to Beneficiary. Disbursements from the Restoration Account shall be charged first against funds deposited by Trustor and, after such funds are exhausted, against the insurance proceeds deposited therein. In the event the amounts held in the Restoration Account exceed the cost of the restoration and repair of the damaged Trust Property, the excess funds shall be disbursed to Trustor to the extent of any amounts deposited therein by Trustor. Any funds remaining after such disbursement, at Beneficiary's option, may be applied by Beneficiary to the payment of the Obligation, whether or not then due, or may be disbursed to Trustor. All funds held in the Restoration Account are hereby assigned to Beneficiary as further security for the Obligation. Beneficiary, at any time, may apply all or any part of the funds held in the Restoration Account to the curing of any Event of Default.

5.4 Trustor shall pay or cause to be paid all taxes and assessments of every kind, nature and description levied or assessed on or against the Trust Property and shall deliver to Beneficiary, at least ten (10) days before they become delinquent, receipts showing payment of all such taxes and assessments and shall pay when due all dues and charges for water and water delivery, electricity, gas, sewers, waste removal, bills for repairs, and any and all other claims, encumbrances and expenses incident to the ownership of the Trust Property. Trustor may contest in good faith the validity or amount of any tax, assessment, charge or encumbrance in the manner provided by law, provided that Trustor shall have furnished Beneficiary a cash deposit or other security in an amount and form reasonably satisfactory to Beneficiary to protect Beneficiary against the creation of any lien on, or any sale or forfeiture of, the Trust Property. Upon the final determination of Trustor's contest, Trustor shall promptly pay all sums determined to be due. Any deposit or security provided by Trustor shall be returned to Trustor

upon the final determination of Trustor's contest and the payment by Trustor of the sums, if any, determined to be due.

5.5 Beneficiary may contest, by appropriate legal proceedings, the validity of any valuation for real or personal property tax purposes or of any levy or assessment of any real or personal property taxes against the Trust Property either in the name of Beneficiary or the name of Trustor or both. Trustor, upon notice and request by Beneficiary, shall join in any such proceedings. Trustor shall cooperate with Beneficiary in any such proceeding and execute any documents or pleadings required for such purposes. Trustor shall provide Beneficiary with a copy of the Notice of Valuation within ten (10) days after receipt (five (5) days in the case of personal property). Trustor shall reimburse Beneficiary for all costs and legal expenses reasonably incurred by Beneficiary in connection with any such proceedings, but in no event shall such reimbursement exceed the tax savings achieved for the period covered by the Notice of Valuation. To facilitate the right of Beneficiary to contest any real or personal property tax valuation, levy, or assessment as described above, Trustor does hereby make, constitute and appoint Beneficiary, and its successors and assigns, Trustor's true and lawful attorney-in-fact, in Trustor's name, place and stead, or otherwise, to file any claim or proceeding or to take any action, either in its own name, in that of its nominee, in the name of Trustor, or otherwise, to contest any real or personal property tax valuation, levy, or assessment. The power of attorney given herein is a power coupled with an interest and shall be irrevocable so long as any part of the Obligation remains unpaid or unperformed. Beneficiary shall have no obligation to exercise any of the foregoing rights and powers in any event.

5.6 In order to insure the payment of taxes and assessments that are now, or hereafter may be, a lien upon the Trust Property, and to insure the payment of all premiums on policies of insurance required herein, Trustor, if required by Beneficiary after the occurrence and continuation of any Event of Default or any failure to pay taxes, assessments or insurance premiums as required herein, shall pay to Beneficiary each month, in addition to any other payments required hereunder, an amount equal to the taxes and special assessments levied or to be levied against the Trust Property and the premium or premiums that will become due and payable to maintain the insurance on the Trust Property, all as reasonably estimated by Beneficiary (giving due consideration to the previous year's taxes, assessments and premiums) less all deposits therefore already made, divided by the number of months remaining before one month prior to the date when the taxes, assessments and premiums become delinquent. If amounts paid to Beneficiary under the terms of this paragraph are insufficient to pay all taxes, assessments and premiums as they become due, Trustor shall pay to Beneficiary upon demand all additional sums necessary to fully pay and discharge these items. All moneys paid to Beneficiary under the terms of this paragraph may be either held by Beneficiary to pay the taxes, assessments and premiums before the same become delinquent or applied to the Obligation upon payment by Beneficiary from its own funds of the taxes, assessments and premiums. To the extent provision is not made for payment pursuant to this paragraph, Trustor shall remain obligated to pay all taxes, assessments and premiums as they become due and payable. Deposits made under this paragraph may be commingled with Beneficiary's general funds; Beneficiary shall have no liability to Trustor for interest on any deposits.

5.7 Trustor hereby assigns, transfers and conveys to Beneficiary all compensation and each and every award of damages in connection with any condemnation for public or private use of, or injury to, the Trust Property or any part thereof, to the extent of the Obligation then remaining unpaid, and all such compensation and awards shall be paid directly to Beneficiary. Beneficiary may apply all or any part of such compensation and awards to the payment of the Obligation, whether or not then due, or to the restoration or repair of the Trust Property in accordance with the procedures specified in Paragraph 5.3(c) above for insurance proceeds.

SECTION 6. PROTECTION AND PRESERVATION OF BENEFICIARY'S INTEREST

6.1 Trustor, by the payment of any such tax or taxes, shall protect Beneficiary against any and all loss from any taxation of indebtedness or deeds of trust, direct or indirect, that may be imposed upon this Deed of Trust, the lien of this Deed of Trust on the Trust Property, or upon the Obligation, by any law, rule, regulation or levy of the federal government, any state government, or any political subdivision thereof. In the event the burden of such taxation cannot lawfully be shifted from Beneficiary to Trustor, Beneficiary may declare the entire Obligation due and payable ninety (90) days after notice to Trustor.

6.2 If Trustor shall fail to pay any taxes, assessments, expenses or charges, to keep all of the Trust Property free from liens and claims of liens, to maintain and repair the Trust Property, or to procure and maintain insurance thereon, or otherwise fail to perform as required herein, Beneficiary, with prompt written notice to Trustor, may advance the monies necessary to pay the same, to accomplish such maintenance and repairs, to procure and maintain such insurance or to so perform; Beneficiary is hereby authorized to enter upon the Trust Property for such purposes.

6.3 Upon written request by Beneficiary, Trustor shall appear in and prosecute or defend any action or proceeding that may affect the lien or the priority of the lien of this Deed of Trust or the rights of Beneficiary hereunder and shall pay all reasonable costs, expenses (including the cost of searching title) and attorneys' fees incurred in such action or proceeding. Beneficiary may appear in and defend any action or proceeding purporting to affect the lien or the priority of the lien of this Deed of Trust or the rights of Beneficiary. With prompt written notice to Trustor, Beneficiary may pay, purchase, contest or compromise any adverse claim, encumbrance, charge or lien that in the judgment of Beneficiary appears to be prior or superior to the lien of this Deed of Trust, other than any Permitted Exceptions.

6.4 Without obtaining the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, Trustor shall not sell, transfer, convey, assign or otherwise dispose of, or further encumber, all or any part of the Trust Property or any interest therein, voluntarily or involuntarily, by operation of law or otherwise. If Trustor is a corporation, limited liability company, partnership, joint venture or trust, any material change in the ownership or management of, or interest in, Trustor, or any pledge or encumbrance of any interest in Trustor, shall be deemed to be a transfer of the Trust Property. Upon the occurrence of any such transaction with Beneficiary's consent, or without Beneficiary's consent if Beneficiary elects not to exercise its rights and remedies for an Event of Default, Beneficiary (i) may increase the interest rate on all or any part of the Obligation to its then current market rate

for similar indebtedness; (ii) may charge a loan fee and a processing fee in connection with the change; and (iii) shall not be obligated to release Trustor from any liability hereunder or for the Obligation except to the extent required by law. Consent to any such transaction shall not be deemed to be consent or a waiver of the requirement of consent to any other such transaction. Notwithstanding the foregoing, Beneficiary hereby consents to any transfer of all or any portion of the Trust Property to any entity in which DMB Realco II LLC or DMB Realco LLC is directly or indirectly an owner; written notice of such transfer shall promptly be provided to Beneficiary.

6.5 Without obtaining the prior written consent of Beneficiary, which consent shall not be unreasonably withheld, conditioned or delayed, Trustor shall not consent to, or vote in favor of, the inclusion of all or any part of the Trust Property in any Community Facilities District formed pursuant to the Community Facilities District Act, A.R.S. Section 48-701, et seq., as amended from time to time. Trustor shall immediately give notice to Beneficiary of any notification or advice that Trustor may receive from any municipality or other third party of any intent or proposal to include all or any part of the Trust Property in another Community Facilities District. Beneficiary shall have the right to file a written objection to the inclusion of all or any part of the Trust Property in another Community Facilities District, either in its own name or in the name of Trustor, and to appear at, and participate in, any hearing with respect to the formation of any such district.

6.6 To the full extent permitted by law, Trustor shall defend, indemnify and hold harmless Beneficiary, any successors to Beneficiary's interest in the Trust Property, any purchaser of the Trust Property upon foreclosure, and all shareholders, directors, officers, employees and agents of all of the foregoing and their heirs, personal representatives, successors and assigns from and against all claims, costs, expenses, actions, suits, proceedings, losses, damages and liabilities of any kind whatsoever, including but not limited to all amounts paid in settlement of, and all costs and expenses (including attorneys' fees) incurred in defending or settling, any actual or threatened claim, action, suit or proceeding, directly or indirectly arising out of or relating to the Obligation, this Deed of Trust, or the Trust Property, including but not limited to (i) any use, generation, manufacture, production, storage, Release, threatened Release, or presence of a Hazardous Substance on, under or about the Trust Property; (ii) any violation or claim of violation of any Legal Requirements with respect to the Trust Property; or (iii) any breach of any of the warranties, representations and covenants contained herein; but excluding any claim or liability that arises solely as a result of the gross negligence or willful misconduct of Beneficiary. This indemnity provision is in addition to any indemnities contained in any separate environmental indemnity agreement executed in connection with the Premises and shall continue in full force and effect and, to the extent allowed by law, shall survive the payment and performance of the Obligation, the release of record of the lien of this Deed of Trust, any foreclosure (or action in lieu of foreclosure) of this Deed of Trust, the exercise by Beneficiary of any other remedy under this Deed of Trust or any other document or instrument evidencing or securing the Obligation, and any suit, proceeding or judgment against Trustor by Beneficiary hereon.

6.7 All rights, powers and remedies granted Beneficiary herein, or otherwise available to Beneficiary, are for the sole benefit and protection of Beneficiary, and Beneficiary may

exercise any such right, power or remedy at its option and in its sole and absolute discretion without any obligation to do so. In addition, if, under the terms hereof, Beneficiary is given two or more alternative courses of action, to the extent allowed by law, Beneficiary may elect any alternative or combination of alternatives, at its option and in its sole and absolute discretion. All monies reasonably advanced by Beneficiary under the terms hereof and all amounts paid, suffered or incurred by Beneficiary in exercising any authority granted herein, including reasonable attorneys' fees, shall be added to the Obligation, shall be secured by this Deed of Trust, shall bear interest at the highest rate payable on any of the Obligation until paid, and shall be due and payable by Trustor to Beneficiary immediately upon demand.

6.8 Trustor, upon request of Beneficiary, shall promptly correct any defect, error or omission that may be discovered in the content of this Deed of Trust or in the execution or acknowledgment hereof. In addition, Trustor shall do such further acts as may be necessary or that Beneficiary may reasonably request to carry out more effectively the purposes of this Deed of Trust, to subject any property intended to be encumbered hereby to the lien and security interest hereof, and to perfect and maintain the lien and security interest hereof.

SECTION 7. REPRESENTATIONS AND WARRANTIES

7.1 If Trustor is a corporation, limited liability company, partnership or trust, it (i) is duly organized, validly existing and in good standing under the laws of the state in which it is organized; (ii) is qualified to do business and is in good standing under the laws of the state in which the Trust Property is located and in each state in which it is doing business; (iii) has full power and authority to own its properties and assets and to carry on its business as now conducted; and (iv) is fully authorized and permitted to execute and deliver this Deed of Trust. The execution, delivery and performance by Trustor of this Deed of Trust and all other documents and instruments relating to the Obligation will not result in any breach of the terms or conditions or constitute a default under any agreement or instrument under which Trustor is a party or is obligated. Trustor is not in default in the performance or observance of any covenants, conditions or provisions of any such agreement or instrument.

7.2 The liens, security interests and assignments created hereby will be valid, effective, properly perfected and enforceable liens, security interests and assignments.

7.3 All financial statements, profit and loss statements, statements as to ownership and other statements or reports previously or hereafter given to Beneficiary by or on behalf of Trustor are and shall be true, complete and correct as of the date thereof. There has been no material adverse change in the financial condition or the results of the operation of Trustor since the latest financial statement of Trustor given to Beneficiary.

7.4 Trustor has filed all federal, state and local tax returns, or obtained extensions therefor, and has paid all of its current obligations before delinquent, including all federal, state and local taxes and all other payments required under federal, state or local law.

7.5 The Trust Property is in compliance with all Legal Requirements and neither the Trust Property nor Trustor are subject to any existing, pending or threatened claim, investigation,

or proceeding in connection with any Legal Requirements. Trustor has not obtained as the result of the requirements of any Environmental Law, and is not required by any Environmental Law to obtain, any permit or license to construct or use any improvements, fixtures or equipment that are a part of, or are located on, the Trust Property or to operate any business that is being conducted or intended to be conducted on the Trust Property. Neither Trustor nor any third party will use, generate, manufacture, produce, store, or Release, on, under or about the Trust Property, or transfer to or from the Trust Property, any Hazardous Substance except in compliance with all applicable Environmental Laws. Trustor has not caused or permitted the Release of, and has no knowledge of the Release or presence of, any Hazardous Substance on the Trust Property or the migration of any Hazardous Substance from or to any other property adjacent to, or in the vicinity of, the Trust Property. Trustor's prior and present use of the Trust Property has not resulted in, and its intended future use of the Trust Property will not result in, the Release of any Hazardous Substance on the Trust Property. Trustor shall give prompt written notice to Beneficiary at the address set forth herein of:

(a) any proceeding or investigation by any federal, state or local governmental authority (including, without limitation, the Arizona Department of Health Services, Arizona Department of Environmental Quality or the U.S. Environmental Protection Agency) with respect to the presence of any Hazardous Substance on the Trust Property or the migration thereof from or to any other property adjacent to, or in the vicinity of, the Trust Property;

(b) all claims made or threatened by any third party against Trustor or the Trust Property relating to any loss or injury resulting from any Hazardous Substance; and

(c) Trustor's discovery of any occurrence or condition on any property adjoining or in the vicinity of the Trust Property that could cause the Trust Property or any part thereof to be subject to any restrictions on its ownership, occupancy, transferability or use under any Environmental Law.

7.6 All representations and warranties made herein shall survive the execution hereof, the execution and delivery of all other documents and instruments in connection with the Obligation, and until the Obligation has been fully paid.

SECTION 8. DEFAULTS; REMEDIES

8.1 The occurrence and continuation of any of the following events or conditions shall constitute an "Event of Default" under this Deed of Trust:

(a) The occurrence and continuation of any Event of Default, as that term is defined in the Loan Agreement.

(b) The abandonment by Trustor of all or any part of the Trust Property.

(c) The existence of any encroachment upon the Trust Property that has occurred without the approval of Beneficiary that is not removed or corrected within one

hundred eighty (180) days after Trustor is requested by Beneficiary to cause same to be removed or corrected, or Trustor becoming aware of the existence thereof, whichever is sooner.

(d) The demolition or destruction of, or any substantial damage to, any portion of the Trust Property that is not adequately covered by insurance, or the loss, theft or destruction of, or any substantial damage to, any portion of the Personal Property or any other collateral or security for the Obligation, that is not adequately covered by insurance.

8.2 Upon the occurrence of any Event of Default, and at any time while such Event of Default is continuing, Beneficiary may do one or more of the following:

(a) Declare the entire Obligation to be immediately due and payable, and the same, with all costs and charges, shall be collectible thereupon by action at law.

(b) Give such notice of default and of election to cause the Trust Property to be sold as may be required by law or as may be necessary to cause Trustee to exercise the power of sale granted herein. Trustee shall then record and give such notice of trustee's sale as then required by law and, after the expiration of such time as may be required by law, may sell the Trust Property at the time and place specified in the notice of sale, as a whole or in separate parcels as directed by Beneficiary, or by Trustor to the extent required by law, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale, all in accordance with applicable law. Trustee, from time to time, may postpone or continue the sale of all or any portion of the Trust Property by public declaration at the time and place last appointed for the sale. No other notice of the postponed sale shall be required except as required by applicable law. Upon any sale, Trustee shall deliver its deed conveying the property sold, without any covenant or warranty, express or implied, to the purchaser or purchasers at the sale. The recitals in such deed of any matters or facts shall be conclusive as to the accuracy thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale.

(c) Commence proceedings for foreclosure of this Deed of Trust in the manner provided by law for the foreclosure of a real property mortgage.

(d) Exercise any or all of the remedies of a secured party under the Uniform Commercial Code with respect to the Personal Property. If Beneficiary should proceed to dispose of any of the Personal Property in accordance with the provisions of the Uniform Commercial Code, five (5) days' notice by Beneficiary to Trustor shall be deemed to be commercially reasonable notice under any provision of the Uniform Commercial Code requiring notice. Trustor, however, agrees that all property of every nature and description, whether real or personal, covered by this Deed of Trust, together with all personal property used on or in connection with the Premises or any business conducted thereon by the Trustor and covered by separate security agreements, is encumbered as one unit, that this Deed of Trust and such security interests, at Beneficiary's option, may be foreclosed or sold in the same proceeding, and that all property encumbered (both realty and personalty), at Beneficiary's option, may be sold as such in one unit as a going business, subject to the provisions of applicable law.

(e) Without regard to the adequacy of any security for the Obligation or the solvency of Trustor or any other person or entity, send notifications to any and all lessees and tenants under the Leases that all Rents shall be paid to Beneficiary. Thereafter, Beneficiary shall be entitled to collect the Rents until Trustor cures all Events of Default and may apply the Rents collected at its sole discretion to the maintenance of the Trust Property and/or the payment of the Obligation.

(f) Apply any funds in the possession or control of Beneficiary under the provisions of Paragraph 5.6 hereof to the payment of the Obligation, in lieu of the purposes specified in that paragraph.

(g) Apply for and obtain, without regard to the adequacy of any security for the Obligation or the solvency of the Trustor or any other person or entity, a receiver by any court of competent jurisdiction to take charge of all the Trust Property, to manage, operate and carry on any business then being conducted or that could be conducted on the Premises, to carry on, protect, preserve, replace and repair the Trust Property, and receive and collect all Rents and to apply the same to pay the receiver's expenses for the operation of the Trust Property and then in the manner provided in Paragraph 3.3 herein. Upon appointment of said receiver, Trustor shall immediately deliver possession of all of the Trust Property to such receiver. Neither the appointment of a receiver for the Trust Property by any court at the request of Beneficiary or by agreement with Trustor nor the entering into possession of all or any part of the Trust Property by such receiver shall constitute Beneficiary a "mortgagee in possession" or otherwise make Beneficiary responsible or liable in any manner with respect to the Trust Property or the occupancy, operation or use thereof. Trustor agrees that Beneficiary shall have the absolute and unconditional right to the appointment of a receiver in any independent and/or separate action brought by Beneficiary regardless of whether Beneficiary seeks any relief in such action other than the appointment of a receiver. In that respect, to the extent allowed by law, Trustor waives any express or implied requirement under common law or A.R.S. §12-1241 that a receiver may be appointed only ancillary to other judicial or non-judicial relief.

(h) Without regard to the adequacy of any security for the Obligation or the solvency of Trustor or any other person or entity, enter upon and take possession of all or any part of the Trust Property, either in person or by agent or employee, or by a receiver appointed by a court of competent jurisdiction; Trustor shall on demand peaceably surrender possession of the Trust Property to Beneficiary. Beneficiary, in its own name or in the name of Trustor, may operate and maintain all or any part of the Trust Property to such extent as Beneficiary deems advisable, may rent and lease the same to such persons, for such periods of time, and on such terms and conditions as Beneficiary in its sole discretion may determine, and may sue for or otherwise collect any and all Rents, including those past due and unpaid. In dealing with the Trust Property as a beneficiary in possession, Beneficiary shall not be subject to any liability, charge, or obligation therefor to Trustor, other than for gross negligence or willful misconduct, and shall be entitled to operate any business then being conducted or which could be conducted thereon or therewith at the expense of and for the account of Trustor (and all net losses, costs and expenses thereby incurred shall be advances governed by Paragraph 6.7 hereof), to the same extent as the owner thereof could do, and to apply the Rents to pay the receiver's expenses, if

any, for the operation of the Trust Property and then in the manner provided in Paragraph 3.3 herein.

8.3 Trustor shall pay all costs and expenses, including without limitation costs of title searches and title policy commitments, Uniform Commercial Code searches, court costs and reasonable in-house and outside attorneys' fees, incurred by Beneficiary in enforcing payment and performance of the Obligation or in exercising the rights and remedies of Beneficiary hereunder. All such costs and expenses shall be secured by this Deed of Trust and by all other lien and security documents securing the Obligation. In the event of any court proceedings, court costs and attorneys' fees shall be set by the court and not by jury and shall be included in any judgment obtained by Beneficiary.

8.4 In addition to any remedies provided herein for an Event of Default, Beneficiary shall have all other legal or equitable remedies allowed under applicable law (including specifically that of foreclosure of this instrument as though it were a mortgage). No failure on the part of Beneficiary to exercise any of its rights hereunder arising upon any Event of Default shall be construed to prejudice its rights upon the occurrence of any other or subsequent Event of Default. No delay on the part of Beneficiary in exercising any such rights shall be construed to preclude it from the exercise thereof at any time while that Event of Default is continuing. Beneficiary may enforce any one or more remedies or rights hereunder successively or concurrently. By accepting payment or performance of any of the Obligation after its due date, Beneficiary shall not thereby waive the agreement contained herein that time is of the essence, nor shall Beneficiary waive either its right to require prompt payment or performance when due of the remainder of the Obligation or its right to consider the failure to so pay or perform an Event of Default. In any action by Beneficiary to recover a deficiency judgment for any balance due under the Loan Agreement upon the foreclosure of this Deed of Trust or in any action to recover the Obligation or Obligations secured hereby, and as a material inducement to making the loan evidenced by the Loan Agreement, Trustor acknowledges and agrees that the successful bid amount made at any judicial or non-judicial foreclosure sale, if any, shall be conclusively deemed to constitute the fair market value of the Premises, that such bid amount shall be binding against Trustor in any proceeding seeking to determine or contest the fair market value of the Premises and that such bid amount shall be the preferred alternative means of determining and establishing the fair market value of the Premises.

SECTION 9. GENERAL PROVISIONS

9.1 The acceptance of this Deed of Trust by Beneficiary shall not be considered a waiver of or in any way to affect or impair any other security that Beneficiary may have, acquire simultaneously herewith, or hereafter acquire for the payment or performance of the Obligation, nor shall the taking by Beneficiary at any time of any such additional security be construed as a waiver of or in any way to affect or impair the security of this Deed of Trust; Beneficiary may resort, for the payment or performance of the Obligation, to its several securities therefor in such order and manner as it may determine.

9.2 Without notice or demand, without affecting the obligations of Trustor hereunder or the personal liability of any person for payment or performance of the Obligation, and without

affecting the lien or the priority of the lien of this Deed of Trust, Beneficiary, from time to time, may: (i) extend the time for payment of all or any part of the Obligation, accept a renewal note therefor, reduce the payments thereon, release any person liable for all or any part thereof, or otherwise change the terms of all or any part of the Obligation; (ii) take and hold other security for the payment or performance of the Obligation and enforce, exchange, substitute, subordinate, waive or release any such security; (iii) consent to the making of any map or plat of the Trust Property; (iv) join in granting any easement on or in creating any covenants, conditions or restrictions affecting the use or occupancy of the Trust Property; (v) join in any extension or subordination agreement; or (vi) release or direct Trustee to release any part of the Trust Property from this Deed of Trust. Any such action by Beneficiary, or Trustee at Beneficiary's direction, may be taken without the consent of any junior lienholder and shall not affect the priority of this Deed of Trust over any junior lien.

9.3 To the extent permitted by law, Trustor waives and agrees not to assert: (i) any right to require Beneficiary to proceed against any guarantor, to proceed against or exhaust any other security for the Obligation, to pursue any other remedy available to Beneficiary, or to pursue any remedy in any particular order or manner; (ii) the benefits of any legal or equitable doctrine or principle of marshalling; (iii) the benefits of any statute of limitations affecting the enforcement hereof; (iv) demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand and nonpayment, relating to the Obligation; and (v) any benefit of, and any right to participate in, any other security now or hereafter held by Beneficiary.

9.4 Upon written request of Beneficiary stating that all of the Obligation has been paid, and upon surrender of this Deed of Trust and the Loan Agreement to Trustee for cancellation and retention or, if requested, delivery, then Trustee (and Beneficiary if necessary to clear title), upon payment of Trustee's fees, shall reconvey, without warranty, the Trust Property. The recitals in such reconveyance of any matters or facts shall be conclusive as to the accuracy thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy the Loan Agreement and this Deed of Trust (unless directed in such request to retain them), unless prior thereto Trustee has been directed to deliver them to the person or persons to whom the property was reconveyed.

9.5 Beneficiary or Trustee, or both, shall have the right to inspect the Trust Property at all reasonable times.

9.6 Time is of the essence hereof. If more than one Trustor, or more than one Borrower, is named herein, the word "Trustor" and the word "Borrower," respectively, shall mean all and any one or more of them, severally and collectively. All liability hereunder shall be joint and several. This Deed of Trust shall be binding upon, and shall inure to the benefit of, the parties hereto and their heirs, personal representatives, successors and assigns. The term "Beneficiary" shall include not only the original Beneficiary hereunder but also any future owner and holder, including pledgees, of the Loan Agreement. The provisions hereof shall apply to the

parties according to the context thereof and without regard to the number or gender of words or expressions used.

9.7 The acceptance by Trustee of this trust shall be evidenced when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. The trust created hereby is irrevocable by Trustor.

9.8 This Deed of Trust cannot be changed except by agreement, in writing, signed by Trustor and Beneficiary.

9.9 No setoff or claim that Trustor now has or may in the future have against Beneficiary shall relieve Trustor from paying or performing the Obligation.

9.10 Each term, condition and provision of this Deed of Trust shall be interpreted in such manner as to be effective and valid under applicable law but if any term, condition or provision of this Deed of Trust shall be held to be void or invalid, the same shall not affect the remainder hereof which shall be effective as though the void or invalid term, condition or provision had not been contained herein. In addition, should this instrument be or become ineffective as a deed of trust, then these presents shall be construed and enforced as a realty mortgage with the Trustor being the Mortgagor and Beneficiary being the Mortgagee.

9.11 This Deed of Trust, the Obligation and the agreements of any person or entity to pay or perform the Obligation shall be governed by and construed according to the laws of the State of Arizona, without giving effect to conflict of laws principles.

9.12 Unless otherwise required by law, all notices required or permitted to be given hereunder shall be in writing and may be given in person or by United States mail or by delivery service. Any notice directed to a party to this Deed of Trust shall become effective upon the earliest of the following: (i) actual receipt by that party; (ii) delivery to the designated address of that party, addressed to that party; or (iii) if given by certified or registered United States mail, twenty-four (24) hours after deposit with the United States Postal Service, postage prepaid, addressed to that party at its designated address. The designated address of a party shall be the address of that party shown at the beginning of this Deed of Trust or such other address as that party, from time to time, may specify by notice to the other parties.

9.13 **JURY WAIVER.** THE UNDERSIGNED AND BENEFICIARY (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND BENEFICIARY ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT OR ANY OTHER AGREEMENTS, DOCUMENTS OR INSTRUMENTS EXECUTED OR DELIVERED IN CONNECTION WITH, OR OTHERWISE RELATING TO, THE OBLIGATION (TOGETHER WITH THIS DEED OF TRUST, THE "RELATED DOCUMENTS") OR ANY RELATIONSHIP BETWEEN THE UNDERSIGNED AND BENEFICIARY. THIS

PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING DESCRIBED HEREIN OR IN THE OTHER RELATED DOCUMENTS.

SECTION 10. BENEFICIARY'S COVENANT

Beneficiary, by its acceptance of this Deed of Trust, hereby agrees as follows:

10.1 Notwithstanding anything to the contrary contained herein, Trustor may, only after obtaining Beneficiary's prior written consent, which consent Beneficiary shall not unreasonably withhold, condition or delay, (i) cause the Trust Property or any part thereof to be subdivided, provided that any subdivision plat or plats, or amendments thereto, shall comply with all existing governmental rules and regulations; (ii) execute petitions seeking a change, or variance, in zoning for all or any portion of the Trust Property; (iii) subject the Trust Property or any part thereof to maps of dedication, covenants, conditions and restrictions, and documents of like effect; and (iv) grant utility and other easements over, under or on the Trust Property. If requested to do, and after payment to Beneficiary and/or Trustee of their reasonable costs and expenses (including reasonable attorneys' fees and costs) incurred in connection therewith, Beneficiary and/or Trustee shall join in the execution of any of the foregoing actions to which Beneficiary has consented, or release and reconvey without payment of any release price from the lien of this Deed of Trust any portion of the Trust Property that is the subject of any such easements or dedications made to public utilities or governmental bodies. Without limiting the generality of the foregoing, Beneficiary acknowledges that Trustor intends to dedicate portions of the Premises to the Town of Buckeye or any other governmental bodies in connection with future right-of-way dedications and to grant easements to such public utilities or governmental bodies and other public service corporations, and, to the extent not materially different from the types of dedications and easements created by that certain Map of Dedication for Verrado Phase 1 recorded in the official records of Maricopa County, Arizona, in Book 612 of Maps, at Page 39 and the Dedication, Easement and Maintenance Agreement (Phase 1) recorded in the official records of Maricopa County, Arizona, on November 8, 2002, as Instrument No. 2002-1186278, Beneficiary hereby consents to such dedications and easements and shall cooperate with Trustor to effectuate same and shall execute such partial releases and consents to easements as may be reasonably requested by Trustor without any requirement that Trustor pay any release price or other considerations to Beneficiary.

10.2 Without limitation of the provisions of the preceding paragraph 10.1, for so long as this Deed of Trust remains in effect, Beneficiary and Trustee shall cooperate with Trustor in connection with all matters pertaining to the rezoning, subdivision, platting and improvement of all or any portion of the Trust Property, and, to the extent required and to the extent consented to by Beneficiary, Trustee and Beneficiary shall execute, acknowledge and deliver to Trustor upon request any and all applications, petitions, plats, dedications, easements or other documents or instruments reasonably necessary or required to enable Trustor to efficiently and legally proceed with and finalize all such efforts and accomplish Trustor's objectives. Neither Beneficiary nor Trustee shall be obligated to incur any costs or expenses in connection with the foregoing.

10.3 If at any time after consent by Beneficiary, which consent Beneficiary shall not unreasonably withhold, condition or delay, Trustor enters into an option agreement or purchase

and sale agreement with respect to its sale of any portion of the Trust Property, promptly following receipt of a written request, Beneficiary shall execute and deliver a non-disturbance agreement, in form and content reasonably acceptable to Beneficiary, for the benefit of the optionee/purchaser that generally provides that the optionee/purchaser's rights under the option agreement or purchase agreement, as the case may be, will continue to be recognized notwithstanding a default or foreclosure sale hereunder (provided that the optionee/purchaser is not in default at the time of any such foreclosure), and such optionee/purchaser shall be able to acquire title to the applicable portion of the Trust Property free and clear of the lien of this Deed of Trust upon payment to Beneficiary (through escrow or otherwise) of the applicable purchase price and performance of all other obligations contemplated by the option or purchase agreement; provided, however, that Beneficiary shall be entitled to require, as a condition to giving any such non-disturbance agreement, that the optionee/purchaser attorn to Beneficiary upon any such foreclosure.

10.4 Beneficiary acknowledges that Trustor has previously entered into that certain Right of First Offer Agreement dated as of the 16th day of December, 2003 in favor of Basha's, Inc., an Arizona corporation ("Basha's").

IN WITNESS WHEREOF, these presents are executed 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: Andrew S. Beams
Title: Vice President

TRUSTOR

STATE OF ARIZONA)
) ss.
County of Maricopa)

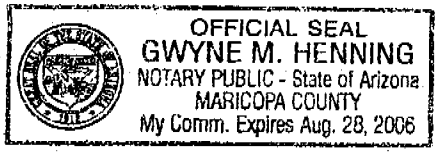
The foregoing instrument was acknowledged before me this 16th day of November 2004, by Andrew W. Beams, the Vice President of DMB ASSOCIATES, INC., an Arizona corporation, manager of DMB REALCO LLC, an Arizona limited liability company, manager of DMB WHITE TANK, LLC, an Arizona limited liability company, on behalf of that company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Gwyne M. Henning
Notary Public

My commission expires:

_____



SCHEDULE "A"

Parcel No. 1:

A parcel of land lying within Section 1, Township 1 North, Range 3 West, and Section 6, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the North quarter corner of said Section 1, a G.L.O. brass cap, from which the center of said Section 1, a 1/2 inch rebar, bears South 00 degrees 05 minutes 13 seconds West (basis of bearing), a distance of 2622.44 feet, said North quarter corner being the point of beginning;
THENCE along the North line of said Section 1, North 89 degrees 15 minutes 59 seconds East, a distance of 2634.48 feet to the Northeast corner of said Section 1, being also the Northwest corner of said Section 6;
THENCE leaving the North line of said Section 1, along the North line of said Section 6, North 89 degrees 57 minutes 39 seconds East, a distance of 22.01 feet to the Westerly right-of-way line of Verrado Way, as shown on Sheet 3 of Map of Dedication for Verrado Phase I, recorded in Book 612, page 39, Maricopa County Records;
THENCE leaving said North line, along said Westerly right-of-way line, South 01 degrees 07 minutes 18 seconds West, a distance of 510.08 feet to the Northerly right-of-way line of Interstate 10;
THENCE leaving said Westerly right-of-way line, along said Northerly right-of-way line, South 89 degrees 50 minutes 56 seconds West, a distance of 77.18 feet, to the Southwest corner of that certain parcel described in Exhibit "B" of the Special Warranty Deed as recorded in Document 03-0969327, M.C.R.;
THENCE along the Easterly line of said parcel, North 00 degrees 09 minutes 05 seconds West, a distance of 32.00 feet, to the Northeast corner of said parcel;
THENCE leaving said Easterly line, along the Northerly line of said parcel, South 89 degrees 50 minutes 56 seconds West, a distance of 16.00 feet, to the Northwest corner of said parcel;
THENCE leaving said Northerly line, along the Westerly line of said parcel, South 00 degrees 09 minutes 05 seconds East, a distance of 32.00 feet, to the Southwest corner of said parcel;
THENCE leaving said Westerly line, South 89 degrees 50 minutes 56 seconds West, a distance of 44.56 feet;
THENCE South 05 degrees 33 minutes 33 seconds West, a distance of 322.39 feet;
THENCE South 37 degrees 51 minutes 50 seconds West, a distance of 41.60 feet;
THENCE South 70 degrees 14 minutes 24 seconds West, a distance of 211.17 feet;
THENCE South 59 degrees 34 minutes 11 seconds West, a distance of 250.55 feet;
THENCE South 52 degrees 21 minutes 10 seconds West, a distance of 379.66 feet;
THENCE South 62 degrees 48 minutes 26 seconds West, a distance of 557.52 feet;
THENCE North 74 degrees 12 minutes 10 seconds West, a distance of 1000.05 feet;
THENCE South 68 degrees 55 minutes 22 seconds West, a distance of 300.39 feet to the North-South mid-section line of said Section 1;
THENCE leaving said Northerly right-of-way line, along said North-South mid-section line, North 00 degrees 05 minutes 13 seconds East, a distance of 1351.07 feet to the point of beginning;

Parcel No. 2:

A parcel of land lying within Section 6, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the Northeast corner of said Section 6;
THENCE along the East line of said Section 6, South 00 degrees 04 minutes 51 seconds East, a distance of 200.00 feet, to the Southeast corner of Parcel No. 3 of a Quit Claim Deed, as recorded in Docket 10822, page 9, M.C.R. and the point of beginning;
THENCE continuing, South 00 degrees 04 minutes 51 seconds East, a distance of 491.44 feet, to said northerly right-of-way line of Interstate 10 and a point of intersection with a non-tangent curve;
THENCE leaving said East line, along said Northerly right-of-way line, Southwesterly along said curve, having a radius of 11,602.57 feet, concave Southeasterly, whose radius bears South 02 degrees 39 minutes 27 seconds East, through a central angle of 04 degrees 54 minutes 37 seconds, a distance of 994.34 feet to a point of intersection with a non-tangent line;
THENCE South 85 degrees 02 minutes 08 seconds West, a distance of 638.36 feet;
THENCE North 86 degrees 30 minutes 59 seconds West, a distance of 686.71 feet;
THENCE North 46 degrees 22 minutes 36 seconds West, a distance of 36.29 feet;
THENCE North 05 degrees 51 minutes 43 seconds West, a distance of 258.48 feet;
THENCE South 89 degrees 50 minutes 56 seconds West, a distance of 63.35 feet to the Easterly right-of-way line of said Verrado Way;
THENCE leaving said Northerly right-of-way line, along said Easterly right-of-way line, North 00 degrees 48 minutes 10 seconds East, a distance of 14.88 feet;
THENCE North 01 degrees 16 minutes 48 seconds East, a distance of 121.82 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 209.35 feet;
THENCE North 01 degrees 41 minutes 46 seconds East, a distance of 124.06 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 39.87 feet to said Northerly line of said Section 6;
THENCE leaving said Easterly right-of-way line, along said Northerly line, North 89 degrees 57 minutes 39 seconds East, a distance of 2370.60 feet, to the northwest corner of said Parcel No. 3;
THENCE leaving said northerly 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 point of beginning;

Parcel No. 3:

A parcel of land lying within Section 1, Township 1 North, Range 3 West of the Gila and Salt River base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the center of said Section 1, being the point of beginning;
THENCE along said North-South mid-section line of said Section 1, North 00 degrees 05 minutes 13 seconds East, a distance of 297.68 feet to the Southerly right-of-way line of said Interstate 10;
THENCE leaving said North-South mid-section line, along said Southerly right-of-way line, North 68 degrees 55 minutes 29 seconds East, a distance of 1551.60 feet;
THENCE North 77 degrees 27 minutes 12 seconds East, a distance of 422.90 feet;
THENCE South 83 degrees 12 minutes 14 seconds East, a distance of 127.73 feet;
THENCE North 89 degrees 55 minutes 39 seconds East, a distance of 455.90 feet;
THENCE South 45 degrees 55 minutes 25 seconds East, a distance of 34.89 feet;
THENCE South 00 degrees 09 minutes 06 seconds East, a distance of 202.75 feet;
THENCE leaving said Southerly right-of-way line, South 07 degrees 35 minutes 49 seconds East, a distance of 698.31 feet to the East-West mid-section line of said Section 1;
THENCE along said East-West mid-section line, South 89 degrees 41 minutes 33 seconds

West, a distance of 2561.75 feet to the point of beginning.

Parcel No. 4:

A temporary, non-exclusive easement for pedestrian and vehicular access, ingress and egress as set forth in Declaration of Temporary Access Easement recorded October 14, 2004 in Instrument No. 2004-1203175.

[redacted]

SECRETARY OF STATE

2004 NOV 17 PM 12:48

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UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional)
Mila Cruz (802) 229-5523

B. SEND ACKNOWLEDGEMENT TO: (Name and Address)

Quarles & Brady Streich Lang LLP
Attn: Mila Cruz
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391

187

THIS ABOVE SPACE IS FOR FILING OFFICE USE ONLY

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

1a. ORGANIZATION'S NAME
DMB WHITE TANK, LLC

OR

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

1c. MAILING ADDRESS: 7500 East Doubletree Ranch Road, Suite 300 | CITY: Scottsdale | STATE: AZ | POSTAL CODE: 85258-2137 | COUNTRY: USA

1d. TAX ID# SSN or EIN | ADD'L INFO RE ORGANIZATION DEBTOR | 1e. TYPE OF ORGANIZATION: limited liability company | 1f. JURISDICTION OF ORGANIZATION: Arizona | 1g. ORGANIZATIONAL ID #, if any: L-0858094-6 ☐ 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
COMPASS BANK, an Alabama banking corporation

OR

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

3c. MAILING ADDRESS: 999 18th Street, Suite 2800 | CITY: Denver | STATE: CO | POSTAL CODE: 80202 | COUNTRY: USA

4. This FINANCING STATEMENT covers the following collateral:

See Exhibit "1" attached hereto and by this reference incorporated herein.

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) 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
Arizona Secretary of State

EXHIBIT "1"

A. All right, title and interest of Debtor in the following together with all products and proceeds thereof:

(a) All "Pledged Bonds" (as defined in the Pledge Agreement) as may from time to time be purchased with money drawn by the Trustee under the Letter of Credit issued under the Reimbursement Agreement (as hereinafter defined);

(b) All funds, accounts and subaccounts established under the Indenture in which monies shall be held by the Trustee from time to time for the benefit of Debtor; and

(c) The "Accounts" as defined in that Reimbursement Agreement dated as of November 1, 2004 (the "Reimbursement Agreement") between Debtor and Secured Party;

where "Pledge Agreement" means that Custody, Pledge and Security Agreement dated as of November 1, 2004 by and among Debtor, Secured Party and Wells Fargo Bank, National Association ("Trustee"), as Custodian and as Trustee under that Indenture of Trust and Security Agreement dated as of November 1, 2004 ("Indenture") with Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) with respect to its District Variable Rate Limited General Obligation Bonds, Series 2004.

B. All of the property described below in, to, or under which Debtor now has or hereafter acquires any right, title or interest, whether present, future, or contingent: all equipment, inventory, accounts, general intangibles, instruments, documents, investment property, deposit accounts, letter-of-credit rights, supporting obligations and chattel paper, as those terms are defined in the Uniform Commercial Code, and all other personal property of any kind (including without limitation money and rights to the payment of money), whether now existing or hereafter created, that are now or at any time hereafter (i) in the possession or control of Secured Party in any capacity; (ii) erected upon, attached to, or appurtenant to, the real property described on Schedule "A" attached hereto (the "Real Property"); (iii) located or used on the Real Property or identified for use on the Real Property (whether stored on the Real Property or elsewhere); or (iv) used in connection with, arising from, related to, or associated with the Real Property or any of the personal property described herein, the construction of any improvements on the Real Property, the ownership, development, maintenance, leasing, management, or operation of the Real Property, the use or enjoyment of the Real Property, or the operation of any business conducted on the Real Property; including without limitation all such property more particularly described as follows:

(a) Buildings, structures and improvements, and building materials, fixtures and equipment to be incorporated into any buildings, structures or improvements;

(b) Goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, including without limitation, all such items used for (i)

generation, storage or transmission of air, water, heat, steam, electricity, light, fuel, refrigeration or sound; (ii) ventilation, air-conditioning, heating, refrigeration, fire prevention and protection, sanitation, drainage, cleaning, transportation, communications, maintenance or recreation; (iii) removal of dust, refuse, garbage or snow; (iv) transmission, storage, processing or retrieval of information; and (v) floor, wall, ceiling and window coverings and decorations;

(c) Income, receipts, revenues, rents, issues and profits, including without limitation, room rents, minimum rents, additional rents, percentage rents, occupancy and user fees and charges, license fees, parking and maintenance charges and fees, tax and insurance contributions, proceeds of the sale of utilities and services, cancellation premiums, and claims for damages arising from the breach of any leases;

(d) Water and water rights, ditches and ditch rights, reservoirs and reservoir rights, stock or interest in irrigation or ditch companies, minerals, oil and gas rights, royalties, and lease or leasehold interests;

(e) Plans and specifications prepared for the construction of any improvements, including without limitation, all studies, estimates, data, and drawings;

(f) Documents, instruments and agreements that may hereafter be created or recorded relating to, or in any way connected with, the operation, control or development of the Real Property, including without limitation, any declaration of covenants, conditions and restrictions and any articles of incorporation, bylaws and other membership documents of any property owners association or similar group pertaining solely to all or any position of the Real Property;

(g) Claims and causes of action, legal and equitable, in any form whether arising in contract or in tort, and awards, payments and proceeds due or to become due, including without limitation those arising on account of any loss of, damage to, taking of, or diminution in value of, all or any part of the Real Property or any personal property described herein;

(h) Sales agreements, escrow agreements, deposit receipts, and other documents and agreements for the sale or other disposition of all or any part of the Real Property or any of the personal property described herein, and deposits, proceeds and benefits arising from the sale or other disposition of all or any part of the Real Property or any of the personal property described herein;

(i) Policies or certificates of insurance, contracts, agreements or rights of indemnification, guaranty or surety, and awards, loss payments, proceeds, and premium refunds that may be payable with respect to such policies, certificates, contracts, agreements or rights;

(j) Contracts, agreements, permits, licenses, authorizations and certificates, including without limitation all architectural contracts, construction contracts, management contracts, service contracts, maintenance contracts, franchise agreements, license agreements, building permits and operating licenses;

(k) [Intentionally left blank]

(l) Refunds and deposits due or to become due from any utility companies or governmental agencies;

(m) Replacements and substitutions for, modifications of, and supplements, accessions, addenda and additions to, all of the personal property described herein;

(n) Books, records, correspondence, files and electronic media, and all information stored therein;

together with all products and proceeds of all of the foregoing, in any form, including all proceeds received, due or to become due from any sale, exchange or other disposition thereof, whether such proceeds are cash or non-cash in nature, and whether represented by checks, drafts, notes or other instruments for the payment of money.

SCHEDULE "A"

Parcel No. 1:

A parcel of land lying within Section 1, Township 1 North, Range 3 West, and Section 6, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the North quarter corner of said Section 1, a G.L.O. brass cap, from which the center of said Section 1, a 1/2 inch rebar, bears South 00 degrees 05 minutes 13 seconds West (basis of bearing), a distance of 2622.44 feet, said North quarter corner being the point of beginning;
THENCE along the North line of said Section 1, North 89 degrees 15 minutes 59 seconds East, a distance of 2634.48 feet to the Northeast corner of said Section 1, being also the Northwest corner of said Section 6;
THENCE leaving the North line of said Section 1, along the North line of said Section 6, North 89 degrees 57 minutes 39 seconds East, a distance of 22.01 feet to the Westerly right-of-way line of Verrado Way, as shown on Sheet 3 of Map of Dedication for Verrado Phase I, recorded in Book 612, page 39, Maricopa County Records;
THENCE leaving said North line, along said Westerly right-of-way line, South 01 degrees 07 minutes 18 seconds West, a distance of 510.08 feet to the Northerly right-of-way line of Interstate 10;
THENCE leaving said Westerly right-of-way line, along said Northerly right-of-way line, South 89 degrees 50 minutes 56 seconds West, a distance of 77.18 feet, to the Southwest corner of that certain parcel described in Exhibit "B" of the Special Warranty Deed as recorded in Document 03-0969327, M.C.R.;
THENCE along the Easterly line of said parcel, North 00 degrees 09 minutes 05 seconds West, a distance of 32.00 feet, to the Northeast corner of said parcel;
THENCE leaving said Easterly line, along the Northerly line of said parcel, South 89 degrees 50 minutes 56 seconds West, a distance of 16.00 feet, to the Northwest corner of said parcel;
THENCE leaving said Northerly line, along the Westerly line of said parcel, South 00 degrees 09 minutes 05 seconds East, a distance of 32.00 feet, to the Southwest corner of said parcel;
THENCE leaving said Westerly line, South 89 degrees 50 minutes 56 seconds West, a distance of 44.56 feet;
THENCE South 05 degrees 33 minutes 33 seconds West, a distance of 322.39 feet;
THENCE South 37 degrees 51 minutes 50 seconds West, a distance of 41.60 feet;
THENCE South 70 degrees 14 minutes 24 seconds West, a distance of 211.17 feet;
THENCE South 59 degrees 34 minutes 11 seconds West, a distance of 250.55 feet;
THENCE South 52 degrees 21 minutes 10 seconds West, a distance of 379.66 feet;
THENCE South 62 degrees 48 minutes 26 seconds West, a distance of 557.52 feet;
THENCE North 74 degrees 12 minutes 10 seconds West, a distance of 1000.05 feet;
THENCE South 68 degrees 55 minutes 22 seconds West, a distance of 300.39 feet to the North-South mid-section line of said Section 1;
THENCE leaving said Northerly right-of-way line, along said North-South mid-section line, North 00 degrees 05 minutes 13 seconds East, a distance of 1351.07 feet to the point of beginning;

Parcel No. 2:

A parcel of land lying within Section 6, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the Northeast corner of said Section 6;
THENCE along the East line of said Section 6, South 00 degrees 04 minutes 51 seconds East, a distance of 200.00 feet, to the Southeast corner of Parcel No. 3 of a Quit Claim Deed, as recorded in Docket 10822, page 9, M.C.R. and the point of beginning;
THENCE continuing, South 00 degrees 04 minutes 51 seconds East, a distance of 491.44 feet, to said northerly right-of-way line of Interstate 10 and a point of intersection with a non-tangent curve;
THENCE leaving said East line, along said Northerly right-of-way line, Southwesterly along said curve, having a radius of 11,602.57 feet, concave Southeasterly, whose radius bears South 02 degrees 39 minutes 27 seconds East, through a central angle of 04 degrees 54 minutes 37 seconds, a distance of 994.34 feet to a point of intersection with a non-tangent line;
THENCE South 85 degrees 02 minutes 08 seconds West, a distance of 638.36 feet;
THENCE North 86 degrees 30 minutes 59 seconds West, a distance of 686.71 feet;
THENCE North 46 degrees 22 minutes 36 seconds West, a distance of 36.29 feet;
THENCE North 05 degrees 51 minutes 43 seconds West, a distance of 258.48 feet;
THENCE South 89 degrees 50 minutes 56 seconds West, a distance of 63.35 feet to the Easterly right-of-way line of said Verrado Way;
THENCE leaving said Northerly right-of-way line, along said Easterly right-of-way line, North 00 degrees 48 minutes 10 seconds East, a distance of 14.88 feet;
THENCE North 01 degrees 16 minutes 48 seconds East, a distance of 121.82 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 209.35 feet;
THENCE North 01 degrees 41 minutes 46 seconds East, a distance of 124.06 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 39.87 feet to said Northerly line of said Section 6;
THENCE leaving said Easterly right-of-way line, along said Northerly line, North 89 degrees 57 minutes 39 seconds East, a distance of 2370.60 feet, to the northwest corner of said Parcel No. 3;
THENCE leaving said northerly 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 point of beginning;

Parcel No. 3:

A parcel of land lying within Section 1, Township 1 North, Range 3 West of the Gila and Salt River base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the center of said Section 1, being the point of beginning;
THENCE along said North-South mid-section line of said Section 1, North 00 degrees 05 minutes 13 seconds East, a distance of 297.68 feet to the Southerly right-of-way line of said Interstate 10;
THENCE leaving said North-South mid-section line, along said Southerly right-of-way line, North 68 degrees 55 minutes 29 seconds East, a distance of 1551.60 feet;
THENCE North 77 degrees 27 minutes 12 seconds East, a distance of 422.90 feet;
THENCE South 83 degrees 12 minutes 14 seconds East, a distance of 127.73 feet;
THENCE North 89 degrees 55 minutes 39 seconds East, a distance of 455.90 feet;
THENCE South 45 degrees 55 minutes 25 seconds East, a distance of 34.89 feet;
THENCE South 00 degrees 09 minutes 06 seconds East, a distance of 202.75 feet;
THENCE leaving said Southerly right-of-way line, South 07 degrees 35 minutes 49 seconds East, a distance of 698.31 feet to the East-West mid-section line of said Section 1;
THENCE along said East-West mid-section line, South 89 degrees 41 minutes 33 seconds

West, a distance of 2561.75 feet to the point of beginning.

Parcel No. 4:

A temporary, non-exclusive easement for pedestrian and vehicular access, ingress and egress as set forth in Declaration of Temporary Access Easement recorded October 14, 2004 in Instrument No. 2004-1203175.

ENVIRONMENTAL INDEMNITY AGREEMENT

BY THIS AGREEMENT, executed as of the 1st day of November, 2004, in connection with and as partial consideration for financial accommodations by COMPASS BANK, an Alabama banking corporation ("Lender"), to DMB WHITE TANK, LLC, an Arizona limited liability company ("Borrower"), guaranteed by DMB REALCO II LLC, an Arizona limited liability company ("Guarantor") (Borrower and Guarantor are hereinafter severally and collectively called "Indemnitor"), in the amount of THIRTEEN MILLION ONE HUNDRED SIXTY THOUSAND TWO HUNDRED SEVENTY-FOUR AND NO/100 DOLLARS ($13,160,274.00) (the "Loan"), pursuant to that Reimbursement Agreement between Borrower and Lender of even date herewith (the "Reimbursement Agreement"), secured or to be secured in part by one or more deeds of trust and/or mortgages (severally and collectively, the "Deed of Trust") from Borrower on the property described on Schedule "A" attached hereto and by this reference incorporated herein (the "Property"), Indemnitor hereby certifies, represents, and warrants to Lender, and agrees as follows:

1. Definitions. As used herein, the following terms shall have the meanings specified below:

1.1 The term "Agreement" shall mean this Environmental Indemnity Agreement and all modifications, supplements, and amendments thereto.

1.2 The term "Applicable Rate" shall mean at any given time, (a) the rate per annum equal to the prime rate of interest (the "Prime Rate") announced from time to time by the Lender or its parent (which is not necessarily the lowest rate charged to any customer) changing when and as said prime rate changes, or, (b) if the Reimbursement Agreement is in default, the default rate of interest under the Reimbursement Agreement. If the obligations under the Reimbursement Agreement has been paid in full, the Applicable Rate shall mean the Prime Rate.

1.3 The term "De Minimis Amounts" shall mean any Hazardous Substance either (a) being transported on or from the Property or being stored for use by Indemnitor or its tenant on the Property within a year from original arrival on the Property in connection with Indemnitor's current operations or (b) being currently used by Indemnitor or its tenant on Property, in either case in such quantities and in a manner that both (i) does not constitute a violation or threatened violation of any Environmental Law or require any reporting or disclosure under any Environmental Law and (ii) is consistent with customary business practice for such operations in the state where the Property is located.

1.4 The term "Environmental Claim" shall mean any and all actual or threatened liabilities, claims, actions, causes of action, judgments, orders, inquiries, investigations, studies or notices relating to any Hazardous Substance or any Environmental Law, including, without limitation, those arising as a result of strict liability, whether under Environmental Law or otherwise, and those arising out of the negligence of the Indemnified Party.

1.5 The term "Environmental Law" shall mean any federal, state or local law, whether common law, statute, ordinance, rule, regulation, or judicial or administrative decision

or policy or guideline, pertaining to Hazardous Substances, health, industrial hygiene, environmental conditions, or the regulation or protection of the environment, and all amendments thereto as of this date and to be added in the future and any successor statute or rule or regulation promulgated thereto.

1.6 The term "Hazardous Substance" shall mean all of the following:

(a) Any substance, material, or waste that is included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," "toxic materials," "toxic waste," or words of similar import in any Environmental Law;

(b) Those substances listed as hazardous substances by the United States Department of Transportation (or any successor agency) (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) (40 C.F.R. Part 302 and amendments thereto); and

(c) Any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, or a pesticide, herbicide, or any other agricultural chemical.

1.7 The term "Indemnified Parties" shall mean and includes Lender, any parent, subsidiary, or affiliated company of Lender, any assignee or successor in interest of all or part of Lender's interest in the Loan or the Loan Documents, any owner of a participation interest in the Loan or the Loan Documents, any purchaser who acquires all or part of the Property from Lender, its parent, or any of its subsidiaries or affiliates, any recipient of a deed or assignment in lieu of foreclosure of all or part of the Property, any court appointed receiver, and the officers, directors, employees and agents of each of them.

1.8 The term "Loan Documents" shall mean the Reimbursement Agreement, the Deed of Trust and any other documents evidencing, securing or otherwise relating to the Loan. Any default or failure in performance of any provision of this Agreement shall, at the option of the Indemnified Parties, constitute an event of default under the Loan Documents.

1.9 The term "Property" shall mean all property that is or was at any time affected by the Deed of Trust, which may later include any and all property previously released from the Deed of Trust.

1.10 The term "Release" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, disposing, or dumping of any substance into the environment.

2. Representations and Warranties.

(a) Except as disclosed in writing by Indemnitor to Lender prior to the date hereof, Indemnitor represents and warrants to the Indemnified Parties that neither the Property nor Indemnitor nor, to Indemnitor's knowledge,

any tenant are in violation of any Environmental Law applicable to the Property, and neither the Property nor Indemnitor nor, to Indemnitor's knowledge, any tenant are subject to any existing, pending or threatened investigation pertaining to the Property by any federal, state or local governmental authority or are subject to any remedial obligation or lien under or in connection with any Environmental Law.

(b) Indemnitor represents and warrants to the Indemnified Parties that Indemnitor, including, without limitation, any officer, director, employee, agent, affiliate, tenant, partner or joint venturer of Indemnitor, has no actual knowledge or notice of the actual, alleged or threatened presence or Release of Hazardous Substances in, on, around or potentially affecting any part of the Property or the soil, groundwater or soil vapor on or under the Property, or the migration of any Hazardous Substance, from or to any other property adjacent to or in the vicinity of the Property, provided that the foregoing representation and warranty does not apply to De Minimis Amounts.

(c) Borrower has undertaken an appropriate inquiry into the previous ownership and uses of the Property consistent with good commercial practice. If any environmental questionnaire is executed by Borrower and delivered to Lender, Borrower represents and warrants to the Indemnified Parties that, to Borrower's knowledge, the information disclosed in any such environmental questionnaire is true, complete and correct in all material respects.

(d) Indemnitor's intended future use of Property will not result in the Release of any Hazardous Substance other than De Minimis Amounts, in, on, around or potentially affecting any part of the Property or in the soil, groundwater or soil vapor on or under the Property, or the migration of any Hazardous Substance from or to any other property adjacent to or in the vicinity of the Property.

3. Covenants of Indemnitor.

(a) Borrower shall neither use nor permit any third party to use, generate, manufacture, produce, store, or Release, on, under or about the Property, or transfer to or from the Property, any Hazardous Substance except De Minimis Amounts in compliance with all applicable Environmental Laws, provided that if any third party, by act or omission or by intent or accident, allows any foregoing action to occur, Borrower shall promptly remedy such condition, at its sole expense and responsibility, in accordance with Paragraph 5 below. Furthermore, Borrower shall not permit any liens under any Environmental Law to be placed on any portion of the Property.

(b) Borrower has complied, and shall comply and require all occupants of the Property, regardless of length of occupancy, to comply, at Borrower's sole expense and responsibility, with all Environmental Laws

governing or applicable to Hazardous Substances, including those requiring disclosures to prospective and actual buyers of all or any portion of the Property.

(c) Borrower shall promptly notify Lender in writing if Borrower, including, without limitation, any officer, director, employee, agent, affiliate, partner, or joint venturer, of Borrower, has any actual knowledge or notice of the following: (i) that any statement in Paragraph 2 of this Agreement is no longer accurate, (ii) any lien, action or notice affecting the Property or Borrower resulting from any violation or alleged violation of the Environmental Law, (iii) the institution of any investigation, inquiry or proceeding concerning Borrower or the Property pursuant to any Environmental Law or otherwise relating to Hazardous Substances (except for De Minimis Amounts), or (iv) the discovery of any occurrence, condition or state of facts which would render any representation or warranty contained in this Agreement incorrect in any respect if made at the time of such discovery.

(d) Indemnitor's obligations under this Agreement shall not be diminished or affected in any respect as a result of any notice, disclosure or knowledge, if any, to or by any of the Indemnified Parties of the Release, presence, existence or threatened Release of Hazardous Substances in, on, around, or potentially affecting the Property or the soil, groundwater or soil vapor on or under the Property, or of any matter covered by Indemnitor's obligations hereunder. No Indemnified Party shall be deemed to have permitted, caused, contributed to or acquiesced in any such Release, presence, existence or threatened Release of Hazardous Substances or any other matter covered by Indemnitor's obligations hereunder solely because Lender or any other Indemnified Party had notice, disclosure or knowledge thereof, whether at the time this Agreement is delivered or at any other time.

(e) Borrower shall conduct and complete, to Lender's satisfaction, all remedial, removal, and other actions necessary to clean up and remove Hazardous Substances (other than De Minimis Amounts) in, on, or materially affecting the Property: (i) in accordance with all applicable Environmental Laws; and (ii) in accordance with all applicable orders and directives of all governmental authorities. Borrower shall provide to Lender copies of all results and reports relating to such remedial, removal, and other actions.

4. Lender Rights.

(a) Lender shall have the right, but not the obligation, without in any way limiting Lender's other rights and remedies under the Loan Documents, to enter onto the Property, take and remove soil or groundwater samples, conduct tests and/or site assessments on any part of the Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve, or minimize the impact of, or otherwise deal with, any Hazardous Substances on or affecting the Property following receipt of any notice from any

person or entity asserting the existence or possible existence of any Hazardous Substances pertaining to the Property or any part thereof that, if true, could result in an Environmental Claim, order, notice, suit, imposition of a lien on the Property, or other action and/or that, in Lender's sole opinion, could jeopardize Lender's security under the Loan Documents. All reasonable costs and expenses paid or incurred by Lender in the exercise of any such rights shall be payable by Indemnitor upon demand. Lender shall attempt, in a commercially reasonable manner, to minimize the disruption to the business activities taking place on the Property when exercising its rights under this Section 4(a). Promptly upon Lender's determination that it will exercise its rights under this Section 4(a), Lender shall give reasonable notice of such determination to Borrower.

(b) Lender shall have the right at any time to appear in and to participate in, as a party if it elects, and be represented by counsel of its own choice in, any action or proceeding in connection with any Environmental Law that affects the Property. Upon demand by any Indemnified Party, Indemnitor shall defend any investigation, action or proceeding involving any matter covered by Indemnitor's obligations hereunder which is brought or commenced against any Indemnified Party, whether alone or together with Borrower or any other person, all at Indemnitor's own cost and by counsel to be approved by the Indemnified Party in the exercise of its reasonable judgment. In the alternative, any Indemnified Party may elect to conduct its own defense at the expense of Indemnitor. Indemnitor shall not, without the prior written consent of Lender: (a) settle or compromise any action, suit, proceeding or claim or consent to the entry of any judgment that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to Lender of a full and complete written release of the Indemnified Parties (in form, scope and substance satisfactory to Lender in its sole discretion) from all liability in respect of such action, suit, proceeding or claim; or (b) settle or compromise any action, suit, proceeding or claim in any manner that may adversely affect the Indemnified Parties or obligate the Indemnified Parties to pay any sum or perform any obligation as determined by Lender in its sole discretion.

5. Indemnification. Indemnitor shall jointly and severally indemnify and hold the Indemnified Parties harmless from, for and against any and all Environmental Claims, liabilities, damages (including foreseeable and unforeseeable consequential damages), losses, fines, penalties, judgments, awards, settlements, and costs and expenses (including, without limitation, reasonable attorneys' fees, experts', engineers' and consultants' fees, and costs and expenses of investigation, testing, remediation and dispute resolution) (collectively referred to as "Environmental Costs") that directly or indirectly arise out of or relate in any way to:

(a) Any investigation, cleanup, remediation, removal, or restoration work of site conditions of the Property relating to Hazardous Substances (whether on the Property or any other property);

(b) Any resulting damages, harm, or injuries to the person or property of any third parties or to any natural resources involving Hazardous Substances relating to the Property;

(c) Any actual or alleged past or present disposal, generation, manufacture, presence, processing, production, Release, storage, transportation, treatment, or use of any Hazardous Substance on, under, or about the Property;

(d) Any actual or alleged presence of any Hazardous Substance on the Property;

(e) Any actual or alleged past or present violation of any Environmental Law relating to the Property;

(f) Any actual or alleged past or present migration of any Hazardous Substance from the Property to any other property, whether adjoining, in the vicinity, or otherwise, or migration of any Hazardous Substance onto the Property from any other property, whether adjoining, in the vicinity, or otherwise;

(g) Any lien on any part of the Property under any Environmental Law;

(h) Any Environmental Claim by any federal, state, or local governmental agency and any claim that any Indemnified Party is liable for any such asserted Environmental Claim allegedly because it is an "owner" or "operator" of the Property under any Environmental Law;

(i) Any Environmental Claim asserted against any Indemnified Party by any person other than a governmental agency, including any person who may purchase or lease all or any portion of the Property from Indemnitor, from any Indemnified Party, or from any other purchaser or lessee; any person who may at any time have any interest in all or any portion of the Property; any person who may at any time be responsible for any cleanup costs or other Environmental Claims relating to the Property; and any person claiming to have been injured in any way as a result of exposure to any Hazardous Substance relating to the Property;

(j) Any Environmental Claim which any Indemnified Party reasonably believes at any time may be incurred to comply with any law, judgment, order, regulation, or regulatory directive relating to Hazardous Substances and the Property, or which any Indemnified Party reasonably believes at any time may be incurred to protect the public health or safety;

(k) Any Environmental Claim resulting from currently existing conditions in, on, around, or materially affecting the Property, whether known or unknown by Indemnitor or the Indemnified Parties at the time this Agreement is executed, and any such Environmental Claim resulting from the activities of

Indemnitor, Indemnitor's tenants, or any other person, in, on, around, or materially affecting the Property; or

(l) Breach in any material respect of any representation or warranty by or covenant of Indemnitor in this Agreement.

Notwithstanding anything contained herein to the contrary, the foregoing indemnity shall not apply to (i) matters resulting solely from the gross negligence or willful misconduct of any Indemnified Party, or (ii) matters resulting solely from the actions or omissions of Indemnified Parties taken after such parties have taken title to, or exclusive possession of the Property, provided that, in both cases, such matters shall not arise from or be accumulated with any condition of the Property, which condition was not caused by an Indemnified Party. **The foregoing indemnity is expressly intended to include, and does include, any Environmental Costs arising as a result of any strict liability imposed or threatened to be imposed on an Indemnified Party in connection with any of the indemnified matters described in this Paragraph 5 or arising as a result of the negligence of an Indemnified Party in connection with such matters.**

6. Reinstatement of Obligations. If any time all or any part of any payment made by Indemnitor or received by an Indemnified Party from Indemnitor under or with respect to this Agreement is or must be rescinded or returned for any reason whatsoever (including, but not limited to, the insolvency, bankruptcy or reorganization of Indemnitor), then the obligations of Indemnitor hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence, notwithstanding such previous payment made by Indemnitor, or receipt of payment by an Indemnified Party, and the obligations of Indemnitor hereunder shall continue to be effective or be reinstated, as the case may be, as to such payment, all as though such previous payment by Indemnitor had never been made.

7. Reservation of Rights. Nothing in this Agreement shall be construed to limit any claim or right which any Indemnified Party may otherwise have at any time against Indemnitor or any other person arising from any source other than this Agreement, including any claim for fraud, misrepresentation, waste, or breach of contract other than this Agreement, and any rights of contribution or indemnity under federal, state or local environmental law or other applicable law, regulation or ordinance.

8. No Waiver; Rights Cumulative. If any Indemnified Party delays or fails to exercise any right or remedy against Indemnitor, that alone shall not be construed as a waiver of that right or remedy. All remedies of any Indemnified Party against Indemnitor are cumulative.

9. Successors and Assigns. This Agreement shall be binding upon Indemnitor and its successors and shall inure to the benefit of the Indemnified Parties, and the successors and assigns of the Indemnified Parties. Indemnitor shall not have any right to assign its obligations under this Agreement. This Agreement is assignable by Lender, and any full or partial assignment hereof by Lender shall operate to vest in the assignee all rights and powers herein conferred upon and granted to Lender and so assigned by Lender. Indemnitor expressly waives notice of transfer or assignment of this Agreement and acknowledges that the failure by Lender to give any such notice shall not affect the liabilities of Indemnitor hereunder.

10. Full Recourse. The indemnity contained herein shall not be subject to any nonrecourse or other limitation of liability provisions contained in any of the Loan Documents executed and delivered in connection with the Loan and the liability of Indemnitor hereunder shall not be limited by any such nonrecourse or similar limitation of liability provisions.

11. Misrepresentation. If any material warranty, representation or statement contained herein shall be or shall prove to have been false when made or if Indemnitor shall fail or neglect to perform or observe any of the terms, provisions or covenants contained herein, the same shall constitute an Event of Default (as defined in the Loan Documents) under the Loan Documents.

12. Notices. Any notice required or permitted in connection herewith shall be given in the manner provided in any Loan Document.

13. Reliance; Separate Action. Indemnitor acknowledges that Lender has and will rely upon the representations, warranties and agreements herein set forth in closing and funding (or modifying as the case may be) the Loan and that the execution and delivery of this Agreement is an essential condition but for which Lender would not close or fund (or modify) the Loan. Indemnitor agrees that this Agreement and the indemnity contained herein is separate, independent and in addition to the undertakings of Indemnitor under the Loan Documents. Indemnitor agrees that a separate action may be brought to enforce the provisions of this Agreement which shall in no way be deemed to be an action on the Reimbursement Agreement, whether or not the Indemnified Parties would be entitled to a deficiency judgment following a judicial foreclosure or sale under the Deed of Trust.

14. Waiver. Indemnitor waives any right or claim of right to cause a marshaling of the assets of Indemnitor or to cause Lender to proceed against any of the security for the Loan before proceeding under this Agreement against Indemnitor; Indemnitor agrees that any payments required to be made hereunder shall become due on demand; Indemnitor expressly waives and relinquishes all rights, remedies and defenses accorded by applicable law to sureties, indemnitors or guarantors, except any rights of subrogation that Indemnitor may have, provided that the indemnity provided for hereunder shall neither be contingent upon the existence of any such rights of subrogation nor subject to any claims or defenses whatsoever that may be asserted in connection with the enforcement or attempted enforcement of such subrogation rights, including, without limitation, any claim that such subrogation rights were abrogated by any acts or omissions of Lender.

15. Successive Actions. Notwithstanding any law to the contrary, the parties expressly agree that a separate right of action hereunder shall arise each time Lender acquires knowledge of any matter indemnified by Indemnitor under this Agreement. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action, and Indemnitor hereby waives and covenants not to assert any defense in the nature of splitting of causes of action or merger of judgments.

16. Construction. In this Agreement, the word "person" includes any individual, company, trust or other legal entity of any kind. If this Agreement is executed by more than one

person, the words "Indemnitor," "Guarantor," "Pledgor" and "Borrower" include all such persons. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." When the context and construction so require, all words used in the singular shall be deemed to have been used in the plural and vice versa. All headings appearing in this Agreement are for convenience only and shall be disregarded in construing this Agreement.

17. Severability. Every provision of this Agreement is intended to be severable. If any term, provision, section or subsection of this Agreement is declared to be illegal or invalid, for any reason whatsoever, by a court of competent jurisdiction, such illegality or invalidity shall not affect the other terms, provisions, sections or subsections of this Agreement, which shall remain binding and enforceable. To the extent there is any conflict between this Agreement and the terms and provisions of any of the other Loan Documents, the terms and provisions of this Agreement shall control.

18. Cost and Expense. On demand, Indemnitor agrees to pay all of the Indemnified Parties' costs and expenses, including attorneys' fees, which may be incurred in any effort to enforce any term of this Agreement, including all such costs and expenses which may be incurred by any Indemnified Party in any legal action, reference, mediation or arbitration proceeding. From the time(s) incurred until paid in full to the Indemnified Party, those sums shall bear interest at the Applicable Rate.

19. Time, No Course of Dealing. Time is of the essence of this Agreement, and of each and every provision hereof. The waiver by Indemnified Party of any breach or breaches hereof shall not be deemed, nor shall the same constitute, a waiver of any subsequent breach of breaches.

20. Governing Law. This Agreement and the transaction contemplated hereunder shall be governed by and construed in accordance with the laws of the State of Arizona, without giving effect to conflict of laws principles.

21. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all such counterparts together shall constitute but one Agreement.

22. Captions for Convenience. The captions and headings of the paragraphs of this Agreement are for convenience of reference only and shall not be construed in interpreting the provisions hereof.

23. Joint and Several Liability. Each party executing this Agreement as an Indemnitor shall be jointly and severally liable for all obligations of Indemnitor hereunder.

24. Termination. The indemnity obligations of Indemnitor pursuant to Paragraph 5 of this Agreement and all other obligations of Indemnitor hereunder shall survive until terminated in accordance with this Paragraph, which termination shall occur upon the full satisfaction of either of the following conditions:

(a) The Loan shall have been repaid in full and in accordance with its terms, any lending commitment shall have expired or been terminated, and all obligations of the Borrower under the Loan Documents have been performed in full in accordance with their terms, in both cases rather than through the occurrence of one or more of (i) the acceptance by Lender of the surrender of the Note and reconveyance of the Deed of Trust, (ii) the foreclosure of the Deed of Trust, (iii) the extinguishment of the Deed of Trust by any means, including deed or assignment in lieu of foreclosure, (iv) the acquisition of the Property or any portion of it by any of the Indemnified Parties, and (v) the transfer of all of Lender's rights in the Loan Documents, or through the exercise of any other rights and remedies by Lender (including, without limitation, foreclosure, trustee's sale or actions on promissory notes, guaranties or other obligations); or

(b) One or more of the events described in (i) - (v) of subparagraph (a) above has occurred, Lender has not received notice of any Environmental Claim relating to the Property that has not been fully satisfied or settled to Lender's satisfaction, and two (2) years have elapsed from the date which is the latest of (i) the date of the occurrence of one or more of the events described in (i) - (v) of subparagraph (a) above, (ii) the date Indemnitor has been fully released of all of its obligations under the Loan Documents, and (iii) the date any Environmental Claim relating to the Property is fully satisfied or settled to Lender's satisfaction.

25. WAIVER OF JURY TRIAL. THE INDEMNITOR AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) BETWEEN INDEMNITOR AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT. THIS PROVISION IS A MATERIAL

INDUCEMENT TO LENDER TO PROVIDE THE FINANCING DESCRIBED IN THIS AGREEMENT.

IN WITNESS WHEREOF, Indemnitor has executed this Agreement as of the date first 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: Andrew S. Beams
Its: Vice President

BORROWER

DMB REALCO II 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: Andrew S. Beams
Its: Vice President

GUARANTOR

SCHEDULE "A"

Parcel No. 1:

A parcel of land lying within Section 1, Township 1 North, Range 3 West, and Section 6, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the North quarter corner of said Section 1, a G.L.O. brass cap, from which the center of said Section 1, a 1/2 inch rebar, bears South 00 degrees 05 minutes 13 seconds West (basis of bearing), a distance of 2622.44 feet, said North quarter corner being the point of beginning;
THENCE along the North line of said Section 1, North 89 degrees 15 minutes 59 seconds East, a distance of 2634.48 feet to the Northeast corner of said Section 1, being also the Northwest corner of said Section 6;
THENCE leaving the North line of said Section 1, along the North line of said Section 6, North 89 degrees 57 minutes 39 seconds East, a distance of 22.01 feet to the Westerly right-of-way line of Verrado Way, as shown on Sheet 3 of Map of Dedication for Verrado Phase I, recorded in Book 612, page 39, Maricopa County Records;
THENCE leaving said North line, along said Westerly right-of-way line, South 01 degrees 07 minutes 18 seconds West, a distance of 510.08 feet to the Northerly right-of-way line of Interstate 10;
THENCE leaving said Westerly right-of-way line, along said Northerly right-of-way line, South 89 degrees 50 minutes 56 seconds West, a distance of 77.18 feet, to the Southwest corner of that certain parcel described in Exhibit "B" of the Special Warranty Deed as recorded in Document 03-0969327, M.C.R.;
THENCE along the Easterly line of said parcel, North 00 degrees 09 minutes 05 seconds West, a distance of 32.00 feet, to the Northeast corner of said parcel;
THENCE leaving said Easterly line, along the Northerly line of said parcel, South 89 degrees 50 minutes 56 seconds West, a distance of 16.00 feet, to the Northwest corner of said parcel;
THENCE leaving said Northerly line, along the Westerly line of said parcel, South 00 degrees 09 minutes 05 seconds East, a distance of 32.00 feet, to the Southwest corner of said parcel;
THENCE leaving said Westerly line, South 89 degrees 50 minutes 56 seconds West, a distance of 44.56 feet;
THENCE South 05 degrees 33 minutes 33 seconds West, a distance of 322.39 feet;
THENCE South 37 degrees 51 minutes 50 seconds West, a distance of 41.60 feet;
THENCE South 70 degrees 14 minutes 24 seconds West, a distance of 211.17 feet;
THENCE South 59 degrees 34 minutes 11 seconds West, a distance of 250.55 feet;
THENCE South 52 degrees 21 minutes 10 seconds West, a distance of 379.66 feet;
THENCE South 62 degrees 48 minutes 26 seconds West, a distance of 557.52 feet;
THENCE North 74 degrees 12 minutes 10 seconds West, a distance of 1000.05 feet;
THENCE South 68 degrees 55 minutes 22 seconds West, a distance of 300.39 feet to the North-South mid-section line of said Section 1;
THENCE leaving said Northerly right-of-way line, along said North-South mid-section line, North 00 degrees 05 minutes 13 seconds East, a distance of 1351.07 feet to the point of beginning;

Parcel No. 2:

A parcel of land lying within Section 6, Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the Northeast corner of said Section 6;
THENCE along the East line of said Section 6, South 00 degrees 04 minutes 51 seconds East, a distance of 200.00 feet, to the Southeast corner of Parcel No. 3 of a Quit Claim Deed, as recorded in Docket 10822, page 9, M.C.R. and the point of beginning;
THENCE continuing, South 00 degrees 04 minutes 51 seconds East, a distance of 491.44 feet, to said northerly right-of-way line of Interstate 10 and a point of intersection with a non-tangent curve;
THENCE leaving said East line, along said Northerly right-of-way line, Southwesterly along said curve, having a radius of 11,602.57 feet, concave Southeasterly, whose radius bears South 02 degrees 39 minutes 27 seconds East, through a central angle of 04 degrees 54 minutes 37 seconds, a distance of 994.34 feet to a point of intersection with a non-tangent line;
THENCE South 85 degrees 02 minutes 08 seconds West, a distance of 638.36 feet;
THENCE North 86 degrees 30 minutes 59 seconds West, a distance of 686.71 feet;
THENCE North 46 degrees 22 minutes 36 seconds West, a distance of 36.29 feet;
THENCE North 05 degrees 51 minutes 43 seconds West, a distance of 258.48 feet;
THENCE South 89 degrees 50 minutes 56 seconds West, a distance of 63.35 feet to the Easterly right-of-way line of said Verrado Way;
THENCE leaving said Northerly right-of-way line, along said Easterly right-of-way line, North 00 degrees 48 minutes 10 seconds East, a distance of 14.88 feet;
THENCE North 01 degrees 16 minutes 48 seconds East, a distance of 121.82 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 209.35 feet;
THENCE North 01 degrees 41 minutes 46 seconds East, a distance of 124.06 feet;
THENCE North 00 degrees 09 minutes 05 seconds West, a distance of 39.87 feet to said Northerly line of said Section 6;
THENCE leaving said Easterly right-of-way line, along said Northerly line, North 89 degrees 57 minutes 39 seconds East, a distance of 2370.60 feet, to the northwest corner of said Parcel No. 3;
THENCE leaving said northerly 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 point of beginning;

Parcel No. 3:

A parcel of land lying within Section 1, Township 1 North, Range 3 West of the Gila and Salt River base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the center of said Section 1, being the point of beginning;
THENCE along said North-South mid-section line of said Section 1, North 00 degrees 05 minutes 13 seconds East, a distance of 297.68 feet to the Southerly right-of-way line of said Interstate 10;
THENCE leaving said North-South mid-section line, along said Southerly right-of-way line, North 68 degrees 55 minutes 29 seconds East, a distance of 1551.60 feet;
THENCE North 77 degrees 27 minutes 12 seconds East, a distance of 422.90 feet;
THENCE South 83 degrees 12 minutes 14 seconds East, a distance of 127.73 feet;
THENCE North 89 degrees 55 minutes 39 seconds East, a distance of 455.90 feet;
THENCE South 45 degrees 55 minutes 25 seconds East, a distance of 34.89 feet;
THENCE South 00 degrees 09 minutes 06 seconds East, a distance of 202.75 feet;
THENCE leaving said Southerly right-of-way line, South 07 degrees 35 minutes 49 seconds East, a distance of 698.31 feet to the East-West mid-section line of said Section 1;
THENCE along said East-West mid-section line, South 89 degrees 41 minutes 33 seconds

West, a distance of 2561.75 feet to the point of beginning.

Parcel No. 4:

A temporary, non-exclusive easement for pedestrian and vehicular access, ingress and egress as set forth in Declaration of Temporary Access Easement recorded October 14, 2004 in Instrument No. 2004-1203175.

CUSTODY, PLEDGE AND SECURITY AGREEMENT

CUSTODY, PLEDGE AND SECURITY AGREEMENT, dated as of November 1, 2004 (the "Pledge Agreement"), made by and among DMB WHITE TANK, LLC, an Arizona limited liability company (the "Borrower"), WELLS FARGO BANK, National Association (the "Custodian"), and COMPASS BANK, an Alabama banking corporation (the "Bank"), pursuant to that Reimbursement Agreement, dated as of November 1, 2004, by and between the Borrower and the Bank (hereinafter, as the same may from time to time be amended or supplemented, called the "Reimbursement Agreement");

W I T N E S S E T H:

WHEREAS, VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (Town of Buckeye, Arizona) (the "Issuer") has issued its District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds") under an Indenture of Trust and Security Agreement, dated as of November 1, 2004 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"); and

WHEREAS, the Indenture requires the purchase of the Bonds from the holders thereof under certain circumstances as set forth in the Indenture; and

WHEREAS, the Borrower has requested the Bank to issue the Letter of Credit under the Reimbursement Agreement which may be drawn upon, inter alia, to pay the purchase price of the Bonds; and

WHEREAS, it is a condition precedent to the Bank's issuance of the Letter of Credit that the Borrower shall execute and deliver this Pledge Agreement to the Bank;

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to issue the Letter of Credit under the Reimbursement Agreement and for other good and valuable consideration receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, defined terms shall have the meanings assigned to them in the Reimbursement Agreement, and the rules of interpretation set forth in the Reimbursement Agreement shall apply to this Pledge Agreement.

2. Pledge and Security Agreement. As collateral security for the prompt and complete payment when due of all amounts due from the Borrower to the Bank under the Reimbursement Agreement, the Borrower pledges, hypothecates, assigns, transfers and grants to the Bank a first priority lien on and a first perfected security interest in all its right, title and interest to the following:

(a) Any right, title or interest of Borrower, now or in the future, in any Purchased Bonds (as defined in the Reimbursement Agreement).

(b) The Bond Funds together with all moneys and claims for moneys due or to become due or payable thereon or with respect therefor, all shares, deposits, investments and interest of every kind of the undersigned evidenced by any of the foregoing, and all proceeds thereof (collectively, the "Bond Monies"). The "Bond Funds" shall mean any rights and interests in payments to the Borrower from any funds, accounts and subaccounts established under the Indenture in which monies shall be held by the Trustee from time to time for the benefit of Borrower, including without limitation the Bond Payment Fund, the Bond Purchase Fund, and the Acquisition and Construction Fund.

3. Payments on the Bonds. If, while this Pledge Agreement is in effect, the Borrower shall become entitled to receive or shall receive any payment of principal, premium, interest or proceeds of sale or remarketing in respect of the Purchased Bonds, such payment shall be subject to this Pledge Agreement, and the Borrower hereby irrevocably directs the Trustee to make any such payments directly to the Custodian and, in the event any such payments are received by the Borrower, the Borrower agrees to accept the same as the Bank's agent and to hold the same in trust on behalf of the Bank and to deliver the same promptly to the Custodian. All sums of money so paid in respect of the Purchased Bonds which are received by the Borrower and paid to the Custodian and all such amounts which shall be paid directly to the Custodian by the Trustee shall be paid by the Custodian to the Bank and shall be credited against the corresponding reimbursement obligation of the Borrower under the Reimbursement Agreement.

4. Collateral. All property at any time pledged by the Borrower to the Bank hereunder and all income therefrom and proceeds thereof are herein collectively sometimes called the "Collateral."

5. Release of Purchased Bonds. If a payment is made by or on behalf of the Borrower in respect of its reimbursement obligation under the Reimbursement Agreement and if the other conditions respecting payment of accrued interest and any fees due as set forth in the Reimbursement Agreement are met, the Bank agrees upon receipt of such payment to release from the lien of this Pledge Agreement and cause the Custodian to release to the Trustee or to such other party as shall make payment to the Bank, as the case may be, Purchased Bonds in the principal amount so paid; provided, however, that Borrower acknowledges and agrees that, with respect to any interest of Borrower, now or in the future, in Purchased Bonds if the payment is less than the minimum denomination of Bonds then available under the Indenture, Purchased Bonds shall be released only at such time as the cumulative amount of payments made under the Reimbursement Agreement, and for which no Purchased Bonds have been released under this paragraph, equals the minimum denomination of Bonds then available. Custodian agrees not to release any Purchased Bonds until the Trustee and the Custodian shall have received from the Bank a notice of reinstatement for remarketed Purchased Bonds, which the Bank agrees to send in accordance with the provisions of the Letter of Credit.

6. Rights of the Bank. The Bank shall not be liable for failure to collect or realize upon the Collateral or any collateral security or guarantee therefor, or any part thereof, or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard

thereto. If an Event of Default has occurred and is continuing, the Bank may thereafter without notice, exercise all rights, privileges or options pertaining to any Collateral as if it were the holder and absolute owner thereof, upon such terms and conditions as it may determine, all without liability except to account for property actually received by it, but the Bank shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

7. Remedies. Subject to the provisions of the Indenture and the Reimbursement Agreement:

(a) In the event that any portion of any amounts due to the Bank under the Reimbursement Agreement has been declared due and payable, the Bank without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Borrower or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived) may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of and deliver said Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of the Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption in the Borrower, which right or equity is hereby expressly waived or released.

(b) The net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Collateral or in any way relating to the rights of the Bank hereunder, including reasonable attorneys' fees and legal expenses, shall be applied first to the satisfaction of the Borrower's obligations to the Bank under the Reimbursement Agreement, the Borrower remaining liable for any deficiency remaining unpaid after such application, and only after so paying over such net proceeds and after the payment by the Bank of any other amount required by any provision of law, need the Bank account for the surplus, if any, to the Borrower.

(c) The Borrower agrees that the Bank need not give more than ten (10) days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Borrower if it has signed after default a statement denouncing or modifying any right to notification of sale or other intended disposition.

(d) In addition to the rights and remedies granted to them in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to any of the Borrower's obligations, the Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Arizona. The Borrower shall be liable for the deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay all amounts to which the Bank is entitled, and the fees of any attorneys employed by the Bank to collect such deficiency.

(e) Notwithstanding anything herein to the contrary, the ownership of any Purchased Bond may only be transferred in accordance with the provisions of the Indenture and the transfer of any Purchased Bond is subject to the limitations on transfer in Section 10 hereof.

8. Representations of the Borrower. The Borrower represents that:

(a) On the date of delivery to the Bank, or to the Trustee acting on behalf of the Bank, of any Purchased Bonds, neither the Issuer, nor the Trustee will have any right, title or interest in and to the Bonds except pursuant to the Indenture;

(b) It has, and on the date of delivery to the Bank of any Purchased Bonds will have, full power, authority and legal right to pledge all of its right, title and interest, if any, in and to such Purchased Bonds pursuant to this Pledge Agreement;

(c) This Pledge Agreement has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms except as enforcement hereto may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditor's rights generally or by general principles of equity;

(d) No consent of any other party (including, without limitation, partners or creditors of the Borrower) and, to the knowledge of the Borrower, no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority, domestic or foreign, is required to be obtained by the Borrower in connection with the execution, delivery or performance of this Pledge Agreement; and

(e) The execution, delivery and performance of this Pledge Agreement will not, to the knowledge of the Borrower, violate any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, or of the organizational documents of the Borrower, or of any securities issued by the Borrower, or of any mortgage, indenture, lease, contract or other agreement,

instrument or undertaking to which the Borrower is a party or which purports to be binding upon the Borrower or upon any of its assets and will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of the Borrower except as contemplated by this Pledge Agreement.

9. Covenants of the Borrower. The Borrower covenants and agrees that:

(a) It will defend the Bank's right, title and security interest in and to the Purchased Bonds and the proceeds thereof against the claims and demands of all persons whomsoever;

(b) Without the prior written consent of the Bank, it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Collateral, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Collateral, or any interest therein, or any proceeds thereof, except for the lien and security interest provided for by this Pledge Agreement, provided, however, that unless and until an Event of Default has occurred and is continuing, Bank acknowledges and agrees that Bond Monies on deposit in the Acquisition and Construction Fund will be disbursed to Borrower as reimbursement for amounts advanced to pay the cost to construct public infrastructure, as contemplated by the Indenture; and

(c) It hereby irrevocably authorizes and empowers Bank at any time that an Event of Default has occurred, in its own name or in the name of Borrower, to demand, apply for, withdraw, receive and give acquittance for any and all of the Bond Monies and to exercise any and all rights and privileges and receive all benefits accorded by said Bond Monies, and to execute any an all instruments required therefor. Any obligor under the terms of said Bond Monies is specifically authorized and directed, on demand of Bank, to pay and deliver all Bond Monies to said Bank upon receipt of a demand from Bank stating that an Event of Default has occurred.

10. Sale of Purchased Bonds.

(a) The Borrower recognizes that the Bank has no obligation to effect a public sale of any or all of the Purchased Bonds except as contemplated by and in accordance with the Indenture.

(b) The Borrower further agrees to do or cause to be done all such other acts and things as may be reasonably requested by the Bank to make such sale or sales of any portion or all of the Purchased Bonds valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental

instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales, all at the Borrower's expense.

(c) The Bank agrees that (i) at the time of the sale of any Purchased Bonds ("Remarketed Purchased Bonds"), it shall so long as all Purchased Bonds are Remarketed Purchased Bonds, reinstate the Letter of Credit to secure such Remarketed Purchased Bonds as provided in Section 11.3 of the Reimbursement Agreement, and (ii) only upon the reinstatement of the Letter of Credit shall it sell or otherwise transfer any Purchased Bonds.

11. Further Assurances. The Borrower agrees that at any time and from time to time upon the written request of the Bank, the Borrower will execute and deliver such further documents and do such further acts and things as the Bank may reasonably request in order to effect the purposes of this Pledge Agreement.

12. Severability. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. No Waiver; Cumulative Remedies. The Bank shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder and no waiver shall be valid unless in writing, signed by the Bank, and then only to the extent therein set forth. A waiver by the Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Bank would otherwise have on any subsequent occasion. No failure to exercise nor any delay in exercising on the part of the Bank, any right, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

14. Amendments; Applicable Law. None of the terms or provisions of this Pledge Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Bank and the Borrower. This Pledge Agreement shall be governed by, and be construed and interpreted in accordance with, the laws of the State of Arizona and applicable federal law.

15. Duration. This Pledge Agreement shall remain in full force and effect for so long as the Letter of Credit is in effect or any amount is owed to the Bank under the Reimbursement Agreement.

16. Expenses. The Borrower shall pay to the Bank its reasonable expenses (including reasonable fees and expenses of counsel) of, or incident to, any actual or attempted sale or other disposition of, or any exchange, enforcement (whether through negotiations, legal proceedings or

otherwise), collection, compromise or settlement of or with respect to all or any of the Collateral, by litigation or otherwise. The Borrower shall reimburse the Bank on demand for all reasonable costs and expenses incurred in connection with the negotiation, preparation, execution and administration of this Pledge Agreement, including, without limitation, any reasonable fees or expenses (including reasonable fees and expenses of counsel to the Custodian) paid by the Bank to the Custodian for its services in connection with this Pledge Agreement.

17. Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and mailed, telecopied, telexed, telegraphed or delivered to the parties to the telex or telecopier number or address (as the case may be) specified for the intended recipient below, or to such other number or address as such recipient may have last specified by notice to the other party. All such notices and communications shall, when mailed, telecopied, telexed or telegraphed, be effective when deposited in the mails or sent by telecopy or telex or delivered to the telegraph company, respectively, addressed as follows:

Borrower:	DMB White Tank, LLC 7600 East Doubletree Ranch Road Suite 300 Scottsdale, Arizona 85258-2137
Custodian:	Wells Fargo Bank, National Association 100 West Washington Street MAC S4101-080 Phoenix, Arizona 85003 Attention: Corporate Trust Department
Bank:	Compass Bank 999 18th Street Suite 2800 Denver, Colorado 80202 Attention: Matthew J. Chorske Tel: (303) 217-2235 Fax: (303) 217-2260
With copies to:	Compass Bank 2850 East Camelback, Suite 140 Phoenix, Arizona 85016 Attn: Steven J. Heslep
	Compass Bank 24 Greenway Plaza, Suite 1601 Houston, Texas 77046 Attn: Geraldine M. Gurley Tel: (713) 499-8640 Fax: (713) 499-8659

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
Attention: Henry A. Perras

18. Appointment of Custodian.

(a) The Bank hereby appoints the Custodian as its agent to hold any Purchased Bonds. The Custodian hereby accepts such appointment and agrees that it will hold the Purchased Bonds until otherwise directed in writing by the Bank.

(b) The Bank hereby appoints the Custodian as its agent to hold the Bond Monies, if any. The Custodian hereby accepts such appointment and agrees that it will hold the Bond Monies until otherwise directed in writing by the Bank.

(c) The Custodian shall not have any liability for any matter arising hereunder except to the extent that it may arise from the Custodian's own willful misconduct or gross negligence. The Borrower agrees to indemnify the Custodian and hold it harmless against any loss, liability or expense incurred without gross negligence or bad faith on its part arising out of or in connection with any of its duties as Custodian hereunder, including the reasonable costs and expenses of defending itself from any claim or liability in connection with the exercise or performance of any of its powers or duties in such capacity. The provisions of this paragraph shall survive the termination of this Pledge Agreement.

19. Assignment.

(a) This Pledge Agreement shall be binding upon and inure to the benefit of the Custodian, the Bank and the Borrower and their respective successors and assigns; provided, however, that the Borrower may not assign any of its rights or obligations under this Pledge Agreement without the prior written consent of the Bank.

(b) If the Bank or the Custodian assigns or otherwise transfers any of its rights and obligations hereunder, each reference in this Pledge Agreement to the Bank or the Custodian, as the case may be, shall be deemed to be a reference to the assignee or transferee of the Bank or the Custodian, as the case may be, were assigned and transferred to the extent of their respective interests.

20. Counterparts. This Pledge Agreement may be executed in counterparts, and such counterparts taken together shall be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, each of the undersigned has caused this Pledge Agreement to be duly executed and delivered by its duly authorized officers on the day and year first above written.

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: ANDREW BEARS
Title: VICE PRES

BORROWER

COMPASS BANK, an Alabama banking corporation

By: _____
Name: Matthew J. Chorske
Title: Senior Vice President

BANK

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: Nancy L. Eaton
Name: Nancy L. Eaton
Title: A V.P

CUSTODIAN

ACKNOWLEDGED AND AGREED UPON by the undersigned as to provisions of the above Pledge Agreement relating to the undersigned in its capacity as Trustee under the Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: Nancy L. Eaton
Name: Nancy L. Eaton
Title: A V.P

TRUSTEE

SECURITY AGREEMENT
(Accounts)

THIS SECURITY AGREEMENT is made and entered into as of the 1st day of November, 2004, by DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Debtor"), whose chief executive office is located at 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, in favor of COMPASS BANK, an Alabama banking corporation and its successors and assigns (hereinafter called "Secured Party"), whose address is 999 18th Street, Suite 2800, Denver, Colorado 80202, Attention: Matthew J. Chorske.

1. RECITALS

1.1 Secured Party has contemporaneously herewith provided financial accommodations to Debtor in the amount of THIRTEEN MILLION ONE HUNDRED SIXTY THOUSAND TWO HUNDRED SEVENTY-FOUR AND NO/100 DOLLARS ($13,160,274.00), pursuant to that Reimbursement Agreement dated of even date herewith between Debtor and Secured Party (the "Reimbursement Agreement").

1.2 The making of such financial accommodations by Secured Party is conditioned upon Debtor's securing its obligations under the Reimbursement Agreement (the "Obligations") by giving to Secured Party a security interest in the personal property described on Schedule "A" attached hereto.

2. SECURITY INTEREST

2.1 In consideration of the financial accommodation described above, Debtor hereby grants to Secured Party a security interest (hereinafter called the "Security Interest") in the personal property described on Schedule "A" attached hereto (hereinafter called the "Collateral").

2.2 This Agreement is given for the purpose of securing, in such order of priority as Secured Party may elect:

(a) Payment, performance and observance by Debtor of each covenant, condition, provision and agreement contained herein and of all monies expended or advanced by Secured Party pursuant to the terms hereof, or to preserve any right of Secured Party hereunder, or to protect or preserve the Collateral or any part thereof;

(b) Payment, performance and observance by Debtor of each covenant, condition, provision and agreement contained in the Reimbursement Agreement pursuant to which Secured Party has issued a letter of credit in the amount of Thirteen Million One Hundred Sixty Thousand Two Hundred Seventy-Four and No/100 Dollars ($13,160,274.00) for the account of Debtor and in any other document or instrument related to the indebtedness hereby secured and of

all monies expended or advanced by Secured Party pursuant to the terms thereof or to preserve any right of Secured Party thereunder;

(c) Payment and performance of any and all other indebtedness, obligations and liabilities of Debtor to Secured Party of every kind and character, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, whether such indebtedness is from time to time reduced and thereafter increased or entirely extinguished and thereafter reincurred.

All of the indebtedness and obligations secured by this Agreement are hereinafter collectively called the "Obligation."

3. WARRANTIES, COVENANTS AND AGREEMENTS OF DEBTOR

Debtor hereby warrants, covenants and agrees that:

3.1 Debtor shall not sell, transfer, assign or otherwise dispose of any Collateral or any interest therein (except as permitted herein) without obtaining the prior written consent of Secured Party and shall keep the Collateral free of all security interests or other encumbrances except the Security Interest. Although proceeds of Collateral are covered by this Agreement, this shall not be construed to mean that Secured Party consents to any transfer of such property.

3.2 Debtor shall pay when due all taxes, assessments and other charges that may be levied or assessed against the Collateral.

3.3 Debtor shall immediately give Secured Party written notice of any change in location of Debtor's chief executive office.

3.4 Debtor, at its cost and expense, shall protect and defend this Agreement, all of the rights of Secured Party hereunder and the Collateral against all claims and demands of other parties. Debtor shall pay all claims and charges that in the opinion of Secured Party might prejudice, imperil or otherwise affect the Collateral or the Security Interest. Debtor shall promptly notify Secured Party of any levy, distraint or other seizure by legal process or otherwise of any part of the Collateral and of any threatened or filed claims or proceedings that might in any way affect or impair the terms of this Agreement.

3.5 The Security Interest, at all times, shall be perfected and shall be prior to any other interests in the Collateral. Debtor shall act and perform as necessary and shall execute and file all documents deemed necessary by Secured Party to establish, maintain and continue the perfected Security Interest. Debtor, on demand, shall promptly pay all costs and expenses of filing and recording, including the costs of any searches, deemed necessary by Secured Party from time to time to establish and determine the validity and the continuing priority of the Security Interest.

3.6 All rights, powers and remedies granted Secured Party herein, or otherwise available to Secured Party, are for the sole benefit and protection of Secured Party, and Secured Party may exercise any such right, power or remedy at its option and in its sole and absolute discretion without any obligation to do so. In addition, if under the terms hereof, Secured Party

is given two or more alternative courses of action, Secured Party may elect any alternative or combination of alternatives at its option and in its sole and absolute discretion. All monies advanced by Secured Party under the terms hereof and all amounts paid, suffered or incurred by Secured Party in exercising any authority granted herein, including reasonable attorneys' fees, shall be added to the Obligation, shall be secured by the Security Interest, shall bear interest at the highest rate payable on any of the Obligation until paid, and shall be due and payable by Debtor to Secured Party immediately without demand.

4. EVENTS OF DEFAULT; REMEDIES

4.1 The occurrence of any of the following events or conditions shall constitute and is hereby defined to be an "Event of Default":

(a) Any failure or neglect to perform or observe any of the covenants, conditions or provisions of this Agreement.

(b) Any warranty, representation or statement contained in this Agreement that shall be or shall prove to have been false when made or furnished.

(c) The occurrence of any event of default under the Reimbursement Agreement.

4.2 Upon the occurrence of any Event of Default, and at any time while such Event of Default is continuing, Secured Party may do one or more of the following:

(a) Without further notice or demand and without legal process, take possession of the Collateral.

(b) Pursue any legal remedy available to collect the Obligation, to enforce its title in and right to possession of the Collateral and to enforce any and all other rights or remedies available to it.

4.3 Debtor shall pay all costs and expenses, including without limitation costs of Uniform Commercial Code searches, court costs and reasonable attorneys' fees, incurred by Secured Party in enforcing payment and performance of the Obligation or in exercising the rights and remedies of Secured Party hereunder. All such costs and expenses shall be secured by this Agreement and all other lien and security documents securing the Obligation. In the event of any court proceedings, court costs and attorneys' fees shall be set by the court and not by jury and shall be included in any judgment obtained by Secured Party.

4.4 In addition to the remedies provided herein for an Event of Default, Secured Party shall have all the rights and remedies afforded a secured party under the Uniform Commercial Code and all other legal and equitable remedies allowed under applicable law. No failure on the part of Secured Party to exercise any of its rights hereunder arising upon any Event of Default shall be construed to prejudice its rights upon the occurrence of any other or subsequent Event of Default. No delay on the part of Secured Party in exercising any such rights shall be construed to preclude it from the exercise thereof at any time while that Event of Default is continuing. Secured Party may enforce any one or more remedies or rights hereunder successively or

concurrently. By accepting payment or performance of any of the Obligation after its due date, Secured Party shall not thereby waive the agreement contained herein that time is of the essence, nor shall Secured Party waive either its right to require prompt payment or performance when due of the remainder of the Obligation or its right to consider the failure to so pay or perform an Event of Default.

5. MISCELLANEOUS PROVISIONS

5.1 The acceptance of this Agreement by Secured Party shall not be considered a waiver of or in any way to affect or impair any other security that Secured Party may have, acquire simultaneously herewith, or hereafter acquire for the payment or performance of the Obligation, nor shall the taking by Secured Party at any time of any such additional security be construed as a waiver of or in any way to affect or impair the Security Interest; Secured Party may resort, for the payment or performance of the Obligation, to its several securities therefor in such order and manner as it may determine.

5.2 Without notice or demand, without affecting the obligations of Debtor hereunder or the personal liability of any person for payment or performance of the Obligation, and without affecting the Security Interest or the priority thereof, Secured Party, from time to time, may: (i) extend the time for payment of all or any part of the Obligation, accept a renewal note therefor, reduce the payments thereon, release any person liable for all or any part thereof, or otherwise change the terms of all or any part of the Obligation; (ii) take and hold other security for the payment or performance of the Obligation and enforce, exchange, substitute, subordinate, waive or release any such security; (iii) join in any extension or subordination agreement; or (iv) release any part of the Collateral from the Security Interest.

5.3 Debtor waives and agrees not to assert: (i) any right to require Secured Party to proceed against any guarantor, to proceed against or exhaust any other security for the Obligation, to pursue any other remedy available to Secured Party, or to pursue any remedy in any particular order or manner; (ii) the benefits of any legal or equitable doctrine or principle of marshalling; (iii) the benefits of any statute of limitations affecting the enforcement hereof; (iv) demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand and nonpayment, relating to the Obligation; and (v) any benefit of, and any right to participate in, any other security now or hereafter held by Secured Party.

5.4 The terms herein shall have the meanings in and be construed under the Uniform Commercial Code. This Agreement shall be governed by and construed according to the laws of the State of Arizona. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be void or invalid, the same shall not affect the remainder hereof which shall be effective as though the void or invalid provision had not been contained herein.

5.5 No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement subscribed by Debtor and a duly authorized officer of Secured Party.

5.6 This Agreement shall remain in full force and effect until all of the Obligation shall have been paid and performed in full.

5.7 No setoff or claim that Debtor now has or may in the future have against Secured Party shall relieve Debtor from paying or performing the Obligation.

5.8 Time is of the essence hereof. If more than one Debtor is named herein, the word "Debtor" shall mean all and any one or more of them, severally and collectively. All liability hereunder shall be joint and several. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their heirs, personal representatives, successors and assigns. The term "Secured Party" shall include not only the original Secured Party hereunder but also any future owner and holder, including pledgees, of the Note. The provisions hereof shall apply to the parties according to the context thereof and without regard to the number or gender of words or expressions used.

5.9 A carbon, photographic or other reproduced copy of this Agreement and/or any financing statement relating hereto shall be sufficient for filing and/or recording as a financing statement.

IN WITNESS WHEREOF, these presents are executed 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: Andrew S. Beams
Its: Vice President

DEBTOR

SCHEDULE "A"

Accounts No. 2502495944 (the "DSR Fund") and No. 2502495952 (the "Collateral Account," and with the DSR Fund, the "Accounts") maintained by DMB WHITE TANK, LLC, an Arizona limited liability company with COMPASS BANK, an Alabama banking corporation at its office located at 2850 East Camelback Road, Suite 140, Phoenix, Arizona 85016, together with all interest earnings, moneys and claims for moneys due to or to become due or payable thereon or with respect therefore and all proceeds thereof.

UNCONDITIONAL GUARANTEE OF PAYMENT

TO: COMPASS BANK, an Alabama banking corporation

1. FOR VALUABLE CONSIDERATION, the undersigned (hereinafter called "Guarantor"), whose address is set forth after Guarantor's signature below, jointly and severally, and unconditionally, guarantees and promises to pay to Compass Bank, an Alabama banking corporation (hereinafter called "Lender"), or order, upon demand, in lawful money of the United States, (i) all obligations owed by DMB WHITE TANK, LLC, an Arizona limited liability company ("Borrower"), to Lender pursuant under that Reimbursement Agreement of even date herewith between Borrower and Lender pursuant to which Lender has issued for the account of Borrower a letter of credit in the amount of THIRTEEN MILLION ONE HUNDRED SIXTY THOUSAND TWO HUNDRED SEVENTY-FOUR AND NO/100 DOLLARS ($13,160,274.00) (the "Reimbursement Agreement"), principal and interest and all other sums payable thereunder, or at the election of Lender any one or more installments thereof, in the event that Borrower fails to punctually pay or reimburse any one or more of the obligations due under the Reimbursement Agreement, or any other sum payable thereunder at the time and in the manner provided therein; and (ii) all other indebtedness of Borrower to Lender arising under or in connection with the Reimbursement Agreement, and any deed of trust or other security document or instrument given in connection therewith (the indebtedness evidenced by the Reimbursement Agreement together with all other indebtedness specified above is hereinafter collectively called the "Indebtedness").

2. The obligations of Guarantor hereunder are joint and several if Guarantor is more than one person or entity, are separate and independent of the obligations of Borrower and of any other guarantor, and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against Borrower or any other guarantor or whether Borrower or any other guarantor is joined in any action or actions. The obligations of Guarantor hereunder shall survive and continue in full force and effect until payment in full of the Indebtedness is actually received by Lender and the period of time has expired during which any payment made by Borrower or Guarantor to Lender may be determined to be a Preferential Payment (defined below), notwithstanding any release or termination of Borrower's or any other guarantor's liability by express or implied agreement with Lender or by operation of law and notwithstanding that the Indebtedness or any part thereof is deemed to have been paid or discharged by operation of law or by some act or agreement of Lender. For purposes of this Guarantee, the Indebtedness shall be deemed to be paid only to the extent that Lender actually receives immediately available funds and to the extent of any credit bid by Lender at any foreclosure or trustee's sale of any security for the Indebtedness.

3. Guarantor agrees that to the extent Borrower or Guarantor makes any payment to Lender in connection with the Indebtedness, and all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by Lender or paid over to a trustee, receiver or any other entity, whether under any bankruptcy act or otherwise (any such payment is hereinafter referred to as a "Preferential Payment"), then this Guarantee shall continue to be effective or shall be reinstated, as the case may be, and, to the extent of such payment or repayment by Lender, the Indebtedness or part thereof intended to be

satisfied by such Preferential Payment shall be revived and continued in full force and effect as if said Preferential Payment had not been made.

4. Guarantor is providing this Guarantee at the instance and request of Borrower to induce Lender to extend or continue financial accommodations to Borrower. Guarantor hereby represents and warrants that Guarantor is and will continue to be fully informed about all aspects of the financial condition and business affairs of Borrower that Guarantor deems relevant to the obligations of Guarantor hereunder and hereby waives and fully discharges Lender from any and all obligations to communicate to Guarantor any information whatsoever regarding Borrower or Borrower's financial condition or business affairs.

5. Guarantor authorizes Lender, without notice or demand and without affecting Guarantor's liability hereunder, from time to time, to: (a) renew, modify, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Indebtedness or any part thereof, including increasing or decreasing the rate of interest thereon; (b) release, substitute or add any one or more endorsers, Guarantor or other guarantors; (c) take and hold security for the payment of this Guarantee or the Indebtedness, and enforce, exchange, substitute, subordinate, waive or release any such security; (d) proceed against such security and direct the order or manner of sale of such security as Lender in its discretion may determine; and (e) apply any and all payments from Borrower, Guarantor or any other guarantor, or recoveries from such security, in such order or manner as Lender in its discretion may determine.

6. Guarantor waives and agrees not to assert: (a) any right to require Lender to proceed against Borrower or any other guarantor, to proceed against or exhaust any security for the Indebtedness, to pursue any other remedy available to Lender, or to pursue any remedy in any particular order or manner; (b) the benefit of any statute of limitations affecting Guarantor's liability hereunder or the enforcement hereof; (c) demand, diligence, presentment for payment, protest and demand, and notice of extension, dishonor, protest, demand, nonpayment and acceptance of this Guarantee; (d) notice of the existence, creation or incurring of new or additional indebtedness of Borrower to Lender; (e) the benefits of any statutory provision limiting the liability of a surety, including without limitation the provisions of A.R.S. Sections 12-1641, et seq.; (f) any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever (other than payment in full) of the liability of Borrower for the Indebtedness; and (g) the benefits of any statutory provision limiting the right of Lender to recover a deficiency judgment, or to otherwise proceed against any person or entity obligated for payment of the Indebtedness, after any foreclosure or trustee's sale of any security for the Indebtedness, including without limitation the benefits, if any, to Guarantor of A.R.S. Section 33-814. Guarantor hereby expressly consents to any impairment of collateral, including, but not limited to, failure to perfect a security interest and release collateral and any such impairment or release shall not affect Guarantor's obligations hereunder. Until payment in full of the Indebtedness, Guarantor shall have no right of subrogation and hereby waives any right to enforce any remedy which Lender now has, or may hereafter have, against Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by Lender.

7. All existing and future indebtedness of Borrower to Guarantor is hereby subordinated to the Indebtedness and such indebtedness of Borrower to Guarantor, if Lender so

requests, shall be collected, enforced and received by Guarantor as trustee for Lender and shall be paid over to Lender on account of the Indebtedness, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guarantee.

8. In addition to all liens upon, and rights of setoff against, the monies, securities or other property of Guarantor given to Lender by law, Lender shall have a lien and a right of setoff against, and Guarantor hereby grants to Lender a security interest in, all monies, securities and other property of Guarantor now and hereafter in the possession of or on deposit with Lender, whether held in a general or special account or deposit, or for safekeeping or otherwise; every such lien and right of setoff may be exercised upon Borrower's default in the payment of the Indebtedness or upon the occurrence of any event of default under this Guarantee or any other document or instrument executed and delivered in connection with the Indebtedness. No lien or right of setoff shall be deemed to have been waived by any act or conduct on the part of Lender, by any neglect to exercise such right of setoff or to enforce such lien, or by any delay in so doing.

9. It is not necessary for Lender to inquire into the powers of Borrower or the officers, directors, members, managers, partners, trustees or agents acting or purporting to act on its behalf, and any of the Indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

10. Guarantor agrees to deliver to Lender financial statements, income tax returns and other financial information in form and level of detail, and containing certifications, as and to the extent required pursuant to the Reimbursement Agreement.

11. All financial statements, income tax returns and other financial information previously or hereafter given to Lender by or on behalf of Guarantor are and shall be true, complete and correct as of the date thereof.

12. Guarantor agrees to comply with the financial covenants pertaining to Guarantor as set forth in the Reimbursement Agreement. Guarantor acknowledges that any failure to comply with such financial covenants shall constitute an event of default under this Guarantee and the Reimbursement Agreement.

13. Guarantor agrees to pay all attorneys' fees and all other costs and expenses which may be incurred by Lender in enforcing this Guarantee or in collecting all or any part of the Indebtedness.

14. This Guarantee sets forth the entire agreement of Guarantor and Lender with respect to the subject matter hereof and supersedes all prior oral and written agreements and representations by Lender to Guarantor. No modification or waiver of any provision of this Guarantee or any right of Lender hereunder and no release of Guarantor from any obligation hereunder shall be effective unless in a document, executed by an authorized officer of Lender. There are no conditions, oral or otherwise, on the effectiveness of this Guarantee.

15. This Guarantee shall inure to the benefit of Lender and its successors and assigns and shall be binding upon Guarantor and its heirs, personal representatives, successors and assigns. Lender may assign this Guarantee in whole or in part without notice.

16. Guarantor shall not, without Lender's prior written consent, enter into any merger or consolidation (if Guarantor is other than a natural person) or, except in the ordinary course of business, sell, lease or otherwise transfer or dispose of a material portion of Guarantor's assets.

17. Guarantor represents and warrants to Lender that: (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) Guarantor has full capacity and authority to execute, deliver and perform this Guarantee, and the execution, delivery and performance of this Guarantee will not (i) violate any law or regulation, (ii) (if Guarantor is not a natural person) violate any provision of Guarantor's organizational documents, (iii) violate or constitute (with due notice or lapse of time or both) a default under any indenture, agreement, license or other instrument to which Guarantor is a party or by which Guarantor or any of Guarantor's properties may be bound, (iv) violate any order of any court, tribunal or governmental agency binding on Guarantor or any of Guarantor's properties, (v) result in the creation or imposition of any lien of any nature whatsoever on any of Guarantor's properties or assets, (vi) render Guarantor insolvent under generally accepted accounting principles, (vii) leave Guarantor with remaining assets which constitute unreasonably small capital given the nature of its business, or (viii) result in the incurrence of debts (whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent) beyond Guarantor's ability to pay them when and as they become due; (c) no approval or consent of, or filing or registration with, any federal, state or local regulatory authority is required in connection with the execution, delivery and performance of this Guarantee; and (d) this Guarantee constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms. These representations and warranties shall survive the execution of this Guarantee. As used in this paragraph, "insolvent" means the present fair saleable value of assets is less than the probable amount required to be paid on existing debts when and as they mature.

18. This Guarantee shall be governed by and construed according to the laws of the State of Arizona.

19. **JURY WAIVER**. THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT OR ANY OTHER RELATED DOCUMENT OR ANY RELATIONSHIP BETWEEN THE UNDERSIGNED AND LENDER.

THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING DESCRIBED HEREIN OR IN THE OTHER RELATED DOCUMENTS.

IN WITNESS WHEREOF, these presents are executed as of the 1st day of November, 2004.

GUARANTOR:

DMB REALCO II 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: Andrew S. Beams
Title: Vice President

Address: 7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258-2137

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

COUNTY ASSESSOR'S CERTIFICATE

I, the undersigned, hereby certify that the full cash value of all the taxable property within the Verrado Western Overlay Community Facilities District, is $ 4,281,585.

DATED: November 17, 2004.

MARICOPA COUNTY ASSESSOR

Dred Kelly, Chief Deputy

KCH:joy 554115 11/08/04

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

DISTRICT CLOSING CERTIFICATE AND CERTIFICATE AS TO TAX MATTERS

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

A. We have executed $13,000,000 principal amount of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (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 the date of initial issuance and delivery, and are in the denomination of $100,000 each or integral multiples thereof. The Bonds mature on July 1, 2029, and bear interest at a variable rate established from time to time pursuant to the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture") from the District to Wells Fargo Bank, N.A., as trustee (the "Trustee").

Payment of principal of and premium, if any, and interest on the Bonds is secured by a Direct Pay Letter of Credit (the "Letter of Credit") issued by Compass Bank (the "Bank"). The Letter of Credit is issued by the Bank pursuant to a Reimbursement Agreement dated as of November 1, 2004 (the "Reimbursement Agreement") by and between the Bank and DMB White Tank, LLC (the "Developer") pursuant to which the Developer is obligated to reimburse the Bank for amounts drawn on the Letter of Credit and not otherwise reimbursed by the District. The obligations of the Developer under the Reimbursement Agreement are guaranteed by DMB Realco II, LLC (the "Guarantor") pursuant to an Unconditional Guaranty dated as of November 1, 2004 from the Guarantor to the Bank.

The Bonds are further secured by a Standby Contribution Agreement dated as of November 1, 2004 (the "Standby Contribution Agreement"), by and between the Developer, the Guarantor and the District.

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

Interest is payable on the dates and in the manner provided in the Indenture.

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

(i) (a) On November 2, 2004, Resolution 04-04 (thereafter designated 04A-04) 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 Bond Purchase Agreement for the Bonds, dated November 16, 2004 (the "Bond Purchase Agreement"), by and between the District and RBC Dain Rauscher Inc. (the "Underwriter"), the Indenture and a Blanket Letter of Representations between the District and The Depository Trust Company (the "Letter of Representations") (collectively, the Bond Purchase Agreement, Indenture 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 Bond Purchase Agreement 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 Official Statement, dated November 9, 2004, relating to the Bonds (the "Official Statement"), 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 the Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents;

(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 Official Statement was, as of its date and is, as of the date hereof, true, correct and complete in all material respects and did not, as of its date, and does not, as of the date hereof, include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading and no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect, provided that, as to the information provided by the Developer relating to itself and the project, and by the Bank, relating to the Bank, 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 A 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	$13,000,000.00
Less: Purchaser's Compensation	(130,000.00)
Less: Letter of Credit Fee Paid by Underwriter	(83,702.05)
TOTAL AMOUNT RECEIVED	$12,786,297.95

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

Principal Amount of Bonds (Issue Price)	$13,000,000.00
"Sale Proceeds"	$13,000,000.00
Less Sale Proceeds deposited in Reserve	0.00
Less "Minor Portion"	(100,000.00)
"Net Sales Proceeds"	$12,900,000.00

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 costs of the Project or 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 by draws on the Letter of Credit. To the extent funds are available therefor, draws on the Letter of Credit will be repaid 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 to be used to pay, or to reimburse the Bank for payment of, debt service will be credited to a fund which, to the extent it is expected to be used to pay, or to reimburse the Bank for payment of, 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, or to reimburse the Bank for payment of, 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. Certain amounts may be deposited by the Developer or the Guarantor and held by the Bank pursuant to the Reimbursement Agreement to secure the obligations of the Developer under the Reimbursement Agreement. Such amounts will not be invested at a yield higher than the yield on the Bonds.

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 Owners from time to time of the Bonds as set forth in this Certificate, unless and until the District receives the opinion of Gust Rosenfeld P.L.C., or any nationally recognized bond counsel as successor thereto, to the effect that continued compliance with such provision is not necessary for interest on the Bonds to remain excluded from gross income for federal income tax purposes under the Code. The District certifies and represents to and covenants with the Owners from time to time of the Bonds as set forth below:

1. No portion of the proceeds of the Bonds will be used to finance an output facility (within the meaning of the Code). The Project consists solely of public infrastructure to be owned by a political subdivision of the State of Arizona and open and available solely for general public use. 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. Except for the obligation of the Developer pursuant to the Reimbursement Agreement and the Standby Contribution Agreement, 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.

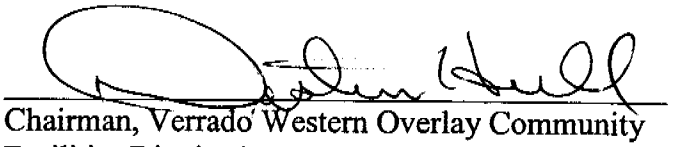
(d) Proceeds of the Bonds will not be invested (in other than tax-exempt bonds) in investments with a materially higher yield than the yield on the Bonds beyond the date of issuance of refunding bonds to advance refund the Bonds.

(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 an Official Statement dated November 9, 2004, and hereby reaffirms that said Official Statement incorporates all preceding documents containing information concerning the Bonds and is deemed to be the final Official Statement as defined in Securities and Exchange Commission Rule 15c2-12 with respect to the Bonds.

DATED: November 17, 2004.

OFFICIAL TITLE



Chairman, Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)

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

KCH:joy 554204.02 11/08/04

EXHIBIT A

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

LIST OF PROJECTS TO BE FINANCED
WITH BOND PROCEEDS

1. Roadway, Sidewalk, Street Light & Storm Drain Improvements.
2. Roadway Landscaping.
3. Roadway Bridge.
4. Culvert Crossings.
5. Floodway Improvements.
6. Traffic Signals and Interconnect.
7. Linear Park and Multiple-Use Path System.
8. Grade Separated Pedestrian Crossings.
9. Dry Utility Trench and Conduit, as necessary for roadway and landscape improvements.

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

ACKNOWLEDGEMENT AND REQUEST FOR AUTHENTICATION

The undersigned, ex officio Treasurer of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), hereby acknowledges that, pursuant to the Indenture of Trust and Security Agreement, dated as of November 1, 2004 (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 Western Overlay Community Facilities District (Town of Buckeye, Arizona), District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"):

Principal	$13,000,000.00
Less: Underwriter's Compensation	(130,000.00)
Less: Letter of Credit fees paid by Underwriter	(83,702.05)
Total	$12,786,297.95

The undersigned hereby requests that Wells Fargo Bank, N.A., acting pursuant to the Indenture, authenticate $13,000,000 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, or to the order of, the Underwriter pursuant to the book-entry system of The Depository Trust Company.

DATED: November 17, 2004

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

By Ronald W Brown

KCH:joy 554212 11/06/04

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CERTIFICATE REGARDING INDEBTEDNESS

The undersigned officer of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "*District*"), hereby certifies, based on the Owner's Certificate of Market Value, the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged 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: November 17, 2004

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

By Ronald W Brown
Its Treasurer

KCH:joy 555283 11/16/04

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

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 September 1, 2004, the following persons are the duly qualified and acting Mayor and members of the Council of the Town:

Dustin "Dusty" Hull	Mayor
Chris P. Urwiller	Vice Mayor
Levi Beard	Council Member
W. Robert Doster	Council Member
Robert Garza	Council Member
Elaine May	Council Member
Jackie A. Meck	Council Member

3. (a) That on June 19, 2001, Resolution No. 17-01 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 Verrado Western Overlay 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: November 17, 2004

TOWN OF BUCKEYE, ARIZONA

By _____
Dustin "Dusty" Hull, Mayor

By _____
Carroll E. Reynolds, Town Manager

By _____
Linda Garrison, Town Clerk

RESOLUTION NO. 17-01

RESOLUTION OF THE MAYOR AND COUNCIL OF THE TOWN OF BUCKEYE, ARIZONA DECLARING INTENT TO FORM A COMMUNITY FACILITIES DISTRICT; ORDERING AND DECLARING FORMATION OF THE TAX LEVYING WHITESTONE WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA); AND DECLARING AN EMERGENCY.

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF BUCKEYE, ARIZONA, as follows:

Section 1. Findings. The mayor and council hereby make the following findings:

A. Prior to the adoption hereof, there was presented to us, the Mayor and Council of the Town of Buckeye, Arizona (hereinafter referred to as the "*Town*"), a petition for formation of a community facilities district and adoption of resolutions declaring formation of the WhiteStone Western Overlay Community Facilities District (Town of Buckeye, Arizona), submitted and effective June 19, 2001 (hereinafter referred to as the "*Petition*"), signed by the entities which, on the date of the Petition and on the date hereof, are the owners of all real property as shown on the assessment roll for State and County taxes for Maricopa County, Arizona, or, if such persons shown on such assessment roll are no longer the owners of land in the District, are the entities which are the successor owners which have become known and have been verified by recorded deed or similar evidence of transfer of ownership to be the owners of such real property (hereinafter such owners are collectively referred to as the "*Petitioner*") described in the Petition by metes and bounds to be in the community facilities district, the formation of which is requested by the Petitioner in the Petition, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Act*"). (The proposed district shall be referred to herein as the "*District*").

B. The Petitioner has represented, attested and declared the following:

1. The name of the District is requested pursuant to the Petition to be "*WhiteStone Western Overlay Community Facilities District (Town of Buckeye, Arizona)*",

2. The District is to be formed, and will exist, pursuant to the terms and provisions of the Act,

3. The District is to contain an area of approximately 5,120 acres of land, more or less, wholly within the corporate boundaries of the Town, and is to be composed of the land described by metes and bounds as provided in *Exhibit A* hereto, which is made a part hereof for all purposes (hereinafter referred to as the "*Property*"),

4. The District is to be a special purpose district for purposes of Article IX, Section 19, Constitution of Arizona, a tax levying public improvement district for the purposes of Article XIII, Section 7, Constitution of Arizona, and a municipal corporation for all purposes of Title 35, Chapter 3, Articles 3, 3.1, 3.2, 4 and 5, Arizona Revised Statutes, as

amended; except as otherwise provided in the Act, and is to be considered a municipal corporation and political subdivision of the State of Arizona separate and apart from the Town; and is to be formed for, and have, all the purposes and powers of a "district" as such term is defined, and as provided, in the Act, and

5. Public convenience and necessity require the adoption of this resolution forming the District.

C. The Petitioner further represented, attested and declared that on the date thereof and hereof, as shown on the assessment roll for State and county taxes in Maricopa County, Arizona, all of the land to be in the District is owned by the Petitioner or, if a person listed on such assessment roll is no longer the owner of the land in the District, that the name of the successor owner has become known and verified by recorded deed or similar evidence of transfer of ownership to the Petitioner and that the land to be included in the District shall be benefited from the improvements for which the District is proposed to be formed and that there are no qualified electors residing on the land to be in the District.

D. After representing, attesting and declaring the preceding, the Petitioner requested that the Petition be properly filed as provided by law and that, as the Petition is signed by the owners of all the land to be in the District, any requirements of posting, publication, mailing, notice, hearing and landowner election otherwise required by the Act in connection with the formation of the District and adoption hereof be waived, and that the Town, upon receipt of the Petition, declare its intention to form the District and thereafter form the District without being required to comply with such provisions for posting, publication, mailing, notice, hearing or landowner election.

E. Pursuant to the Act and Section 9-500.05, Arizona Revised Statutes, as amended, the Town, the District and the Petitioner may enter into a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Act) and the financing of the public infrastructure. A form of development agreement titled Development, Financing Participation and Inter-governmental Agreement No. 1 (WhiteStone Western Overlay Community Facilities District) (the "*Development Agreement*") has been submitted to the Council for approval.

Section 2. Agreements and Further Findings by the Town. The Mayor and Council hereby agree to and find the following:

A. The Petitioner seeks formation of the District to exercise the powers and functions set forth in the Act.

B. The General Plan (as defined hereafter) has been filed with the Clerk of the Town.

C. The Petition, and all necessary supporting materials, meets the requirements of A.R.S. § 48-707, subsections F and G and has been filed with the Council, and the showings in the Petition are each noticed by us and are hereby incorporated at this place as if set forth in whole.

D. The purposes for which the organization of the District is sought are as described in the Petition and General Plan and are purposes for which a community facilities district created pursuant to the Act may be lawfully formed.

E. The District is to be wholly comprised of the Property and the Property is wholly within the boundaries of the Town.

F. The Property is benefited by the District and the public infrastructure and the public infrastructure purposes set forth in the General Plan.

G. Pursuant to A.R.S. § 48-707, subsections F and G, no hearing on the formation of the District will be held.

H. The Petitioner is the owner of all of the Property and no qualified electors reside on the Property.

I. The public convenience and necessity require the adoption hereof.

Section 3. Approval of the General Plan. Prior to the adoption hereof, a "General Plan for the Proposed WhiteStone Western Overlay Community Facilities District (Town of Buckeye, Arizona)" for the District was filed with the Clerk of the Town setting out a general description of the improvements for which the District is proposed to be formed and the general areas to be improved and benefited (hereinafter referred to as the "*General Plan*"). The General Plan is hereby approved in all respects.

Section 4. Intention to Form the District. The Mayor and Council hereby declares, pursuant to the Act, its intention to form the District comprised of the Property as a community facilities district, pursuant to the terms and provisions of, and with the powers and authority established by, the Act, with jurisdiction over the Property. Based on the Petition and the findings set forth herein, all requirements of posting, publication, mailing, notice, hearing and landowner election otherwise required by the Act in connection with the formation of the District and adoption hereof are waived.

Section 5. Granting of Petition; Formation of District. The Petition is hereby granted, and the District is hereby formed as a community facilities district pursuant to the terms and provisions of, and with the powers and authority established by, the Act, with jurisdiction over the Property. The Mayor and Council hereby determine August 7, 2001 to be the scheduled election date to submit the question of formation of the District to the qualified electors, if any, who reside within the boundaries of the District. As of the date hereof, which is a date within 50 days immediately preceding such scheduled election date, there are no resident electors or qualified electors residing on the Property, therefore, the submission of the formation of the District to an election of resident electors is hereby found to be unnecessary and no formation election will be held.

Section 6. Levy of Taxes. Formation of the District may result in the levy of taxes by the District on all taxable property located within the District to pay the costs of

improvements constructed by the District and the administration of the District and for their operation and maintenance and the administration of the District.

Section 7. District Board and Officers. The District shall be governed by a "District Board" comprised of the members of the governing body of the Town, ex officio. The then mayor of the Town shall serve as Chairperson of the District Board.

Section 8. District Boundaries and Map. The District boundaries are set to be as described in metes and bounds in *Exhibit A* hereto. The map showing the District boundaries is set forth in *Exhibit B* hereto and is hereby approved.

Section 9. Dissemination of this Resolution. The Town Clerk shall cause a copy of this resolution to be delivered to the County Assessor and the Board of Supervisors of Maricopa County, Arizona, and to the Department of Revenue of the State of Arizona.

Section 10. Approval of Development Agreement. The Development Agreement, in the form submitted herewith, is hereby approved, with such changes, additions, deletions, insertions and omissions, if any, as the Town Manager shall authorize and deem to be in the best interests of the Town, the execution and delivery of the Development Agreement to be conclusive evidence of the approval of the final terms and provisions thereof. The Town Manager is hereby authorized an directed to execute the Development Agreement on behalf of the Town and to take such further action as he deems necessary or appropriate and in the best interests of the Town to consummate the transactions contemplated hereby or by the Development Agreement.

Section 11. No General Liability of or for the Town. Neither the general fund or any other fund or moneys of the Town, nor that of the State of Arizona or any political sub-division of either (other than the District) shall be liable for the payment or repayment of any obligation, liability, bond or indebtedness of the District, and neither the credit nor the taxing power of the Town, the State of Arizona or any political subdivision of either (other than the District) shall be pledged therefor.

Section 12. Emergency. The immediate operation of the provisions of this resolution is necessary for the preservation of the public peace, health and safety and an emergency is hereby declared to exist, and this resolution shall be in full force and effect from and after its passage, adoption and approval by the Mayor and Council of the Town and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

Passed by the Council of the Town of Buckeye, Arizona, on June 19, 2001.

Mayor, Town of Buckeye, Arizona

ATTEST:

Clerk

APPROVED AS TO FORM:

Special Counsel

SWR:gmh 360262.2 06/15/01

EXHIBIT A

LEGAL DESCRIPTION OF
WHITESTONE WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

August 28, 2000
WP #97678.03

See Exhibit "A"

PARCEL DESCRIPTION
Caterpillar
Proposed Western Overlay District

A parcel of land being all of Sections 3, 10, 11, 12, 13, 23, 24 and 25, Township 2 North, Range 3 West, of the Gila and Salt River Meridian, Maricopa County, Arizona.

Subject to existing rights-of-way and easements.

EXHIBIT B

BOUNDARY MAP OF
WHITESTONE WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)

20010550766A

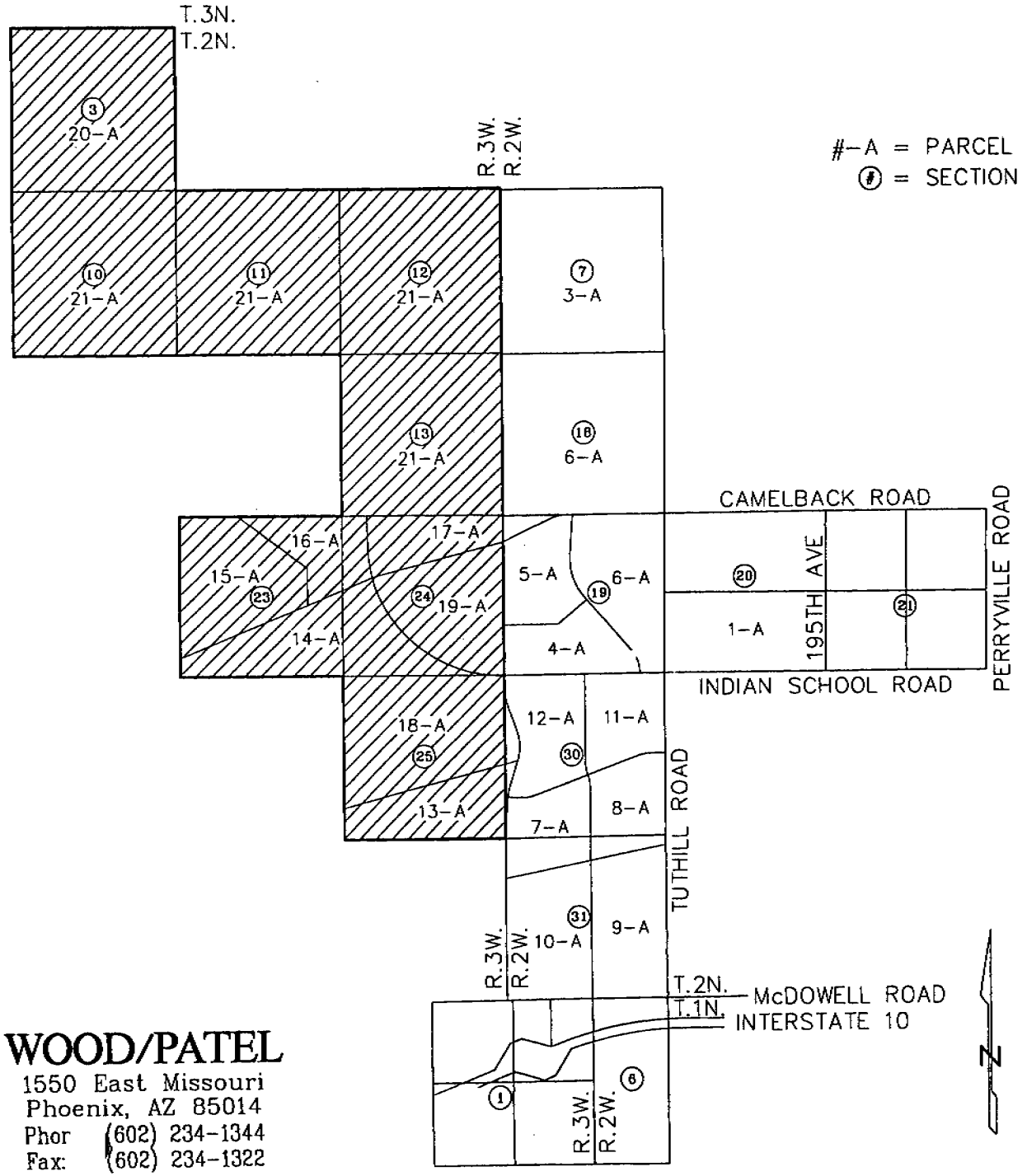


EXHIBIT B

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

CATERPILLAR
PROPOSED WESTERN OVERLAY DISTRICT
08-28-00
97678.03

NOT TO SCALE
T:\980708\LEGAL\0708L4R

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CLOSING CERTIFICATE AND RECEIPT OF TRUSTEE

The undersigned, an authorized representative of Wells Fargo Bank, N.A., as trustee (the "Trustee") under the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture"), by and between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District") and the Trustee hereby certifies that:

(a) $13,000,000 principal amount of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), issued pursuant to the Indenture and maturing on July 1, 2029, has been delivered to, or upon the order of, RBC Dain Rauscher Inc. through the book-entry system of The Depository Trust Company upon payment to the Trustee of the purchase price of the bonds as follows:

Par Amount of the Bonds	$13,000,000.00
Less: Underwriter's Compensation	(130,000.00)
Less: Letter of Credit fees paid by Underwriter	(83,702.05)
Total Amount Received	$12,786,297.95

(b) Pursuant to the provisions of Section 5.10 of the Indenture, proceeds 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	$12,786,297.95
Total Deposited	$12,786,297.95

(c) 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.

(d) 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 November 2, 2004, authorizing the issuance and sale of the Bonds.

(e) 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.

(f) All blanks on the Bonds requiring completion by the Trustee have been properly and accurately completed by the Trustee.

(g) 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: November 17th, 2004

WELLS FARGO BANK, N.A.

By _____
Authorized Representative

KCH:joy 554214 11/06/04

WELLS FARGO

Wells Fargo Bank, N.A.
Corporate Trust Services

Certified Copy of General Signature Resolution Relating to Execution of Written Instruments

I, Brad Stevenson, an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America (the "Bank"), hereby certify that:

The following is a true and correct extract from resolutions duly adopted by the Board of Directors of the Bank on November 25, 2003, and that no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate, and that the resolutions remain in full force and effect on the date hereof:

RESOLVED, that agreements, instruments, or other documents, including amendments and modifications thereto, relating to or affecting the property or business and affairs of the Bank, whether acting for its own account or in a fiduciary or other representative capacity, may be executed in its name by the persons hereinafter authorized;

FURTHER RESOLVED, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions;

A. Executive Officers

FURTHER RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President and any Executive Officer of the Bank, acting alone, may execute agreements, guaranties, instruments or other documents which such officer may deem necessary, proper or expedient to the conduct of the business of the Bank;

B. Vice Presidents and Above

FURTHER RESOLVED, that the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President and any Vice President, acting alone, may execute on behalf of the Bank:

Deeds, leases, assignments, bills of sale, purchase agreements and other instruments of conveyance to purchase, sell, lease or sublease to or from a third party real property, or any interest therein, for the Bank's own account; provided, however, that such agreements, instruments and other documents may also be signed as hereinafter provided with respect to real property acquired by the Bank in connection with collateral for a loan.

Bonds of indemnity and powers of attorney; provided, however, that proxies to vote stock in a corporation or to vote other interests in other legal entities and stock and bond powers may also be signed as hereinafter provided.

C. Signing Officers

FURTHER RESOLVED, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:

* * *

Receipts for any funds or other property paid or delivered to the Bank.

Guaranties of signatures, whether appearing as endorsements of bonds, certificates of stock, or other securities, including without limitation medallion guaranties provided in connection with a medallion stamp, or otherwise.

* * *

Agreements and proposals to provide services to or receive services from third parties.

* * *

Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as trustee, fiscal and paying agent, transfer agent, registrar or in another similar capacity; and certificates of cancellation and cremation of stocks, bonds, debentures or other securities.

* * *

FURTHER RESOLVED, that the signature of the Secretary or of any Assistant Secretary of the Bank shall be required to certify any resolution adopted by the Board of Directors of the Bank or any committee thereof, the incumbency, title or signature of any officer of the Bank and any designation of authority under these resolutions or otherwise, and the Secretary or any Assistant Secretary of the Bank may also certify any records or other documents created in the ordinary course of the business of the Bank.

I further certify that on November 17, 04, the following named person is/was a duly appointed, qualified and acting Signing Officer of Wells Fargo Bank, N.A., that their correct title and genuine signature appears beside their name, and that on said date they were duly authorized to act on behalf of the Bank as set forth in the foregoing resolution:

Name	Title	Signature
Nancy L. Eatros	Assistant Vice President	
Kathleen Jakubowicz	Assistant Vice President	
Eunice B. Ortega	Assistant Vice President	
Brenda D. Black	Vice President	

IN WITNESS WHEREOF, I have hereunto signed my name this 17th day of November 04.

Assistant Secretary

* * * Redacted [Indicates portions of the resolutions have intentionally been omitted because the sections are not relevant to the transaction for which this certification has been requested.]

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CLOSING CERTIFICATE OF THE BANK

The undersigned hereby certifies on behalf of Compass Bank, an Alabama banking corporation (the "Bank"), with respect to the issuance by Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "Issuer"), of its District Variable Rate General Obligation Bonds (the "Bonds") pursuant to the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture") that:

1. I am a Senior Vice President of the Bank and duly authorized to make the certifications contained herein.

2. The Bank is the provider of a direct pay letter of credit (the "Letter of Credit") in connection with the above-captioned Bonds, which Letter of Credit is being issued pursuant to a Reimbursement Agreement, dated as of November 1, 2004 (the "Reimbursement Agreement"), between DMB White Tank, LLC (the "Developer") and the Bank. The obligations of the Developer under the Reimbursement Agreement are secured by, among other things, a Custody, Pledge and Security Agreement dated as of November 1, 2004 (the "Pledge Agreement" and, together with the Letter of Credit and the Reimbursement Agreement, the "Bank Documents"), by and among the Bank, the Developer and Wells Fargo Bank, N.A. as trustee.

3. The Bank has duly authorized the execution and delivery of the Bank Documents, and the taking of all such action as may be required on the part of the Bank to carry out, give effect to and consummate the transactions contemplated by each of those documents. The Bank Documents constitute legal, valid and binding obligations of the Bank enforceable in accordance with their respective terms, except that enforceability may be limited by laws relating to bankruptcy, receivership and insolvency generally, and by the exercise of judicial discretion in accordance with general principles of equity.

4. All conditions precedent to the issuance of the Letter of Credit, including those specified in the Reimbursement Agreement, have been satisfied or have been waived by the Bank.

5. To my actual knowledge, 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 Bank, affecting the existence of the Bank, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the execution or delivery

of the Bank Documents or the making of draws under the Letter of Credit, or in any way contesting or affecting the validity or enforceability of the Bank Documents, any action of the Bank contemplated by the Bank Documents, or in any way contesting the completeness or accuracy of the Official Statement dated November 16, 2004, with respect to the Bonds or any amendment or supplement thereto, or contesting the powers of the Bank or its authority with respect to the Bonds or the Bank Documents or any action of the Bank contemplated by any of said documents.

6. Each of the agreements of the Bank to be complied with and each of the obligations of the Bank to be performed under the Bank Documents and required to be complied with and performed on or prior to the date hereof has been complied with and performed.

7. The information with respect to the Bank contained in the Preliminary Official Statement dated November 4, 2004, with respect to the Bonds, and in the Official Statement was, as of the dates thereof and the date hereof, true and correct in all material respects and did not, as of the dates thereof, and does not, as of the date hereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein with respect to the Bank, in light of the circumstances under which such statements were made, not misleading.

8. With respect to the Letter of Credit:

(a) the Letter of Credit is an unconditional and recourse obligation of the Bank (enforceable by or on behalf of the owners of the Bonds) to pay the scheduled payments of interest and principal on the Bonds;

(b) the fees for the Letter of Credit were determined in arm's length negotiations, are required to be paid as a condition to the issuance and maintenance of the Letter of Credit and represent a reasonable charge for the transfer of credit risk;

(c) no portion of such fees represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Bonds; and

(d) we are not co-obligors on the Bonds and do not reasonably expect that we will be called upon to make any payment under the Letter of Credit except payments to be immediately reimbursed by the Developer or the District pursuant to the Indenture and the Reimbursement Agreement.

Dated: November 17, 2004

COMPASS BANK

By _____
Its SVP

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CLOSING CERTIFICATE OF REMARKETING AGENT

The undersigned authorized officer of RBC Dain Rauscher Inc. (the "Remarketing Agent"), as Remarketing Agent under the Remarketing Agreement dated as of November 1, 2004 (the "Remarketing Agreement"), by and between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "Issuer"), and the Remarketing Agent, with respect to the above-captioned bonds (the "Bonds") issued by the Issuer pursuant to an Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, N.A., as Trustee (the "Trustee") hereby certifies as follows (capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture):

1. The Remarketing Agent is duly organized and validly existing and is duly qualified to do business in all jurisdictions where the nature of its operations as contemplated by the Remarketing Agreement legally requires such qualification, and has the company power to take all action required or permitted of it under the Remarketing Agreement.

2. By all necessary action, the Remarketing Agent has authorized the execution, delivery and due performance by it of the Remarketing Agreement, and upon the execution and delivery thereof by the Remarketing Agent, the Remarketing Agreement shall constitute a legally valid and binding obligation of the Remarketing Agent, enforceable in accordance with its terms.

3. The duties and obligations of the Remarketing Agent under the Remarketing Agreement have been duly accepted by the Remarketing Agent.

4. The representations and warranties of the Remarketing Agent contained in the Remarketing Agreement are true and correct in all material respects as of the date hereof and the Remarketing Agent has duly executed and delivered the Remarketing Agreement and complied with all agreements and satisfied all conditions on its part to be performed or satisfied under the Remarketing Agreement at or prior to the date hereof.

5. To the best knowledge of the undersigned, no litigation is pending or overtly threatened against the Remarketing Agent before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the performance by the Remarketing Agent of its obligations and duties under the Remarketing Agreement or with respect to the Bonds, or (B) in any way contesting the existence or corporate powers of the Remarketing Agent.

6. To the best knowledge of the undersigned, the acceptance by the Remarketing Agent of the duties and obligations under the Remarketing Agreement and the execution and delivery of the Remarketing Agreement and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, court decree, resolution, charter, bylaw or other agreement to which the Remarketing Agent is subject or by which it is bound.

7. The undersigned is a duly authorized officer of the Remarketing Agent.

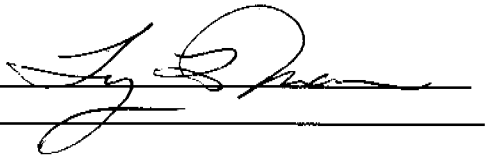
8. The Remarketing Agreement was executed by the person indicated below who held, at the time of such execution, and now holds the office indicated below and was and is duly authorized to execute the Remarketing Agreement and all documents relating to the Remarketing Agreement on behalf of the Remarketing Agent:

Name	Office	Signature
TERRY MAAS	PRINCIPAL	

9. The signature appearing above is the true and lawful signature of the person listed above, and the signature appearing on the Remarketing Agreement constitute the true and lawful signature of such person.

Dated: November 17, 2004

RBC DAIN RAUSCHER INC., as Remarketing Agent

By 

Its _____

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CLOSING CERTIFICATE OF THE DEVELOPER, DMB WHITE TANK, LLC

The undersigned, 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 ("Realco"), which is the sole Manager and Member of DMB White Tank, LLC, an Arizona limited liability company (the "Developer"), acting for and on behalf of the Developer, with respect to the issuance and delivery of the above-captioned bonds (the "Bonds"), HEREBY CERTIFIES as follows:

1. He is the duly qualified and acting Vice President of DMB Associates and as such officer is familiar with the books and corporate records of the Developer.

2. The Developer is a duly formed and validly existing limited liability company under the laws of the State of Arizona and the Developer has no proceedings pending or contemplated with a view to liquidation or dissolution.

3. The Developer has the power and authority to execute and deliver the following documents (collectively, the "Documents") and that as executed and delivered by the duly authorized representative of the Developer were approved or the execution and delivery thereof was duly authorized by the Developer and such approvals and authorizations remain in full force and effect and have not been repealed, revoked or rescinded and such Documents have not been modified or amended:

(a) The Letter of Indemnity dated November 16, 2004 (the "Indemnity Letter") from the Developer to the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District") and RBC Dain Rauscher Inc. (the "Underwriter").

(b) The Letter of Indemnity under the IGA, dated November 17, 2004 (the "IGA Indemnity Letter") from the Developer to the District and the Town of Buckeye, Arizona (the "Town").

(c) The Development, Financing Participation and Intergovernmental Agreement No. 1 (Verrado Western Overlay Community Facilities District) recorded in Maricopa County, Arizona on July 3, 2001, at Docket No. 2001-0594334.

(d) The Standby Contribution Agreement dated as of November 1, 2004, by and between the District, the Developer and DMB Realco II, LLC (the "Guarantor").

(e) The Reimbursement Agreement dated as of November 1, 2004 (the "Reimbursement Agreement"), by and between the Developer and Compass Bank (the "Bank").

(f) The Custody, Pledge and Security Agreement dated as of November 1, 2004 (the "Pledge Agreement") by and among the Developer, the Bank and the Trustee.

5. The officers executing and delivering the Documents had the authority to execute and deliver the Documents for and on behalf of the Developer.

6. The execution and delivery of the Documents and the performance thereof by the Developer will not conflict with or result in a violation of any contract, indenture, instrument or other agreement to which the Developer is a party or by which it or its properties are bound.

7. The consummation of the transactions contemplated by the Documents and compliance by the Developer with the provisions thereof will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, any material indenture, agreement or other instrument to which the Developer is a party or by which the Developer may be bound, which would materially affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Developer taken as a whole.

8. No material consent, approval, authorization or other action by, or filing with, any federal, State or local government authority is required in connection with the execution, delivery and performance by the Developer of the obligations of the Developer under the Documents or to conduct the business of the Developer as presently being conducted and as described in the Official Statement dated November 16, 2004 pertaining to the above-referenced Bonds (the "Official Statement").

9. Except as set forth in the Official Statement, 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 Developer affecting the existence of the Developer, 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 (as defined in the Official Statement) and the Bond Resolution (as defined in the Official Statement), 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, the Documents, the Letter of Credit (as defined in the Official Statement), any action of the Developer 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 the Official Statement or any amendment or supplement thereto, or contesting the powers of the Developer or its authority with respect to the Bonds, the Documents, the Letter of Credit or any action of the Developer contemplated by any of said documents.

10. The Developer is not in default in the payment of principal of or interest on any of its indebtedness for borrowed money and is not in default under any instruments or agreements under or subject to which any indebtedness for borrowed money has been incurred and no event has occurred and is continuing under the provisions of any such instrument or agreement which, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder and there has not occurred any material change or any development involving a prospective material change in the condition, financial or otherwise, or in the revenues or operations of the Developer.

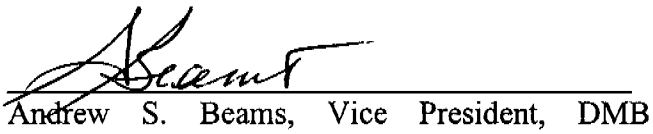
11. Attached hereto as Exhibit A is a true, complete and correct copy of the Amended and Restated Articles of Organization of the Developer which were in full force and effect as of November 16, 2004, and which have been in effect from that date to the date hereof and have not been further amended.

12. Attached hereto as Exhibit B is a true, complete and correct copy of a Certificate of Good Standing as to the Developer issued by the Arizona Corporation Commission dated November 16, 2004. Nothing has occurred since the date of the Certificate of Good Standing that would cause the Developer to no longer be in good standing.

13. All of the representations and warranties of the Developer made and contained in the Documents (which representations and warranties are hereby incorporated and stated herein by reference as fully and with the same effect as if set forth at length herein) are true and correct as of the date hereof as if said representations and warranties were made as of the date hereof, and, with respect to the Indemnity Letter, the representations and warranties in paragraphs 1(b) and (d) would be accurate if the reference therein to the "Preliminary Official Statement" were changed to "Official Statement".

14. The information pertaining to the Developer and the Project contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION - Developer" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D - "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on November 17, 2004



Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation, Manager of DMB Realco, LLC, the Sole Manager and Member of DMB White Tank, LLC

ATTACHMENTS
Exhibit A — Amended and Restated Articles of Organization
Exhibit B — Certificate of Good Standing

EXHIBIT A

Amended and Restated Articles of Organization

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 20 1998

DATE APPR Hayvale Wright
TERM
BY 11/20/98

L-0858094-6
$85 12-7-98

ARTICLES OF ORGANIZATION
DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company (the "Company") formed by this instrument is "DMB White Tank, LLC."

2. Office; Agent. The address of the Company's registered office in Arizona is 4201 North 24th Street, Suite 120, Phoenix, AZ 85016. The name and business address of the Company's statutory agent are FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company are:

DMB Realco LLC
4201 North 24th Street
Suite 120
Phoenix, AZ 85016

6. Name and Address of Sole Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company.

7. Additional Matters. The Company is authorized to engage in any and all business authorized by law. Any person dealing with the Company may rely, without further inquiry, on the identity of the manager set forth in these Articles of Organization, until such time as they are amended in accordance with applicable law to reflect a change in the identity of the manager. The manager, acting alone and without the requirement for further resolutions or agreements evidencing such authority, shall have the authority to execute and deliver documents and instruments on behalf of the Company, all of which shall be binding on the Company. Without limiting the generality of the foregoing, the manager is specifically authorized on behalf of the Company to buy and sell property, enter into purchase agreements (including subdivision trust agreements), record instruments affecting title to property, borrow money, issue evidences of indebtedness, encumber the Company's assets (by deed of trust, mortgage, security interest, public or private financing, assessment liens, improvement districts, community facility districts or otherwise), settle disputes, obtain licenses and permits, make applications for governmental approvals, grant and obtain options, and otherwise deal with the assets of the Company in the same manner in which an individual could deal with his own assets, and in connection therewith exercise all rights and

remedies and perform all obligations of the Company under any applicable documents or instruments entered into by the Company. Without further action or joinder by any person or entity, the manager may enter into resolutions on behalf of the Company for any matters authorized under law, setting forth in greater detail actions authorized by the Company, and such resolutions may be relied on absolutely by any person or entity to whom they are delivered.

Dated November 20, 1998.

Gregg Hanks

Gregg Hanks

FC Service Corporation, having been designated to act as Statutory Agent of DMB White Tank, LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

FC Service Corporation,
an Arizona corporation

By Gregg Hanks
Gregg Hanks
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913

PHX/GHANKS/905499.1/26043.001
11/20/98

STATE OF ARIZONA

CORPORATION COMMISSION

I hereby certify this to be a true and complete copy of the document filed in this office and admitted to record in File No. L-0858094-06

Executive Secretary

Dated: December 8, 2006 By: Kathleen Bridget

STATE OF ARIZONA
ACC FAX
DATE FILED

NOV 01 1999

DATE APPR 11-1-99
TERM
BY Mary Baines
L-0858094-6

AMENDED AND RESTATED ARTICLES OF ORGANIZATION DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-633, the undersigned states as follows:

1. Name; Prior Filings. The name of the limited liability company (the "Company") affected by this instrument is "DMB White Tank, LLC." Articles of Organization were filed on behalf of the Company with the Arizona Corporation Commission on November 20, 1998, as File Number L-0858094-6.

2. Office; Agent. The address of the Company's registered office in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and business address of the Company's statutory agent are PC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company (the "Manager") are:

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

6. Name and Address of Certain Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company that owns a twenty percent or greater interest in the capital or profits of the Company.

7. Additional Matters. Under the Company's operating agreement of even date herewith (the "Operating Agreement"), the Manager is required to designate an "Independent Member" who shall have the right to grant or withhold consent to each of the following actions by the Company (which may be taken by the Company only if there is an Independent Member and the Manager and Independent Member affirmatively vote to cause the Company to so act), for so long as the Company has any rights or obligations under the Master Agreement or holds any interest in the Trust Agreement (as those terms are defined on Exhibit A):

(a) engage in any business or activity other than those set forth on Exhibit A;

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(b) dissolve or liquidate, in whole or in part at any time prior to December 31, 2050 (except as provided in paragraph 7(e)(iv) below), or consolidate or merge with or into any other person or entity, or convey or transfer its properties and assets substantially as an entirety to any person or entity or change its legal structure;

(c) acquire all, or substantially all, of the assets or capital stock or other ownership interest of any other entity (except for an entity wholly-owned by the Company whose sole purpose is to engage in activities authorized under Exhibit A);

(d) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file, or consent to, a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any substantial part of its property, or make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take limited liability company action in furtherance of any such action; or

(e) authorize the amendment of the Operating Agreement to (i) provide for any additional managers other than the Manager provided for hereunder; (ii) enlarge or alter the permitted business purposes of the Company as provided on Exhibit A; (iii) amend or repeal the restrictions on Company action as describe in this paragraph 7; or (iv) permit or cause the Company to dissolve or to liquidate; except that upon the insolvency of, or the institution of voluntary or involuntary bankruptcy proceedings involving, the Company which are not dismissed within sixty days, the Company shall dissolve.

8. Effect on Articles. This instrument supersedes in their entirety the Articles, effective as of the date set forth below.

Dated October 12, 1999.

DMB Realco L.L.C., an
Arizona limited liability company,
Manager of DMB White Tank, L.L.C.,
an Arizona limited liability company

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

By: _____
Its: Executive Vice President

PHOENIX/903499.4/26043.001

NOV 01 '99 10:50 FR FENNEMORE CRAIG #2 1 602 9165999 TO 19742604132695424 P.03

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;

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(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;

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(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

CORPORATION COMMISSION

I hereby certify this to be a true and complete copy of the document filed in this office and admitted to record in File No. L-0858094-6

Executive Secretary

Dated: December 8, 2004 By: Kathleen Brodgett

EXHIBIT B

Certificate of Good Standing

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 8th Day of November, 2004, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
1912

Executive Secretary

By Cathleen Bridges

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

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 Western Overlay 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 $21,670,000.00.

DATED: November 17, 2004

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

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CLOSING CERTIFICATE OF THE GUARANTOR, DMB REALCO II, LLC

The undersigned, 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 ("Realco"), which is the sole Manager and Member of DMB Realco II, LLC, an Arizona limited liability company (the "Guarantor"), acting for and on behalf of the Guarantor, with respect to the issuance and delivery of the above-captioned bonds (the "Bonds"), HEREBY CERTIFIES as follows:

1. He is the duly qualified and acting Vice President of DMB Associates, respectively, and as such officer is familiar with the books and corporate records of the Guarantor.

2. The Guarantor is a duly formed and validly existing limited liability company under the laws of the State of Arizona and the Guarantor has no proceedings pending or contemplated with a view to liquidation or dissolution.

3. The Guarantor has the power and authority to execute and deliver the following documents (collectively, the "Documents") and that as executed and delivered by the duly authorized representative of the Guarantor were approved or the execution and delivery thereof was duly authorized by the Guarantor and such approvals and authorizations remain in full force and effect and have not been repealed, revoked or rescinded and such Documents have not been modified or amended:

(a) The Letter of Indemnity dated November 16, 2004 (the "Indemnity Letter") from the Guarantor to the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District") and RBC Dain Rauscher Inc. (the "Underwriter").

(b) The Standby Contribution Agreement dated as of November 1, 2004, by and between the District, DMB White Tank, LLC (the "Developer") and the Guarantor.

(c) The Unconditional Guaranty of Payment, dated as of November 1, 2004 from the Guarantor to Compass Bank (the "Bank").

5. The officers executing and delivering the Documents had the authority to execute and deliver the Documents for and on behalf of the Guarantor.

6. The execution and delivery of the Documents and the performance thereof by the Developer 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.

7. The consummation of the transactions contemplated by the Documents 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 material indenture, agreement or other instrument to which the Guarantor is a party or by which the Guarantor may be bound, which would materially affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Guarantor taken as a whole.

8. No material consent, approval, authorization or other action by, or filing with, any federal, State or local government authority is required in connection with the execution, delivery and performance by the 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 Official Statement dated November 16, 2004 pertaining to the above-referenced Bonds (the "Official Statement").

9. Except as set forth in the Official Statement, 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 Guarantor affecting the existence of the Guarantor, 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 (as defined in the Official Statement) and the Bond Resolution (as defined in the Official Statement), 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, the Documents, the Letter of Credit (as defined in the Official Statement), any action of the Guarantor 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 the Official Statement or any amendment or supplement thereto, or contesting the powers of the Guarantor or its authority with respect to the Bonds, the Documents, the Letter of Credit or any action of the Guarantor contemplated by any of said documents.

10. 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 and there has not occurred any material change or any development involving a prospective material change in the condition, financial or otherwise, or in the revenues or operations of the Guarantor.

11. Attached hereto as Exhibit A is a true, complete and correct copy of the Articles of Organization of the Guarantor which was in full force and effect as of November 16, 2004, and which has been in effect from that date to the date hereof and have not been amended.

12. Attached hereto as Exhibit B is a true, complete and correct copy of a Certificate of Good Standing as to the Guarantor issued by the Arizona Corporation Commission dated November 16, 2004. Nothing has occurred since the date of the Certificate of Good Standing that would cause the Guarantor to no longer be in good standing.

13. 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 made as of the date hereof, and, with respect to the Indemnity Letter, the representations and warranties in paragraphs 1(b) and (d) would be accurate if the reference therein to the "Preliminary Official Statement" were changed to "Official Statement".

14. The information pertaining to the Guarantor and the Project contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION - Developer" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D - "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. Additionally, in connection with our participation in the preparation of the Official Statement, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on November 17, 2004

Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation, Manager of DMB Realco, LLC, the Sole Manager and Member of DMB Realco II, LLC

ATTACHMENTS
Exhibit A — Articles of Organization
Exhibit B — Certificate of Good Standing

EXHIBIT A

Articles of Organization

STATE OF ARIZONA
ACC/FAX
DATE FILED 11/26/02 /
LC

NOV 18 2002

DATE APPR 11-18-2002
TERM
BY

L-1053405-6

ARTICLES OF ORGANIZATION
DMB REALCO II LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company formed by this instrument is "DMB Realco II LLC."

2. Office; Agent. The address of the limited liability company's registered office in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and business address of the statutory agent of the limited liability company are Shirley E. Stang, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

3. Management. Management of the limited liability company is vested in a manager.

4. Name and Address of Manager. The name and address of the manager of the limited liability company are DMB Realco LLC, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

5. Names and Addresses of Certain Members. The name and address of sole member of the limited liability company, which owns one hundred percent of the capital and profits of the limited liability company, are DMB Realco LLC, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

Dated November 18, 2002.

DMB Associates, Inc.,
an Arizona corporation

By: _____
Its: V.P.

NOT OFFICIAL UNTIL SIGNED

CONSENT OF STATUTORY AGENT
DMB REALCO II LLC

The undersigned, having been designated to act as Statutory Agent of DMB Realco II LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

Shirley E. Stang

7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

STATE OF ARIZONA

CORPORATION COMMISSION

I hereby certify this to be a true and complete copy of the document filed in this office and admitted to record in File No. L-1053405-6.

Executive Secretary

Dated: November 8 2006 By: Kathleen Bridgett

EXHIBIT B

Certificate of Good Standing

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 II LLC******

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 18th day of November 2002.

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 8th Day of November, 2004, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
1912

Executive Secretary

By Cathleen Bridget

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CERTIFICATE OF UNDERWRITER
REGARDING THE INITIAL OFFERING PRICE
OF THE BONDS TO THE PUBLIC

The undersigned, as the underwriter (the "Underwriter") of the above-captioned Bonds, issued by Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "Issuer"), pursuant to the Indenture of Trust and Security Agreement dated as of November 1, 2004 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, N.A., as trustee (the "Trustee"), certifies as follows:

1. Capitalized terms defined in the Indenture shall have the same meaning herein as therein.

2. The initial offering price of the Bonds to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at which 100% of the Bonds were reasonably expected to be sold as of November 16, 2004, is 100% of the par amount thereof ($13,000,000).

3. Based on (i) the fees to be paid by the Issuer to Compass Bank (the "Bank") pursuant to the Reimbursement Agreement (the "Reimbursement Agreement") dated as of November 1, 2004 between DMB White Tank, LLC and the Bank for the Letter of Credit issued thereunder, (ii) the mandatory redemption schedule applicable to the Bonds, (iii) the expected yields on the Bonds, (iv) the Underwriter's estimate of the yields at which the Bonds would have been sold without the Letter of Credit, and (v) the Underwriter's knowledge and experience:

A. The fees to be paid for the Letter of Credit do not exceed a reasonable charge for the transfer of the credit risk with respect to the payment of debt service or the tender price as described in the Letter of Credit, taking into account payments charged by guarantors in similar transactions.

B. The aggregate present value of the payments for the Letter of Credit is reasonably expected to be less than the present value of the interest reasonably expected to be saved on the Bonds as a result of the Letter of Credit, for which purpose present value may be computed by using any discount rate.

Dated: November 17, 2004

RBC DAIN RAUSCHER INC.

By _____
Authorized Representative

KCH:joy 554217 11/06/04

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

RECEIPT FOR BONDS

On behalf of RBC Dain Rauscher Inc., the purchaser of the $13,000,000 principal amount of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), the undersigned hereby acknowledges receipt of all such Bonds, pursuant to the book-entry system of The Depository Trust Company, on the date set forth in this receipt.

DATED: November 17, 2004

RBC DAIN RAUSCHER INC.

By _____
Authorized Agent

KCH:joy 554194 11/06/04

GUST
ROSENFELD
ATTORNEYS SINCE 1921 P.L.C.

■ 201 E. WASHINGTON, SUITE 800 ■ PHOENIX, ARIZONA 85004-2327 ■ TELEPHONE 602-257-7422 ■ FACSIMILE 602-254-4878 ■

November 17, 2004

District Board of the Verrado Western Overlay
Community Facilities District

Re: Verrado Western Overlay Community
Facilities District (Town of Buckeye, Arizona)
District Variable Rate General Obligation Bonds,
Series 2004

At your request, we have examined the official proceedings leading to the issuance of $13,000,000 aggregate principal amount of District Variable Rate General Obligation Bonds, Series 2004, dated the date of initial issuance and delivery, by Verrado Western Overlay 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. 04A-04, passed and adopted by the District Board on November 2, 2004 (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.

Certain of the documents referred to permit actions to be taken in the future if an opinion of bond counsel is given at that time to the effect that such action will not cause interest on the Bonds to be included in gross income of the owners for federal income tax purposes. We express no opinion on whether any such action, if taken, will cause interest on the Bonds to be included is gross income of the owners for federal income tax purposes.

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.

By

Keith C. Hoskins
Bond Counsel

KCH:joy 11/16/04
552872

GUST ROSENFELD
ATTORNEYS SINCE 1921 P.L.C.

■ 201 E. WASHINGTON, SUITE 800 ■ PHOENIX, ARIZONA 85004-2327 ■ TELEPHONE 602-257 7422 ■ FACSIMILE 602-254-4878 ■

KEITH C. HOSKINS
602-257-7967
FAX: 602-340-1538
khoskins@gustlaw.com

November 17, 2004

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

Re: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

WE HAVE ACTED as Bond Counsel to Verrado Western Overlay 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 Variable Rate General Obligation Bonds, Series 2004, in the aggregate principal amount of $13,000,000 (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 November 2, 2004 (hereinafter referred to as the "Resolution") and an Indenture of Trust and Security Agreement, dated as of November 1, 2004 (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 Official Statement, dated November 9, 2004 (hereinafter referred to as the "Official Statement"); and (iii) are being sold pursuant to a Bond Purchase Agreement, dated November 9, 2004 (hereinafter referred to as the "Purchase Contract"), by and between the Issuer and RBC Dain Rauscher Inc. (hereinafter referred to as the "Underwriter").

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 Official Statement;

(iv) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Purchase Contract);

(v) An executed copy of the Indenture;

(vi) An executed copy of a Letter of Representations, dated even date herewith (hereinafter referred to as the "Letter"), by and between the Issuer and The Depository Trust Company;

(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 Official Statement), 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, the Developer and the Guarantor relating to the Official Statement and the District Documents.

WE ARE OF THE OPINION, based upon the foregoing and subject to the qualifications hereinafter set forth, that under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Issuer is duly organized and validly existing as a community facilities district pursuant to the Constitution and laws of the State of Arizona and has all requisite power and authority thereunder (a) to adopt the Resolution, (b) to authorize, execute, deliver and issue, as applicable, the District Documents, and the Bonds, (c) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement, dated November 4, 2004 (the "Preliminary Official Statement"), with respect to the Bonds) and (d) to carry out and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds (including performing the applicable obligations thereunder).

2. Adoption of the Resolution; authorization, execution, delivery and issuance, as applicable, of, and the due performance of the obligations of the District under, the District Documents and the Bonds and the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) by the Issuer under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or of any existing law, ordinance, administration regulation, court order or consent decree to which the Issuer is subject.

3. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bonds), is required in connection with the adoption by the Issuer of the Resolution or the authorization, execution, delivery, issuance and performance, as applicable, by the Issuer of the District Documents and the Bonds and the consummation of the transactions contemplated by the Official Statement.

4. The Issuer has duly (a) adopted the Resolution, 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 Official Statement, the Bond Resolution, the District Documents and the Bonds. The Issuer has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the aforesaid documents.

5. The District Documents have been duly authorized, executed and delivered by the Issuer and, assuming due and valid authorization, execution and delivery by the other party thereto, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms.

6. Based solely upon a search of the available records of the Supreme Court of the State of Arizona in and for Maricopa County on November 8, 2004 and of the available records of the United States District Court for the District of Arizona, and the certifications of officers of the Issuer, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or overtly threatened against or affecting the Issuer, and there is no basis therefor, (i) which in any way questions the powers of the Issuer referred hereinabove or the validity of the proceedings taken by the Issuer in connection with the issuance and sale of the Bonds, (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the Bond Resolution, the District Documents or the Bonds or would in any way adversely affect the validity or enforceability of the Bond Resolution, the District Documents or the Bonds (or of any other instrument required or contemplated for use in consummating the

transactions contemplated thereby or hereby or by the Official Statement) or (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement. Further, there are no lawsuits pending or threatened against the Issuer which question the right of the Issuer to levy, receive and pledge 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 Official Statement, the Bond Resolution, the District Documents or the Bonds.

7. The information contained in the Official Statement on the cover thereof, under the headings "INTRODUCTORY STATEMENT," "THE BONDS," "SECURITY FOR AND SOURCES OF PAYMENT," "LITIGATION - District" and "TAX EXEMPTION" therein and in APPENDIX A - "GENERAL INFORMATION - THE DISTRICT and - DISTRICT TAXATION" APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and APPENDIX C - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL" thereto, insofar as such information purports to summarize certain provisions of federal or state law or of the Indenture or the Bonds, fairly summarizes the information which it purports to summarize. With regard to the other portions of the Official Statement, on the basis of our participation as Bond Counsel, nothing has come to our attention to lead us to believe that the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included in Appendix A thereto or otherwise included therein, as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

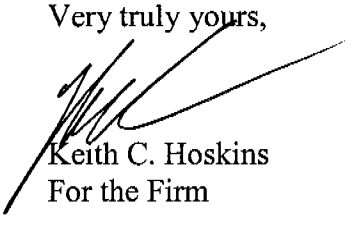
8. It is not necessary in connection with the issuance and sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution or the Indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the District Documents are dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other parties 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.

The Underwriter of the Bonds may rely upon our approving legal opinion, as if said approving legal opinion were addressed to it. Notwithstanding the foregoing, the enforceability of the Bonds by the Underwriter, as the owner of the Bonds, and the validity and enforceability of the Bond Purchase Agreement is subject to all applicable laws regarding conflicts of interest and we express no opinion with respect to the impact of any such laws on the enforceability of the Bonds by the Underwriter, as owner of the Bonds, or the validity or enforceability of the Bond Purchase Agreement.

Very truly yours,



Keith C. Hoskins
For the Firm

KCH:joy 11/16/04
554263

Greenberg
Traurig

November 17, 2004

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

Re: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

This opinion is rendered pursuant to the Purchase Contract, dated November 16, 2004 (the "Purchase Contract"), by and between Verrado Western Overlay 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 $13,000,000 District Variable Rate General Obligation Bonds, Series 2004 (hereinafter referred to as the "Bonds"), and as counsel to the Underwriter solely for its use in connection with the issuance and the sale of the Bonds to the Underwriter by the District.

We have examined the Official Statement relating to the Bonds (hereinafter referred to as the "Official Statement"). We also have examined originals, or copies certified or otherwise identified to our satisfaction, of other documents, resolutions, instruments, records, certificates and opinions, have reviewed other laws and information and have made investigations, as we have considered necessary or appropriate, for the purpose of rendering this opinion.

In accordance with our understanding with you, we have rendered legal advice and assistance to you in the course of your investigations pertaining to, and your participation in the preparation of, the Official Statement. That assistance involved, among other things, inquiries concerning various legal and related matters, our review of certain corporate records, documents and proceedings and our participation in discussions with your representatives and other persons involved in the preparation of information for the Official Statement and representatives of the District and the Developer and the Guarantor (as such terms are defined in the Official Statement) concerning the contents of the

ALBANY
AMSTERDAM
ATLANTA
BOCA RATON
BOSTON
CHICAGO
DALLAS
DENVER
FORT LAUDERDALE
LOS ANGELES
MIAMI
NEW JERSEY
NEW YORK
ORANGE COUNTY, CA
ORLANDO
PHILADELPHIA
PHOENIX
SILICON VALLEY
TALLAHASSEE
TYSONS CORNER
WASHINGTON, D.C.
WEST PALM BEACH
WILMINGTON
ZURICH

Official Statement and related matters. While we are not passing upon, and do not assume responsibility for, the accuracy, completeness or fairness of the contents of the Official Statement, on the basis of the information which was developed in the course of our performance of the services referred to hereinabove and without having undertaken to verify independently that accuracy, completeness or fairness, nothing has come to our attention which leads us to believe that the Official Statement, at its date or as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which such statements were made, not misleading. Reference in this paragraph to the Official Statement does not include the information contained in the Official Statement on the cover thereof, under the heading 'TAX EXEMPTION thereto nor the financial information or other technical or statistical data included in the Official Statement 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

phx-fs1\1471761v01

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FENNEMORE CRAIG
A PROFESSIONAL CORPORATION

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November 16, 2004

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

Compass Bank
99 18th Street
Suite 2800
Denver, Colorado 80202

Verrado Western Overlay Community Facilities District
c/o Town of Buckeye, Arizona
100 Apache, Suite A
Buckeye, Arizona 85326

Re: $13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (hereinafter referred to as the "Bonds")

Ladies and Gentlemen:

We have acted as special counsel to the following trusts (the "Trusts") on the matters described below:

(i) The Dorrance 1995 Issue Trust created under the Dorrance 1995 Issue Trust Agreement dated November 2, 1998 (the "Issue Trust");

(ii) The Brown Family Trust created under the agreement entitled Drew M. Brown and Laurie E. Brown Revocable Trust dated August 30, 1980, as amended (the "Brown Trust");

(iii) The Mark N. Sklar Trust created under the Mark N. Sklar Trust Agreement dated May 18, 1972, as amended (the "Sklar Trust"); and

(iv) The Bennett Dorrance Trust created under the Bennett Dorrance Trust Agreement dated April 21, 1989, as amended (the "Dorrance Trust");

Our representation has been limited to matters relating to: (A) the execution and delivery by the Issue Trust, Brown Trust and Sklar Trust (the "Realco Trusts") of the Realco Consent (as such term is defined below), in connection with the issuance and sale of the Bonds pursuant to a Purchase Contract dated November 17, 2004 by and between RBC Dain Rauscher Inc. (hereinafter referred to as the "Purchaser") and Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "District"); and (B) the execution and delivery by the Dorrance Trust, Brown Trust and Sklar Trust (the "Shareholder Trusts"), in their capacities as shareholders of DMB Associates, Inc., an Arizona corporation ("DMB Associates"), of consents, resolutions or other instruments for the election of the Board of Directors of DMB Associates (the "Shareholder Consents," together with the Realco Consent, the "Consents").

In this connection, we have reviewed the following documents (the "Documents"):

1. Unanimous Written Consents of the Members of DMB Realco LLC, an Arizona limited liability company, in the forms attached hereto as Exhibits A and B (the "Realco Consents");

2. Trustee's Certificate (Dorrance 1995 Issue Trust) dated as of October 19, 2004, and the documents referred to therein;

3. Certified Abstract of Portions of Trust Agreement, with respect to the Issue Trust, dated as of October 19, 2004;

4. Trustee's Certificate (Brown Family Trust) dated as of October 19, 2004, and the documents referred to therein;

5. Certified Abstract of Portions of Trust Agreement, with respect to the Brown Trust, dated as of October 19, 2004;

6. Trustee's Certificate (Mark N. Sklar Trust) dated as of October 19, 2004;

7. Certified Abstract of Portions of Trust Agreement, with respect to the Sklar Trust, dated as of October 19, 2004;

8. Trustee's Certificate (Bennett Dorrance Trust) dated as of October 19, 2004;

9. Certified Abstract of Portions of Trust Agreement, with respect to the Dorrance Trust, dated as of October 19, 2004; and

10. 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 Realco Trusts has the requisite trust power and authority under the laws of the State to: (i) hold an interest as a member of DMB Realco LLC, an Arizona limited liability company ("Realco"); (ii) perform its obligations as a member of Realco; and (iii) execute and deliver the Realco Consents, in its capacity as a member of Realco.

c. Each of the Shareholder Trusts has the requisite trust power and authority under the laws of the State to: (i) hold stock in DMB Associates; and (ii) exercise its voting rights as shareholder of DMB Associates.

d. The Realco Trusts have taken all necessary trust action to authorize the execution and delivery of the Realco Consents and:

(i) Jacquelyn W. Dorrance, as a Trustee of the Issue Trust, acting without the joinder of any other Trustee, is authorized to execute and deliver the Realco Consent on behalf of the Issue Trust, and upon her execution thereof, the Issue Trust will be bound by the matters reflected in the Realco Consents insofar as the Issue Trust's interest as a member in Realco is concerned;

(ii) Drew M. Brown, as a Trustee of the Brown Trust, acting without the joinder of any other Trustee, is authorized to execute and deliver the Consents on behalf of the Brown Trust, and upon his execution thereof, the Brown Trust will be bound by the matters reflected in the Realco Consents insofar as the Brown Trust's interests as a member in Realco are concerned.

(iii) Mark N. Sklar, as a Trustee of the Sklar Trust, acting without the joinder of any other Trustee, is authorized to execute and deliver the Consents on behalf of the Sklar Trust, and upon his execution thereof, the Sklar Trust will be bound by the matters reflected in the Realco Consents insofar as the Sklar Trust's interests as a member in Realco are concerned.

e. The Shareholder Trusts have taken all necessary trust action to authorize the execution and delivery of the Shareholder Consents and:

(i) Bennett Dorrance, as a Trustee of the Dorrance Trust, acting without the joinder of any other Trustee, is authorized to execute and deliver the Shareholder Consent on behalf of the Dorrance Trust, and upon his execution thereof, the Dorrance Trust will be bound by the matters reflected in the Shareholder Consents insofar as the Dorrance Trust's interest as a shareholder in DMB Associates is concerned.

(ii) Drew M. Brown, as a Trustee of the Brown Trust, acting without the joinder of any other Trustee, is authorized to execute and deliver the Consents on behalf of the Brown Trust, and upon his execution thereof, the Brown Trust will be bound by the matters reflected in the Shareholder Consents insofar as the Brown Trust's interests as a shareholder in DMB Associates are concerned.

(iii) Mark N. Sklar, as a Trustee of the Sklar Trust, acting without the joinder of any other Trustee, is authorized to execute and deliver the Consents on behalf of the Sklar Trust, and upon his execution thereof, the Sklar Trust will be bound by the matters reflected in the Shareholder Consents insofar as the Sklar Trust's interests as a shareholder in DMB Associates are concerned.

f. The execution and delivery by the Realco Trusts of the Realco Consents and by the Shareholder Trusts of the Shareholder Consents: (i) do not and will not result in a violation of any provision of, or in a 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.

g. 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.

h. To our knowledge, none of the Trusts or any trustee 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.

i. 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 or any trustee 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 or any trustee 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, or the member and shareholder interests of Trusts in Realco and DMB Associates, respectively, being bound by the Consents.

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 Purchaser, Compass Bank, an Alabama banking corporation (the "Bank"), 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, Bank 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

GHANKS/1597719.3/26043.269

Exhibit A

UNANIMOUS CONSENT OF SOLE MANAGER AND MEMBER OF DMB REALCO II LLC, an Arizona limited liability company

The undersigned, being the Sole Manager and Member of DMB Realco II LLC, an Arizona limited liability company (the "**Company**"), hereby adopts the following resolutions by unanimous written consent, as of October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by the DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and the Company in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to that certain Reimbursement Agreement, by and between Compass Bank, an Alabama banking corporation (the "**Bank**"), DMB-WT, as Borrower, and the Company, as Guarantor (the "**Reimbursement Agreement**"), and the additional agreements, undertakings and instruments referenced therein, including that certain Unconditional Guaranty of Payment by the Company (the "**Guaranty**") and that certain first-lien Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing pertaining to certain real property owned by DMB-WT (the "**Deed of Trust**") (collectively, the "**Reimbursement Agreement Documents**"), the Bank has agreed to provide that certain Irrevocable Direct-Pay Letter of Credit No. 22222 in a total amount not exceeding $13,162,500 (the "**Letter of Credit**") to the Trustee in respect of the Bond Issuance (the "**Letter of Credit Transaction**"), which Letter of Credit shall be drawn upon to pay debt service on the Bonds, pay the purchase price of Bonds that may be tendered or otherwise redeemed in accordance with the terms of the Bond Issuance Documents, and pay certain other amounts payable by drawings on the Letter of Credit in accordance with the terms and conditions of the Bond Issuance Documents; and

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance and a condition precedent to the Bank providing the Letter of Credit that the Company authorize and consent to certain actions, representations and agreements of the Company in respect of the Bond Issuance and the Letter of Credit Transaction, including the Company being a party to the Bond Issuance Documents (as applicable) and the Reimbursement Agreement Documents (as applicable) and the provision by the Company of financial assurances, security interests and other assurances to the District and the Bank, as referenced in the applicable Bond Issuance Documents and the applicable Reimbursement Agreement Documents, respectively; and

WHEREAS, the Bond Issuance and the Letter of Credit Transaction will directly or indirectly benefit the Company and its Member; and

WHEREAS, the Manager and the Members of the undersigned Member of the Company have authorized the Member to act on behalf of the Company, and have authorized the Manager of the undersigned Member, DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), to act on behalf of the Member with respect to all matters that are the subject of this Consent of Member of the Company, pursuant to that certain Unanimous Consent of Manager and Members of DMB Realco LLC, of even date herewith.

NOW THEREFORE, BE IT RESOLVED, that the undersigned Member of the Company has determined that certain actions and the making of certain representations and agreements, and the giving of certain financial assurances, security interests and other assurances, in connection with the Bond Issuance and the Letter of Credit Transaction is in the best interest of the Company, including the Company being a party to the Bond Issuance Documents and Reimbursement Agreement Documents; and

FURTHER RESOLVED, that DMB Associates, as the Manager of the undersigned Member of the Company, is hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Member, acting on behalf of the Company, such certificates, agreements, documents or instruments as the officer of DMB Associates authorized to do so pursuant to the Unanimous Consent of Directors of DMB Associates, of even date herewith, may deem necessary or appropriate in his sole discretion to consummate (A) the Bond Issuance including, without limitation, the Standby Contribution Agreement, and (B) the Letter of Credit Transaction including, without limitation, the Reimbursement Agreement, the Security Agreement (Accounts), the Guaranty and the Guarantee Authorization (Guarantor), in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that

the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved.

FURTHER RESOLVED, that DMB Associates is hereby authorized to incur and pay, on behalf of the undersigned Member acting on behalf of the Company, all expenses relating to the Bond Issuance and the Letter of Credit Transaction 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 DMB Associates or the said officers of DMB Associates on behalf of the undersigned Member, acting on behalf of the Company, in connection with the Bond Issuance and the Letter of Credit Transaction, including any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental thereto in connection with the Bond Issuance and the Letter of Credit Transaction;

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, the Bank or any other person in connection with the Bond Issuance and the Letter of Credit Transaction and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Member revoking these resolutions.

SOLE MANAGER AND MEMBER:

DMB REALCO LLC, an Arizona limited liability company

By: DMB Associates Inc., an Arizona corporation

By:_____
Andrew S. Beams, Vice President

Exhibit B

UNANIMOUS CONSENT OF SOLE MANAGER AND MEMBER
OF
DMB REALCO II LLC,
an Arizona limited liability company

The undersigned, being the Sole Manager and Member of DMB Realco II LLC, an Arizona limited liability company (the "**Company**"), hereby adopts the following resolutions by unanimous written consent, as of October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by the DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and the Company in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to the Operating Agreement of DMB-WT and that certain Trust Agreement (Trust No. B176) ("**Trust Agreement**"), dated March 19, 200, by and between Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), DMB-WT, as Second Beneficiary, and Fidelity National Title Insurance Co., as Trustee, First Beneficiary is to be provided with a guaranty of the payment and performance of the Guaranteed Obligations (as such term is defined in the Trust Agreement) and First Beneficiary has agreed to accept, in satisfaction of such obligation and by way of substitution and replacement for that certain Limited Unsecured Guaranty by ABD Investments Limited Partnership in favor of First Beneficiary, that certain Limited Recourse Guaranty ("**Limited Recourse Guaranty**") by the Company in favor of First Beneficiary;

WHEREAS, the Bond Issuance and the Limited Recourse Guaranty will directly or indirectly benefit the Company and its Member; and

WHEREAS, the Manager and the Members of the undersigned Member of the Company have authorized the Member to act on behalf of the Company, and have authorized the Manager of the undersigned Member, DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), to

act on behalf of the Member with respect to all matters that are the subject of this Consent of Member of the Company, pursuant to that certain Unanimous Consent of Manager and Members of DMB Realco LLC, of even date herewith.

NOW THEREFORE, BE IT RESOLVED, that the undersigned Member of the Company has determined that certain actions and the making of certain representations and agreements, and the giving of certain financial assurances, security interests and other assurances in connection with the Bond Issuance and the Limited Recourse Guaranty is in the best interest of the Company, including the Company being a party to the Limited Recourse Guaranty; and

FURTHER RESOLVED, that DMB Associates, as the Manager of the undersigned Member of the Company, is hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Member, acting on behalf of the Company, such certificates, agreements, documents or instruments as the officer of DMB Associates authorized to do so pursuant to the Unanimous Consent of Directors of DMB Associates, of even date herewith, may deem necessary or appropriate in his sole discretion to consummate the Limited Recourse Guaranty, all 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; and

FURTHER RESOLVED, that DMB Associates is hereby authorized to incur and pay, on behalf of the undersigned Member acting on behalf of the Company, all expenses relating to the Limited Recourse Guaranty 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; and

FURTHER RESOLVED, that the undersigned Member hereby ratifies and approves any actions previously taken by or at the request of DMB Associates or the said officers of DMB Associates on behalf of the undersigned Member, acting on behalf of the Company, in connection with the Limited Recourse Guaranty, including any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental thereto in connection with the Limited Recourse Guaranty;

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, the Bank or any other person in connection with the Bond Issuance and the Limited Recourse Guaranty, and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Member revoking these resolutions.

SOLE MANAGER AND MEMBER:

DMB REALCO LLC, an Arizona limited liability company

By: DMB Associates Inc., an Arizona corporation

By:_____
Andrew S. Beams, Vice President

LAW OFFICES OF
STOREY & BURNHAM
PLC
3030 E. Camelback Road, Suite 265
Phoenix, Arizona 85016

Rebecca Lynne Burnham
Direct Line: 522-0201
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3030 E. Camelback Road
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Facsimile: (602) 468-1335

November 17, 2004

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

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

Compass Bank
99 18th Street
Suite 2800
Denver, Colorado 80202

Re: $13,000,000.00 Verrado Western Overlay District Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (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 DMB Realco II, LLC, an Arizona limited liability company (hereinafter referred to as "**DMB Realco II**"), and the constituent members of DMB-WT and DMB Realco II, respectively, in connection with the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds (a) sold pursuant to a Purchase Contract dated November 17, 2004 (hereinafter referred to as the "**Purchase Contract**"), by and between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (hereinafter referred to as the "**District**") and RBC Dain Rauscher, Inc. (hereinafter referred to as the "**Purchaser**") and (b) the payment of which is secured, in part, by an Irrevocable Letter of Credit dated November 10, 2004, provided pursuant to a Reimbursement Agreement dated as of November 1, 2004 (hereinafter referred to as the "**Reimbursement Agreement**"), by and between Compass Bank, an Alabama banking corporation (hereinafter referred to as "**Compass Bank**"), DMB-WT and DMB Realco II.

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. Official Statement issued by the District, dated November 17, 2004 (hereinafter referred to as the "**Official Statement**");

2. Verrado Western Overlay Community Facilities District Standby Contribution Agreement, dated as of November 17, 2004, by and among the District, DMB-WT, DMB Realco II 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 November 17, 2004, by and among DMB-WT and the District and Purchaser (hereinafter referred to as the "**Developer Indemnity Agreement**");

4. Guarantor Indemnity Letter, dated as of November 17, 2004, by and among DMB-WT and the District and Purchaser (hereinafter referred to as the "**Guarantor Indemnity Agreement**");

5. Developer Indemnity Letter, dated as of November 17, 2003, by and among DMB-WT and the District (clarifying Article 8 of the Development Financing Participation and Intergovernmental Agreement No. 1 (Verrado Western Overlay Community Facilities District)) (hereinafter referred to as the "**Insurance Indemnity Agreement**");

6. Reimbursement Agreement;

7. Unconditional Guaranty of Payment, dated as of November 1, 2004, by DMB Realco II in favor of Compass Bank (hereinafter referred to as the "**Guaranty**");

8. Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of November 1, 2004, by DMB-WT in favor of Compass Bank (hereinafter referred to as the "**Deed of Trust**");

9. Custody, Pledge and Security Agreement (Purchased Bonds & Collateral), dated as of November 1, 2004, by DMB-WT and DMB Realco II in favor of Compass Bank (hereinafter referred to as the "**Custody, Pledge and Security Agreement**");

10. Environmental Indemnity Agreement, dated as of November 1, 2004, by DMB-WT in favor of Compass Bank (hereinafter referred to as the "**Environmental Indemnity Agreement**");

11. Security Agreement (Accounts) , dated as of November 1, 2004, by DMB-WT and DMB Realco II in favor of Compass Bank (hereinafter referred to as the "**Security Agreement**");

12. UCC Financing Statement, dated as of November __, 2004, by DMB-WT, and UCC Financing Statement, dated as of November __, 2004, by DMB Realco II (hereinafter referred to as the "**UCC Financing Statements**");

13. Closing Certificate of DMB-WT, dated as of November 17, 2004, in favor of the District and the Purchaser (hereinafter referred to as the "**Developer Closing Certificate**");

14. Closing Certificate of DMB Realco II, dated as of November 17, 2004, in favor of the District and the Purchaser (hereinafter referred to as the "**Guarantor Closing Certificate**");

15. Certificate of Andrew S. Beams, Vice-President of DMB Associates, Inc., an Arizona corporation (hereinafter referred to as "**DMB Associates**"), Manager of DMB Realco LLC, an Arizona limited liability company (hereinafter referred to as "**DMB Realco**"), Sole Manager and Member of DMB-WT and Sole Manager and Member of DMB Realco II, dated as of November 17, 2004, in favor of the undersigned (hereinafter referred to as the "**Certificate of Officer**") (*copy enclosed*);

16. 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 ("**Foundation**"), as First Beneficiary, and DMB-WT, as Second Beneficiary (hereinafter referred to as the "**Trust Agreement**");

17. (Letter) Agreement, dated Nov. 16, 2004, by and among the Foundation and DMB-WT, pertaining to the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds and clarifying, supplementing and amending the Trust Agreement and the DMB-WT Operating Agreement ("**Trust Letter Agreement**");

18. Limited Recourse Guaranty of DMB Realco II, dated November 17, 2004, in favor of Foundation (hereinafter referred to as the "**DMB Realco II Guaranty**") (the Trust Agreement, Trust Letter Agreement and DMB Realco II Guaranty being collectively referred to herein as the "**Trust Documents**");

19. 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 (*copies enclosed*);

20. Operating Agreement of DMB-WT ("**DMB-WT Operating Agreement**"), dated October 12, 1999, by DMB Realco LLC, an Arizona limited liability company (hereinafter referred to as "**DMB Realco**"), as a Member and the sole Manager (*copy enclosed*);

21. Certificate of Existence and Good Standing of DMB-WT, issued by the Arizona Corporation Commission on July 21, 2004 (*copy enclosed*);

22. Consent of Member of DMB-WT, dated as of October 1, 2004, by DMB Associates, as Manager of DMB Realco, as a Member and the sole Manager (pertaining to the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds) (*copy enclosed*);

23. Borrowing Authorization (Borrower), of DMB-WT, dated as of November 1, 2004 (*copy enclosed*)

24. 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.

25. 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*);

26. Operating Agreement of DMB Realco, dated May 14, 1997, among DMB Associates, 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 and 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); 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); 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, and 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, and 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, 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 (*copy enclosed*);

27. 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);

28. Majority Written Consent of Members DMB Realco LLC, effective as of June 19, 2001 (authorizing the formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District);

29. Certificate of Existence and Good Standing of DMB Realco, issued by the Arizona Corporation Commission on on July 21, 2004 (*copy enclosed*);

30. Unanimous Consent of Manager and Members of DMB Realco, effective as of October 1, 2004 (pertaining to the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds) (*copy enclosed*);

31. Unanimous Consent of Manager and Members of DMB Realco, effective as of October 1, 2004 (pertaining to DMB Realco II Limited Recourse Guaranty) (*copy enclosed*);

32. Borrowing Authorization (Manager of Borrower), of DMB Realco, dated as of November 1, 2004 (*copy enclosed*);

33. Guarantee Authorization (Manager of Guarantor), of DMB Realco, dated as of November 1, 2004 (*copy enclosed*);

34. Pledge Authorization (Pledgor), of DMB Realco, dated as of November 1, 2004 (*copy enclosed*);

35. Articles of Incorporation of 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 (*copies enclosed*);

36. 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) (*copies enclosed*);

37. 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;

38. 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);

39. Unanimous Written Consent of Board of Directors of DMB Associates, effective as of 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) *[TO COME]*;

40. Unanimous Written Consent of Board of Directors of DMB Associates, effective as of June 19, 2001 (authorizing formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District);

41. Consent in Lieu of Annual Meeting of Shareholders of DMB Associates, dated December 4, 2002 ; Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates, dated December 4, 2002; Consent in Lieu of Annual Meeting of Shareholders of DMB Associates, dated December 3, 2003; Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates, dated December 3, 2003; Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates, dated January 1, 2004; and Consent in Lieu of Annual Meeting of Board of Directors of DMB Associates, dated July 1, 2004 (inter alia, appointing Directors and officers);

42. Certificate of Existence and Good Standing of DMB Associates, issued by the Arizona Corporation Commission on July 21, 2004 (*copy enclosed*);

43. Unanimous Consent of Board of Directors of DMB Associates, dated as of October 1, 2004 (pertaining to the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds) (*copy enclosed*);

44. Unanimous Consent of Board of Directors of DMB Associates, dated as of October 1, 2004 (pertaining to DMB Realco II Limited Recourse Guaranty in favor of Foundation) (*copy enclosed*);

45. Borrowing Resolution (Corporation as Manager of Manager of Borrower), of DMB Associates, dated as of November 1, 2004 (*copy enclosed*);

46. Guarantee Resolution (Corporation as Manager of Manager of Guarantor), of DMB Associates, dated as of November 1, 2004 (*copy enclosed*);

47. Pledge Resolution (Corporation as Manager of Pledgor), of DMB Associates, dated as of November 1, 2004 (*copy enclosed*);

48. Certificate of Incumbency of DMB Associates, Inc., dated October 1, 2004 (*copy enclosed*);

49. Articles of Organization of DMB Realco II, dated November 18, 2002 as filed with the Arizona Corporation Commission on November 18, 2002, File No. L-1053405-6 (*copy enclosed*);

50. Certificate of Existence and Good Standing of DMB Realco II, issued by the Arizona Corporation Commission on July 21, 2004 (*copy enclosed*);

51. Consent of Manager and Member of DMB Realco II, dated October 1, 2004 (pertaining to the transactions provided for by the documents referred to herein in connection with the issuance and sale of the captioned Bonds) (*copy enclosed*);

52. Consent of Manager and Member of DMB Realco II, dated October 1, 2004 (pertaining to DMB Realco II Limited Recourse Guaranty in favor of Foundation) (*copy enclosed*);

53. Guarantee Authorization (Guarantor), of DMB Realco II, dated November 1, 2004 (*copy enclosed*); and

54. Opinion of Fennemore Craig, dated November 16, 2004, in favor of the undersigned, the District, the Purchaser and Compass Bank (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*).

Such other documents and instruments, and such other information from representatives of DMB-WT and DMB Realco II, as we have considered necessary or appropriate for the purposes of this opinion (hereinafter referred to, collectively, as "**Due Inquiry**").

The Standby Contribution Agreement, Developer Indemnity Agreement, Guarantor Indemnity Agreement and Insurance Indemnity Agreement are hereinafter referred to as the "**Developer and Guarantor Bond Documents**". The Reimbursement Agreement, Guaranty, Deed of Trust, Custody, Pledge and Security Agreement, Environmental Indemnity Agreement, Security Agreement and UCC Financing Statements are hereinafter referred to as the "**Developer and Guarantor Bank Documents**"). The documents listed in paragraphs 19 through 53 above are hereinafter referred to as the "**Developer and Guarantor Entity and Authorization Documents**." Whenever any portion of this opinion is limited to the existence or absence of fact based upon our actual knowledge, it is limited to our actual knowledge of the existence or absence of such fact after Due Inquiry.

In rendering the following opinions, we have assumed:

(a) The genuineness of all signatures to the Developer and Guarantor Bond Documents, the Developer and Guarantor Bank Documents, the Developer Closing Certificate, the Guarantor Closing Certificate, the Certificate of Officer, the Trust Documents, the Developer and Guarantor Entity and Authorization Documents and the

Fennemore Craig Opinion, and the legal capacity of each natural person executing any of the Developer and Guarantor Bond Documents, the Developer and Guarantor Bank Documents, the Developer Closing Certificate, the Guarantor Closing Certificate, the Certificate of Officer, the Trust Documents, the Developer and Guarantor Entity and Authorization 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 and Guarantor Bond Documents, the Developer and Guarantor Bank Documents and the Trust Documents with regard to the parties to those agreements other than DMB-WT and DMB Realco II, as applicable, and that the transactions contemplated by the Developer and Guarantor Bond Documents, the Developer and Guarantor Bank Documents and the Trust Documents are fully authorized by all necessary action by or on behalf of the parties thereto other than DMB-WT and DMB Realco II, as applicable, and are in compliance with all laws, rules or regulations governing the parties thereto other than DMB-WT and DMB Realco II, as applicable;

(d) That all of the parties to the Developer and Guarantor Bond Documents, the Developer and Guarantor Bank Documents, and the Trust Documents other than DMB-WT or DMB Realco II, as applicable, have obtained all necessary consents, authorizations, approvals, permits or certificates (governmental and otherwise) which are required as a condition to the execution and delivery of such Documents by such parties and to the consummation of the transactions described therein by such parties;

(e) The Developer and Guarantor Bond Documents and the Developer and Guarantor Bank 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 and Guarantor Bond Documents or the Developer and Guarantor Bank Documents;

(f) That all parties to the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents will perform their respective obligations and enforce their respective rights thereunder in circumstances and in a manner which is commercially reasonable and in accordance with applicable law;

(g) The truth and accuracy of all of the representations and warranties of all parties contained in the Documents;

(h) The truth and accuracy of all reports and other documents prepared by third party consultants relating to the transactions that are the subject of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, including relating to any of the property within the District or that is the subject of the Developer and Guarantor Bank Documents;

(i) That, with respect to the enforceability of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents by a court of another jurisdiction, such court would apply Arizona law, and would determine that the application of Arizona substantive law is not contrary to a fundamental policy of the law of such other jurisdiction;

(j) That the applicable Developer and Guarantor Bank Documents, immediately after delivery, will be properly filed or recorded in the appropriate governmental offices, that the recipient will timely file all necessary continuation statements, and that all fees, charges and taxes due and owing as of this date have been paid; and

(k) Where tangible personal property is to be acquired after the date hereof, that a security interest in created under any after-acquired property clause(s) of the applicable Developer and Guarantor Bank Documents.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is our opinion that:

1. DMB-WT is a limited liability company, duly organized and existing under the laws of the State of Arizona (hereinafter referred to as the "**State**") and has the requisite limited liability company power and authority under the laws of the State: (i) to execute and deliver, perform its obligations under, and consummate all transactions contemplated by, the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents; and (ii) to own and operate its properties and assets as described in the Official Statement, and (iii) to carry out its business as such business is currently being conducted as described in the Official Statement.

2. DMB-WT and its constituent members have taken all necessary limited liability company, corporate and partnership action, as applicable, to authorize (i) the execution, delivery and performance of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents by DMB-WT, and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

3. DMB Realco II is a limited liability company, duly organized and existing under the laws of 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 and Guarantor Bond Documents and the Developer and Guarantor Bank Documents; and (ii) to own and operate its properties and assets as described in the Official Statement, and (iii) to carry

out its business as such business is currently being conducted as described in the Official Statement.

4. DMB Realco II 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 and Guarantor Bond Documents and the Developer and Guarantor Bank Documents by DMB Realco II, and (ii) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

5. The Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents have been duly and validly authorized, executed and delivered by DMB-WT and DMB Realco II, respectively, are in full force and effect as of the date hereof, and constitute the legal, valid and binding obligations of DMB-WT and DMB Realco II, respectively, enforceable against each of DMB-WT and DMB Realco II, respectively, in accordance with their terms.

6. The execution and delivery by DMB-WT and DMB Realco II of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, and the performance of the respective obligations of each of DMB-WT and DMB Realco II thereunder (a) do not and will not conflict with or result in a violation of, or a default pursuant to, the Trust Documents or the Developer Entity and Authorization Documents, and (b) to our actual knowledge, do not and will not conflict with or result in a violation of any other contract, indenture, instrument or agreement to which either or both of DMB-WT and DMB Realco II is a party or by which it or its properties or assets 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 or DMB Realco II, respectively , under the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents.

7. 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 or DMB Realco II is required in connection with the execution and delivery by DMB-WT or DMB Realco II of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, or consummation of the transactions contemplated thereby, and (ii) DMB-WT and DMB Realco II have obtained all consents, approvals and authorizations, and has made all filings, required by applicable federal, State and/or local governmental authorities in order to own and operate the respective properties and assets of each as described in the Official Statement and to carry out its business as such business is currently being conducted as described in the Official Statement, except for such actions, approvals, authorizations, consents and orders that DMB-WT and DMB Realco II, as applicable, would expect to obtain in the ordinary course of its or their business.

8. To our actual knowledge, neither DMB-WT nor DMB Realco II is 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 and DMB Realco II, respectively, under the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents.

9. 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 either or both of DMB-WT and DMB Realco II is a party or of which any property or asset of DMB-WT and DMB Realco II is subject which, if determined adversely to DMB-WT or DMB Realco II, would individually or in the aggregate materially and adversely affect the execution and delivery, and/or performance of the agreements and obligations of either or both of DMB-WT and DMB Realco II under the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, or materially and adversely affect the validity or enforceability of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents against either or both of DMB-WT and DMB Realco II, respectively.

10. To our actual knowledge, the information pertaining to DMB-WT and DMB Realco II, respectively, and the Verrado master-planned community (referred to therein as the "Project"), contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION - Developer" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D - "FINANCIAL STATEMENTS OF THE DEVELOPER" (solely as related to statements that are specific to DMB-WT and DMB Realco II), respectively, does not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading; provided, however, we have not undertaken to independently determine the accuracy, completeness or fairness of the statements contained therein, except as and to the extent provided in this opinion, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information.

The phrase "actual knowledge" as used herein means solely the knowledge of attorneys in this firm who have performed services in respect of the transactions provided for by the Documents referred to herein and knowledge ascertained from our review of the Developer and Guarantor Bond Documents, the Developer and Guarantor Bank Documents, the Developer Closing Certificate, the Guarantor Closing Certificate, the Certificate of Officer, the Trust Documents, the Developer and Guarantor Entity and Authorization Documents and the Fennemore Craig Opinion, as well as the results of third-party searches of the records of the State and Maricopa County (so-called "UCC searches") and the Arizona Federal District Court, United States Bankruptcy Court and the Maricopa County Superior Court (so-called "litigation searches") concerning DMB-WT, DMB Realco II, DMB Realco and DMB Associates.

The opinions set forth above are subject to the following qualifications and limitations:

(i) Enforceability of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents may be subject to or limited by bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium, arrangement or other laws or court decisions relating to or affecting the rights of creditors' generally;

(ii) Enforceability of certain rights and remedies in the Developer Bond Documents and the Developer and Guarantor Letter of Credit 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 and Guarantor Bond Documents and the Developer and Guarantor Bank Documents are unenforceable under or limited by Arizona law;

(iii) Certain waivers, procedures, remedies, indemnities and other provisions of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents may be unenforceable under or limited by Arizona law; however, subject to the other qualifications and limitations expressed herein, such law will not, in our opinion, render invalid as a whole or substantially prevent the practical realization of the benefits intended by the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents if the other parties act in good faith and in a commercially reasonable manner in the performance and enforcement of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents and otherwise in accordance with the requirements of applicable law, except for the economic consequences of any procedural delay or of any application of the doctrines of penalty and forfeiture, and except that the principles of guaranty and suretyship may prevent the practical realization of the benefits intended by indemnity and guarantee provisions in the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents; and

(iv) The qualification that any matter stated in general terms herein shall be limited by any less general or any more specific statement on such matter as may also be contained herein.

We are expressing no opinion as to:

(a) The financial capability or condition of DMB-WT or DMB Realco II or the financial ability of either to perform under the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank 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 and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, or the offer and sale of the Bonds, or any of the transactions provided for in the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, with any federal or state securities or tax law or regulation;

(d) With the sole exception of those matters addressed in our opinion to our actual knowledge, any federal or state securities, tax, environmental or health or safety laws, rules or regulations, or any county or municipal ordinances; or

(e) The title to or the priority of any lien or security interest created by the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, or with respect to the Bonds or with respect to the real and personal property, and other collateral, that is the subject of the Developer and Guarantor Bank Documents.

(f) The effect on DMB-WT, DMB Realco II, DMB Realco or DMB Associates, or the transactions that are the subject of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents, if any, of the provisions of A.R.S. §43-1152, et seq.

We are qualified to practice law only in the State and, we do not purport to express any opinion herein concerning any law other than the laws of the State. With respect to the laws of the State, our opinions are as to what the law is or might reasonably be expected to be at the date hereof, and we assume no obligation to revise or supplement this opinion due to any change in the law by legislative action, judicial decision or otherwise. Any opinion as to the enforceability of any document is limited to enforceability as between the original parties thereto. We do not render any opinion with respect to any matters other than those expressly set forth above.

This opinion is being furnished to and solely for the benefit of the addressees and only with respect to the transactions that are the subject of the Developer and Guarantor Bond Documents and the Developer and Guarantor Bank Documents. Accordingly, this opinion may not be relied upon by, filed with or furnished or delivered to or quoted in any manner to any other person or entity, or referred to in any financial statement, report or related document, without, in each instance, our prior written consent; provided that we consent to the references made to this firm in the Official Statement.

Respectfully submitted,

STOREY & BURNHAM PLC

Rebecca Lynne Burnham

CERTIFICATE

Andrew S. Beams, 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 ("**Realco**"), which is (i) the sole Manager and Member of DMB White Tank, LLC, Arizona limited liability company ("**DMB-WT**"), and (ii) the sole Manager and Member of DMB Realco II LLC, an Arizona limited liability company ("**Realco II**"), being the duly qualified and acting Vice President of DMB Associates, 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 "**Bond and Letter of Credit Transaction Opinion Letter**") to (A) Wells Fargo Bank Arizona, N.A., Compass Bank, as Trustee, and Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**") in connection with the issuance, sale and purchase of those certain District Variable Rate General Obligation Bonds, Series 2004, in a total amount not exceeding $13,000,000.00 (the "**Bonds**"), and (B) Compass Bank (the "**Bank**") in connection with the issuance of that certain Irrevocable Direct-Pay Letter of Credit No. 22222, in a total amount not exceeding $13,162,500, to the Trustee to pay debt service and other amounts payable in connection with the Bonds (the "**Letter of Credit**"), all on the terms and conditions set forth in the documents and instruments described on the attached closing list, including that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement, that certain Purchase Contract, and certain ancillary agreements, undertakings, certificates and instruments in respect of the Bonds (the "**Bond Transaction Documents**") and that certain Reimbursement Agreement, by and between the Bank, DMB-WT, as Borrower, and Realco II, as Guarantor and the additional agreements, undertakings and instruments referenced therein, including that certain Unconditional Guaranty of Payment by Realco II and that certain first-lien Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing pertaining to certain real property owned by DMB-WT (the "**Letter of Credit Transaction Documents**"), as follows:

1. Storey & Burnham has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Trust Agreement Documents**"):

a) Trust Agreement, dated March 19, 2002, creating Trust No. B176, among Fidelity National Title Insurance Company, a California corporation, as the initial Trustee ("**Trustee**"), Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), and DMB-WT, as Second Beneficiary ("**Second Beneficiary**"), and all exhibits and appendices thereto (the "**Trust Agreement**");

b) Limited Unsecured Guaranty, dated April 1, 2003, by ABD Investments Limited Partnership, an Arizona limited partnership, in favor of First Beneficiary, in respect of the Guaranteed Obligations (as defined therein) ("**ABD Limited Guaranty**");

c) (Letter) Agreement, dated as of April 11, 2003, by and between First Beneficiary and Second Beneficiary, waiving certain requirements and conditions to DMB-WT's participation in the issuance of Bonds;

d) (Letter) Agreement, dated as of _____, 2004, by and between First Beneficiary and Second Beneficiary, with respect to the Bonds and Letter of Credit transactions, clarifying, supplementing and amending the Trust Agreement and Operating Agreement of DMB-WT and addressing the transactions provided for therein and in the Bond Transaction Documents and the LOC Transaction Documents; and

e) Limited Recourse Guaranty, dated _____, 2004, by Realco II in favor of Caterpillar Foundation, as First Beneficiary under the Trust Agreement, in respect of the Guaranteed Obligations (as defined therein) and replacing and superceding the ABD Limited Guaranty ("**Realco II Limited Guaranty**").

With the exception of the Trust Agreement Documents referenced in the preceding sentence, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of the Trust Agreement or any of the other Trust Agreement Documents, including that none of Trustee, First Beneficiary nor Second Beneficiary has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of the Trust Agreement, or result in the dissolution of the trust established thereby, or which would supercede, revoke or amend any term or condition of any other Trust Agreement Document, and, to the best knowledge of the undersigned, the Trust Agreement Documents remain in full force and effect;

2. Storey & Burnham has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB-WT Documents**"):

a) Articles of Organization of DMB White Tank, LLC, 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;

b) 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;

c) 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 (including, per §2.2(a) of the Operating Agreement, Designation of Independent Member (Thomas L. May) by DMB Realco LLC, as Manager of DMB White Tank, LLC, executed by Realco on March 19, 2002; Approval by Caterpillar Foundation of Designation of Independent Member, executed by Caterpillar Foundation on March 19, 2002; and Independent Member Approval and Acceptance of the Operating Agreement, executed by Thomas L. May, on March 19, 2002, as the Independent Member);

d) Consent of Member of DMB White Tank, LLC, dated as of October 1, 2004, by Associates, as Manager of Realco, as Sole Manager and Member of DMB-WT,

pertaining to the transactions provided for by the documents referred to herein, including the Bond Transaction Documents and Letter of Credit Transaction Documents; and

e) Borrowing Authorization (Borrower) of DMB White Tank, LLC, dated as of November 1, 2004, pertaining to the transactions provided for in the Letter of Credit Transaction Documents.

With the exception of the DMB-WT Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB-WT Documents, including that none of Realco nor DMB Associates has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB-WT Document, or result in the dissolution of DMB-WT, and, to the best knowledge of the undersigned, the DMB-WT Documents remain in full force and effect;

3. Storey & Burnham has been provided with authentic, accurate and complete copies of the following document (referred to as the "**Realco II Documents**"):

a) Articles of Organization of DMB Realco II LLC, an Arizona limited liability company, dated November 18, 2002, as filed with the Arizona Corporation Commission on November 18, 2002, File No. L-1053405-6;

b) Consent of Manager and Member of DMB Realco II LLC, dated October 1. 2004, by Associates, as Manager of Realco, as Sole Manager and Member of Realco II, pertaining to the transactions provided for by the documents referred to herein, including the Bond Transaction Documents and Letter of Credit Transaction Documents;

c) Consent of Manager and Member of DMB Realco II LLC, dated October 1. 2004, by Associates, as Manager of Realco, as Sole Manager and Member of Realco II, pertaining to the Realco II Limited Guaranty; and

d) Guarantee Authorization (Guarantor), of DMB Realco II LLC, dated November 1, 2004;

There are no amendments, modifications, supplements, restatements or replacements of the Realco II Documents and none of Realco nor DMB Associates has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of the Realco II Documents, or result in the dissolution of Realco II, and, to the best knowledge of the undersigned, the Realco II Documents remain in full force and effect;

4. 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**"). There are no amendments, modifications, supplements, restatements or replacements of the Master Agreement, including that none of Drew M. Brown, Mark N. Sklar nor Bennett Dorrance has taken or omitted to take any action, nor has any event occurred, nor is any

action or proceeding pending, which would supercede, revoke or amend any term or condition of the Master Agreement and, to the best knowledge of the undersigned, the Master Agreement remains in full force and effect.

5. Storey & Burnham has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**Realco Documents**"):

a) Articles of Organization of DMB Realco LLC, 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;

b) 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;

c) 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 ("**Dorrance 1995 Issue Trust**");

d) 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);

e) Consent of Members dated as of November 3, 1998 (consenting to transfer of interest and admission as a Substitute Member of Dorrance 1995 Issue Trust);

f) 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 ("**Sklar Trust**");

g) Consent of Members dated as of April 21, 2000 (consenting to the transfer of interest and admission as a Substitute Member of the Sklar Trust);

h) 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 ("**Brown Family Trust**");

i) Consent of Members dated as of May 8, 2000 (consenting to the assignment of the Membership Interest of Drew M. Brown to the Brown Family Trust);

j) 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

k) 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, as Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended, Drew M. Brown, as Trustee of 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, as Members;

l) 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);

m)Unanimous Consent of the Manager and Members of DMB Realco, LLC, dated April 7, 2003, authorizing the formation of DMB-WT, designation of Realco as initial Sole Manager and Member of DMB-WT, execution and delivery of the Trust Agreement by Realco on behalf of DMB-WT, and designation by Realco of an Independent Director of DMB-WT;

n) Majority Written Consent of the Members of DMB Realco LLC, effective as of June 19, 2001, executed on behalf of the Dorrance 1995 Issue Trust, the Brown Family Trust and the Sklar Trust, authorizing the formation of WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

o) Unanimous Consent of Manager and Members of DMB Realco, LLC, effective as of October 1, 2004, pertaining to the transactions provided for by the documents referred to herein, including the Bond Transaction Documents and Letter of Credit Transaction Documents;

p) Unanimous Consent of Manager and Members of DMB Realco, LLC, effective as of October 1, 2004, pertaining to the Realco II Limited Guaranty;

q) Borrowing Authorization (Manager of Borrower), of DMB Realco, LLC,, dated as of November 1, 2004;

r) Guarantee Authorization (Manager of Guarantor), of DMB Realco, LLC,, dated as of November 1, 2004; and

s) Pledge Authorization (Pledgor), of DMB Realco, LLC, dated as of November 1, 2004.

With the exception of the Realco Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the Realco Documents, including that none of Associates nor any of the Members has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any Realco Document, or result in the dissolution of Realco, and, to the best knowledge of the undersigned, the Realco Documents remain in full force and effect;

6. Storey & Burnham has been provided with authentic, accurate and complete copies of the following documents (collectively referred to as the "**DMB Associates Documents**"):

a) Articles of Incorporation of DMB Associates, Inc., an Arizona corporation dated January 21, 1985, as filed with the Arizona Corporation Commission on January 23, 1985, File No. 172559;

b) Bylaws of DMB Associates, Inc., an Arizona corporation, adopted by the Board of Directors on January 22, 1985;

c) 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;

d) 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;

e) 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 ("**Dorrance 1989 Trust**");

f) Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998, which amends Section 3.03 Annual Meeting of the Bylaws;

g) 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;

h) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting, dated April 21, 2000 (consenting to the transfer of the voting and non-voting stock owned individually by Mark N. Sklar to the Mark N. Sklar Trust dated May 18, 1972, as amended);

i) Joint Consent of Board of Directors and Shareholders in Lieu of Special Meeting dated May 8, 2000 (consenting to the transfer of the voting stock and non-voting stock owned individually by Drew M. Brown to the Brown Family Trust, dated August 30, 1980, as amended);

j) Unanimous Written Consent of Board of Directors, dated as of [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); *[TO COME]*

k) Unanimous Written Consent of Board of Directors DMB Associates, Inc., an Arizona corporation, as Manager of Realco, as Sole Manager and Member of DMB-WT, effective as of June 19, 2001, authorizing the formation of the WhiteStone District 1 Community Facilities District and WhiteStone Western Overlay Community Facilities District;

l) 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;

m)Consent in Lieu of Annual Meeting of Shareholders of DMB Associates, dated December 4, 2002 (appointing Directors: Drew M. Brown, Bennett Dorrance and Mark N. Sklar) and Consent in Lieu of Annual Meeting of Board of Directors dated December 4, 2002 (appointing officers);

n) Consent of Lieu of Annual Meeting of Shareholders, dated December 3, 2003 (appointing Directors: Drew M. Brown, Bennett Dorrance and Mark N. Sklar) and Consent in Lieu of Annual Meeting of Board of Directors, dated January 1, 2004 (appointing officers);

o) Consent in Lieu of Annual Meeting of Board of Directors, dated January 1, 2004 (appointing Officers) and Consent in Lieu of Annual Meeting of Board of Directors, dated July 1, 2004 (appointing additional Officer);

p) Unanimous Consent of Board of Directors of DMB Associates, Inc., as Manager of Realco, Sole Manager and Member of DMB-WT and Sole Manager and Member of Realco II, respectively, dated October 1, 2004, pertaining to the transactions provided for by the documents referred to herein, including the Bond Transaction Documents and Letter of Credit Transaction Documents;

q) Unanimous Consent of Board of Directors of DMB Associates, Inc., as Manager of Realco, Sole Manager and Member of DMB-WT and Sole Manager and Member of Realco II, respectively, dated October 1, 2004, pertaining to the Realco II Limited Guaranty;

r) Borrowing Resolution (Corporation as Manager of Manager of Borrower), of DMB Associates, Inc., dated as of November 1, 2004;

s) Guarantee Resolution (Corporation as Manager of Manager of Guarantor), of DMB Associates, Inc., dated as of November 1, 2004;

t) Pledge Resolution (Corporation as Manager of Pledgor), of DMB Associates, Inc., dated as of November 1, 2004; and

u) Certificate of Incumbency of DMB Associates, Inc., dated October 1, 2004.

With the exception of the DMB Associates Documents referenced above, if any, that constitute amendments, there are no amendments, modifications, supplements, restatements or replacements of any of the DMB Associates Documents, including that none of the officers, directors nor shareholders has taken or omitted to take any action, nor has any event occurred, nor is any action or proceeding pending, which would supercede, revoke or amend any term or condition of any DMB Associates Document, or result in the dissolution of DMB Associates, and, to the best knowledge of the undersigned, the DMB Associates Documents remain in full force and effect;

7. The undersigned, Andrew S. Beams, is Vice President of DMB Associates, which is the sole Manager of Realco, which is (i) the Manager of DMB-WT, and (ii) the Sole Manager and Member of Realco II, is familiar with the corporate, limited liability company, partnership and trust books and records of DMB Associates, Realco, DMB-WT and Realco II, including the Trust Agreement Documents, the DMB-WT Documents, the Realco II Documents, the Master Agreement, the Realco Documents and the DMB Associates Documents (collectively, the "**Operative Documents**") and, to the best knowledge of the undersigned, acting in such capacity:

(a) With respect to the Operative Documents, all signatures thereon are genuine, all actions of the signatories thereto have been duly authorized and such Operative Documents constitute the valid and binding obligations of the parties thereto, all parties to the Operative Documents have obtained all necessary consents, authorizations, approvals, permits and certificates required as a condition to the execution and delivery of same, each of the Operative Documents (as applicable) constitutes an integrated agreement between the parties thereto with respect to the matters contained therein and accurately

describes and contains all of the agreements and understandings between the parties thereto with respect to such matters, there are no oral or written statements or agreements that modify, amend or vary, or purport to modify, amend or vary, any of the terms of any of the Operative Documents (except as expressly provided for in the Operative Documents) and all representations and warranties of all parties contained in the Operative Documents are true and accurate.

(b) The execution and delivery of this Certificate, the Bond Transaction Documents, the Letter of Credit Transaction Documents and the Realco II Limited Unsecured Guaranty by or on behalf of DMB-WT, Realco II, Realco and/or Associates, as applicable, will not conflict with or result in a violation of any agreement, contract, indenture, undertaking or instrument to which any of DMB-WT, Realco II, Realco, Associates, the Dorrance 1995 Issue Trust, the Dorrance 1989 Trust, the Brown Family Trust, the Sklar Trust, or any constituent member, director, shareholder, trustee or beneficiary thereof, is a party or by which it or its assets or interests are bound.

(c) Except as already obtained and/or as reflected in the DMB-WT Documents, the Realco II Documents, the Realco Documents and the DMB Associates Documents, respectively, no consent, approval, authorization, or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by or on behalf of DMB-WT and Realco II of the Bond Transaction Documents, the Letter of Credit Transaction Documents and the Realco II Limited Unsecured Guaranty, or the payment and performance of the agreements and obligations of DMB-WT and Realco II thereunder.

(d) None of the Trustee, First Beneficiary or Second Beneficiary are in violation of any provision of, or in default under, the Trust Agreement Documents, or any other agreement, undertaking or instrument to which the Trust is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance, including pursuant to the Bond Transaction Documents, and the Letter of Credit Transaction, including pursuant to the Letter of Credit Transaction Documents.

(e) None of Associates or any Shareholder is in violation of any provision of, or in default under, the DMB Associates Documents, or any other agreement, undertaking or instrument to which Associates or any Shareholder is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT or Realco II in connection with the Bond Issuance, including pursuant to the Bond Transaction Documents, and the Letter of Credit Transaction, including pursuant to the Letter of Credit Transaction Documents, and the Realco II Limited Unsecured Guaranty.

(f) None of Realco or any Member is in violation of any provision of, or in default under, the Realco Documents, or any other agreement, undertaking or instrument to which Realco or any Member is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT or Realco II in connection with the Bond Issuance, including pursuant to the Bond Transaction Documents, and the Letter of Credit Transaction, including pursuant to the Letter of Credit Transaction Documents, and the Realco II Limited Unsecured Guaranty.

(g) DMB-WT is not in violation of any provision of, or in default under, the DMB-WT Documents, or any other agreement, undertaking or instrument to which DMB-WT is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of DMB-WT in connection with the Bond Issuance, including pursuant to the Bond Transaction Documents, and the Letter of Credit Transaction, including pursuant to the Letter of Credit Transaction Documents, and the Realco II Limited Unsecured Guaranty.

(h) Realco II is not in violation of any provision of, or in default under, the Realco II Documents, or any other agreement, undertaking or instrument to which Realco II is a party, which would have a material adverse affect, or might reasonably be expected to have a material adverse affect, on the execution, delivery, payment and performance of the agreements and obligations of Realco II in connection with the Bond Issuance, including pursuant to the Bond Transaction Documents, and the Letter of Credit Transaction, including pursuant to the Letter of Credit Transaction Documents, and the Realco II Limited Unsecured Guaranty.

(i) The information pertaining to DMB-WT, Realco II and the Verrado master-planned community (referred to therein as the "Project") contained in the Official Statement on the maps following pages (iv) and (v), and under the headings "RISK FACTORS", "LITIGATION - Developer" and "FINANCIAL INFORMATION" and in Appendix A - "GENERAL INFORMATION" in Table 3 and Table 4 thereof and under the headings "THE PUBLIC INFRASTRUCTURE" and "THE PROJECT AND THE DEVELOPER" and in Appendix D - "FINANCIAL STATEMENTS OF THE DEVELOPER" did not, as of its date, and does not, as of the date hereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading.

(j) DMB-WT, Realco II, Realco and DMB Associates have paid all income taxes, fines, jeopardy or fraud assessments, and interest due from any of them and payable to the State of Arizona.

Dated as of the 16th day of November, 2004.

Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation, Manager of DMB Realco, LLC, the (i) Sole Manager and Member of DMB White Tank, LLC, and (ii) Sole Manager and Member of DMB Realco II, LLC

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 2 0 1998

DATE APPR Hayala Wyll
TERM
BY 11/20/98
L-0858094-6

ARTICLES OF ORGANIZATION
DMB WHITE TANK, LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company (the "Company") formed by this instrument is "DMB White Tank, LLC."

2. Office; Agent. The address of the Company's registered office in Arizona is 4201 North 24th Street, Suite 120, Phoenix, AZ 85016. The name and business address of the Company's statutory agent are FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012-2913 (Attn: Gregg Hanks).

3. Dissolution. The latest date upon which the Company is to dissolve is December 31, 2050.

4. Management. Management of the Company is vested in one manager.

5. Name and Address of Manager. The name and address of the manager of the Company are:

DMB Realco LLC
4201 North 24th Street
Suite 120
Phoenix, AZ 85016

6. Name and Address of Sole Member. DMB Realco LLC, whose address is set forth above, is the sole member of the Company.

7. Additional Matters. The Company is authorized to engage in any and all business authorized by law. Any person dealing with the Company may rely, without further inquiry, on the identity of the manager set forth in these Articles of Organization, until such time as they are amended in accordance with applicable law to reflect a change in the identity of the manager. The manager, acting alone and without the requirement for further resolutions or agreements evidencing such authority, shall have the authority to execute and deliver documents and instruments on behalf of the Company, all of which shall be binding on the Company. Without limiting the generality of the foregoing, the manager is specifically authorized on behalf of the Company to buy and sell property, enter into purchase agreements (including subdivision trust agreements), record instruments affecting title to property, borrow money, issue evidences of indebtedness, encumber the Company's assets (by deed of trust, mortgage, security interest, public or private financing, assessment liens, improvement districts, community facility districts or otherwise), settle disputes, obtain licenses and permits, make applications for governmental approvals, grant and obtain options, and otherwise deal with the assets of the Company in the same manner in which an individual could deal with his own assets, and in connection therewith exercise all rights and

remedies and perform all obligations of the Company under any applicable documents or instruments entered into by the Company. Without further action or joinder by any person or entity, the manager may enter into resolutions on behalf of the Company for any matters authorized under law, setting forth in greater detail actions authorized by the Company, and such resolutions may be relied on absolutely by any person or entity to whom they are delivered.

Dated November 20, 1998.

Gregg Hanks

Gregg Hanks

FC Service Corporation, having been designated to act as Statutory Agent of DMB White Tank, LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

FC Service Corporation,
an Arizona corporation

By Gregg Hanks

Gregg Hanks
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913

PHX/GHANKS/905499.1/26043.001
11/20/98

STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 01 1999

DATE APPR 11-1-99
TERM
BY Mary Barnes

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

Exhibit A

(a) Investigate the acquisition of certain real property located in Maricopa County, Arizona (the "Property"), as more particularly defined and described in the Operating Agreement, and in connection therewith enter into one or more access agreements and agreements with consultants and advisers to assist the Company in such investigation;

(b) Acquire fee title to one or more parcels of real property located in Maricopa County, Arizona, in the vicinity of the Property (the "Related Parcels," and together with the Property, the "Properties");

(c) Enter into a Master Agreement (the "Master Agreement") with Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"), pertaining to the Properties, and all agreements contemplated by or referred to in the Master Agreement;

(d) Enter into an agreement with Caterpillar, Inc., a Delaware corporation, pertaining to certain matters relating to the Properties (the "Caterpillar Agreement");

(e) Upon the satisfaction of the applicable requirements, terms and conditions of the Master Agreement, enter into a Trust Agreement (the "Trust Agreement"), in the form attached as an exhibit to the Master Agreement, and any and all other documents or agreements contemplated by the Master Agreement and the Trust Agreement, and cause the Property and the Easement Rights (as defined in the Operating Agreement) to be conveyed to the trustee under the Trust Agreement (the "Trustee");

(f) Develop a mixed-use real estate project on the Properties (the "Project");

(g) In connection with the exercise of the Company's rights under the Master Agreement and the Trust Agreement and the development of the Project undertake and/or direct the Trustee under the Trust Agreement to undertake (or to take actions necessary to permit or facilitate the Company in undertaking) each and every one of the following actions:

(i) master plan, zone, rezone and subdivide all or any part of the Properties, and in connection therewith cause the Properties to be annexed into a town or city and enter into development agreements, community master plans or ordinances, or other similar arrangements;

(ii) obtain or develop a water supply and distribution system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and delivery of water to the Project;

(iii) develop a sanitary sewer system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and/or provision of a sewer system or sewer services to the Project;

(iv) obtain utility services of every kind and nature for the Project, including, without limitation, natural gas, electricity, cable television, telephone and communications services of every kind and nature;

(v) obtain any and all entitlements, permits and authorizations necessary or convenient for the development of the Project and in connection therewith make applications and filings and enter into agreements and stipulations of every kind and nature with governmental authorities having jurisdiction over the Project;

(vi) construct infrastructure and related improvements on all or any part of the Properties and/or the property that is subject to the Easement Rights and offsite improvements of every kind and nature (including, without limitation, a freeway interchange, roadways, water and sewer facilities and other improvements of any kind or nature) to other properties to facilitate or enhance in any manner the development of the Project or the value of the Properties;

(vii) improve and develop all or any part of the Properties into residential lots or superpads;

(viii) construct, own, operate and manage one or more golf courses on the Properties and acquire, maintain and dispose of furniture, fixtures and equipment relating to such golf courses;

(ix) establish membership programs for the golf courses and other improvements, facilities or amenities at the project and administer the same;

(x) construct dwelling units, office buildings, retail buildings, sales centers, restaurants, sports and recreational facilities, trails, pathways and other vertical improvements of every kind or nature on portions of the Properties;

(xi) grant easements or other property rights by documents that are customarily recorded with respect to all or any part of the Properties, establish homeowners' and similar associations, and subject all or any part of the Properties to covenants, conditions, restrictions, improvement districts, community facilities districts and similar arrangements;

(xii) hold all or any part of the Properties for investment;

(xiii) obtain community facilities district financing for the Project on terms and conditions authorized under the Trust Agreement ("Authorized CFD Financing"), and in connection therewith, take each and every action authorized or permitted under the Trust Agreement with respect to such financing;

(xiv) acquire access easements, rights of way and similar property rights or interests necessary or desirable in connection with the development of the Properties;

(xv) own, operate, manage, lease, maintain, repair, replace, sell, exchange, dedicate, donate, transfer, assign or otherwise dispose of all or any part of the Properties or the Project (including, without limitation, any golf course or other improvements constructed on the Properties);

(h) retain contractors, consultants and employees to assist the Company in any and all activities of the Company as necessary or convenient to accomplish the purposes of the Company;

(i) enter into contracts, agreements and other arrangements of any kind or nature as are necessary or convenient to accomplish the purposes of the Company;

(j) provide bonds, surety arrangements, guarantees and other financial commitments of any kind or nature and lend money or advance credit as necessary or advisable for the development of the Project;

(k) exercise all of the Company's rights and remedies and perform all of the Company's duties and obligations under any agreement entered into pursuant to the foregoing provisions of this Exhibit A and, without limiting the generality of the foregoing, exercise any right and take any action which the Company is authorized or permitted to take under the Master Agreement, the Trust Agreement, the Caterpillar Agreement and any other agreement referred to therein or executed and delivered in connection therewith; and

(l) engage and direct the Trustee under the Trust Agreement to engage in any and all activities that are necessary, convenient or incidental to the accomplishment of the foregoing business purposes;

all on terms and conditions determined by the Manager, in its sole and absolute discretion, without the joinder or consent of any other Person (including, without limitation, the Independent Member).

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL
EXECUTIVE SECRETARY

JOANNE C. MACDONNELL
DIRECTOR, CORPORATIONS DIVISION

11-01-99

Re DMB WHITE TANK, LLC

We are pleased to notify you that your Articles of Amendment/Restated Articles of organization were filed on 11-1-99 If the publication box has been checked, you must publish a copy of the Articles of amendment/Restated Articles WITHIN SIXTY (60) DAYS from the filing date noted above. The publication must be in a newspaper of general circulation in the county in which you are doing business for three consecutive publications..

An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the filing date noted above.

If you have any questions or need further information, please contact us at (602) 542-3135 or Toll Free (Arizona resident only) at 1-800-345-5819.

[ ] Must be Published

Very truly yours,

Mary Baines
Examiner Corporate Filings
Corporation Division
1300 W Washington St
Phoenix Arizona 85007

OPERATING AGREEMENT
OF
DMB WHITE TANK, LLC

This Operating Agreement (this "Agreement") is entered into as of October 12, 1999, by DMB Realco LLC, an Arizona limited liability company ("Realco"), as a Member and the sole Manager of DMB White Tank, LLC, an Arizona limited liability company (the "Company"), and shall bind the successors and assigns of Realco and any other Person who may acquire an interest as a Member in or Manager of the Company.

ARTICLE 1
THE LIMITED LIABILITY COMPANY

1.1 Definitions. Capitalized terms appearing in this Agreement and not otherwise defined herein shall have the meanings given those terms in Section 7.7.

1.2 Organization. The Company was formed as a manager-managed limited liability company upon the filing of articles of organization (the "Articles") with the Arizona Corporation Commission on November 20, 1998. Concurrently with the execution of this Agreement, the Company is filing amended and restated articles of organization (the "Amended Articles") with the Arizona Corporation Commission. The Company shall execute any required amendments to the Amended Articles and make or do all filings, recordings and other acts that may be appropriate to comply with the operation of the Company under the Act.

1.3 Company Name. The name of the Company is DMB White Tank, LLC. All business of the Company shall be conducted in the Company's name.

1.4 Place of Business. The address of the office at which all of the records of the Company shall be kept and the principal place of business of the Company shall be 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258, or at such other place or places within the State of Arizona as may be determined by the Manager.

1.5 Agent for Service of Process. The agent for service of process on the Company shall be FC Service Corporation, 3003 North Central Avenue, Suite 2600, Phoenix, Arizona 85012, or such other Person as shall be designated from time to time by the Manager.

1.6 Purpose. The purposes of the Company and the character of its business are to:

(a) Investigate the acquisition of certain real property located in Maricopa County, Arizona (the "Property"), as more particularly described in the Master Agreement, and in connection therewith enter into one or more access agreements and agreements with consultants and advisers to assist the Company in such investigation;

(b) Acquire fee title to one or more parcels of real property located in Maricopa County, Arizona, in the vicinity of the Property (the "Related Parcels," and together with the Property, the "Properties");

(c) Enter into a Master Agreement (the "Master Agreement") with Caterpillar Foundation, an Illinois not-for-profit corporation ("Foundation"), pertaining to the Property, and all agreements contemplated by or referred to in the Master Agreement;

(d) Enter into an Agreement to Remediate Certain Environmental Conditions (the "Remediation Agreement") with Caterpillar, Inc., a Delaware corporation, pertaining to certain conditions on the Property;

(e) Upon the satisfaction of the applicable requirements, terms and conditions of the Master Agreement, enter into a Trust Agreement (the "Trust Agreement"), in the form attached as an exhibit to the Master Agreement, and any and all other documents or agreements contemplated by the Master Agreement and the Trust Agreement, and cause the Property and the Easement Rights (as defined in the Master Agreement) to be conveyed to the trustee under the Trust Agreement (the "Trustee");

(f) Develop a mixed-use real estate project on the Properties (the "Project");

(g) In connection with the exercise of the Company's rights under the Master Agreement and the Trust Agreement and the development of the Project undertake and/or direct the Trustee under the Trust Agreement to undertake (or to take actions necessary to permit or facilitate the Company in undertaking) each and every one of the following actions:

(i) master plan, zone, rezone and subdivide all or any part of the Properties, and in connection therewith cause the Properties to be annexed into a town or city and enter into development agreements, community master plans or ordinances, or other similar arrangements;

(ii) obtain or develop a water supply and distribution system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and delivery of water to the Project;

(iii) develop a sanitary sewer system for the Project and enter into agreements of every kind or nature with a private or public entity of any nature relating to the development and/or provision of a sewer system or sewer services to the Project;

(iv) obtain utility services of every kind and nature for the Project, including, without limitation, natural gas, electricty, cable television, telephone and communications services of every kind and nature;

(v) obtain any and all entitlements, permits and authorizations necessary or convenient for the development of the Project and in connection therewith make applications and filings and enter into agreements and stipulations of every kind and nature with governmental authorities having jurisdiction over the Project;

(vi) construct infrastructure and related improvements on all or any part of the Properties and/or the property that is subject to the Easement Rights and offsite

improvements of every kind and nature (including, without limitation, a freeway interchange, roadways, water and sewer facilities and other improvements of any kind or nature) to other properties to facilitate or enhance in any manner the development of the Project or the value of the Properties;

(vii) improve and develop all or any part of the Properties into residential lots or superpads;

(viii) construct, own, operate and manage one or more golf courses on the Properties and acquire, maintain and dispose of furniture, fixtures and equipment relating to such golf courses;

(ix) establish membership programs for the golf courses and other improvements, facilities or amenities at the project and administer the same;

(x) construct dwelling units, office buildings, retail buildings, sales centers, restaurants, sports and recreational facilities, trails, pathways and other vertical improvements of every kind and nature on portions of the Properties;

(xi) grant easements or other property rights by documents that are customarily recorded with respect to all or any part of the Properties, establish homeowners' and similar associations, and subject all or any part of the Properties to covenants, conditions, restrictions, improvement districts, community facilities districts and similar arrangements;

(xii) hold all or any part of the Properties for investment;

(xiii) obtain community facilities district financing for the Project on terms and conditions authorized under the Trust Agreement ("Authorized CFD Financing"), and in connection therewith, take each and every action authorized or permitted under the Trust Agreement with respect to such financing;

(xiv) acquire access easements, rights of way and similar property rights or interests necessary or desirable in connection with the development of the Properties;

(xv) own, operate, manage, lease, maintain, repair, replace, sell, exchange, dedicate, donate, transfer, assign or otherwise dispose of all or any part of the Properties or the Project (including, without limitation, any golf course or other improvements constructed on the Properties);

(h) retain contractors, consultants and employees to assist the Company in any and all activities of the Company as necessary or convenient to accomplish the purposes of the Company;

(i) enter into contracts, agreements and other arrangements of any kind or nature as are necessary or convenient to accomplish the purposes of the Company;

(j) provide bonds, surety arrangements, guarantees and other financial commitments of any kind or nature and lend money or advance credit as necessary or advisable for the development of the Project;

(k) exercise all of the Company's rights and remedies and perform all of the Company's duties and obligations under any agreement entered into pursuant to the foregoing provisions of this Section 1.6 and, without limiting the generality of the foregoing, exercise any right and take any action which the Company is authorized or permitted to take under the Master Agreement, the Trust Agreement, the Remediation Agreement and any other agreement referred to therein or executed and delivered in connection therewith; and

(l) engage and direct the Trustee under the Trust Agreement to engage in any and all activities that are necessary, convenient or incidental to the accomplishment of the foregoing business purposes;

all on terms and conditions determined by the Manager, in its sole and absolute discretion, without the joinder or consent of any other Person (including, without limitation, the Independent Member).

1.7 Powers. The Company is authorized to engage in all activities permitted by the Act, to the extent deemed necessary, convenient, incidental or advisable by the Manager to the accomplishment of the purpose of the Company as set forth in Section 1.6.

ARTICLE 2
SPECIAL PURPOSE PROVISIONS

2.1 Limited Purposes. The Company is a special purpose entity that has been organized and will be operated for the sole and exclusive purposes set forth in Section 1.6.

2.2 Independent Member.

(a) Designation of Independent Member. Prior to the execution of the Master Agreement by the Company, the Manager shall designate one or more individuals to act as a member (an "Independent Member") of the Company for the sole purpose of voting on matters described in Section 2.3(a). If the Independent Member then serving resigns or is removed in accordance with Section 2.2(d) or (e), the Manager shall designate a replacement Independent Member prior to the effective date of such resignation or removal. If the Independent Member then serving dies or becomes incapacited, the Manager shall designate a replacement Independent Member not later than thirty days following the date on which the Manager obtains actual knowledge of such death or incapacity. Any Independent Member designated from time to time by the Manager shall be subject to the approval of Foundation, which approval shall not be unreasonably withheld, conditioned or delayed. Any disagreement regarding whether Foundation has unreasonably withheld or conditioned its approval to the Independent Member designated by the Manager shall be subject to resolution in accordance with the procedures set forth in Sections 5.4 and 6 of the Trust Agreement.

(b) Qualifications of Independent Member. Each Independent Member shall be an individual who, except in his or her capacity as an Independent Member of the Company, is not and has not been before such individual's appointment as an Independent Member: (i) a member, manager, stockholder, partner, director, officer or employee of the Company or any of its Affiliates; (ii) affiliated with a significant customer, consultant, independent contractor or supplier of the Company or its Affiliates; or (iii) a Family Member of any Person described in clause (i) or (ii) above.

(c) Execution of Agreement. Each Independent Member shall sign a counterpart signature page to this Agreement, in the form attached hereto, whereby such Person agrees to all terms and conditions of this Agreement that are applicable to the Individual Member.

(d) Resignation of Independent Member. An Independent Member may resign as such at any time by giving written notice of resignation to the Manager; provided that such resignation shall not be effective until the date specified in the notice of resignation, which shall be no earlier than thirty days following delivery of such notice. An Independent Member shall and must give a notice of resignation at such time as he or she develops a relationship described in Section 2.2(b)(i), (ii) or (iii) with the Company, its Affiliates or Family Members of Persons specified in Section 2.2(b)(iii).

(e) Removal of Independent Member. An Independent Member may be removed for "cause" by the Manager; provided that such removal shall not be effective until a replacement Independent Member has been designated in accordance with Section 2.2(a). For purposes of this Agreement, "cause" shall mean and be limited to (i) the employment of the Independent Member by a competitor of the Company or its Affiliates, (ii) the conviction or a plea of guilty by the Independent Member to a felony, or (iii) failure of the Independent Member to exercise its voting rights under this Agreement after a written request by the Manager to do so, if such failure continues for more than fifteen days following any such request.

(f) Rights and Obligations. The sole rights and obligations of the Independent Member shall be to vote for or against matters requiring the affirmative vote of the Independent Member under Section 2.3(a). Notwithstanding any contrary provision of this Agreement or the Act, the Independent Member shall have no obligation to make capital contributions or to render services of any kind or nature to or for the benefit of the Company and shall have no economic rights or any other interests as a Member of the Company. The Independent Member shall have no rights of a member of a limited liability company granted under the Act, other than the voting rights specifically conferred on the Independent Member under this Section 2.2, and shall have no right to vote or to grant or withhold consent to any other matter relating to the Company. The Company shall have no obligation to provide financial information or reports to the Independent Member or to include the Independent Member in any meetings relating to the Company or its business; provided that the Manager shall give written notice to the Independent Member of any meeting to be convened for the purpose of considering any matter on which the Independent Member is entitled to vote pursuant to Section 2.3(a), at least fifteen days prior to the date of such meeting, and shall provide the Independent Member with such information as the Independent Member may reasonably request in connection with any meeting convened for such purpose.

2.3 Restrictions on Company Action. Notwithstanding any other provision of this Agreement to the contrary and any provision of law that would so empower the Company:

(a) Acts Requiring Consent of Independent Member. For so long as the Company has any rights or obligations under the Master Agreement or holds any interest in the Trust Agreement, the Company shall not have the authority to do any of the following unless there is an Independent Member, and the Manager and Independent Member affirmatively vote to cause the Company to so act:

(i) engage in any business or activity other than those set forth in Section 1.6;

(ii) dissolve or liquidate, in whole or in part at any time prior to December 31, 2050 (except as provided in Section 2.3(a)(v)(D)), or consolidate or merge with or into any other person or entity, or convey or transfer its properties and assets substantially as an entirety to any person or entity or change its legal structure;

(iii) acquire all, or substantially all, of the assets or capital stock or other ownership interest of any other entity (except for an entity wholly-owned by the Company whose sole purpose is to engage in activities authorized under Section 1.6);

(iv) institute proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file, or consent to, a petition seeking reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any substantial part of its property, or make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take limited liability company action in furtherance of any such action;

(v) authorize the amendment of this Agreement to (A) provide for any additional managers other than the Manager provided for hereunder; (B) enlarge or alter the permitted business purposes of the Partnership as provided in Section 1.6; (C) amend or repeal the restrictions on Company action in this Section 2.3; or (D) permit or cause the Company to dissolve or to liquidate; except that upon the insolvency of, or the institution of voluntary or involuntary bankruptcy proceedings involving, the Company which are not dismissed within sixty days, the Company shall dissolve.

(b) Prohibited Acts. The Company shall not do any of the following (each of which shall be deemed to be prohibited hereby):

(i) incur any indebtedness, secured or unsecured, other than (A) Authorized CFD Financing obtained on terms and conditions permitted under the Trust Agreement, and (B) trade and operational debt, payables or other obligations incurred in the ordinary course of business with trade creditors, contractors or other Persons providing goods or

services for the benefit of the Project, provided that such indebtedness shall be paid when due (and no indebtedness other than Authorized CFD Financing may be secured by the Project);

(ii) make any loans to any third party (including an Affiliate); or

(iii) grant or cause to be granted a security interest of any nature whatsoever in the Company's assets or the Project other than (A) as required under the Trust Agreement, or (B) as permitted in the Trust Agreement with respect to Authorized CFD Financing.

(c) Maintenance of Separate Business. The Company shall at all times:

(i) maintain bank accounts, payroll, books, financial statements, accounting records and other company documents and records separate from those of any other Person (including any Affiliate of the Company);

(ii) not commingle the Company's funds or other assets with those of any other Person (including any Affiliate of the Company);

(iii) act solely in its name and through its the Manager and its authorized officers and agents and in all respects hold itself out to the public as a legal entity separate and distinct from any other Person (including any Affiliate of the Company);

(iv) maintain, to the best of its ability, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(v) segregate its individual assets from those of any other Person (including an Affiliate of the Company);

(vi) make investments directly or by brokers engaged and paid by the Company or its agents;

(vii) pay its own liabilities, including all administrative expenses and compensation to employees, consultants or agents, and all operating expenses, from its own separate assets;

(viii) not hold itself out to be responsible for the debts or obligations of any other Person;

(ix) not engage in any transacton with an Affiliate of the Company, other than as specifically authorized under the Trust Agreement or otherwise for goods or services provided to the Company by an Affiliate on arm's-length terms;

(x) pay from the Company's assets all obligations and indebtedness of any kind incurred by the Company;

(xi) abide by all limited liability company formalities, including the maintenance of current records of Company affairs;

(xii) cause its financial statements to be prepared in a manner that indicates the separate existence of the Company and its assets and liabilities;

(xiii) pay all its liabilities when due; and

(xiv) not assume or guaranty the obligations or liabilities of any Member or Affiliate of the Company.

(d) Additional Covenants. The Manager shall make decisions with respect to the business and daily operations of Company independent of and not dictated by any other Person, including Affiliates of the Company. The Members shall not assume or guarantee any obligations or liabilities of the Company.

ARTICLE 3
CAPITAL CONTRIBUTIONS

The Members shall make capital contributions to the Company from time to time as determined by the Manager in its sole discretion, which contributions shall be due within five business days following the Manager's written request therefor; provided that the Independent Member shall have no obligation to make capital contributions or to advance or provide funds to the Company.

ARTICLE 4
DISTRIBUTIONS

During the term of the Company, cash and property shall be distributed to the Members at such times and in such amounts as are determined by the Manager; provided that (a) no distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, and (b) no Independent Member shall be entitled to receive any distributions from the Company.

ARTICLE 5
MANAGEMENT OF THE COMPANY

Except as provided in Article 2, the business and affairs of the Company shall be managed solely by Realco, as Manager. Subject to Article 2, the Manager shall have full and complete authority, power and discretion to make any and all decisions and to do any and all things which it deems to be necessary or advisable to accomplish the business and objectives of the Company, consistent with the purpose of the Company as set forth in Section 1.6. Without limiting the generality of the foregoing, the Manager shall have the authority on behalf of the Company to undertake each and every activity that is within the scope of the purpose or powers of the Company set forth in Section 1.6. Notwithstanding any provision of this Agreement to the contrary, the signature of Realco, as Manager of the Company, shall be sufficient to convey title to

any property owned by the Company or to execute any document, agreement or instrument that is to be binding on the Company. Subject to Article 2, any Person dealing with the Company may rely (without further inquiry and without the need for formal Company resolutions or other evidence of authority) upon the acts of the Manager as binding on the Company with respect to all matters pertaining to the Company. Without limiting the generality of the foregoing, but subject to Article 2, the Manager (acting on behalf of the Company) is authorized to direct the Trustee under the Trust Agreement as to all matters on which the Company is entitled to act thereunder.

ARTICLE 6
DISSOLUTION AND WINDING UP

6.1 Dissolution Events. The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following ("Dissolution Events"):

(a) Subject to Article 2, at the written direction of the Manager at any time;

(b) The happening of an event requiring dissolution of the Company under Section 2.3(a)(v)(d); or

(c) The happening of any other event that makes it unlawful or impossible to carry on the business of the Company.

The Company shall not dissolve or terminate upon the occurrence of any event of withdrawal (as set forth in Section 29-733 of the Act) with respect to any Member or Manager and upon the occurrence of an event of withdrawal with respect to the last remaining Member, the successors to the last remaining Member shall automatically become Members and shall continue the Company.

6.2 Notice of Winding Up. As soon as possible following the occurrence of a Dissolution Event, if the Company is not continued, a representative of the Company shall execute and file a notice of winding up with the Arizona Corporation Commission.

6.3 Winding Up. Upon a Dissolution Event, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors, but the separate existence of the Company shall continue until articles of termination have been filed with the Arizona Corporation Commission or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

6.4 Liquidation and Distribution of Assets. The Manager (or its successor in interest) shall be responsible for overseeing the winding up and liquidation of the Company and shall take full account of the Company's liabilities and assets upon a Dissolution Event. Any assets not required to discharge any liabilities of the Company shall be distributed to the Members (or their successors in interest). Upon the completion of the winding up, liquidation and distribution of the Company's assets the Company shall be deemed terminated. The Company shall comply

with any applicable requirements of the Act pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

6.5 Articles of Termination. When all Company debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the Company's remaining property and assets have been distributed to the Members (or their successor in interest), articles of termination shall be executed and filed on behalf of the Company with the Arizona Corporation Commission in the manner provided in the Act.

ARTICLE 7
MISCELLANEOUS

7.1 Limitation on Liability. The Members' liability for the debts and obligations of the Company shall be strictly limited as set forth in Section 29-651 of the Act and other applicable law.

7.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their legal representatives, successors, transferees and assigns.

7.3 Headings. Article and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

7.4 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

7.5 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

7.6 Governing Law. The laws of the State of Arizona shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the Members and Manager of the Company.

7.7 Defined Terms. The following terms shall have the meanings set forth below:

"Act" means the Arizona Limited Liability Company Act, as set forth in A.R.S. § 29-601, et seq., as amended from time to time.

"Affiliate" means, with respect to any Person (a) any Person directly or indirectly controlling, controlled by or under common control with such Person (for this purpose, a Person shall be deemed to control another Person if it owns ten percent or more of the outstanding securities or equity interests in such other Person), (b) any Person owning or controlling ten percent or more of the outstanding securities or equity interests in such Person, (c) any officer, director, partner, manager, trustee or beneficiary of such Person, (d) any Person who is an officer,

director, partner, manager, trustee, beneficiary or holder of ten percent or more the outstanding securities or equity interests in any Person described in clauses (a) through (c) above, or (e) any Family Member of any Person described in clauses (a) through (d) above.

"Agreement" has the meaning given that term in the introductory paragraph on page 1.

"Amended Articles" has the meaning given that term in Section 1.2.

"Articles" has the meaning given that term in Section 1.2.

"Authorized CFD Financing" has the meaning given that term in Section 1.6(f)(xiii).

"Bankruptcy Action" means (a) taking any action that might cause the Company to become insolvent; (b) (i) commencing any case or other action on behalf of the Company relating to bankruptcy, insolvency, reorganization or relief of debtors generally; (ii) instituting proceedings to have the Company adjudicated as bankrupt or insolvent; (iii) consenting to the institution of bankruptcy or insolvency proceedings against the Company; (iv) filing a petition or consenting to a petition seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation or other relief on behalf of the Company of its debts under any federal or state law relating to bankruptcy; (v) seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Company or a substantial portion of its properties; (vi) making any assignment for the benefit of the Company's creditors; or (vii) taking any action or causing the Company to take any action in furtherance of any of the foregoing.

"Company" has the meaning given that term in the introductory paragraph on page 1.

"Dissolution Event" has the meaning given that term in Section 6.1.

"Family Member" means, with respect to any Person the parents of such Person and any lineal descendants of the parents of such Person (whether by birth or adoption).

"Foundation" has the meaning given that term in Section 1.6(b).

"Independent Member" has the meaning given that term in Section 2.2.

"Manager" means Realco or any other Person unanimously approved by the Members as the "Manager" of the Company, but only if the designation of such Person as Manager is also reflected by an amendment to the Articles filed with the Arizona Corporation Commission in accordance with the Act.

"Master Agreement" has the meaning given that term in Section 1.6(b).

"Member" means Realco and any Person subsequently admitted as a member of the Company pursuant to the Act and this Agreement. The term "Member" as used herein shall not be deemed to refer to or include any Independent Member.

"Person" means any individual, partnership, corporation, trust, limited liability company or other entity.

"Project" has the meaning given that term in Section 1.6(e).

"Properties" has the meaning given that term in Section 1.6(b).

"Property" has the meaning given that term in Section 1.6(a).

"Realco" has the meaning given that term in the introductory paragraph on page 1.

"Related Parcels" has the meaning given that term in Section 1.6(b).

"Remediation Agreement" has the meaning given that term in Section 1.6(c).

"Trust Agreement" has the meaning given that term in Section 1.6(d).

"Trustee" has the meaning given that term in Section 1.6(d).

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Manager/Member

DMB Realco LLC, an Arizona
limited liability company

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

By: _____
Its: Executive Vice President

DESIGNATION OF INDEPENDENT MEMBER

Pursuant to Section 2.2(a) of the Operating Agreement of DMB White Tank, LLC dated as of October 12, 1999 (the "Operating Agreement"), DMB Realco LLC, an Arizona limited liability company, as the "Manager" of DMB White Tank, LLC, an Arizona limited liability company (the "Company"), hereby designates Thomas L. May as the current "Independent Member" of the Company, as such term is defined in the Operating Agreement.

Dated this 19th day of March, 2002.

DMB Realco LLC, an Arizona
limited liability company, Manager

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

By: _____
Charley Fredericks,
Vice President

Approval:

Pursuant to Section 2.2(a) of the Operating Agreement,
the undersigned approves the designation of Thomas L. May
as the current Independent Member of the Company

Caterpillar Foundation, an Illinois not-for-profit corporation

By: _____
Thomas L. May, Vice President

APPROVAL AND ACCEPTANCE BY INDEPENDENT MEMBER

The undersigned hereby agrees to be bound by all terms and conditions that are applicable to the "Independent Member" under the Operating Agreement to which this Approval and Acceptance is attached:

Thomas L. May
Printed Name

Signature

3/19/2002
Date

Address for Notices:

c/o Caterpillar Inc.
100 N.E. Adams Street
Peoria, Illinois 61629-9320

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 21st Day of July, 2004, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
1912

Executive Secretary

By Pam Bedard

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 resolutions, as of October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by the Company and DMB Realco II, LLC, an Arizona limited liability company ("**Realco II**") in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to that certain Reimbursement Agreement, by and between Compass Bank, an Alabama banking corporation (the "**Bank**"), the Company, as Borrower, and Realco II, as Guarantor (the "**Reimbursement Agreement**"), and the additional agreements, undertakings and instruments referenced therein, including that certain Unconditional Guaranty of Payment by Realco II (the "**Guaranty**") and that certain first-lien Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing pertaining to certain real property owned by the Company (the "**Deed of Trust**") (collectively, the "**Reimbursement Agreement Documents**"), the Bank has agreed to provide that certain Irrevocable Direct-Pay Letter of Credit No. 22222 in a total amount not exceeding $13,162,500 (the "**Letter of Credit**") to the Trustee in respect of the Bond Issuance (the "**Letter of Credit Transaction**"), which Letter of Credit shall be drawn upon to pay debt service on the Bonds, pay the purchase price of Bonds that may be tendered or otherwise redeemed in accordance with the terms of the Bond Issuance Documents, and pay certain other amounts payable by drawings on the Letter of Credit in accordance with the terms and conditions of the Bond Issuance Documents; and

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance and a condition precedent to the Bank providing the Letter of Credit that the Company authorize and consent to certain actions, representations and agreements of the Company in respect of the Bond Issuance and the Letter of Credit Transaction, including the Company being a party to the Bond Issuance Documents (as applicable) and the Reimbursement Agreement Documents (as applicable) and the provision by the Company of financial assurances, security interests and other assurances to the District and the Bank, as referenced in the applicable Bond Issuance Documents and the applicable Reimbursement Agreement Documents, respectively; and

WHEREAS, the Bond Issuance and the Letter of Credit Transaction will directly or indirectly benefit the Company and its Members; and

WHEREAS, the Manager and the Members of the undersigned Member of the Company have authorized the Member to act on behalf of the Company, and have authorized the Manager of the undersigned Member, DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), to act on behalf of the Member with respect to all matters that are the subject of this Consent of Member of the Company, pursuant to that certain Unanimous Consent of Manager and Members of DMB Realco LLC, of even date herewith.

NOW THEREFORE, BE IT RESOLVED, that the undersigned Member of the Company has determined that certain actions and the making of certain representations and agreements, and the giving of certain financial assurances, security interests and other assurances, in connection with the Bond Issuance and the Letter of Credit Transaction is in the best interest of the Company, including the Company being a party to the Bond Issuance Documents and Reimbursement Agreement Documents; and

FURTHER RESOLVED, that DMB Associates, as the Manager of the undersigned Member of the Company, is hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Member, acting on behalf of the Company, such certificates, agreements, documents or instruments as the officer of DMB Associates authorized to do so pursuant to the Unanimous Consent of Directors of DMB Associates, of even date herewith, may deem necessary or appropriate in his sole discretion to consummate (A) the Bond Issuance including, without limitation, the Standby Contribution Agreement, and (B) the Letter of Credit Transaction including, without limitation, the Reimbursement Agreement, the Deed of Trust, the Custody, Pledge and Security Agreement, the Environmental Indemnity Agreement, the Security Agreement (Accounts), the Borrowing Authorization (Borrower) and the Pledge Authorization (Pledgor), in such form and to contain such

terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved.

FURTHER RESOLVED, that DMB Associates is hereby authorized to incur and pay, on behalf of the undersigned Member acting on behalf of the Company, all expenses relating to the Bond Issuance and the Letter of Credit Transaction 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 DMB Associates or the said officers of DMB Associates on behalf of the undersigned Member, acting on behalf of the Company, in connection with the Bond Issuance and the Letter of Credit Transaction, including any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental thereto in connection with the Bond Issuance and the Letter of Credit Transaction;

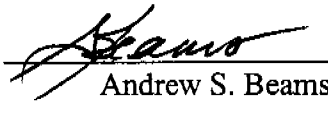
FURTHER RESOLVED, that these resolutions may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument;

FURTHER RESOLVED, that a copy of these resolutions may be delivered to the District, the Bank or any other person in connection with the Bond Issuance and the Letter of Credit Transaction and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered 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: : 
Andrew S. Beams, Vice President

BORROWING AUTHORIZATION
(Borrower)

To induce COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), to grant and/or continue financial accommodations to DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), whose address is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, the undersigned represent, warrant and covenant that:

1. Borrower is a limited liability company formed and existing under the laws of the State of Arizona, and (a) the following persons or entities are all of the members: DMB Realco LLC, an Arizona limited liability company ("Realco"), member, and Thomas W. May (Vice President, Caterpillar Foundation, an Illinois not-for-profit corporation), Independent Member (designated by Realco with approval of the Caterpillar Foundation); (b) the sole manager is: Realco; (b) the only manager is: DMB Realco LLC, an Arizona limited liability company; (c) Articles of Organization have been recorded or filed as required by law; (d) an Operating Agreement has been duly adopted by the members of Borrower; (e) Lender, when dealing with the Authorized Agent, defined below, shall be entitled to accept the representations of the Authorized Agent that the purpose of exercising the authority herein given is within the scope of the business of Borrower; (f) Lender shall be under no obligation to make any inquiries in order to verify or confirm any of said representations or to see to the application of any company funds for the purposes so represented; (g) Lender in no way shall be responsible for misapplication of any company funds or other property acquired, encumbered or disposed of by virtue of the authority herein given.

2. Each of the following-named persons or entities, acting alone: John L. Bradley, Vice President, DMB Associates, Inc., an Arizona corporation ("DMB Associates"), manager of Realco, which is the member and sole manager of the Company, and Andrew S. Beams, Vice President, DMB Associates, manager of Realco, which is the member and sole manager of the Company (hereinafter called "Authorized Agent") is hereby authorized, directed and empowered for and in the name of DMB Associates, as manager of Realco, the sole manager and member of Borrower:

(a) to borrow from Lender such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as, in the judgment of the Authorized Agent, Borrower may require, for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by the Authorized Agent, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY THOUSAND TWO HUNDRED SEVENTY-FOUR AND NO/100 DOLLARS ($13,160,274.00);

(b) to execute and deliver any notes, drafts, guarantees, applications for letters of credit and agreements of any type to evidence such obligations and

to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Agent;

(c) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to Borrower, and from time to time to substitute for such property, or any part thereof, other property for the same purpose; and

(d) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require.

3. The Authorized Agent may authorize an agent or agents of Borrower to do any or all acts that may be done by the Authorized Agent pursuant to this Authorization and may evidence that authorization on a form satisfactory to Lender and prepared for that purpose, and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Agent.

4. The obligations of Borrower authorized hereby are in addition to such other obligations, if any, as may now exist between Borrower and Lender, and this Authorization shall in no way diminish or decrease any such existing obligations previously authorized by Borrower. Future authorizations with respect to future obligations may be adopted hereafter by Borrower without derogation of the authority set forth herein.

5. All prior acts of the Authorized Agent, on behalf of DMB Associates, as manager of Realco, as the sole manager and member of Borrower, and of DMB Associates, as manager of Realco, as sole manager and member of Borrower, and of Realco, as sole manager and member of Borrower in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to evidence or secure any obligations due Lender are hereby ratified and approved. Lender, at any time, may apply any money or property in its possession or under its control belonging to Borrower to the payment of any indebtedness of Borrower to Lender, when due and payable.

6. This Authorization shall not limit the authority of any person not mentioned herein and shall be in addition to, and not in limitation of, the rights inherent in a member or manager.

7. This Authorization shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied.

8. In the event of any dispute among the members of Borrower, or any of them, the undersigned, jointly and severally, shall defend, indemnify and save Lender and any corporation controlling, controlled by, or under common control with Lender, and any officer, director, shareholder, agent or employee of Lender or any such corporation, and each of them, harmless from any and all damages, expenses and liabilities of any type whatsoever, including but not limited to attorneys' fees, and including but not limited to any liability arising out of demands by any of the members of Borrower, for undisbursed proceeds of any obligations authorized hereby, suffered or incurred as a result of or in connection with any such dispute. This indemnity provision shall survive the repayment of any and all indebtedness of Borrower to Lender, shall be binding upon the separate and respective heirs, administrators, personal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of Lender and any corporation controlling, controlled by, or under common control with Lender, and to the heirs, administrators, personal representatives, successors and assigns of Lender or such corporation's officers, directors, shareholders, agents and employees.

9. This Authorization may be executed in any number of counterparts and each counterpart executed by any of the undersigned, together with all other counterparts so executed, shall constitute a single instrument and agreement of the undersigned.

IN WITNESS WHEREOF, this Authorization is hereby executed as of the 1st day of November, 2004, by all necessary or required members or managers of Borrower.

BORROWER

DMB WHITE TANK, LLC, an Arizona limited liability company

BY: DMB REALCO LLC, an Arizona limited liability company, Manager

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: Vice President

MANAGER/MEMBER

DMB REALCO LLC, an Arizona limited liability company, Manager

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: Vice President

STATE OF ARIZONA
ACC/FAX
DATE FILED

MAY 14 1997

DATE APPR 5-14-97
TERM
BY Cheryl Leon

ARTICLES OF ORGANIZATION
DMB REALCO LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

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

CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

RENZ D. JENNINGS
COMMISSIONER

ARIZONA CORPORATION COMMISSION

GEOFFREY E. GONSHER
EXECUTIVE SECRETARY

FENNEMORE CRAIG
3003 N CENTRAL AVE #2600
PHOENIX, AZ 85012

RE: DMB REALCO LLC
File Number: L-0807920-8

We are pleased to notify you that your Articles of Organization were filed on May 14, 1997.

You must publish a notice of the filing or your Articles of Organization WITHIN (60) DAYS from the filing date noted above. The publication must be in a newspaper of general circulation in the county of the known place of business, for three (3) consecutive publications.

For your convenience we have provided a Notice of Publication form. Please complete this form, in its entirety, and submit to the newspaper of your choice. An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the file date.

If you have any questions or need further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,

CHERYL LEON
Examiner
Corporations Division
Arizona Corporation Commission

LL:13
Rev: 4/97

AZ. CORP. COMMISSION
FILED

APR 0 8 2003

APPR. 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 Ennas 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: Ennas A. Kane
Its: V.P. General Counsel

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.

Encas A. Kane

7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

AMENDED AND RESTATED OPERATING AGREEMENT OF DMB REALCO LLC

This Amended and Restated Operating Agreement is entered into as of May 9, 2000 among DMB Associates, Inc., an Arizona corporation ("DMB Associates"), as the Manager, and Drew M. Brown, as Trustee of the Brown Family Trust dated August 30, 1980, as amended ("Brown"), Mark N. Sklar, as Trustee of the Mark N. Sklar Trust dated May 18, 1972, as amended ("Sklar") and Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, as Co-Trustees of the Dorrance 1995 Issue Trust dated November 2, 1998 (the "Issue Trust"), as Members.

RECITALS

A. DMB Realco LLC (the "Company") was formed as an Arizona limited liability company pursuant to Articles of Organization (the "Original Articles") filed with the Arizona Corporation Commission on May 14, 1997, among DMB Associates, as Manager, and Drew M. Brown ("Drew Brown"), Mark N. Sklar ("Mark Sklar") and the Dorrance 1995 Issue Trust dated September 7, 1995 (the "Old Issue Trust"), as reflected in the Operating Agreement of DMB Realco LLC dated May 14, 1997 (the "Original Operating Agreement").

B. Drew Brown has assigned his entire interest as a Member in the Company to Brown, Mark Sklar has assigned his entire interest as a Member in the Company to Sklar and the Old Issue Trust has merged with the Issue Trust, with the result that the Issue Trust has succeeded to the entire interest of the Old Issue Trust as a Member in the Company.

C. As the sole current Manager and Members of the Company, respectively, DMB Associates, Brown, Sklar and the Issue Trust desire to amend and restate the Original Operating Agreement on the terms and conditions set forth herein.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS; THE COMPANY

1.1 Definitions. Capitalized words and phrases used in this Agreement shall have the meanings set forth in Section 9.14 hereof.

1.2 Formation; Continuation. The Company was formed upon filing of the Original Articles with the Arizona Corporation Commission. The parties hereby continue the Company as a limited liability company pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement.

1.3 Name. The name of the Company is DMB Realco LLC. The name of the Company may be changed by the Manager upon written notice to the Members.

1.4 Purpose. The purpose of the Company and the general character of its business is to conduct any activity permitted by law, including without limitation any activity involving real estate or any interest in real estate and any activity involving an investment in or provision of capital and/or loans to business enterprises of any nature.

1.5 Intent. It is the intent of the Members that the Company shall always be operated in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes. No Member shall take any action inconsistent with the express intent of the parties hereto. The Company is not a "partnership" for purposes of the Arizona Uniform Partnership Act or the Arizona Uniform Limited Partnership Act and the Members are not partners.

1.6 Office. The registered office of the Company within the State of Arizona shall be located at 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The registered office may be changed to any other place within the State of Arizona designated by the Manager, upon written notice to the Members.

1.7 Agent for Service of Process. The Manager shall designate an agent for service of legal process on the Company in Arizona in accordance with the Act and may change such agent at any time upon written notice to the Members.

1.8 Term. The term of the Company commenced on the filing of the Original Articles with the Arizona Corporation Commission and shall continue until the Company is dissolved as set forth in this Agreement.

1.9 Amendments to Articles of Organization. The Manager shall file any amendments to the Original Articles deemed necessary by the Manager to reflect amendments to this Agreement adopted by the Members in accordance with the terms hereof.

1.10 Independent Activities.

(a) General Scope of Independent Activities. The Members hereby expressly agree and acknowledge that each of the Members, either directly or through the Member's Affiliates, is involved in transactions, investments and business ventures and undertakings of every nature, which include, without limitation, activities which are not associated in any manner with real estate, as well as the ownership, construction, development, marketing, sale and operation of real property and improvements of every type and nature thereon (all such investments and activities being referred to hereinafter as the "Independent Activities").

(b) Waiver of Rights with Respect to Independent Activities. Nothing in this Agreement shall be construed to: (i) prohibit any Member or the Member's Affiliates from

continuing, acquiring, owning or otherwise participating in any Independent Activity that is not owned or operated by the Company, even if such Independent Activity is or may be in competition with the Company; and (ii) require any Member or the Member's Affiliates to allow the Company or any other Member to participate in the ownership or profits of any such Independent Activity. To the extent any Member would have any rights or claims against any other Member as a result of the Independent Activities of such Member or such Member's Affiliates, whether arising by statute, common law or in equity, the same are hereby waived.

(c) Limitation on Company Opportunities. Each Member hereby represents and warrants to each other Member that the warranting Member has not been offered, as an inducement to enter into this Agreement, the opportunity to participate in the ownership or profits of any present or future Independent Activity of any kind whatsoever of such other Member or such other Member's Affiliates. The Members expressly acknowledge that the opportunities of the Company shall be limited to investments or assets acquired by the Company with the requisite approval of the Members under this Agreement and shall not extend to any other property, investment or activity.

(d) Acknowledgement of Reasonableness. The Members hereby expressly acknowledge, represent and warrant that they are sophisticated investors, they understand the terms, conditions and waivers set forth in this Section 1.10 and that the provisions of this Section 1.10 are reasonable, taking into account the relative sophistication and bargaining position of the Members.

SECTION 2. MANAGER; MEMBERS; CAPITAL CONTRIBUTIONS; LOANS

2.1 Manager and Members.

(a) Manager.

(i) Initial Manager. DMB Associates shall be the initial Manager of the Company and shall serve as Manager until it resigns or until its interest as a Manager is terminated, as provided in Section 2.1(a)(iii) below.

(ii) Resignation. Any Manager may resign as the Manager of the Company, effective upon delivery of a written notice of resignation to all Members.

(iii) Termination Events. Any Manager then serving shall be terminated as the Manager of the Company effective upon the occurrence with respect to such Manager of any event which would be treated as a Withdrawal Event, if the Manager were a Member of the Company. DMB Associates, if then serving as Manager, shall cease to be the Manager of the Company upon the occurrence of any event which causes the control of DMB Associates to be vested in any Persons other than (A) Drew Brown, Mark Sklar and/or Bennett Dorrance, (B) Brown, Sklar, the Bennett Dorrance Trust or other trusts for the benefit of Drew Brown, Mark Sklar, Bennett Dorrance and/or their respective Family Members, or (C) the legal successors to

Drew Brown, Mark Sklar and/or Bennett Dorrance, in the event of the death or incapacity of such Persons.

(iv) Removal. Any Manager other than DMB Associates may be removed as Manager of the Company upon a Majority Vote of the Members.

(v) Election of Successor Managers. Following the resignation, termination or removal of a Manager, a successor Manager may be elected by a Majority Vote of the Members.

(b) Members. The name, address and Percentage Interest of the Members of the Company are as set forth on Exhibit A.

2.2 Initial Capital Contributions. The Member have made Capital Contributions to the Company in the amounts reflected on the Company's books and records.

2.3 Financing of Company Activities.

(a) Loan Agreements. The Company shall enter into or continue one or more loan agreements (the "Loan Agreements") with Bennett Dorrance, as Trustee of the Bennett Dorrance Trust dated April 21, 1989, as amended (the "Bennett Dorrance Trust"), and with ABD Investments Limited Partnership, an Arizona limited partnership, under which the Company shall be permitted to borrow amounts approved or ratified from time to time by the Manager and a Majority Vote of the Members. The terms and conditions of the Loan Agreements and associated documents shall be as approved or ratified from time to time by the Manager and a Majority Vote of the Members.

(b) Additional Capital Contributions. If the Manager determines that the Company requires funds in addition to those available from Company operations or under the Loan Agreements to further the business purposes of the Company, the Manager may solicit additional Capital Contributions from the Members; provided that no Member shall have any obligation to contribute additional cash or property to the Company, unless the Member has agreed in writing to make such contribution. The Manager shall give each Member a reasonable opportunity to participate in making any additional Capital Contributions solicited under this Section 2.3(b), based on the ratio that such Member's Percentage Interest bears to the Percentage Interests of all Members. If any Member fails to make such Member's proportionate share of any additional Capital Contributions, then any amounts advanced by the other Members shall be treated as loans to the Company ("Member Loans"), which shall be repaid on such reasonable terms and conditions as are determined by the Manager.

2.4 Limitations Pertaining to Capital Contributions.

(a) Return of Capital. Except as otherwise provided in this Agreement, no Member shall withdraw any Capital Contributions or any money or other property from the

Company without the written consent of each other Member. Under circumstances requiring a return of any Capital Contributions, no Member shall have the right to receive property other than cash, unless otherwise specifically agreed in writing by the Members at the time of such distribution.

(b) Liability of Members. No Member shall be liable for the debts, liabilities, contracts or any other obligations of the Company. Except as agreed upon by the Members, and except as otherwise provided by the Act or by any other applicable state law, the Members shall be liable only to make their Capital Contributions as provided in Section 2.2 and shall not be required to make any other Capital Contributions or loans to the Company. No Member shall have any personal liability for the repayment of the Capital Contributions or loans of any other Member.

(c) No Third Party Rights. Nothing contained in this Agreement is intended or will be deemed to benefit any creditor of the Company and no creditor of the Company will be entitled to require the Manager to solicit or demand Capital Contributions from any Member. The Company shall not assign a Member's obligation to make Capital Contributions to any third party without the prior written consent of that Member.

(d) Withdrawal. Except as provided in Section 7 hereof, no Member may voluntarily or involuntarily withdraw from the Company or terminate the Member's interest therein without the prior written consent of each other Member. Any Member who withdraws from the Company in breach of this Section 2.4(d):

(i) shall be treated as an assignee of a Member's interest, as provided in the Act;

(ii) shall have no right to participate in the business and affairs of the Company or to exercise any rights of a Member under this Agreement or the Act; and

(iii) shall continue to share in distributions from the Company, on the same basis as if such Member had not withdrawn, provided that any damages to the Company as a result of such withdrawal shall be offset against amounts that would otherwise be distributed to such Member. The right to share in distributions granted under this Section 2.4(d) shall be in lieu of any right the withdrawn Member may have under the Act to receive a distribution or payment of the fair value of such Member's interest in the Company.

SECTION 3. DISTRIBUTIONS

3.1 Distributions of Net Cash Flow. Except as otherwise provided in Section 8 hereof, the Net Cash Flow of the Company shall be distributed to the Members at such times as are determined by the Manager, but in no event less frequently than quarterly. All distributions pursuant to this Section 3.1 shall be divided among the Members in proportion to their respective Percentage Interests.

SECTION 4. ALLOCATIONS

4.1 Allocations of Profits and Losses. For each taxable year of the Company, subject to the application of Section 4.2 hereof, Profits and/or Losses shall be allocated to the Members in a manner which causes each Member's Adjusted Capital Account Balance after such allocation to equal the amount that would be distributed to such Member pursuant to Section 8.2(c)(iii) hereof if:

(a) all of the Company's assets were sold at their respective values reflected on the books of the Company ("Book Value");

(b) payments to any holder of a nonrecourse debt were limited to the Book Value of the assets securing repayment of such debt; and

(c) the proceeds of such hypothetical sale were applied and distributed in accordance with Section 8.2.

To the extent the Manager determines that allocations of Profits and/or Losses over the term of the Company are not likely to produce the Adjusted Capital Account Balances intended under this Section 4.1, then special allocations of items of income, gain, loss and/or deduction shall be made as reasonably deemed necessary by the Manager to achieve the intended Adjusted Capital Account Balances.

4.2 Regulatory and Curative Allocations. The allocations set forth in Section 4.1 are intended to comply with the requirements of Regulations Sections 1.704-1(b) and 1.704-2. If the Company incurs "nonrecourse deductions" or "partner nonrecourse deductions," or if there is any change in the Company's "minimum gain" or "partner nonrecourse debt minimum gain," all as defined in the Regulations, the allocation of Profits, Losses and items thereof to the Members shall be modified in a reasonable manner deemed necessary by the Manager to comply with such Regulations. In determining allocations to be made pursuant to this Section 4, the Manager shall take into account any requirements of Code Sections 704(c) and 706 (and any Regulations which require allocations to be made in a manner consistent with such Code Sections) and shall make such modifications to the allocations under this Section 4 as are reasonably deemed necessary by the Manager to comply with the requirements of such Code and Regulation Sections.

4.3 Capital Accounts. A Capital Account shall be maintained for each Member in accordance with the Regulations under uniform policies approved by the Manager, upon the advice of the Company's tax accountants or attorneys.

SECTION 5. MANAGEMENT

5.1 Management. Management of the Company is vested solely in the Manager and, subject to Section 5.5 hereof, all decisions and actions concerning the Company and its affairs

shall be made or taken by the Manager without the concurrence of or joinder by any Member. Without limiting the generality of the foregoing, but subject in each instance to Section 5.5 hereof, the Manager shall have the authority and duty to do the following on behalf of the Company:

(a) borrow money under the Loan Agreements in accordance with Section 2.3(a) hereof, subject to any required approval or ratification by a Majority Vote of the Members;

(b) take all actions that are necessary to implement any Business Plan and Budget then in effect, and in connection therewith, request, receive and apply advances under the Loan Agreements in accordance with the terms and conditions of this Agreement, the Business Plan and Budget then in effect, and the Loan Agreements;

(c) do each of the following on the terms and conditions authorized under any Business Plan and Budget then in effect:

(i) acquire real, personal, tangible and intangible properties and assets of any nature (individually, a "Property," and collectively, "Properties");

(ii) make loans to and/or acquire ownership interests in other Persons and in connection therewith, enter into loan agreements, joint venture agreements, partnership agreements, operating agreements, shareholder agreements and any similar or associated arrangements or agreements;

(iii) acquire or grant options of any nature;

(iv) invest Company funds;

(v) own, manage, maintain, develop, improve, alter, renovate, lease, sell, exchange, convey, assign, transfer, pledge, encumber, mortgage, subject to deeds of trust or other security interests, dispose of or otherwise deal with any Property;

(vi) borrow money, prepay, refinance, recast, increase, modify or extend any liabilities of the Company; and

(vii) issue evidence of indebtedness;

(d) exercise any power or duty delegated to the Manager under this Agreement or in writings signed by the Members;

(e) pay all taxes, licenses or assessments of whatever kind or nature imposed upon or against the Company or its assets;

(f) establish and maintain bank accounts for the Company and supervise the deposit and withdrawal of any monies therefrom;

(g) make, or refrain from making, any election required or permitted to be made for federal or state income tax purposes;

(h) execute, acknowledge and deliver on behalf of the Company any documents or agreements that are necessary or desirable to implement the exercise by the Manager of its rights, powers and authority under this Section 5.1;

(i) cause the Company to perform its obligations under any documents executed, acknowledged and delivered pursuant to Section 5.1(h) hereof;

(j) take any actions described in Sections 5.1(b) through (i) hereof with respect to any Person in which the Company holds an ownership interest (each, a "Lower-Tier Entity"); and

(k) perform all other duties otherwise described in this Agreement to be carried out by the Manager and take all actions reasonably deemed necessary by the Manager to carry out any of the above rights and duties or to carry out the purpose of the Company, as authorized hereunder.

5.2 Signature Power of Manager. The Manager, acting alone and without the joinder of any other Member, shall have the power to execute and deliver documents and instruments of every type and nature on behalf of the Company, which shall be binding on the Company. Any Person dealing with the Company may rely, without further inquiry, upon the identity of the Manager set forth in the Company's Articles of Organization, as amended, at the time action is taken by or on behalf of the Company by the Manager, and may rely on a certificate signed by the Manager as to the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company.

5.3 Required Effort; Exculpation. The Manager shall devote such time, effort and managerial resources as are reasonably necessary to accomplish the purposes of the Company in a businesslike manner, exercising such skill and care as a prudent investor with experience in the real estate development industry would exercise in dealing with investments comparable to those of the Company for such investor's own account. The Manager shall not be liable to the Company or the Members for losses incurred by them as a result of any action or inaction of the Manager, if the Manager acted or failed to act in good faith and in a manner the Manager reasonably believed to be in or not opposed to the best interests of the Company; provided that the Manager shall remain liable for losses incurred as a result of the Manager's fraud, bad faith, willful misconduct or gross negligence.

5.4 Business Plans and Budgets.

(a) Submission of Business Plans. Not less frequently than annually, the Manager shall prepare for the approval of the Members a "Business Plan" setting forth the anticipated operations of the Company (including any operations of the Company to be undertaken through Lower-Tier Entities) covering such time periods as are determined by the Manager in its reasonable discretion. Business Plans shall be amended from time to time, upon approval of the Members to take into account the acquisition and disposition of Properties by the Company or by Lower-Tier Entities, and any material changes in the factual assumptions upon which any existing Business Plan was based.

(b) Content of Business Plans. Each Business Plan shall address in reasonable detail such matters as may be requested by any Member with respect to the activity or proposed activity of the Company (including activities to be undertaken by the Company through Lower-Tier Entities), for the periods covered by the Business Plan, which may include matters such as the following:

(i) A narrative description of any activity proposed to be undertaken by the Company and the applicable Lower-Tier Entities;

(ii) Projected income and cash flow statements, set forth separately for each Company and Lower-Tier Entity activity, on a quarter-by-quarter basis;

(iii) A projected balance sheet for the Company and each Lower-Tier Entity as of the end of each year included within the period covered by the Business Plan;

(iv) A marketing plan for each Company Property (and for each Property of the Lower-Tier Entities), which shall include authorized terms for sales or other dispositions, the form or forms of proposed leases, leasing rates, minimum lease terms, free rents and similar concessions, tenant improvement allowances, expense stops and other items deemed relevant by the Manager or requested by any Member;

(v) A description of any improvements to be constructed on Properties owned by the Company and Lower-Tier Entities, including projected dates for commencement and completion of such improvements; and

(vi) A "Budget", setting forth in reasonable detail the receipts, expenses (including operating and capital expenses) and reserves reasonably expected to be received, incurred or held by the Company and Lower-Tier Entities in connection with the operation of each separate activity of the Company and the Lower-Tier Entities.

(c) Approval of Business Plan. Business Plans shall be submitted to the Members at least annually at such times as are determined by the Manager in its reasonable discretion, and for each new activity undertaken by the Company or Lower-Tier Entity. The

Members shall negotiate in good faith to agree upon any Business Plan submitted by the Manager and shall not unreasonably withhold approval with respect to any item or Budget therein (other than items or Budgets relating to capital acquisitions or improvements that were not approved pursuant to a prior Business Plan, in which case a Member may withhold approval in such Member's sole discretion). If the Members are not able to agree upon a Business Plan and an applicable Budget within thirty days following the submission thereof, the Business Plan and Budget then in effect shall continue in effect, provided that operating expenses (but not expenses for acquisitions, improvements or similar nonrecurring items) beyond the period set forth in the Budget then in effect shall be the amounts for the last period covered by such Budget, increased at a rate comparable to the rate of change for that same period in the Consumer Price Index -- U.S. City Average, as published by the United States Department of Labor's Bureau of Labor Statistics. A Business Plan shall be deemed to be approved or amended upon the approval thereof by a Majority Vote of the Members.

5.5 Restrictions on Authority of Manager.

(a) Matters Requiring Majority Vote of the Members. Notwithstanding any provision of this Agreement other than Section 5.5(b) to the contrary, except as authorized pursuant to an approved Business Plan, the Manager shall have no authority to do the following acts without the consent of a Majority Vote of the Members:

(i) acquire, by purchase, lease, or otherwise, any real property or construct any improvements (including tenant improvements) or replace an existing improvement following completion of construction thereof;

(ii) give or grant any options, rights of first refusal, deeds of trust, mortgages, pledges, ground leases, security interests or otherwise encumber the Company's assets or any portion thereof;

(iii) obtain, increase, modify, consolidate or extend any loan, whether secured or unsecured, affecting any Company asset;

(iv) sell, assign, convey, finance or refinance any Company asset or any portion thereof or grant easements or other property rights by documents that are customarily recorded;

(v) cause or permit the Company to extend credit to or to make any loans or become a surety, guarantor, endorser or accommodation endorser for any Person, or enter into any contracts with respect to the operation or management of the business of the Company, or any Company asset (or any portion thereof);

(vi) release, compromise, assign or transfer any claims, rights or benefits of the Company, confess a judgment against the Company, submit a Company claim to

arbitration, or initiate foreclosure, trustee sale or similar procedures or remedies with respect to any Company loan or claim;

(vii) accept contributions of property in a form other than cash from the Members or distribute Company property in a form other than cash to the Members;

(viii) advertise or market the Company's assets other than in accordance with the provisions of the then applicable Business Plan or enter into any lease on terms less favorable to the Company than the lease terms approved by the Members pursuant to the then applicable Business Plan;

(ix) adopt or amend any Business Plan or any Budget set forth in the then applicable Business Plan;

(x) make any expenditure or incur any obligation involving a sum in excess of $20,000, except as authorized in any Budget set forth in the then applicable Business Plan;

(xi) file, consent to or acquiesce in any act or event which would constitute an event of bankruptcy with respect to the Company;

(xii) enter into any amendment, modification, supplement or rescission with respect to any of the foregoing; or

(xiii) cause the Company to acquire an interest in a Lower-Tier Entity or exercise the Company's right to cause any Lower-Tier Entity to undertake any activity described in Sections 5.5(a)(i) through (xii) hereof.

(b) Matters Requiring Unanimous Approval. Notwithstanding any provision of this Agreement to the contrary, including without limitation the provisions of Section 5.5(a), the Manager shall have no authority to do the following acts without the unanimous consent of the Members:

(i) admit a new Member to the Company or make any amendment to this Agreement;

(ii) do any act in contravention of this Agreement or which would make it impossible or unreasonably burdensome to carry on the business of the Company;

(iii) possess any property of the Company for other than a permitted Company purpose;

(iv) cause the Company or any Lower-Tier Entity to enter into any contract or agreement requiring payment to the Manager, any Member or to any Affiliate of the

Manager or of any Member, except as authorized pursuant to Section 2.3(a) or Section 5.7 hereof; or

(v) do any act which under any provision of this Agreement requires the consent of all Members.

5.6 Indemnification of Manager, Members and Officers. The Company, its receiver or its trustee shall defend, indemnify and save harmless the Manager, the Members and any officers of the Manager or the Company who the Manager designates as a parties entitled to the benefits of this Section 5.6 (collectively, the "Indemnified Parties") from and against all losses, claims, costs, liabilities and damages incurred by them by reason of any act performed or omitted to be performed by them in connection with the business of the Company, including attorneys' fees incurred by them in connection with the defense of any action based on any such act or omission; provided, however no Indemnified Party shall be indemnified from any liability for fraud, bad faith, willful misconduct or gross negligence.

5.7 Compensation and Expenses of Manager and Members. The Company shall pay the Manager a fee of 3% of all capital invested by the Company, upon the investment of such capital, unless the Manager and the Members, by a Majority Vote of the Members or through any Business Plan, agree to a greater or lesser fee with respect to a particular investment. The Company shall also pay the Manager an annual asset management fee in such amount as is determined from time to time by the Manager and a Majority Vote of the Members. Each Business Plan shall include the terms and conditions of any additional management or other fees that the Company or any Lower-Tier Entity is authorized to pay to the Manager. Except for the fees described in this Section 5.7, neither the Manager nor any Member nor any Affiliate of the Manager or of any Member shall be entitled to any compensation, fees or commissions of any nature from the Company or any Lower-Tier Entity with respect to the Company, any Lower-Tier Entity or the operations, business or assets of such Persons.

SECTION 6. BOOKS AND RECORDS

6.1 Books and Records. The Manager shall keep adequate books and records of the Company setting forth a true and accurate account of all business transactions arising out of and in connection with the conduct of the Company. Any Member or the designated representative of such Member shall have the right, at any reasonable time, to have access to and inspect and copy the contents of such books or records, which, upon request, shall be made available to such Member at the Company's specified office in the State of Arizona. At the request of any Member, the books and records of the Company shall be audited at the Company's expense.

6.2 Tax Matters. The Company's tax returns shall be prepared by a certified public accountant selected by the Manager. All decisions with respect to any tax return to be filed by the Company or any position to be taken on any such return shall be made by the Manager. The Manager shall designate any one of the Members to be the "tax matters partner" pursuant to the Code.

6.3 Reports. Within forty-five days after the end of each calendar quarter, the Manager shall prepare and send to each Member a report containing a balance sheet, statement of income and a cash flow statement for the calendar year then ended, all of which shall be unaudited.

SECTION 7. TRANSFER OF COMPANY INTERESTS; NEW MEMBERS

7.1 General. No Member shall sell, assign, pledge, hypothecate, encumber or otherwise voluntarily transfer by any means whatever ("Transfer"), either directly or indirectly (by merger, consolidation or otherwise), all or any portion of such Member's interest in the Company without the consent of the Members. A transferee will be admitted as a Substituted Member only pursuant to Section 7.3. Any purported Transfer which does not comply with the provisions of this Section 7 shall be void and shall not cause or constitute a dissolution of the Company. In addition, no Member shall permit any Person directly or indirectly holding an interest in such Member (an "Indirect Owner") to Transfer such interest, unless, after taking into account all such Transfers during the term of the Company (a) the Persons who are the Indirect Owners of such Member as of the date of this Agreement ("Current Owners") continue to control such Member, and (b) at least 50% of the equity interests in such Member are owned beneficially by the Current Owners or their Family Members.

7.2 Assignee of Member's Interest. If, pursuant to a Transfer of an interest in the Company by operation of law and without violation of Section 7.1 hereof (or pursuant to a Transfer that the Company is required to recognize notwithstanding any contrary provisions of this Agreement), a Person acquires an interest in the Company, but is not admitted as a Substituted Member pursuant to Section 7.3 hereof, such Person:

(a) shall be treated as an assignee of a Member's interest, as provided in the Act;

(b) shall have no right to participate in the business and affairs of the Company or to exercise any rights of a Member under this Agreement or the Act; and

(c) shall share in distributions from the Company with respect to the transferred interest, on the same basis as the transferring Member.

7.3 Substituted Members. No Person taking or acquiring, by whatever means, the interest of any Member in the Company shall be admitted as a substituted Member in the Company (a "Substituted Member") without the unanimous written consent of the Members, which consent may be withheld or granted in the sole and absolute discretion of each Member.

7.4 Master Agreement. The Members' interests in the Company are intended to be subject to that certain Master Agreement for Certain Contributions, Distributions and Purchases of Ownership Interests (the "Master Agreement") dated January 1, 1994, among Drew Brown,

Mark Sklar and the Bennett Dorrance Trust, as such Master Agreement may be amended from time to time, and each Member hereby confirms, approves and ratifies the Master Agreement in all respects. Upon the request of any Member, Brown, Sklar and the Issue Trust shall enter into a joinder agreement, acknowledging that their interests in the Company are subject to the terms and conditions of the Master Agreement.

SECTION 8. DISSOLUTION AND TERMINATION

8.1 Dissolution. The Company shall dissolve upon the first to occur of any of the following events:

(a) The election of any Member following the sale of all or substantially all of the Company's Properties and other assets and the collection of the proceeds of such sale;

(b) The unanimous election by the Members to dissolve the Company; or

(c) The entry of a decree of judicial dissolution in accordance with the Act or applicable law.

The Company shall not dissolve as a result of the occurrence of any Withdrawal Event with respect to any Member or Manager.

8.2 Winding Up.

(a) Notice of Winding Up. Following the dissolution of the Company, as provided in Section 8.1 hereof, the Manager, or if there is no Manager, any remaining Member, may execute and file a notice of winding up with the Arizona Corporation Commission.

(b) Effect of Filing. After the dissolution of the Company, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but the Company's separate existence 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.

(c) Liquidation and Distribution of Assets. Upon the dissolution of the Company, the Manager, or, if there is no Manager, a trustee appointed by Majority Vote of the Members, or a court-appointed trustee, if no trustee is appointed by the remaining Members or if there is no remaining Member, shall take full account of the Company's liabilities and assets, and such assets shall be liquidated as promptly as is consistent with obtaining the fair value thereof. During the period of liquidation, the business and affairs of the Company shall continue to be governed by the provisions of this Agreement, with the management of the Company continuing as provided in Section 5 hereof. The proceeds from liquidation of the Company's property, to the extent sufficient therefor, shall be applied and distributed in the following order:

(i) To the payment and discharge of all of the Company's debts and liabilities, including those to Members who are creditors, to the extent permitted by law, and the establishment of any necessary reserves;

(ii) To the Members in satisfaction of any Member Loans which have not been satisfied pursuant to Section 8.2(c)(i); and

(iii) To the Members and in accordance with Section 3.1 hereof.

8.3 Articles of Termination. When all debts, liabilities and obligations of the Company have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets of the Company have been distributed to the Members, articles of termination shall be executed and filed by the Manager, or if there is no Manager, by any Member, with the Arizona Corporation Commission.

SECTION 9. MISCELLANEOUS

9.1 Notices. Any notice, demand or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be delivered personally to the Person to whom the same is directed, or sent by facsimile transmission, or by registered or certified mail, return receipt requested, addressed as follows: if to the Company, to the Company at the address set forth in Section 1.6 hereof, or to such other address as the Company may from time to time specify by notice to the Members in accordance with this Section 9.1, or, if to a Member, to such Member at the address or FAX number for such Member set forth on Exhibit A to this Agreement, or to such other address or FAX number as the Member may from time to time specify by notice to the Company and the other Members in accordance with this Section 9.1. Any such notice shall be effective upon actual receipt thereof.

9.2 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 respective heirs, legatees, legal representatives, successors, transferees and assigns; provided that this Section 9.2 shall not be deemed (a) to authorize any Transfer not otherwise permitted under this Agreement, (b) to confer upon the assignee of a Member's interest any rights not specifically granted under this Agreement, or (c) to supersede or modify in any manner any provision of Section 7 hereof.

9.3 [Intentionally omitted]

9.4 Construction. Every covenant, term and provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member.

9.5 Time. Time is of the essence with respect to this Agreement.

9.6 Headings. Section 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.

9.7 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.

9.8 Additional Documents. Each Member, upon the request of any other Member, agrees to perform all further acts and execute, acknowledge and deliver any documents which may be reasonably necessary, appropriate or desirable to carry out the provisions of this Agreement.

9.9 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.

9.10 Arizona 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.

9.11 Waiver of Action for Partition. Each of the Members irrevocably waives any right that he may have to maintain any action for partition with respect to any of the Company's property.

9.12 Counterpart Execution. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

9.13 Sole and Absolute Discretion. Except as otherwise provided in this Agreement, all actions which the Manager or any Member may take and all determinations which the Manager or any Member may make pursuant to this Agreement may be taken and made at the sole and absolute discretion of the Manager or such Member.

9.14 Glossary. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 9.14:

"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 (or any corresponding provisions of succeeding law).

"Adjusted Capital Account Balance" means, with respect to each Member, an amount equal to the balance in such Member's Capital Account at the end of the relevant fiscal year, after increasing the balance in such Member's Capital Account by any amount which such Member is

deemed to be obligated to restore pursuant to Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5).

"Affiliate" means, with respect to any Person: (a) any Person directly or indirectly controlling, controlled by or under common control with such Person; (b) any Person owning or controlling 10% or more of the outstanding voting interests of such Person; (c) any officer, director, or general partner of such Person; (d) any Person who is an officer, director, general partner, trustee or holder of 10% or more of the voting interests of any Person described in clauses (a) through (c) of this definition; or (e) any Family Member of any Person described in clauses (a) through (d) above.

"Agreement" means this Amended and Restated Operating Agreement, as amended from time to time, which supersedes in its entirety the Original Operating Agreement. Words such as "herein," "hereinafter," "hereof," "hereto" and "hereunder," refer to this Agreement as a whole, unless the context otherwise requires.

"Bennett Dorrance Trust" has the meaning given that term in Section 2.3(a) hereof.

"Book Value" has the meaning given that term in Section 4.1(a) hereof.

"Brown" has the meaning given that term in the introductory paragraph to this Agreement.

"Budget" has the meaning given that term in Section 5.4(b)(vi) hereof.

"Business Plan" has the meaning given that term in Section 5.4(a) hereof.

"Capital Account" means the capital account maintained for each Member in accordance with Section 4.3 hereof.

"Capital Contribution" means, with respect to any Member, the amount of money and the net fair market value of property (other than money) contributed to the Company by such Member.

"Code" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"Company" has the meaning given that term in Recital A and includes any limited liability company continuing the business of this Company in the event of dissolution as herein provided.

"Current Owner" has the meaning given that term in Section 7.1 hereof.

"DMB Associates" has the meaning given that term in the introductory paragraph to this Agreement.

"Drew Brown" has the meaning given that term in Recital A.

"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).

"Indemnified Parties" has the meaning given that term in Section 5.6 hereof.

"Independent Activities" has the meaning given that term in Section 1.10(a) hereof.

"Indirect Owner" has the meaning given that term in Section 7.1 hereof.

"Issue Trust" has the meaning given that term in the introductory paragraph to this Agreement.

"Loan Agreements" has the meaning given that term in Section 2.3(a) hereof.

"Lower-Tier Entity" has the meaning given that term in Section 5.1(j) hereof.

"Majority Vote of the Members" means the affirmative vote of Members then holding a majority of the Percentage Interests held by all Members.

"Manager" means DMB Associates or any successor Manager appointed pursuant to Section 2.1(a)(v) hereof.

"Mark Sklar" has the meaning given that term in Recital A.

"Master Agreement" has the meaning given that term in Section 7.4 hereof.

"Member" means any Person identified as a Member in the heading to this Agreement. If any Person is admitted as an additional or Substituted Member pursuant to the terms of this Agreement, "Member" shall be deemed to refer also to such Person. "Members" refers collectively to all Persons who are designated as a "Member" pursuant to this definition.

"Member Loans" has the meaning given that term in Section 2.3(b) hereof.

"Net Cash Flow" means the gross cash proceeds to the Company from all sources, less the portion thereof used to pay or establish reserves for Company expenses, debt payments (including payments on Member Loans) and contingencies, all as reasonably determined by the Manager in accordance with the Business Plan and Budget then in effect.

"Old Issue Trust" has the meaning given that term in Recital A.

"Original Articles" has the meaning given that term in Recital A.

"Original Operating Agreement" has the meaning given that term in Recital A.

"Percentage Interests" means the Members' interests, expressed as a percentage, in Profits, Losses, distributions of the Company as provided for in this Agreement.

"Person" means any individual, partnership, corporation, limited liability company, trust or other entity.

"Profits" and "Losses" mean, for each fiscal year or other period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a), reduced by any items of income or gain subject to special allocation pursuant to this Agreement, and otherwise adjusted by the Manager to comply with the Regulations.

"Properties" and "Property" have the meanings given those terms in Section 5.1(c)(i) hereof;

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Sklar" has the meaning given that term in the introductory paragraph to this Agreement.

"Substituted Member" has the meaning given that term in Section 7.3 hereof.

"Transfer" has the meaning given that term in Section 7.1 hereof.

"Withdrawal Event" means those events and circumstances listed in Section 29-733 of the Act.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first above written.

Manager:

DMB ASSOCIATES, INC.,
an Arizona corporation

By: _____
Its: _____

Members:

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

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

Exhibit A

Members	Percentage Interest
The Dorrance 1995 Issue Trust dated November 2, 1998 7600 E. Doubletree Ranch Road, Suite 300 Scottsdale, Arizona 85258	73 1/3%
Brown Family Trust dated August 30, 1980, as amended 7600 E. Doubletree Ranch Road, Suite 300 Scottsdale, Arizona 85258	13 1/3%
Mark N. Sklar Trust dated May 18, 1972, as amended 7600 E. Doubletree Ranch Road, Suite 300 Scottsdale, Arizona 85258	13 1/3%

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 21st Day of July, 2004, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION
DITAT DEUS
1912

Executive Secretary

By Pam Bedard

UNANIMOUS CONSENT OF SOLE MANAGER AND MEMBER
OF
DMB REALCO II LLC,
an Arizona limited liability company

The undersigned, being the Sole Manager and Member of DMB Realco II LLC, an Arizona limited liability company (the "**Company**"), hereby adopts the following resolutions by unanimous written consent, as of October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by the DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and the Company in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to that certain Reimbursement Agreement, by and between Compass Bank, an Alabama banking corporation (the "**Bank**"), DMB-WT, as Borrower, and the Company, as Guarantor (the "**Reimbursement Agreement**"), and the additional agreements, undertakings and instruments referenced therein, including that certain Unconditional Guaranty of Payment by the Company (the "**Guaranty**") and that certain first-lien Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing pertaining to certain real property owned by DMB-WT (the "**Deed of Trust**") (collectively, the "**Reimbursement Agreement Documents**"), the Bank has agreed to provide that certain Irrevocable Direct-Pay Letter of Credit No. 22222 in a total amount not exceeding $13,162,500 (the "**Letter of Credit**") to the Trustee in respect of the Bond Issuance (the "**Letter of Credit Transaction**"), which Letter of Credit shall be drawn upon to pay debt service on the Bonds, pay the purchase price of Bonds that may be tendered or otherwise redeemed in accordance with the terms of the Bond Issuance Documents, and pay certain other amounts payable by drawings on the Letter of Credit in accordance with the terms and conditions of the Bond Issuance Documents; and

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance and a condition precedent to the Bank providing the Letter of Credit that the Company authorize and consent to certain actions, representations and agreements of the Company in respect of the Bond Issuance and the Letter of Credit Transaction, including the Company being a party to the Bond Issuance Documents (as applicable) and the Reimbursement Agreement Documents (as applicable) and the provision by the Company of financial assurances, security interests and other assurances to the District and the Bank, as referenced in the applicable Bond Issuance Documents and the applicable Reimbursement Agreement Documents, respectively; and

WHEREAS, the Bond Issuance and the Letter of Credit Transaction will directly or indirectly benefit the Company and its Member; and

WHEREAS, the Manager and the Members of the undersigned Member of the Company have authorized the Member to act on behalf of the Company, and have authorized the Manager of the undersigned Member, DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), to act on behalf of the Member with respect to all matters that are the subject of this Consent of Member of the Company, pursuant to that certain Unanimous Consent of Manager and Members of DMB Realco LLC, of even date herewith.

NOW THEREFORE, BE IT RESOLVED, that the undersigned Member of the Company has determined that certain actions and the making of certain representations and agreements, and the giving of certain financial assurances, security interests and other assurances, in connection with the Bond Issuance and the Letter of Credit Transaction is in the best interest of the Company, including the Company being a party to the Bond Issuance Documents and Reimbursement Agreement Documents; and

FURTHER RESOLVED, that DMB Associates, as the Manager of the undersigned Member of the Company, is hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Member, acting on behalf of the Company, such certificates, agreements, documents or instruments as the officer of DMB Associates authorized to do so pursuant to the Unanimous Consent of Directors of DMB Associates, of even date herewith, may deem necessary or appropriate in his sole discretion to consummate (A) the Bond Issuance including, without limitation, the Standby Contribution Agreement, and (B) the Letter of Credit Transaction including, without limitation, the Reimbursement Agreement, the Security Agreement (Accounts), the Guaranty and the Guarantee Authorization (Guarantor), in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that

the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved.

FURTHER RESOLVED, that DMB Associates is hereby authorized to incur and pay, on behalf of the undersigned Member acting on behalf of the Company, all expenses relating to the Bond Issuance and the Letter of Credit Transaction 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 DMB Associates or the said officers of DMB Associates on behalf of the undersigned Member, acting on behalf of the Company, in connection with the Bond Issuance and the Letter of Credit Transaction, including any actions taken prior to the adoption of these resolutions by or on behalf of the Company and all other actions incidental thereto in connection with the Bond Issuance and the Letter of Credit Transaction;

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, the Bank or any other person in connection with the Bond Issuance and the Letter of Credit Transaction and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Member revoking these resolutions.

SOLE MANAGER AND MEMBER:

DMB REALCO LLC, an Arizona limited liability company

By: DMB Associates Inc., an Arizona corporation

By: _____
Andrew S. Beams, Vice President

UNANIMOUS CONSENT
OF
MANAGER AND MEMBERS
OF
DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being the Manager and all of the Members of DMB REALCO LLC, an Arizona limited liability company (the "**Company**"), hereby adopt the following resolutions by unanimous written consent, pursuant to Section 5.5 of the Operating Agreement of the Company, effective October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and DMB Realco II, LLC, an Arizona limited liability company ("**Realco II**") in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to the Operating Agreement of DMB-WT and that certain Trust Agreement (Trust No. B176) ("**Trust Agreement**"), dated March 19, 200, by and between Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), DMB-WT, as Second Beneficiary, and Fidelity National Title Insurance Co., as Trustee, First Beneficiary is to be provided with a guaranty of the payment and performance of the Guaranteed Obligations (as such term is defined in the Trust Agreement) and First Beneficiary has agreed to accept, in satisfaction of such obligation and by way of substitution and replacement for that certain Limited Unsecured Guaranty by ABD Investments Limited Partnership in favor of First Beneficiary, that certain Limited Recourse Guaranty ("**Limited Recourse Guaranty**") by Realco II in favor of First Beneficiary; and

WHEREAS, the Company is the Sole Manager and Sole Member of Realco II, and the Manager and Members of the Company are desirous of granting the Company the full power and authority to undertake all actions permitted under the organizational documents and operating agreement of

the Company, and applicable law, on behalf of Realco II with respect to the Bond Issuance; and

WHEREAS, the Bond Issuance and the Limited Recourse Guaranty will directly or indirectly benefit the Company and its Members.

NOW THEREFORE, BE IT RESOLVED, that the Manager and Members have determined that authorizing and consenting to certain actions, representations and agreements of the Company on behalf of Realco II is in the best interest of the Company, and the Members herewith authorize and consent to all actions, representations and agreements of the Company on behalf of Realco II in connection with the Bond Issuance including the actions, representations and agreements of Realco II in respect of the Limited Recourse Guaranty, including Realco II being a party to the Limited Recourse Guaranty; and

FURTHER RESOLVED, that the Manager of the Company, DMB Associates, Inc., an Arizona corporation (**"DMB Associates"**), is hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Company, acting on behalf of Realco II, such certificates, agreements, documents or instruments as the officer of DMB Associates authorized to do so pursuant to the Unanimous Consent of Directors of DMB Associates, of even date herewith, may deem necessary or appropriate in his sole discretion to consummate the Limited Recourse Guaranty, in such form and to contain such terms and conditions as may be approved by such officer, such approval to be conclusively evidenced by such officer's execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved.

FURTHER RESOLVED, that DMB Associates is hereby authorized and directed to incur and pay, on behalf of the Company, acting on behalf of Realco II, all expenses relating to the Limited Recourse Guaranty, as in the sole judgment of the said officers shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the Manager and Members hereby ratify and approve any actions previously taken by or at the request of DMB Associates or the said officers of DMB Associates on behalf of the Company, acting on behalf of Realco II, in connection with the Limited Recourse Guaranty, including any actions taken prior to the adoption of these resolutions by or on behalf of the Company, acting on behalf of Realco II, and all other actions incidental thereto, in connection with the Limited Recourse Guaranty;

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, the Bank or any other person in connection with the Limited Recourse Guaranty, and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Members revoking these resolutions.

MANAGER:

DMB Associates Inc., an Arizona corporation

By: _____
Andrew S. Beams, Vice President

MEMBERS:

The Dorrance 1995 Issue Trust dated November 2, 1998

By: _____
Jacquelynn W. Dorrance, Co-Trustee

Brown Family Trust dated August 30, 1980, as amended

By: _____
Drew M. Brown, Trustee

Mark N. Sklar Trust dated May 18, 1972, as amended

By: _____
Mark N. Sklar, Trustee

BORROWING AUTHORIZATION
(Manager of Borrower)

To induce COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), to grant and/or continue financial accommodations to DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), of which DMB REALCO LLC, an Arizona limited liability company (hereinafter called the "Company"), whose address is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, is the sole Manager, the undersigned represent, warrant and covenant that:

1. Company is a limited liability company formed and existing under the laws of the State of Arizona, and (a) the following persons or entities are all of the members: The Dorrance 1995 Issue Trust dated November 2, 1998; Mark N. Sklar Trust dated May 18, 1972, as amended; Brown Family Trust dated August 30, 1980, as amended; (b) the sole manager of Company is: DMB Associates, Inc., an Arizona corporation ("DMB Associates"); (c) Articles of Organization have been recorded or filed as required by law; (d) an Operating Agreement has been duly adopted by the members of Company; (e) Lender, when dealing with the Authorized Agent, defined below, shall be entitled to accept the representations of the Authorized Agent that the purpose of exercising the authority herein given is within the scope of the business of Company; (f) Lender shall be under no obligation to make any inquiries in order to verify or confirm any of said representations or to see to the application of any company funds for the purposes so represented; (g) Lender in no way shall be responsible for misapplication of any Company funds or other property acquired, encumbered or disposed of by virtue of the authority herein given.

2. Each of the following-named persons, acting alone: John L. Bradley, Vice President, DMB Associates and Andrew S. Beams, Vice President, DMB Associates, the sole manager of Company (hereinafter called "Authorized Agent") is hereby authorized, directed and empowered for and in the name of the Company, as the sole manager and a member of Borrower:

(a) to borrow from Lender such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as, in the judgment of the Authorized Agent, Borrower may require, for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by the Authorized Agent, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($13,162,500.00);

(b) to execute and deliver any notes, drafts, guarantees, applications for letters of credit and agreements of any type to evidence such obligations and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Agent;

(c) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to Borrower or the Company as the manager of Borrower, and from time to time to substitute for such property, or any part thereof, other property for the same purpose; and

(d) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require.

3. The Authorized Agent may authorize an agent or agents of the Company as the manager of Borrower to do any or all acts that may be done by the Authorized Agent pursuant to this Authorization and may evidence that authorization on a form satisfactory to Lender and prepared for that purpose, and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Agent.

4. The obligations of Borrower authorized hereby are in addition to such other obligations, if any, as may now exist between Lender and Borrower, and this Authorization shall in no way diminish or decrease any such existing obligations previously authorized by the Company as the manager of Borrower. Future authorizations with respect to future obligations may be adopted hereafter by the Company as the manager of Borrower without derogation of the authority set forth herein.

5. All prior acts of the Authorized Agent, on behalf of DMB Associates as the sole manager of the Company, as the manager of Borrower, or DMB Associates as the sole manager of the Company in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to evidence or secure any obligations due Lender are hereby ratified and approved. Lender, at any time, may apply any money or property in its possession or under its control belonging to Borrower to the payment of any indebtedness of Borrower to Lender, when due and payable.

6. This Authorization shall not limit the authority of any person not mentioned herein and shall be in addition to, and not in limitation of, the rights inherent in a member or manager.

7. This Authorization shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied.

8. In the event of any dispute among the members of the Company, or any of them, the undersigned, jointly and severally, shall defend, indemnify and save Lender and any

corporation controlling, controlled by, or under common control with Lender, and any officer, director, shareholder, agent or employee of Lender or any such corporation, and each of them, harmless from any and all damages, expenses and liabilities of any type whatsoever, including but not limited to attorneys' fees, and including but not limited to any liability arising out of demands by any of the members of the Company, for undisbursed proceeds of any obligations authorized hereby, suffered or incurred as a result of or in connection with any such dispute. This indemnity provision shall survive the repayment of any and all indebtedness of Borrower to Lender, shall be binding upon the separate and respective heirs, administrators, personal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of Lender and any corporation controlling, controlled by, or under common control with Lender, and to the heirs, administrators, personal representatives, successors and assigns of Lender or such corporation's officers, directors, shareholders, agents and employees.

9. If this Authorization is executed by less than all of the members or managers of the Company, the undersigned represents and warrants to Lender that the undersigned alone has the power to authorize the transactions contemplated hereby.

10. This Authorization may be executed in any number of counterparts and each counterpart executed by any of the undersigned, together with all other counterparts so executed, shall constitute a single instrument and agreement of the undersigned.

IN WITNESS WHEREOF, this Authorization is hereby executed as of the 1st day of October, 2004, by all necessary and required managers and members of the Company.

MANAGER

DMB REALCO LLC, an Arizona limited liability company, Manager

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: 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

GUARANTEE AUTHORIZATION
(Manager of Guarantor)

To enable DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), to borrow from COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as Borrower may require, for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by Borrower, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($13,162,500.00), from which DMB REALCO LLC, an Arizona limited liability company (hereinafter called the "Manager"), whose address is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, and who is the manager of DMB REALCO II LLC, an Arizona limited liability company (hereinafter called "Guarantor"), expects to derive substantial benefits, the undersigned represent, warrant and covenant that:

1. Manager is a limited liability company formed and existing under the laws of the State of Arizona, and (a) the following persons or entities are all of the members: The Dorrance 1995 Issue Trust dated November 2, 1998, by Jacquelynn W. Dorrance, Bennett Dorrance, Jr. and Ashley Dorrance Baiker, Co-Trustees; Mark N. Sklar Trust dated May 18, 1972, as amended, by Mark N. Sklar, Trustee; Brown Family Trust dated August 30, 1980, as amended, by Drew M. Brown, Trustee; (b) the sole manager of Manager is: DMB ASSOCIATES, INC., an Arizona corporation ("DMB Associates"); (c) Articles of Organization have been recorded or filed as required by law; (d) an Operating Agreement has been duly adopted by the members of Manager; (e) Lender, when dealing with the Authorized Agent, defined below, shall be entitled to accept the representations of the Authorized Agent that the purpose of exercising the authority herein given is within the scope of the business of Manager; (f) Lender shall be under no obligation to make any inquiries in order to verify or confirm any of said representations or to see to the application of any company funds for the purposes so represented; (g) Lender in no way shall be responsible for misapplication of any company funds or other property acquired, encumbered or disposed of by virtue of the authority herein given.

2. Each of the following-named persons, acting alone: John L. Bradley, Vice President, DMB Associates as sole manager of Manager (hereinafter called "Authorized Agent") is hereby authorized, directed and empowered for and in the name of DMB Associates, as manager of the Manager of Guarantor:

(a) to endorse any notes evidencing such obligations of Borrower, to execute guarantee and continuing guarantee agreements for such obligations of Borrower and guarantees of performance and completion of any improvements to be constructed by Borrower with the proceeds of any such loans, credits or financial accommodations from Lender, and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Agent;

(b) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations of Borrower and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to Guarantor or the Manager as the Manager of Guarantor, and from time to time to substitute for such property, or any part thereof, other property for the same purpose; and

(c) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require.

3. The Authorized Agent may authorize an agent or agents of the Manager as the manager of Guarantor to do any or all acts that may be done by the Authorized Agent pursuant to this Authorization and may evidence that authorization on a form satisfactory to Lender and prepared for that purpose, and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Agent.

4. The obligations of the Manager as the manager of Guarantor authorized hereby are in addition to such other obligations, if any, as may now exist between Lender and the Manager as the manager of Guarantor, and this Authorization shall in no way diminish or decrease any such existing obligations previously authorized by the Manager as the manager of Guarantor. Future authorizations with respect to future obligations may be adopted hereafter by the Manager as the manager of Guarantor without derogation of the authority set forth herein.

5. All prior acts of the Authorized Agent, DMB Associates as the managers of the Manager as the manager of Guarantor, in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to evidence or secure any obligations due Lender are hereby ratified and approved. Lender, at any time, may apply any money or property in its possession or under its control belonging to Guarantor or the Manager to the payment of any indebtedness of Borrower to Lender, whether or not then due.

6. This Authorization shall not limit the authority of any person not mentioned herein and shall be in addition to, and not in limitation of, the rights inherent in a manager or member.

7. This Authorization shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied.

8. In the event of any dispute among the members, if any, of the Manager, or any of them, the undersigned, jointly and severally, shall defend, indemnify and save Lender and any corporation controlling, controlled by, or under common control with Lender, and any officer,

director, shareholder, agent or employee of Lender or any such corporation, and each of them, harmless from any and all damages, expenses and liabilities of any type whatsoever, including but not limited to attorneys' fees, and including but not limited to any liability arising out of demands by any of the members of the Manager, for undisbursed proceeds of any obligations authorized hereby, suffered or incurred as a result of or in connection with any such dispute. This indemnity provision shall survive the repayment of any and all indebtedness of Borrower to Lender, shall be binding upon the separate and respective heirs, administrators, personal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of Lender and any corporation controlling, controlled by, or under common control with Lender, and to the heirs, administrators, personal representatives, successors and assigns of Lender or such corporation's officers, directors, shareholders, agents and employees.

9. This Authorization may be executed in any number of counterparts and each counterpart executed by any of the undersigned, together with all other counterparts so executed, shall constitute a single instrument and agreement of the undersigned.

IN WITNESS WHEREOF, this Authorization is hereby executed as of the 1st day of October, 2004, by the sole manager and all members of the Manager.

MANAGER

DMB REALCO LLC, an Arizona limited liability company, Manager

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: 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

director, shareholder, agent or employee of Lender or any such corporation, and each of them, harmless from any and all damages, expenses and liabilities of any type whatsoever, including but not limited to attorneys' fees, and including but not limited to any liability arising out of demands by any of the members of the Manager, for undisbursed proceeds of any obligations authorized hereby, suffered or incurred as a result of or in connection with any such dispute. This indemnity provision shall survive the repayment of any and all indebtedness of Borrower to Lender, shall be binding upon the separate and respective heirs, administrators, personal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of Lender and any corporation controlling, controlled by, or under common control with Lender, and to the heirs, administrators, personal representatives, successors and assigns of Lender or such corporation's officers, directors, shareholders, agents and employees.

9. This Authorization may be executed in any number of counterparts and each counterpart executed by any of the undersigned, together with all other counterparts so executed, shall constitute a single instrument and agreement of the undersigned.

IN WITNESS WHEREOF, this Authorization is hereby executed as of the 1st day of October, 2004, by the sole manager and all members of the Manager.

MANAGER

DMB REALCO LLC, an Arizona limited liability company, Manager

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: 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

PLEDGE AUTHORIZATION
(Pledgor)

To enable DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), to borrow from COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as Borrower may require, for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by Borrower, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($13,162,500.00), from which DMB REALCO LLC, an Arizona limited liability company (hereinafter called the "Pledgor"), whose address is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, expects to derive substantial benefits, the undersigned represent, warrant and covenant that:

1. Pledgor is a limited liability company formed and existing under the laws of the State of Arizona, and (a) the following persons or entities are all of the members: The Dorrance 1995 Issue Trust dated November 2, 1998; Mark N. Sklar Trust dated May 18, 1972, as amended; Brown Family Trust dated August 30, 1980, as amended; (b) the sole manager of Manager is: DMB ASSOCIATES, INC., an Arizona corporation ("DMB Associates"); (c) Articles of Organization have been recorded or filed as required by law; (d) an Operating Agreement has been duly adopted by the members of Pledgor; (e) Lender, when dealing with the Authorized Agent, defined below, shall be entitled to accept the representations of the Authorized Agent that the purpose of exercising the authority herein given is within the scope of the business of Pledgor; (f) Lender shall be under no obligation to make any inquiries in order to verify or confirm any of said representations or to see to the application of any company funds for the purposes so represented; (g) Lender in no way shall be responsible for misapplication of any company funds or other property acquired, encumbered or disposed of by virtue of the authority herein given.

2. Each of the following-named persons, acting alone: John L. Bradley, Vice President, and Andrew S. Beams, Vice President, DMB Associates as sole manager of Pledgor (hereinafter called "Authorized Agent") is hereby authorized, directed and empowered for and in the name of DMB Associates, as manager of the Pledgor:

(a) to endorse any notes evidencing such obligations of Borrower, to execute guarantee and continuing guarantee agreements for such obligations of Borrower and guarantees of performance and completion of any improvements to be constructed by Borrower with the proceeds of any such loans, credits or financial accommodations from Lender, and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Agent;

(b) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations of

Borrower and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to the Pledgor, and from time to time to substitute for such property, or any part thereof, other property for the same purpose; and

(c) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require.

3. The Authorized Agent may authorize an agent or agents of the Pledgor to do any or all acts that may be done by the Authorized Agent pursuant to this Authorization and may evidence that authorization on a form satisfactory to Lender and prepared for that purpose, and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Agent.

4. The obligations of the Pledgor authorized hereby are in addition to such other obligations, if any, as may now exist between the Pledgor and Lender, and this Authorization shall in no way diminish or decrease any such existing obligations previously authorized by the Pledgor. Future authorizations with respect to future obligations may be adopted hereafter by the Pledgor without derogation of the authority set forth herein.

5. All prior acts of the Authorized Agent, DMB Associates as the managers of the Pledgor, in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to evidence or secure and obligations due Lender are hereby ratified and approved. Lender, at any time, may apply any money or property in its possession or under its control belonging to the Pledgor to the payment of any indebtedness of Borrower to Lender, whether or not then due.

6. This Authorization shall not limit the authority of any person not mentioned herein and shall be in addition to, and not in limitation of, the rights inherent in a manager or member.

7. This Authorization shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied.

8. In the event of any dispute among the members, if any, of the Pledgor, or any of them, the undersigned, jointly and severally, shall defend, indemnify and save Lender and any corporation controlling, controlled by, or under common control with Lender, and any officer, director, shareholder, agent or employee of Lender or any such corporation, and each of them, harmless from any and all damages, expenses and liabilities of any type whatsoever, including but not limited to attorneys' fees, and including but not limited to any liability arising out of

demands by any of the members of the Pledgor, for undisbursed proceeds of any obligations authorized hereby, suffered or incurred as a result of or in connection with any such dispute. This indemnity provision shall survive the repayment of any and all indebtedness of Borrower to Lender, shall be binding upon the separate and respective heirs, administrators, personal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of Lender and any corporation controlling, controlled by, or under common control with Lender, and to the heirs, administrators, personal representatives, successors and assigns of Lender or such corporation's officers, directors, shareholders, agents and employees.

9. This Authorization may be executed in any number of counterparts and each counterpart executed by any of the undersigned, together with all other counterparts so executed, shall constitute a single instrument and agreement of the undersigned.

IN WITNESS WHEREOF, this Authorization is hereby executed as of the 1st day of October, 2004, by the sole manager and all members of the Pledgor.

PLEDGOR

DMB REALCO LLC, an Arizona limited liability company, Manager

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: 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 Gracia 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
STATE OF AZ.

JUN 10 3 52 PM '88

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
DMB ASSOCIATES, INC.

Pursuant to the provisions of A.R.S. § 10-061, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

FIRST: The document attached hereto as Exhibit A and by this reference incorporated herein sets forth an Amendment to the Articles of Incorporation, which was adopted by the shareholders of the corporation on April 4, 1988, in the manner prescribed by the Arizona Business Corporation Act.

SECOND: Seventy-five (75) common shares without par value were outstanding at the time of adoption of the Amendment and the number of shares entitled to vote thereon was Seventy-five (75).

THIRD: The designation and number of outstanding shares of each class or series entitled to vote thereon as a class or series were as follows:

CLASS OR SERIES	NUMBER OF SHARES
Common	75

FOURTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such amendment was as follows:

CLASS OR SERIES	NUMBER OF SHARES FOR	NUMBER SHARES AGAINST
Common	75	-0-

FIFTH: The Amendment does not provide for an exchange, reclassification or cancellation of issued shares.

SIXTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED: April 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."

FEB 14 '91 09:20 FENNEMORE CRAIG

STATE OF ARIZONA
ACC/FAX
DATE FILED

FEB 14 1991

DATE APPR 2/14/91
TERM
BY Tonia Drees

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.

FEB 14 '91 09:20 FENNEMORE CRAIG

STATE OF ARIZONA
ACC. FEE
DATE FILED

FEB 14 1991

DATE APPR 2/14/91
TERM
BY [signature]

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF DMB ASSOCIATES, INC.

Pursuant to the provisions of A.R.S. § 10-061, DMB Associates, Inc., an Arizona corporation, hereby adopts the following Articles of Amendment and certifies as follows:

172559-6

FIRST: The name of the corporation is DMB Associates, Inc.

SECOND: The document attached hereto as Exhibit A and by this reference incorporated herein sets forth an Amendment to the Articles of Incorporation.

THIRD: The amendment set forth in Exhibit A was unanimously adopted by the shareholders of the corporation as of December 18, 1990, in the manner prescribed by the Arizona Business Corporation Act.

FOURTH: Seventy-five (75) common shares without par value were outstanding at the time of adoption of the Amendment and the number of shares entitled to vote thereon was seventy-five (75).

FIFTH: The number of shares of each class or series entitled to vote thereon as a class or series voted for or against such Amendment as follows:

CLASS OF SERIES	NUMBER OF SHARES IN FAVOR	NUMBER OF SHARES AGAINST
Common	75	-0-

SIXTH: The Amendment does not provide for an exchange, reclassification, or cancellation of issued shares.

SEVENTH: The Amendment will not effect a change in the amount of the corporation's stated capital.

DATED as of December 18, 1990.

By: [signature]
Drew M. Brown, President

By: [signature]
Mark N. Sklar, Secretary

EXHIBIT A

The text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

> The corporation shall have author ty to insue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue one thousand (1,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

AZ. CORP COMMISSION
FILED
AUG 30 1999
APPR
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 M. Brown, President

By: _____
Mark N. Sklar, Secretary

EXHIBIT A

The Text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

The corporation shall have authority to issue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue fifty thousand (50,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

JUN-14-2002 15:25

STATE OF ARIZONA
ACC/FAX
DATE FILED

JUN 11 2002

DATE APPR 6/11/02
TERM [redacted]- 0172559-4
BY [redacted]

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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EXHIBIT A

The Text of Article III of the Articles of Incorporation is deleted in its entirety and the following is substituted therein:

The corporation shall have authority to issue one thousand (1,000) shares of voting common stock without par value. The corporation also shall have authority to issue five hundred thousand (500,000) shares of nonvoting common stock without par value. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

BYLAWS

OF

DMB ASSOCIATES, INC.

ARTICLE I

General

Section 1.01. Location. The location of the principal office of the corporation shall be in Phoenix, Arizona, but it may have other offices at such places throughout the world as the business of the corporation may require and as the Board of Directors shall deem to be expedient.

Section 1.02. Seal. The corporate seal of the corporation shall be a circular disc with the name of the corporation, the year of its organization and the word "Arizona" thereon.

Section 1.03. Fiscal Year. The fiscal year shall end on January 31 of each year.

ARTICLE II

Shares

Section 2.01. Issuance of Shares. The Board of Directors may issue shares for such consideration, expressed in dollars, as the Board shall fix from time to time, except that shares having a par value may not be issued for less than the par value. The consideration for the issuance of shares may be paid to the corporation, in whole or in part, in cash, in other property, tangible or intangible, or in labor or services actually performed for the corporation. Shares shall be deemed to be fully paid and non-assessable when payment of the consideration has been received by the corporation. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares. In the absence of bad faith in the valuation of the consideration, the judgment of the Board of Directors as to the value of the consideration received for the shares shall be conclusive. No certificate shall be issued for any share until the share is fully paid.

Section 2.02. Stock Certificates. Subject to the provisions of the articles of incorporation, certificates representing shares shall be in such form as may from time to

time be prescribed by the Board of Directors, shall be numbered and entered in the books in the order issued, and shall be signed by the President or a Vice-President and the Secretary or Assistant Secretary and sealed with the corporate seal. To the extent permitted by law, the signatures or the seal may be facsimile.

Section 2.03. Transfers of Shares. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation, by any amendment thereof, or by a shareholders' agreement. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 2.04. Lost Certificates. Each certificate issued shall be surrendered before a new certificate in lieu thereof shall be issued, except in the case of the loss or destruction of a certificate, in which case a new certificate may be issued in place of the certificate lost or destroyed upon furnishing an affidavit reciting the circumstances of the loss or destruction and upon the furnishing of a bond of indemnity to the corporation, with or without surety, which is satisfactory to the directors.

ARTICLE III

Meetings of Shareholders

Section 3.01. General. All meetings of the shareholders shall be held at the principal office of this corporation in the State of Arizona or at such other place as stated in the notice or waiver of notice of the meeting.

Section 3.02. Voting of Shares. At all meetings a shareholder may vote in person or may be represented and vote by a duly authorized attorney-in-fact or by a proxy in writing filed with the Secretary before voting.

Section 3.03. Annual Meeting. An annual meeting of the shareholders shall be held on the first Friday in January of each year unless that day is a legal holiday, in which event the meeting will be held on the next business day. Before or after the date specified in the previous sentence, the directors may designate another date for the annual meeting, which may be before or after the specified date. The shareholders may by waiver of notice and consent designate another date for the

Note: The annual meeting of shareholders was changed to the first Wednesday of December, or the next business day if a legal holiday, pursuant to a Consent in Lieu of Annual Meeting of Shareholders dated December 2, 1998.

annual meeting, which may be before or after the date specified by this Section or designated by the directors.

Section 3.04. Special Meetings. Special meetings of the shareholders may be called by the President, or a Vice-President, by vote of the Board of Directors, or by one or more shareholders who hold, in the aggregate, at least one-tenth of all the shares of the capital stock entitled to vote at the meeting.

Section 3.05. Notice of Meetings. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by an officer of the corporation at the direction of the person or persons calling the meeting, to each shareholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the shareholder at his address as it appears on the share transfer books of the corporation. When a meeting is adjourned to another time or place notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.06. Waiver of Notice. Whenever notice of a meeting is required to be given to any shareholder of the corporation under these bylaws, a waiver thereof in writing signed by the shareholder entitled to the notice, whether before or after the time stated therein, shall be equivalent to the giving of the notice. Attendance at a meeting by a shareholder in person or by a duly authorized attorney-in-fact or voting by a shareholder at a meeting by a proxy shall constitute waiver of notice of the meeting, except when the shareholder or attorney-in-fact attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.07. Action by Shareholders Without a Meeting. Any action required to be taken at a meeting of the shareholders of the corporation, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting

if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote on the subject. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of shareholders at a duly convened meeting.

Section 3.08. Quorum. At any meeting of the shareholders the presence, in accordance with Section 3.02 of these bylaws, of a majority of the shares entitled to vote shall constitute a quorum. All shares represented and entitled to vote on any single subject matter which may be brought before the meeting shall be counted for the purposes of a quorum. Only those shares entitled to vote on a particular subject matter shall be counted for the purposes of voting on that subject matter. Business may be conducted once a quorum is present and may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum. Unless the vote of a greater number or voting by classes is required by law or the articles of incorporation or these bylaws, the affirmative vote of the majority of the shares then represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders; provided, however, that if the shares then represented are less than required to constitute a quorum, the affirmative vote must be such as would constitute a majority if a quorum were present and provided further, the affirmative vote of a majority of the shares then present is sufficient in all cases to adjourn a meeting.

ARTICLE IV

Board of Directors

Section 4.01. General. The business and affairs of the corporation shall be managed by a Board of Directors of not less than three directors nor more than five directors, the number to be three unless a different number is fixed by the shareholders.

Section 4.02. Election of Directors and Filling Vacancies. A Board of Directors shall be elected by ballot at the annual meeting of the shareholders. Every shareholder entitled to vote in accordance with Section 3.02 of these bylaws shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or by distributing such votes on the same principle among

any number of such candidates. A director shall serve until the next annual meeting of shareholders or until removed or until his successor is elected and qualified. The Board of Directors may fill any vacancy occurring on the Board of Directors from whatever cause in the interval between the annual meetings of the shareholders; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the Board of Directors, if not already filled, or substitute some other person to fill the vacancy, in which case the term of office of the person elected by the Board of Directors shall forthwith terminate.

Section 4.03. General Powers. The Board of Directors shall have the power to control and manage all of the affairs and property of the corporation and to exercise, in addition to the powers and authorities expressly conferred upon it by these bylaws or by the articles of incorporation, all powers as may be exercised, and to do all such things that may be done by the corporation which are not expressly reserved to the shareholders, as permitted by the laws of the State of Arizona. It may restrict, enlarge or otherwise modify the powers and duties of any or all of the officers of this corporation. Without limiting the generality of the foregoing, the Board of Directors may fix record dates for determining shareholders of various classes having the right to notice of and to vote at meetings and adjournments thereof, or the right to receive dividends or other distributions, or the right to give consents to or to dissent from certain actions or for any other purpose for which record dates are or might be relevant and to determine whether or not transfer books should be closed in connection therewith.

Section 4.04. Quorum. A majority of the total number for the time being of the Board of Directors, but in no case less than two directors, shall constitute a quorum for the transaction of business, but a lesser number may adjourn the meeting sine die or to a stated time and place, and a majority of the members present at any meeting at which a quorum is present shall decide any question brought before such meeting except as otherwise may be provided by law. Any director shall be counted as present for quorum purposes at any regular or special meeting of directors and as voting with the majority, if the director subsequently approves and signs the minutes of the meeting.

Section 4.05. Regular Meeting. A regular meeting of the Board of Directors shall be held without notice following the adjournment of the annual meeting of the shareholders or any special meeting held in lieu thereof on the same day and at the same place as such annual or special meeting.

Section 4.06. Special Meeting. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one has been appointed, or the President, or a Vice-President or, at the request of two members of the Board of Directors, by the Secretary. Notice of any special meeting shall be given to each director stating the time, place and purpose of the meeting in one of the following ways: (a) by communicating actual notice to the director at least twenty-four (24) hours before the time of such meeting, or (b) by written notice thereof left at or telegraphed to a usual place of business of the director or to his residence, in either case at least forty-eight (48) hours before the time of such meeting, or (c) by placing a written notice in the mail, postage prepaid, addressed to a usual place of business of the director or to his residence, in any such case at least seventy-two (72) hours before the time of such meeting. Any person who has given notice hereunder may make an affidavit that the notice was given, which, as to the facts stated, shall be conclusive.

Section 4.07. Waiver of Notice. Notice of any meeting of the Board of Directors and of the business to be transacted may be waived in writing before or after the meeting by any director, and the presence of any director at any meeting of the Board of Directors shall be deemed a waiver of notice by him of the meeting and of the business to be transacted unless objection is made by him at the time and noted on the records of the meeting of the Board of Directors.

Section 4.08. Place of Directors' Meetings. Meetings of the Board of Directors, regular or special, may be held either within or without the State of Arizona and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

Section 4.09. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the directors or of a committee may be taken without a meeting if all directors or committee members, as the case may be, consent thereto in writing. Such consent shall have the same effect as a unanimous vote at a duly convened meeting of the Board of Directors or of a committee, as the case may be.

Section 4.10. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the Board of Directors, a majority of a full Board of Directors may exercise the powers of the Board of Directors.

Section 4.11. Removal. Any director may be removed from the Board of Directors with or without cause, subject only to limitations provided by law.

ARTICLE V

Committees

Section 5.01. General. The Board of Directors, by resolution adopted by a majority of all of the members of the Board of Directors, may designate from among its members one or more committees, each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, but no committee shall have the authority of the Board of Directors in reference to the following matters:

(a) The submission to shareholders of any action that requires shareholders' authorization or approval.

(b) The filling of vacancies on the Board of Directors or on any committee of the Board of Directors.

(c) The amendment or repeal of the bylaws, or the adoption of new bylaws.

(d) The fixing of compensation of directors for serving on the Board or on any committee of the Board of Directors.

The Board of Directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 5.02. Tenure. Each member of any committee established under this Article V shall hold office until the next regular annual meeting of the Board of Directors following his or her resignation and until his or her successor is elected and qualified.

Section 5.03. Meetings. Regular meetings of committees established under this Article V shall be held without notice at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon giving notice to other members of the committee in the manner provided in Section 4.06 for special meetings of the Board of Directors.

Section 5.04. Quorum. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must

be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

ARTICLE VI

Officers

Section 6.01. General. The officers of the corporation shall consist of a President, Vice-President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. In addition, the Board of Directors may, without limitation, elect other officers as it may from time to time find necessary or convenient for the transaction of the corporation's business and may elect the officers and fix their powers and duties. All officers shall serve at the pleasure of the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 6.02. Chairman of the Board. The Board of Directors may appoint a Chairman of the Board of Directors who shall, when present, preside at all meetings of shareholders and directors and shall have such other powers and duties as are vested in him by the Board of Directors.

Section 6.03. President. Except as provided in Section 6.02, the President shall preside at all meetings of the shareholders and directors at which he is present, sign with the Secretary or Assistant Secretary certificates of shares, except as the same may be signed by a Vice-President, and have such other powers and duties as are usually vested in the office of President of a corporation or as may be vested in him by vote of the Board of Directors.

Section 6.04. Vice-President. A Vice-President shall, in the absence or disability of the President, discharge all the duties of that office and may sign certificates of shares with the Secretary or an Assistant Secretary and have such other powers and duties as may be vested in him by vote of the Board of Directors.

Section 6.05. Secretary. The Secretary shall keep accurate minutes of all meetings of the shareholders, all meetings of the Board of Directors and the meetings of any executive committee and shall perform all the duties commonly incident to his office and shall have such other powers as the Board of Directors shall from time to time determine. The Secretary shall keep the seal of the corporation and the corporation's minute record. The Secretary shall also keep the book of blank certificates of shares, make out all certificates

of shares to be issued and make appropriate record entries of all share transactions; provided, however, that any of the duties of the Secretary set forth in this sentence may be delegated by the Board of Directors to a transfer agent or registrar. The Secretary or an Assistant Secretary shall sign with the President or a Vice-President all share certificates. The Secretary shall serve all notices required either by law or by the bylaws of the corporation and in case of his absence or refusal or neglect so to do then notices may be served by any person thereunto directed by the President. In the absence of the Secretary or an Assistant Secretary, a Secretary pro tem may be appointed to perform the duties of the Secretary.

Section 6.06. Treasurer. The Treasurer shall have charge of the funds of the corporation and shall be the general financial agent of the corporation. The Treasurer shall keep or cause to be kept full and accurate accounts of the financial affairs of the corporation, shall render or cause to be rendered a statement of the financial affairs of the corporation at each annual meeting of the shareholders and to the Board of Directors whenever it may require. The Treasurer shall have such other powers and perform such other duties as the Board of Directors shall from time to time determine.

Section 6.07. Bonds. The Board of Directors may require the Treasurer and any other officer to give a bond to the corporation with good and sufficient surety for the faithful performance of his respective duties.

ARTICLE VII

Amendment of Bylaws

Section 7.01. Amendments. The shareholders shall have the power to alter, repeal or amend these bylaws or adopt new bylaws at any regular meeting or at any special meeting called for that purpose, upon the affirmative vote of the holders of the majority of the shares entitled to vote thereon. Any amendment made to a bylaw shall be noted on the margin of the bylaw amended, referring to the page of the record where the amendment appears.

CERTIFICATE OF ADOPTION

The foregoing bylaws were duly adopted by the Board of Directors of DMB Associates, Inc. pursuant to a written consent of the directors dated January 22, 1985.

Drew M Brown
Secretary

ORIGINAL

BYLAWS

(prior to Consent to Annual Meeting change dated December 2, 1998)

BYLAWS

OF

DMB ASSOCIATES, INC.

ARTICLE I

General

Section 1.01. Location. The location of the principal office of the corporation shall be in Phoenix, Arizona, but it may have other offices at such places throughout the world as the business of the corporation may require and as the Board of Directors shall deem to be expedient.

Section 1.02. Seal. The corporate seal of the corporation shall be a circular disc with the name of the corporation, the year of its organization and the word "Arizona" thereon.

Section 1.03. Fiscal Year. The fiscal year shall end on January 31 of each year.

ARTICLE II

Shares

Section 2.01. Issuance of Shares. The Board of Directors may issue shares for such consideration, expressed in dollars, as the Board shall fix from time to time, except that shares having a par value may not be issued for less than the par value. The consideration for the issuance of shares may be paid to the corporation, in whole or in part, in cash, in other property, tangible or intangible, or in labor or services actually performed for the corporation. Shares shall be deemed to be fully paid and non-assessable when payment of the consideration has been received by the corporation. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares. In the absence of bad faith in the valuation of the consideration, the judgment of the Board of Directors as to the value of the consideration received for the shares shall be conclusive. No certificate shall be issued for any share until the share is fully paid.

Section 2.02. Stock Certificates. Subject to the provisions of the articles of incorporation, certificates representing shares shall be in such form as may from time to

time be prescribed by the Board of Directors, shall be numbered and entered in the books in the order issued, and shall be signed by the President or a Vice-President and the Secretary or Assistant Secretary and sealed with the corporate seal. To the extent permitted by law, the signatures or the seal may be facsimile.

Section 2.03. Transfers of Shares. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation, by any amendment thereof, or by a shareholders' agreement. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 2.04. Lost Certificates. Each certificate issued shall be surrendered before a new certificate in lieu thereof shall be issued, except in the case of the loss or destruction of a certificate, in which case a new certificate may be issued in place of the certificate lost or destroyed upon furnishing an affidavit reciting the circumstances of the loss or destruction and upon the furnishing of a bond of indemnity to the corporation, with or without surety, which is satisfactory to the directors.

ARTICLE III

Meetings of Shareholders

Section 3.01. General. All meetings of the shareholders shall be held at the principal office of this corporation in the State of Arizona or at such other place as stated in the notice or waiver of notice of the meeting.

Section 3.02. Voting of Shares. At all meetings a shareholder may vote in person or may be represented and vote by a duly authorized attorney-in-fact or by a proxy in writing filed with the Secretary before voting.

Section 3.03. Annual Meeting. An annual meeting of the shareholders shall be held on the first Friday in January of each year unless that day is a legal holiday, in which event the meeting will be held on the next business day. Before or after the date specified in the previous sentence, the directors may designate another date for the annual meeting, which may be before or after the specified date. The shareholders may by waiver of notice and consent designate another date for the

annual meeting, which may be before or after the date specified by this Section or designated by the directors.

Section 3.04. Special Meetings. Special meetings of the shareholders may be called by the President, or a Vice-President, by vote of the Board of Directors, or by one or more shareholders who hold, in the aggregate, at least one-tenth of all the shares of the capital stock entitled to vote at the meeting.

Section 3.05. Notice of Meetings. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than fifty days before the date of the meeting, either personally or by mail, by an officer of the corporation at the direction of the person or persons calling the meeting, to each shareholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the shareholder at his address as it appears on the share transfer books of the corporation. When a meeting is adjourned to another time or place notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.06. Waiver of Notice. Whenever notice of a meeting is required to be given to any shareholder of the corporation under these bylaws, a waiver thereof in writing signed by the shareholder entitled to the notice, whether before or after the time stated therein, shall be equivalent to the giving of the notice. Attendance at a meeting by a shareholder in person or by a duly authorized attorney-in-fact or voting by a shareholder at a meeting by a proxy shall constitute waiver of notice of the meeting, except when the shareholder or attorney-in-fact attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.07. Action by Shareholders Without a Meeting. Any action required to be taken at a meeting of the shareholders of the corporation, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting

if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote on the subject. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of shareholders at a duly convened meeting.

Section 3.08. Quorum. At any meeting of the shareholders the presence, in accordance with Section 3.02 of these bylaws, of a majority of the shares entitled to vote shall constitute a quorum. All shares represented and entitled to vote on any single subject matter which may be brought before the meeting shall be counted for the purposes of a quorum. Only those shares entitled to vote on a particular subject matter shall be counted for the purposes of voting on that subject matter. Business may be conducted once a quorum is present and may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum. Unless the vote of a greater number or voting by classes is required by law or the articles of incorporation or these bylaws, the affirmative vote of the majority of the shares then represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders; provided, however, that if the shares then represented are less than required to constitute a quorum, the affirmative vote must be such as would constitute a majority if a quorum were present and provided further, the affirmative vote of a majority of the shares then present is sufficient in all cases to adjourn a meeting.

ARTICLE IV

Board of Directors

Section 4.01. General. The business and affairs of the corporation shall be managed by a Board of Directors of not less than three directors nor more than five directors, the number to be three unless a different number is fixed by the shareholders.

Section 4.02. Election of Directors and Filling Vacancies. A Board of Directors shall be elected by ballot at the annual meeting of the shareholders. Every shareholder entitled to vote in accordance with Section 3.02 of these bylaws shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or by distributing such votes on the same principle among

any number of such candidates. A director shall serve until the next annual meeting of shareholders or until removed or until his successor is elected and qualified. The Board of Directors may fill any vacancy occurring on the Board of Directors from whatever cause in the interval between the annual meetings of the shareholders; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the Board of Directors, if not already filled, or substitute some other person to fill the vacancy, in which case the term of office of the person elected by the Board of Directors shall forthwith terminate.

Section 4.03. General Powers. The Board of Directors shall have the power to control and manage all of the affairs and property of the corporation and to exercise, in addition to the powers and authorities expressly conferred upon it by these bylaws or by the articles of incorporation, all powers as may be exercised, and to do all such things that may be done by the corporation which are not expressly reserved to the shareholders, as permitted by the laws of the State of Arizona. It may restrict, enlarge or otherwise modify the powers and duties of any or all of the officers of this corporation. Without limiting the generality of the foregoing, the Board of Directors may fix record dates for determining shareholders of various classes having the right to notice of and to vote at meetings and adjournments thereof, or the right to receive dividends or other distributions, or the right to give consents to or to dissent from certain actions or for any other purpose for which record dates are or might be relevant and to determine whether or not transfer books should be closed in connection therewith.

Section 4.04. Quorum. A majority of the total number for the time being of the Board of Directors, but in no case less than two directors, shall constitute a quorum for the transaction of business, but a lesser number may adjourn the meeting sine die or to a stated time and place, and a majority of the members present at any meeting at which a quorum is present shall decide any question brought before such meeting except as otherwise may be provided by law. Any director shall be counted as present for quorum purposes at any regular or special meeting of directors and as voting with the majority, if the director subsequently approves and signs the minutes of the meeting.

Section 4.05. Regular Meeting. A regular meeting of the Board of Directors shall be held without notice following the adjournment of the annual meeting of the shareholders or any special meeting held in lieu thereof on the same day and at the same place as such annual or special meeting.

Section 4.06. Special Meeting. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one has been appointed, or the President, or a Vice-President or, at the request of two members of the Board of Directors, by the Secretary. Notice of any special meeting shall be given to each director stating the time, place and purpose of the meeting in one of the following ways: (a) by communicating actual notice to the director at least twenty-four (24) hours before the time of such meeting, or (b) by written notice thereof left at or telegraphed to a usual place of business of the director or to his residence, in either case at least forty-eight (48) hours before the time of such meeting, or (c) by placing a written notice in the mail, postage prepaid, addressed to a usual place of business of the director or to his residence, in any such case at least seventy-two (72) hours before the time of such meeting. Any person who has given notice hereunder may make an affidavit that the notice was given, which, as to the facts stated, shall be conclusive.

Section 4.07. Waiver of Notice. Notice of any meeting of the Board of Directors and of the business to be transacted may be waived in writing before or after the meeting by any director, and the presence of any director at any meeting of the Board of Directors shall be deemed a waiver of notice by him of the meeting and of the business to be transacted unless objection is made by him at the time and noted on the records of the meeting of the Board of Directors.

Section 4.08. Place of Directors' Meetings. Meetings of the Board of Directors, regular or special, may be held either within or without the State of Arizona and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

Section 4.09. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the directors or of a committee may be taken without a meeting if all directors or committee members, as the case may be, consent thereto in writing. Such consent shall have the same effect as a unanimous vote at a duly convened meeting of the Board of Directors or of a committee, as the case may be.

Section 4.10. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the Board of Directors, a majority of a full Board of Directors may exercise the powers of the Board of Directors.

Section 4.11. Removal. Any director may be removed from the Board of Directors with or without cause, subject only to limitations provided by law.

ARTICLE V

Committees

Section 5.01. General. The Board of Directors, by resolution adopted by a majority of all of the members of the Board of Directors, may designate from among its members one or more committees, each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, but no committee shall have the authority of the Board of Directors in reference to the following matters:

(a) The submission to shareholders of any action that requires shareholders' authorization or approval.

(b) The filling of vacancies on the Board of Directors or on any committee of the Board of Directors.

(c) The amendment or repeal of the bylaws, or the adoption of new bylaws.

(d) The fixing of compensation of directors for serving on the Board or on any committee of the Board of Directors.

The Board of Directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 5.02. Tenure. Each member of any committee established under this Article V shall hold office until the next regular annual meeting of the Board of Directors following his or her resignation and until his or her successor is elected and qualified.

Section 5.03. Meetings. Regular meetings of committees established under this Article V shall be held without notice at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon giving notice to other members of the committee in the manner provided in Section 4.06 for special meetings of the Board of Directors.

Section 5.04. Quorum. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must

be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

ARTICLE VI

Officers

Section 6.01. General. The officers of the corporation shall consist of a President, Vice-President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. In addition, the Board of Directors may, without limitation, elect other officers as it may from time to time find necessary or convenient for the transaction of the corporation's business and may elect the officers and fix their powers and duties. All officers shall serve at the pleasure of the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 6.02. Chairman of the Board. The Board of Directors may appoint a Chairman of the Board of Directors who shall, when present, preside at all meetings of shareholders and directors and shall have such other powers and duties as are vested in him by the Board of Directors.

Section 6.03. President. Except as provided in Section 6.02, the President shall preside at all meetings of the shareholders and directors at which he is present, sign with the Secretary or Assistant Secretary certificates of shares, except as the same may be signed by a Vice-President, and have such other powers and duties as are usually vested in the office of President of a corporation or as may be vested in him by vote of the Board of Directors.

Section 6.04. Vice-President. A Vice-President shall, in the absence or disability of the President, discharge all the duties of that office and may sign certificates of shares with the Secretary or an Assistant Secretary and have such other powers and duties as may be vested in him by vote of the Board of Directors.

Section 6.05. Secretary. The Secretary shall keep accurate minutes of all meetings of the shareholders, all meetings of the Board of Directors and the meetings of any executive committee and shall perform all the duties commonly incident to his office and shall have such other powers as the Board of Directors shall from time to time determine. The Secretary shall keep the seal of the corporation and the corporation's minute record. The Secretary shall also keep the book of blank certificates of shares, make out all certificates

of shares to be issued and make appropriate record entries of all share transactions; provided, however, that any of the duties of the Secretary set forth in this sentence may be delegated by the Board of Directors to a transfer agent or registrar. The Secretary or an Assistant Secretary shall sign with the President or a Vice-President all share certificates. The Secretary shall serve all notices required either by law or by the bylaws of the corporation and in case of his absence or refusal or neglect so to do then notices may be served by any person thereunto directed by the President. In the absence of the Secretary or an Assistant Secretary, a Secretary pro tem may be appointed to perform the duties of the Secretary.

Section 6.06. Treasurer. The Treasurer shall have charge of the funds of the corporation and shall be the general financial agent of the corporation. The Treasurer shall keep or cause to be kept full and accurate accounts of the financial affairs of the corporation, shall render or cause to be rendered a statement of the financial affairs of the corporation at each annual meeting of the shareholders and to the Board of Directors whenever it may require. The Treasurer shall have such other powers and perform such other duties as the Board of Directors shall from time to time determine.

Section 6.07. Bonds. The Board of Directors may require the Treasurer and any other officer to give a bond to the corporation with good and sufficient surety for the faithful performance of his respective duties.

ARTICLE VII

Amendment of Bylaws

Section 7.01. Amendments. The shareholders shall have the power to alter, repeal or amend these bylaws or adopt new bylaws at any regular meeting or at any special meeting called for that purpose, upon the affirmative vote of the holders of the majority of the shares entitled to vote thereon. Any amendment made to a bylaw shall be noted on the margin of the bylaw amended, referring to the page of the record where the amendment appears.

CERTIFICATE OF ADOPTION

The foregoing bylaws were duly adopted by the Board of Directors of DMB Associates, Inc. pursuant to a written consent of the directors dated January 22, 1985.

Secretary

DMB ASSOCIATES, INC.

CONSENT IN LIEU OF ANNUAL
MEETING OF SHAREHOLDERS

December 2, 1998

Pursuant to Ariz. Rev. Stat. § 10-704, the undersigned, being all of the shareholders of DMB Associates, Inc., an Arizona corporation (the "Corporation"), hereby unanimously consent to the adoption of the following resolutions in lieu of holding an annual meeting:

RESOLVED, that the following individuals be, and they hereby are, elected to serve as directors of the Corporation, at the pleasure of the shareholders, until the next meeting of the shareholders or until their successors are duly appointed:

Drew M. Brown
Bennett Dorrance
Mark N. Sklar

FURTHER RESOLVED, that the first sentence of Section 3.03 of the Bylaws of the Corporation is hereby deleted and the following is inserted in its place:

Section 3.03. Annual Meeting. An annual meeting of the shareholders shall be held on the first Wednesday in December of each year unless that day is a legal holiday, in which event the meeting will be held on the next business day.

The Secretary of the Corporation is hereby authorized to note this Amendment on the margin of the bylaw amended to refer to the page of record where this Amendment appears.

FURTHER RESOLVED, that all acts of the Corporation, its officers and members of the Board of Directors are hereby affirmed, approved and ratified.

Mark N. Sklar

Drew M. Brown

Bennett Dorrance, as Trustee of the
Bennett Dorrance Trust dated April 21,
1989, as amended

SHAREHOLDERS

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 21st Day of July, 2004, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION * 1912 * DITAT DEUS

Executive Secretary

By Pam Bedard

UNANIMOUS CONSENT
OF
BOARD OF DIRECTORS
OF
DMB ASSOCIATES, INC.,
an Arizona corporation

The undersigned, being all of the Board of Directors of DMB ASSOCIATES, INC., an Arizona corporation (the "**Corporation**"), hereby adopt the following resolutions effective October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and DMB Realco II, LLC, an Arizona limited liability company ("**Realco II**") in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to that certain Reimbursement Agreement, by and between Compass Bank, an Alabama banking corporation (the "**Bank**"), DMB-WT, as Borrower, and Realco II, as Guarantor (the "**Reimbursement Agreement**"), and the additional agreements, undertakings and instruments referenced therein, including that certain Unconditional Guaranty of Payment by Realco II (the "**Guaranty**") and that certain first-lien Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing pertaining to certain real property owned by DMB-WT (the "**Deed of Trust**") (collectively, the "**Reimbursement Agreement Documents**"), the Bank has agreed to provide that certain Irrevocable Direct-Pay Letter of Credit No. 22222 in a total amount not exceeding $13,162,500 (the "**Letter of Credit**") to the Trustee in respect of the Bond Issuance (the "**Letter of Credit Transaction**"), which Letter of Credit shall be drawn upon to pay debt service on the Bonds, pay the purchase price of Bonds that may be tendered or otherwise redeemed in accordance with the terms of the Bond Issuance Documents, and pay certain other amounts payable by drawings on the Letter of Credit in accordance with the terms and conditions of the Bond Issuance Documents; and

WHEREAS, the Corporation is the Manager of DMB Realco LLC, an Arizona limited liability company ("**Realco**"); and

WHEREAS, Realco is a Member and the Sole Manager of, and, pursuant to that certain Unanimous Consent of Members of Realco of even date herewith, the organizational documents and operating agreement of Realco, and applicable law, Realco has full power and authority to authorize the payment and performance of the obligations of DMB-WT with respect to the Bond Issuance and the Letter of Credit Transaction; and

WHEREAS, Realco is the Sole Member and Sole Manager of, and pursuant to that certain Unanimous Consent of Members of Realco of even date herewith, the organizational documents and operating agreement of Realco, and applicable law, Realco has full power and authority to authorize the payment and performance of the obligations of Realco II with respect to the Bond Issuance and the Letter of Credit Transaction; and

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance and a condition precedent to the Bank providing the Letter of Credit that the Corporation authorize and consent to certain actions, representations and agreements of the Corporation on behalf of Realco in respect of the Bond Issuance and the Letter of Credit Transaction, respectively; and

WHEREAS, the Bond Issuance and the Letter of Credit Transaction will directly or indirectly benefit the Corporation and its shareholders.

NOW THEREFORE, BE IT RESOLVED, that the Corporation has determined that authorizing and consenting to certain actions, representations and agreements of the Corporation in connection with the Bond Issuance and the Letter of Credit Transaction is in the best interest of the Company; and

FURTHER RESOLVED, that any of the following officers of the Corporation, in the Corporation's capacity as Manager of Realco, the Sole Manager and Member of DMB-WT and the Sole Manager and Sole Member of Realco II, are hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Corporation, acting on behalf of Realco, acting on behalf of DMB-WT and Realco II, respectively, such certificates, agreements, documents or instruments as either such officer may deem necessary or appropriate in his sole discretion to consummate (A) the Bond Issuance including, without limitation, the Standby Contribution Agreement, and (B) the Letter of Credit Transaction including, without limitation, the Reimbursement Agreement, the Deed of Trust, the Guaranty, the Custody, Pledge and Security Agreement, the Environmental Indemnity Agreement, the Security Agreement (Accounts), the Guarantee Resolution (Corporation as Manager of the Manager of Guarantor), the Guarantee Authorization (Guarantor), the Guarantee Authorization (Manager of Guarantor), the Borrowing Resolution (Corporation as Manager of the Manager of Borrower), the Borrowing Authorization (Borrower), the Borrowing Authorization (Manager of Borrower), Pledge Authorization (Pledgor), and the

Pledge Resolution (Corporation as Manager of the Manager of Pledgor), in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President

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 and the Letter of Credit Transaction 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 or Andrew S. Beams on behalf of the Corporation in connection with the Bond Issuance and the Letter of Credit Transaction, including any actions taken prior to the adoption of these resolutions by or on behalf of the Corporation and all other actions incidental thereto;

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, the Bank or any other person in connection with the Bond Issuance and Letter of Credit Transaction and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Directors revoking these resolutions.

Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director

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UNANIMOUS CONSENT
OF
BOARD OF DIRECTORS
OF
DMB ASSOCIATES, INC.,
an Arizona corporation

The undersigned, being all of the Board of Directors of DMB ASSOCIATES, INC., an Arizona corporation (the "**Corporation**"), hereby adopt the following resolutions effective October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and DMB Realco II, LLC, an Arizona limited liability company ("**Realco II**") in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to the Operating Agreement of DMB-WT and that certain Trust Agreement (Trust No. B176) ("**Trust Agreement**"), dated March 19, 200, by and between Caterpillar Foundation, as First Beneficiary ("**First Beneficiary**"), DMB-WT, as Second Beneficiary, and Fidelity National Title Insurance Co., as Trustee, First Beneficiary is to be provided with a guaranty of the payment and performance of the Guaranteed Obligations (as such term is defined in the Trust Agreement) and First Beneficiary has agreed to accept, in satisfaction of such obligation and by way of substitution and replacement for that certain Limited Unsecured Guaranty by ABD Investments Limited Partnership in favor of First Beneficiary, that certain Limited Recourse Guaranty ("**Limited Recourse Guaranty**") by Realco II in favor of First Beneficiary; and

WHEREAS, the Corporation is the Manager of DMB Realco LLC, an Arizona limited liability company ("**Realco**"); and

WHEREAS, Realco is the Sole Member and Sole Manager of Realco II and, pursuant to that certain Unanimous Consent of Members of Realco of even date herewith, the organizational documents and operating agreement of Realco, and applicable law, Realco has full power and authority to authorize the payment and

performance of the obligations of Realco II with respect to the Limited Recourse Guaranty; and

WHEREAS, it is necessary that the Corporation authorize and consent to certain actions, representations and agreements of the Corporation on behalf of Realco in respect of the Limited Recourse Guaranty; and

WHEREAS, the Bond Issuance and the Limited Recourse Guaranty will directly or indirectly benefit the Corporation and its shareholders.

NOW THEREFORE, BE IT RESOLVED, that the Corporation has determined that authorizing and consenting to certain actions, representations and agreements of the Corporation in connection with the Limited Recourse Guaranty is in the best interest of the Corporation; and

FURTHER RESOLVED, that any of the following officers of the Corporation, in the Corporation's capacity as Manager of Realco, the Sole Manager and Member of DMB-WT and the Sole Manager and Sole Member of Realco II, are hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Corporation, acting on behalf of Realco, acting on behalf of DMB-WT and Realco II, respectively, such certificates, agreements, documents or instruments as either such officer may deem necessary or appropriate in his sole discretion to consummate the Limited Recourse Guaranty, in such form and to contain such terms and conditions as may be approved by him, such approval to be conclusively evidenced by his execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved:

John Bradley	Vice President
Andrew S. Beams	Vice President

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 Limited Recourse Guaranty 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 or Andrew S. Beams on behalf of the Corporation in connection with the Limited Recourse Guaranty, including any actions taken prior to the adoption of these resolutions by or on behalf of the Corporation and all other actions incidental thereto;

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, the Bank or any other person in connection with the Bond Issuance, Letter of Credit Transaction and the Limited Recourse Guaranty, and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Directors revoking these resolutions.

Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director

BORROWING RESOLUTION
(Corporation as Manager of the Manager of Borrower)

1. RESOLVED, that each of the following officers of this corporation, acting alone: John L. Bradley, Vice President, and Andrew S. Beams, Vice President (hereinafter called "Authorized Officer"), be and is hereby authorized, directed and empowered for and in the name of this corporation as the sole manager of DMB REALCO LLC, an Arizona limited liability company ("Manager"), which is the sole manager and member of DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"):

(a) to borrow from COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as, in the judgment of the Authorized Officer, Borrower may require, for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by the Authorized Officer, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($13,162,500.00);

(b) to execute and deliver any notes, drafts, guarantees, applications for letters of credit and agreements of any type to evidence such obligations and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Officer;

(c) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to Borrower or this corporation as the manager of the Manager of Borrower, and from time to time to substitute for such property, or any part thereof, other property for the same purpose;

(d) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require; and

2. RESOLVED FURTHER, that the Authorized Officer may authorize an agent or agents of this corporation, as the manager of the Manager of Borrower, to do any or all acts which may be done by the Authorized Officer pursuant to this resolution and may evidence that

authorization on a form satisfactory to Lender and prepared for that purpose; and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Officer; and

3. RESOLVED FURTHER, that the obligations of Borrower authorized hereby are in addition to such other obligations, if any, as may now exist between Lender and Borrower; and this resolution shall in no way diminish or decrease any such existing obligations previously authorized by this corporation as the manager of the Manager of Borrower; and future resolutions with respect to future obligations may be adopted hereafter by this corporation as the manager of the Manager of Borrower without derogation of the authority set forth herein; and

4. RESOLVED FURTHER, that all prior acts of the officers and agents of this corporation as the manager of the Manager of Borrower in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to evidence or secure any obligations due Lender are hereby ratified and approved; and Lender, at any time, may apply any money or property in its possession or under its control belonging to Borrower to the payment of any indebtedness of Borrower to Lender, when due and payable;

5. RESOLVED FURTHER, that this resolution shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied; and the authority granted by this resolution shall apply with equal force and effect to the successor in office of the Authorized Officer; and

6. RESOLVED FURTHER, that this resolution may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument.

IN WITNESS WHEREOF, this resolution is hereby executed by the Corporation and its members as of the 1st day of October, 2004.

CORPORATION

DMB ASSOCIATES, INC., an Arizona corporation,
Manager

By:_____
Name: Andrew S. Beams
Title: Vice President

DIRECTORS

Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director

Certificate of Secretary

I, Mark N. Sklar, Secretary of DMB ASSOCIATES, INC., a corporation organized and existing under the laws of the State of Arizona, hereby certify that the foregoing resolution was duly by unanimous written consent of the Directors in lieu of adopted at a meeting of the Board of Directors of the corporation, as of the 1st day of October, 2004, and that the foregoing resolution has not been amended or revoked and remains in full force and effect.

I further certify that the following are the names of the duly elected officers of the corporation now holding the respective offices as indicated below, and that the signature set forth opposite the name of each such officer is the true and genuine signature of that officer:

Title	Typed Name	Signature
President	Drew Brown	
Vice President/ Secretary	Mark N. Sklar	
Vice President	John L. Bradley	
Vice President	Andrew S. Beams	
Treasurer	Bennett Dorrance	

(See attached Appendix "A" for complete list of Officers)

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary and, if legally required, affixed the corporate seal of that corporation as of the _____ day of October, 2004.

Mark N. Sklar, Secretary DMB Associates, Inc., an Arizona corporation,

Appendix "A"

President	Drew M. Brown
Treasurer	Bennett Dorrance
Vice President/Secretary	Mark N. Sklar
Executive Vice President /Asst. Secretary	Michael A. DeBell
Executive Vice President /Asst. Secretary	Timothy A. Kaehr
Vice President	James C. Hoselton
Vice President /Asst. Secretary	Eneas A. Kane
Vice President	Terry D. Randall
Vice President	Charley J. Freericks
Vice President – Information Systems	Fawn E. Medesha
Vice President	John Bradley
Vice President	Brent E. Herrington
Vice President	Michael J. Roberts
Vice President	Richard A. Holtzman
Vice President	Andrew S. Beams
Vice President	Nickolas A. Taratsas
Vice President	Irene Carroll
Vice President	Nadine Corrigan Naliboff
Vice President	Mary S. Alexander
Vice President	Robert A Mayhew

GUARANTEE RESOLUTION
(Corporation as Manager of the Manager of Guarantor)

1. RESOLVED, that, to enable DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), to borrow from COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as Borrower may require for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by Borrower, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($13,162,500.00), from which this corporation expects to derive substantial benefits, each of the following officers of this corporation, acting alone: John L. Bradley, Vice President and Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation ("DMB Associates") (hereinafter called "Authorized Officer") be and is hereby authorized, directed and empowered for and in the name of this corporation as the manager of DMB REALCO LLC, an Arizona limited liability company ("Manager"), manager of DMB REALCO II LLC, an Arizona limited liability company (hereinafter called "Guarantor"):

(a) to endorse any notes evidencing such obligations of Borrower, to execute and deliver guarantee and continuing guarantee agreements for such obligations of Borrower and guarantees of performance and completion of any improvements to be constructed by Borrower with the proceeds of any such loans, credits or financial accommodations from Lender, and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Officer;

(b) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations of Borrower and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to Guarantor or this corporation as the manager of the Manager of Guarantor, and from time to time to substitute for such property, or any part thereof, other property for the same purpose;

(c) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations of Borrower and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require; and

2. RESOLVED FURTHER, that the Authorized Officer may authorize an agent or agents of this corporation as the manager of the Manager of Guarantor to do any or all acts which

may be done by the Authorized Officer pursuant to this resolution and may evidence that authorization on a form satisfactory to Lender and prepared for that purpose; and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Officer; and

3. RESOLVED FURTHER, that the obligations of this corporation as the manager of the Manager of Guarantor authorized hereby are in addition to such other obligations, if any, as may now exist between Lender and this corporation as the manager of the Manager of Guarantor; and this resolution shall in no way diminish or decrease any such existing obligations previously authorized by this corporation as the manager of the Manager of Guarantor; and future resolutions with respect to future obligations may be adopted hereafter by this corporation as the manager of the Manager of Guarantor without derogation of the authority set forth herein; and

4. RESOLVED FURTHER, that all prior acts of the officers and agents of this corporation as the manager of the Manager of Guarantor in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to guarantee or secure any obligations due Lender are hereby ratified and approved; and Lender, at any time, may apply any money or property in its possession or under its control belonging to Guarantor or this corporation to the payment of any indebtedness of Borrower or this corporation to Lender, whether or not then due;

5. RESOLVED FURTHER, that this resolution shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied; and the authority granted by this resolution shall apply with equal force and effect to the successor in office of the Authorized Officer; and

6. RESOLVED FURTHER, that this resolution may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument.

IN WITNESS WHEREOF, this resolution is hereby executed by the Corporation and its members as of the 1st day of October, 2004.

GUARANTOR

DMB ASSOCIATES, INC., an Arizona corporation,
Manager

By: _____
Name: Andrew S. Beams
Title: Vice President

DIRECTORS

Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director

Certificate of Secretary

I, Mark N. Sklar, Secretary of DMB ASSOCIATES, INC., a corporation organized and existing under the laws of the State of Arizona, hereby certify that the foregoing resolution was duly adopted by unanimous written consent of the Directors in lieu of a meeting of the Board of Directors of that corporation, as of the 1st day of October, 2004, at that the foregoing resolution has not been amended or revoked and remains in full force and effect.

I further certify that the following are the names of the duly elected officers of that corporation now holding the respective offices as indicated below, and that the signature set forth opposite the name of each such officer is the true and genuine signature of that officer:

Title	Typed Name	Signature
President	Drew Brown	
Vice President / Secretary	Mark N. Sklar	
Vice President	John L. Bradley	
Vice President	Andrew S. Beams	
Treasurer	Bennett Dorrance	

(See attached Appendix "A" for complete list of Officers)

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary and, if legally required, affixed the corporate seal of that corporation as of the _____ day of _____, 2004.

Mark N. Sklar, Secretary DMB Associates, Inc., an Arizona corporation

Appendix "A"

President	Drew M. Brown
Treasurer	Bennett Dorrance
Vice President/Secretary	Mark N. Sklar
Executive Vice President /Asst. Secretary	Michael A. DeBell
Executive Vice President /Asst. Secretary	Timothy A. Kaehr
Vice President	James C. Hoselton
Vice President /Asst. Secretary	Eneas A. Kane
Vice President	Terry D. Randall
Vice President	Charley J. Freericks
Vice President – Information Systems	Fawn E. Medesha
Vice President	John Bradley
Vice President	Brent E. Herrington
Vice President	Michael J. Roberts
Vice President	Richard A. Holtzman
Vice President	Andrew S. Beams
Vice President	Nickolas A. Taratsas
Vice President	Irene Carroll
Vice President	Nadine Corrigan Naliboff
Vice President	Mary S. Alexander
Vice President	Robert A Mayhew

PLEDGE RESOLUTION
(Corporation as Manager of the Pledgor)

1. RESOLVED, that, to enable DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), to borrow from COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as Borrower may require for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by Borrower, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY-TWO THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($13,162,500.00), from which this corporation expects to derive substantial benefits, each of the following officers of this corporation, acting alone: John L. Bradley, Vice President and Andrew S. Beams, Vice President, DMB Associates, Inc., an Arizona corporation ("DMB Associates") (hereinafter called "Authorized Officer") be and is hereby authorized, directed and empowered for and in the name of this corporation as the manager of DMB REALCO LLC, an Arizona limited liability company ("Pledgor"):

(a) to endorse any notes evidencing such obligations of Borrower, to execute and deliver guarantee and continuing guarantee agreements for such obligations of Borrower and guarantees of performance and completion of any improvements to be constructed by Borrower with the proceeds of any such loans, credits or financial accommodations from Lender, and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Officer;

(b) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations of Borrower and for all other indebtedness and obligations of Borrower to Lender, however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to Pledgor or this corporation as the manager of the Pledgor, and from time to time to substitute for such property, or any part thereof, other property for the same purpose;

(c) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations of Borrower and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require; and

2. RESOLVED FURTHER, that the Authorized Officer may authorize an agent or agents of this corporation as the manager of the Pledgor to do any or all acts which may be done by the Authorized Officer pursuant to this resolution and may evidence that authorization on a

form satisfactory to Lender and prepared for that purpose; and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Officer; and

3. RESOLVED FURTHER, that the obligations of this corporation as the manager of the Pledgor authorized hereby are in addition to such other obligations, if any, as may now exist between Lender and this corporation as the manager of the Pledgor; and this resolution shall in no way diminish or decrease any such existing obligations previously authorized by this corporation as the manager of the Pledgor; and future resolutions with respect to future obligations may be adopted hereafter by this corporation as the manager of the Pledgor without derogation of the authority set forth herein; and

4. RESOLVED FURTHER, that all prior acts of the officers and agents of this corporation as the manager of the Pledgor in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to guarantee or secure any obligations due Lender are hereby ratified and approved; and Lender, at any time, may apply any money or property in its possession or under its control belonging to Pledgor or this corporation to the payment of any indebtedness of Borrower or this corporation to Lender, whether or not then due; and

5. RESOLVED FURTHER, that this resolution shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied; and the authority granted by this resolution shall apply with equal force and effect to the successor in office of the Authorized Officer.

6. RESOLVED FURTHER, that this resolution may be executed in counterparts, each of which may contain fewer than all signatures but all of which, together, shall constitute a single instrument.

IN WITNESS WHEREOF, this resolution is hereby executed by the Corporation and its members as of the 1st day of October, 2004.

CORPORATION

DMB ASSOCIATES, INC., an Arizona corporation,
Manager

By: _____
Name: Andrew S. Beams
Title: Vice President

DIRECTORS

_____
Drew M. Brown, Director

Mark N. Sklar, Director

Bennett Dorrance, Director

Certificate of Secretary

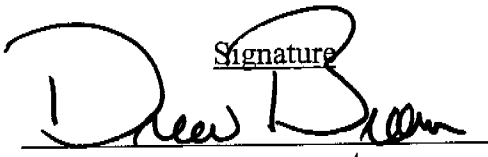
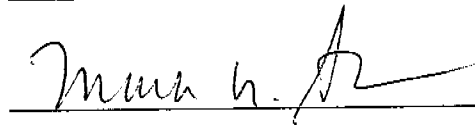
I, Mark N. Sklar, Secretary of DMB ASSOCIATES, INC., a corporation organized and existing under the laws of the State of Arizona, hereby certify that the foregoing resolution was duly adopted by unanimous written consent of the Directors in lieu of a meeting of the Board of Directors of that corporation, as of the 1st day of October, 2004, at that the foregoing resolution has not been amended or revoked and remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary and, if legally required, affixed the corporate seal of that corporation as of the _____ day of _____, 2004.

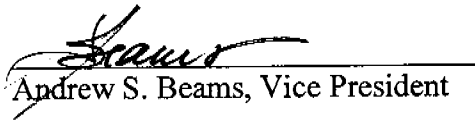
Mark N. Sklar, Secretary DMB Associates, Inc., an Arizona corporation

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:

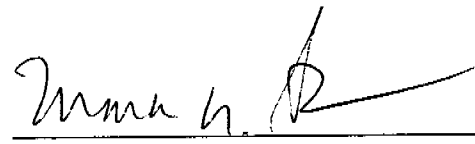
Name	Signature
Drew M. Brown	
Mark N. Sklar	
Bennett Dorrance	

IN WITNESS WHEREOF, I have hereunto set my hand as of the ___ day of October, 2004.


Andrew S. Beams, Vice President

I, Mark N. Sklar, Secretary of the Corporation, do hereby certify that Andrew S. Beams is a duly elected Vice President of the Corporation, that he occupies such office on the date hereof and that the signature of Andrew S. Beams is his true and correct signature.

IN WITNESS WHEREOF, I have hereunto set my hand as of the ___ day of October, 2004.


Mark N. Sklar, Secretary

NOV-22-2002 13:35
STATE OF ARIZONA
ACC/FAX
DATE FILED

NOV 18 2002

DATE APPR 11-18-2002
TEAM
BY
L-1053405-6

ARTICLES OF ORGANIZATION
DMB REALCO II LLC

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company formed by this instrument is "DMB Realco II LLC."

2. Office; Agent. The address of the limited liability company's registered office in Arizona is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258. The name and business address of the statutory agent of the limited liability company are Shirley E. Stang, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

3. Management. Management of the limited liability company is vested in a manager.

4. Name and Address of Manager. The name and address of the manager of the limited liability company are DMB Realco LLC, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

5. Names and Addresses of Certain Members. The name and address of sole member of the limited liability company, which owns one hundred percent of the capital and profits of the limited liability company, are DMB Realco LLC, 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258.

Dated November 18, 2002.

DMB Associates, Inc.,
an Arizona corporation

By: _____
Its: V.P.

CONSENT OF STATUTORY AGENT
DMB REALCO II LLC

The undersigned, having been designated to act as Statutory Agent of DMB Realco II LLC, hereby consents to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.

Shirley E. Stang

7600 East Doubletree Ranch Road
Suite 300
Scottsdale, Arizona 85258

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 II LLC******

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 18th day of November 2002.

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 21st Day of July, 2004, A. D.

SEAL OF THE ARIZONA CORPORATION COMMISSION * 1912 * DITAT DEUS

Executive Secretary

By Pam Bedard

UNANIMOUS CONSENT
OF
MANAGER AND MEMBERS
OF
DMB REALCO LLC,
an Arizona limited liability company

The undersigned, being the Manager and all of the Members of DMB REALCO LLC, an Arizona limited liability company (the "**Company**"), hereby adopt the following resolutions by unanimous written consent, pursuant to Section 5.5 of the Operating Agreement of the Company, effective October 1, 2004.

WHEREAS, the Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "**District**"), pursuant to that certain Preliminary Official Statement, that certain Official Statement, that certain Indenture of Trust and Security Agreement, that certain Standby Contribution Agreement by DMB White Tank, LLC, an Arizona limited liability company ("**DMB-WT**") and DMB Realco II, LLC, an Arizona limited liability company ("**Realco II**") in favor of the District (the "**Standby Contribution Agreement**") and certain ancillary agreements, undertakings, certificates and instruments (collectively, the "**Bond Issuance Documents**"), intends to issue and sell those certain District Variable Rate General Obligation Bonds (Series 2004) in a total amount not exceeding $13,000,000.00 (the "**Bond Issuance**") to provide funds to (i) construct and finance acquisition of certain public infrastructure within the District, and (ii) to pay other amounts payable in respect of the Bonds and the Bond Issuance, including costs of issuance; and

WHEREAS, pursuant to that certain Reimbursement Agreement, by and between Compass Bank, an Alabama banking corporation (the "**Bank**"), DMB-WT, as Borrower, and Realco II, as Guarantor (the "**Reimbursement Agreement**"), and the additional agreements, undertakings and instruments referenced therein, including that certain Unconditional Guaranty of Payment by Realco II (the "**Guaranty**") and that certain first-lien Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing pertaining to certain real property owned by DMB-WT (the "**Deed of Trust**") (collectively, the "**Reimbursement Agreement Documents**"), the Bank has agreed to provide that certain Irrevocable Direct-Pay Letter of Credit No. 22222 in a total amount not exceeding $13,162,500 (the "**Letter of Credit**") to the Trustee in respect of the Bond Issuance (the "**Letter of Credit Transaction**"), which Letter of Credit shall be drawn upon to pay debt service on the Bonds, pay the purchase price of Bonds that may be tendered or otherwise redeemed in accordance with the terms of the Bond Issuance Documents, and pay certain other amounts payable by drawings on the Letter of Credit in

accordance with the terms and conditions of the Bond Issuance Documents; and

WHEREAS, the Company is the Sole Manager and a Member of DMB-WT, and the Manager and Members of the Company are desirous of granting the Company the full power and authority to undertake all actions permitted under the organizational documents and operating agreement of the Company, and applicable law, on behalf of DMB-WT with respect to the Bond Issuance and the Letter of Credit Transaction; and

WHEREAS, the Company is the Sole Manager and Sole Member of Realco II, and the Manager and Members of the Company are desirous of granting the Company the full power and authority to undertake all actions permitted under the organizational documents and operating agreement of the Company, and applicable law, on behalf of Realco II with respect to the Bond Issuance and the Letter of Credit Transaction; and

WHEREAS, it is a condition precedent to the District proceeding with the Bond Issuance and a condition precedent to the Bank providing the Letter of Credit that the Company authorize and consent to certain actions, representations and agreements of the Company on behalf of DMB-WT and Realco II, including (A) the actions, representations and agreements of DMB-WT in respect of the Bond Issuance and the Letter of Credit Transaction, including DMB-WT being a party to the Bond Issuance Documents (as applicable) and the Reimbursement Agreement Documents (as applicable) and the provision by DMB-WT of financial assurances, security interests and other assurances to the District and the Bank, as referenced in the applicable Bond Issuance Documents and the applicable Reimbursement Agreement Documents, respectively, and (B) the actions, representations and agreements of Realco II in respect of the Bond Issuance and the Letter of Credit, including Realco II being a party to the Standby Contribution Agreement and the Guaranty, and the provision by Realco II of financial assurances, security interests and other assurances to the District and the Bank, as referenced in the applicable Bond Issuance Documents and the applicable Reimbursement Agreement Documents, respectively; and

WHEREAS, the Bond Issuance and the Letter of Credit Transaction will directly or indirectly benefit the Company and its Members.

NOW THEREFORE, BE IT RESOLVED, that the Manager and Members have determined that authorizing and consenting to certain actions, representations and agreements of the Company on behalf of DMB-WT and Realco II is in the best interest of the Company, and the Members herewith authorize and consent to all actions, representations and agreements of the Company on behalf of DMB-WT and Realco II in

connection with the Bond Issuance and the Letter of Credit Transaction including (A) the actions, representations and agreements of DMB-WT in respect of the Bond Issuance and the Letter of Credit Transaction, including DMB-WT being a party to the Bond Issuance Documents and Reimbursement Agreement Documents and providing financial assurances, security interests and other assurances to the District and the Bank in connection therewith, and (B) the actions, representations and agreements of Realco II in respect of the Bond Issuance and the Letter of Credit, including Realco II being a party to the Standby Contribution Agreement and the applicable Reimbursement Agreement Documents including the Guaranty and providing financial assurances, security interests and other assurances to the District and the Bank in connection therewith; and

FURTHER RESOLVED, that the Manager of the Company, DMB Associates, Inc., an Arizona corporation ("**DMB Associates**"), is hereby authorized and directed to negotiate, agree to, execute and deliver, in the name and on behalf of the Company, acting on behalf of DMB-WT and Realco II, respectively, such certificates, agreements, documents or instruments as the officer of DMB Associates authorized to do so pursuant to the Unanimous Consent of Directors of DMB Associates, of even date herewith, may deem necessary or appropriate in his sole discretion to consummate (A) the Bond Issuance including, without limitation, the Standby Contribution Agreement, and (B) the Letter of Credit Transaction including, without limitation, the Reimbursement Agreement, the Deed of Trust, the Guaranty, the Custody, Pledge and Security Agreement, the Environmental Indemnity Agreement, the Security Agreement (Accounts), the Guarantee Authorization (Guarantor), the Guarantee Authorization (Manager of Guarantor), the Borrowing Authorization (Borrower), the Borrowing Authorization (Manager of Borrower) and the Pledge Authorization (Pledgor), in such form and to contain such terms and conditions as may be approved by such officer, such approval to be conclusively evidenced by such officer's execution thereof, and that the authority given hereunder shall be deemed retroactive and any actions authorized herein and performed prior to the passage of these resolutions is hereby ratified, confirmed and approved.

FURTHER RESOLVED, that DMB Associates is hereby authorized and directed to incur and pay, on behalf of the Company, acting on behalf of DMB-WT and Realco II, respectively, all expenses relating to the Bond Issuance and the Letter of Credit Transaction as in the sole judgment of the said officers shall be necessary, proper and advisable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted hereby and each of them;

FURTHER RESOLVED, that the Manager and Members hereby ratify and approve any actions previously taken by or at the request of DMB Associates or the said officers of DMB Associates on behalf of the Company, acting on behalf of DMB-WT or Realco II, in connection with the Bond Issuance and the Letter of Credit Transaction, including any actions taken prior to the adoption of these resolutions by or on behalf of the Company, acting on behalf of DMB-WT or Realco II, and all other actions incidental thereto, in connection with the Bond Issuance and the Letter of Credit Transaction;

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, the Bank or any other person in connection with the Bond Issuance and Letter of Credit Transaction and that these resolutions shall remain in full force and effect until the receipt by the District, the Bank or any other person to whom these resolutions are delivered of further resolutions of the Members revoking these resolutions.

MANAGER:

DMB Associates Inc., an Arizona corporation

By: _____
Andrew S. Beams, 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

GUARANTEE AUTHORIZATION
(Guarantor)

To enable DMB WHITE TANK, LLC, an Arizona limited liability company (hereinafter called "Borrower"), to borrow from COMPASS BANK, an Alabama banking corporation (hereinafter called "Lender"), such sum or sums of money and/or to obtain from Lender such credits and financial accommodations as Borrower may require, for such time and on such terms, including interest thereon and costs, expenses and other expenditures in connection therewith, as may be agreed to by Borrower, provided the aggregate amount of such loans, credits and financial accommodations, exclusive of interest, costs, expenses and other expenditures, shall not, at any one time, exceed the sum of THIRTEEN MILLION ONE HUNDRED SIXTY THOUSAND TWO HUNDRED SEVENTY-FOUR AND NO/100 DOLLARS ($13,160,274.00), from which DMB REALCO II LLC, an Arizona limited liability company (hereinafter called the "Guarantor"), whose address is 7600 East Doubletree Ranch Road, Suite 300, Scottsdale, Arizona 85258-2137, expects to derive substantial benefits, the undersigned represent, warrant and covenant that:

1. Guarantor is a limited liability company formed and existing under the laws of the State of Arizona, and (a) the following persons or entities are all of the members: DMB Realco LLC, an Arizona limited liability company ("Realco"); (b) the sole manager of Guarantor is: Realco; (c) Articles of Organization have been recorded or filed as required by law; (d) Lender, when dealing with the Authorized Agent, defined below, shall be entitled to accept the representations of the Authorized Agent that the purpose of exercising the authority herein given is within the scope of the business of Guarantor; (e) Lender shall be under no obligation to make any inquiries in order to verify or confirm any of said representations or to see to the application of any company funds for the purposes so represented; (f) Lender in no way shall be responsible for misapplication of any company funds or other property acquired, encumbered or disposed of by virtue of the authority herein given.

2. Each of the following-named persons, acting alone: John L. Bradley, Vice President, DMB Associates, Inc., an Arizona corporation ("DMB Associates") and Andrew S. Beams, Vice President, DMB Associates, which is the sole manager of Realco, as the sole manager and member of Guarantor (hereinafter called "Authorized Agent") is hereby authorized, directed and empowered for and in the name of the Guarantor:

(a) to endorse any notes evidencing such obligations of Guarantor, to execute guarantee and continuing guarantee agreements for such obligations of Guarantor and guarantees of performance and completion of any improvements to be constructed by Guarantor with the proceeds of any such loans, credits or financial accommodations from Lender, and to execute and deliver to Lender extensions, modifications, renewals or replacements thereof, all on such terms as may be agreed to by the Authorized Agent;

(b) to mortgage, pledge and assign to Lender, to grant to Lender a security interest in, and to deliver to Lender as security for such obligations of Borrower and for all other indebtedness and obligations of Borrower to Lender,

however arising, and any extensions, modifications, renewals or replacements thereof, any property, real or personal, belonging to the Guarantor, and from time to time to substitute for such property, or any part thereof, other property for the same purpose; and

(c) to execute and deliver any mortgages, deeds of trust, pledges, assignments, security agreements or other agreements of any type to secure such obligations and all other indebtedness and obligations of Borrower to Lender, however arising, and any modifications, amendments or revisions thereof, and any financing statements, memoranda or notices for filing or recording related thereto, all of which shall be in such form and contain such provisions, covenants and agreements as Lender may require.

3. The Authorized Agent may authorize an agent or agents of the Guarantor to do any or all acts that may be done by the Authorized Agent pursuant to this Authorization and may evidence that authorization on a form satisfactory to Lender and prepared for that purpose, and that authorization shall remain in full force and effect until receipt by Lender of a written revocation thereof from the Authorized Agent.

4. The obligations of the Guarantor authorized hereby are in addition to such other obligations, if any, as may now exist between the Guarantor and Lender, and this Authorization shall in no way diminish or decrease any such existing obligations previously authorized by the Guarantor. Future authorizations with respect to future obligations may be adopted hereafter by the Guarantor without derogation of the authority set forth herein.

5. All prior acts of the Authorized Agent, DMB Associates as sole manager of Realco, as sole manager and member of Guarantor, or Realco as sole manager and member of Guarantor in obtaining loans, credits and financial accommodations to Borrower from Lender and the execution of any instruments or documents to evidence or secure and obligations due Lender are hereby ratified and approved. Lender, at any time, may apply any money or property in its possession or under its control belonging to the Guarantor to the payment of any indebtedness of Borrower to Lender, whether or not then due.

6. This Authorization shall not limit the authority of any person not mentioned herein and shall be in addition to, and not in limitation of, the rights inherent in a manager or member.

7. This Authorization shall remain in full force and effect until written notice of its revocation is received by Lender and until all obligations of Borrower to Lender have been fully paid and satisfied.

8. In the event of any dispute among the members, if any, of the Guarantor, or any of them, the undersigned, jointly and severally, shall defend, indemnify and save Lender and any corporation controlling, controlled by, or under common control with Lender, and any officer, director, shareholder, agent or employee of Lender or any such corporation, and each of them, harmless from any and all damages, expenses and liabilities of any type whatsoever, including but not limited to attorneys' fees, and including but not limited to any liability arising out of

demands by the member of the Guarantor, for undisbursed proceeds of any obligations authorized hereby, suffered or incurred as a result of or in connection with any such dispute. This indemnity provision shall survive the repayment of any and all indebtedness of Borrower to Lender, shall be binding upon the separate and respective heirs, administrators, personal representatives, successors and assigns of the undersigned, and shall inure to the benefit of the successors and assigns of Lender and any corporation controlling, controlled by, or under common control with Lender, and to the heirs, administrators, personal representatives, successors and assigns of Lender or such corporation's officers, directors, shareholders, agents and employees.

9. This Authorization may be executed in any number of counterparts and each counterpart executed by any of the undersigned, together with all other counterparts so executed, shall constitute a single instrument and agreement of the undersigned.

IN WITNESS WHEREOF, this Authorization is hereby executed as of the 1st day of November, 2004, by Guarantor and the sole manager and member of Guarantor.

GUARANTOR

DMB REALCO II, LLC, an Arizona limited liability company

BY: DMB REALCO LLC, an Arizona limited liability company, manager and member

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____
Name: Andrew S. Beams
Title: Vice President

MANAGER/MEMBER

DMB REALCO LLC, an Arizona limited liability company, manager and member

BY: DMB ASSOCIATES, INC., an Arizona corporation, Manager

By: _____

Name: Andrew S. Beams

Title: Vice President

Quarles & Brady Streich Lang LLP

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Two North Central Avenue
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Fax 602.229.5690
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Attorneys at Law in:
Phoenix and Tucson, Arizona
Naples and Boca Raton, Florida
Chicago, Illinois
Milwaukee and Madison, Wisconsin

Writer's Direct Dial: 602.229.5396
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November 17, 2004

District Board
Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)
c/o Town of Buckeye, Arizona
Buckeye, Arizona

RBC Dain Rauscher Inc.
Phoenix, Arizona

Wells Fargo Bank, National Association, as Trustee
Phoenix, Arizona

DMB White Tank, LLC
Scottsdale, Arizona

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004

Ladies and Gentlemen:

We have acted as special counsel to Compass Bank, an Alabama banking corporation (the "Bank"), in connection with (a) the Reimbursement Agreement dated as of November 1, 2004 (the "Reimbursement Agreement"), between the Bank and DMB White Tank, LLC, an Arizona limited liability company (the "Borrower"), relating to the above-captioned bonds (the "Bonds"), and (b) the Irrevocable Direct-Pay Letter of Credit No. S26861C dated November 10, 2004, issued by the Bank to Wells Fargo Bank, National Association, as trustee (the "Trustee"), for the account of the Borrower pursuant to the Reimbursement Agreement (the "Letter of Credit"). Terms not otherwise defined herein shall have the meanings given such terms in the Reimbursement Agreement.

This opinion is being rendered pursuant to the requirements of the addressees, including the requirement stated in Section 6(K)(13) of the Purchase Contract between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District") and RBC Dain Rauscher Inc. dated as of November 16, 2004 relating to the purchase of the Bonds.

We have examined or reviewed the following:

A. The executed Letter of Credit and an executed counterpart of the Reimbursement Agreement.

B. Such other documents and information as we have considered relevant and necessary to enable us to render this opinion.

In rendering the opinions herein, we have relied upon representations made in the foregoing documents as to various questions of fact material to the matters set forth below. We have also in connection with such opinions made an inquiry with the appropriate officers of the Bank as to such factual matters. We have not assumed any responsibility for making any independent investigation or verification of any such factual matters, including, but not limited to, any factual matters stated or represented by any of the foregoing documents.

Based on the foregoing, we are of the opinion that:

(a) The Bank is a state chartered banking association duly organized, validly existing and in good standing under the laws of the State of Alabama and each jurisdiction in which it conducts its business.

(b) The execution, delivery and performance by the Bank of the Letter of Credit and the Reimbursement Agreement are within the Bank's power and authority, have been duly authorized by all necessary action on the part of the Bank, have been executed and delivered by and on behalf of the Bank and do not contravene any of the Bank's organizational documents, as amended to date.

(c) There is no pending or overtly threatened action, inquiry, investigation or proceeding, at law or in equity by or before any governmental instrumentality or agency having jurisdiction over the Bank which challenges, or would materially and adversely affect, the validity or enforceability of the Letter of Credit or the Reimbursement Agreement.

(d) There have been no material adverse changes in the business, properties or financial condition of the Bank since the effective date of the information presented in its most recent filings with state or federal regulatory agencies or in the business, properties or financial condition of Compass Bancshares, Inc. since the effective date of the information presented in its most recent filings with the Securities Exchange Commission.

(e) The information under the captions "COMPASS BANK", "THE LETTER OF CREDIT" and "REIMBURSEMENT AGREEMENT" in the Official Statement, dated November 16, 2004, does not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) The Letter of Credit constitutes a legally valid and binding obligation of the Bank, enforceable in accordance with its terms.

This opinion is qualified in its entirety to the extent that (i) the validity, binding effect and enforceability of the Reimbursement Agreement and the Letter of Credit (the "Bank Documents") may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws in effect from time to time affecting rights of creditors, (ii) the availability of certain remedies may be precluded by general principles of equity, (iii) principles of public policy may preclude enforcement of certain indemnity provisions, and (iv) provisions for recovery of attorneys' fees may not be enforceable.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

(a) We have assumed: (i) the genuineness of the signatures other than those of the Bank on, and the authenticity of, all documents submitted to us as originals; (ii) the conformity to the original of all documents submitted to us as certified or photostatic copies; (iii) the genuineness of all signatures on documents not executed in our presence other than those of the Bank; and (iv) the due authorization of all parties executing such documents other than the Bank.

(b) We have assumed that the documents and agreements described herein accurately describe the mutual understanding of the parties as to all matters contained therein and that no other agreements or undertakings exist between the parties relating to the transactions contemplated by such documents and agreements.

(c) We have relied as to the matters of fact upon the representations, warranties and statements made in the Bank Documents and in certificates delivered thereunder. We have not undertaken any independent investigation to verify the accuracy of such factual matters. However, in the course of our representation of the Bank in connection with rendering the opinions set forth herein, nothing came to our attention which gives us reason to believe that we or you are not justified in relying upon the foregoing.

(d) We are qualified to practice law in the State of Arizona, and we do not purport to be experts on, or to express any opinion concerning, any law other than the law of the State of Arizona and applicable federal law.

(e) The opinions expressed herein are based upon the law in effect on the date hereof, and we assume no obligation to revise or supplement this opinion should such law be changed by legislative action, by judicial decision or otherwise.

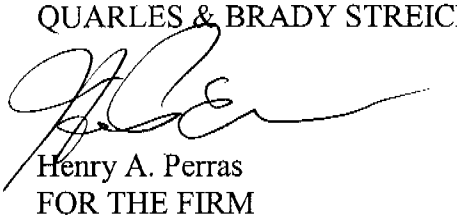
(f) In rendering the opinions expressed herein (except in Paragraph (e) as to the Letter of Credit and the Reimbursement Agreement and in Paragraph (f)), we have, with your approval, relied on that Bank Certification, attached hereto as Exhibit "A", and that Incumbency Certificate, attached hereto as Exhibit "B".

This opinion is based solely upon Arizona and federal law as in effect on this date and on representations as stated herein which we have no reason not to believe to be true and correct on this date. We assume no obligation to revise or supplement this opinion should the present law of the jurisdictions mentioned be changed or should such representations prove not to be true when made or no longer be true at some point in the future.

This opinion is rendered to you solely for your benefit in connection with the transaction contemplated by said Purchase Agreement and may not be relied upon by any other person for any purpose and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission.

Very truly yours,

QUARLES & BRADY STREICH LANG LLP



Henry A. Perras
FOR THE FIRM

Exhibit "A"

Compass Bank

15 South 20th Street, Suite 1802
Birmingham, Alabama 35233
205 297-1558 / Fax 205 297-3043
marc.follmer@compassbnk.com
www.compassweb.com

Marc D. Follmer
Associate General Counsel

Quarles & Brady Streich Lang LLP
Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391

Re: Certification

Ladies and Gentlemen:

Compass Bank (the "Bank") is participating in a transaction (the "Transaction") in which, at the request of DMB WHITE TANK, LLC, an Arizona limited liability company (the "Borrower"), the Bank is issuing an Irrevocable Direct-Pay Letter of Credit, dated November 10, 2004 (the "Letter of Credit"), for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION (the "Trustee"), as trustee under the Indenture of Trust and Security Agreement, dated as of November 1, 2004 (the "Indenture"), by and between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District") and the Trustee relating to the District's District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"). The obligations of the Bank and the Borrower in respect of the Letter of Credit are set forth in the Reimbursement Agreement, dated as of November 1, 2004 (the "Reimbursement Agreement"), by and between the Bank and the Borrower.

The Bank understands that Quarles & Brady Streich Lang LLP ("Letter of Credit Bank Counsel") is required to render an opinion of counsel in connection with the closing of the Transaction regarding matters which are outside of the scope of Letter of Credit Bank Counsel's representation of the Bank. Therefore, in order for Letter of Credit Bank Counsel to render such an opinion, the Bank represents to Letter of Credit Bank Counsel as follows:

(a) The Bank is a state chartered banking association duly organized, validly existing and in good standing under the laws of the State of Alabama and each jurisdiction in which it conducts its business.

(b) The execution, delivery and performance by the Bank of the Letter of Credit and the Reimbursement Agreement are within the Bank's power and authority, have been duly authorized by all necessary action on the part of the Bank, have been executed and delivered by and on behalf of the Bank and do not contravene any of the Bank's organizational documents, as amended to date.

(c) There is no pending or overtly threatened action, inquiry, investigation or proceeding, at law or in equity by or before any governmental instrumentality or agency having jurisdiction over the Bank which challenges, or would materially and adversely affect, the validity or enforceability of the Letter of Credit or the Reimbursement Agreement.

(d) There have been no material adverse changes in the business, properties or financial condition of the Bank since the effective date of the information presented in its most recent filings with state or federal regulatory agencies or in the business, properties or financial condition of Compass Bancshares, Inc. since the effective date of the information presented in its most recent filings with the Securities Exchange Commission.

(e) The information under the captions "COMPASS BANK", "THE LETTER OF CREDIT" and "REIMBURSEMENT AGREEMENT" in the Official Statement dated November 16, 2004 does not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

IN WITNESS WHEREOF, the undersigned, on behalf of Compass Bank, has set my hand as of the 17th day of November, 2004.

COMPASS BANK

By: _____

Name: Marc D. Follmer

Its: Associate General Counsel and Assistant Secretary

Exhibit "B"

Compass Bank

15 South 20th Street, Suite 1802
Birmingham, Alabama 35233
205 297-1558 / Fax 205 297-3043
marc.follmer@compassbnk.com
www.compassweb.com

Marc D. Follmer
Associate General Counsel

COMPASS BANK

INCUMBENCY CERTIFICATE

Compass Bank (the "Bank") is participating in a transaction (the "Transaction") in which, at the request of DMB WHITE TANK, LLC, an Arizona limited liability company (the "Borrower"), the Bank is issuing an Irrevocable Direct-Pay Letter of Credit, dated November 10, 2004 (the "Letter of Credit"), for the benefit of WELLS FARGO BANK, NATIONAL ASSOCIATION (the "Trustee"), as trustee under the Indenture of Trust and Security Agreement, dated as of November 1, 2004, by and between Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) (the "District") and the Trustee relating to the District's District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"). The obligations of the Bank and the Borrower in respect of the Letter of Credit are set forth in the Reimbursement Agreement, dated as of November 1, 2004 (the "Reimbursement Agreement"), by and between the Bank and the Borrower.

The undersigned hereby certifies that:

1. The officers appearing in paragraph 2 below are, respectively, duly elected, qualified and acting officers of the Bank, holding the office in the Bank set forth opposite his or her name as of the date hereof, and as such are familiar with the matters herein certified.

2. Each of the officers set forth below have been duly authorized to execute and deliver the Letter of Credit, the Reimbursement Agreement and other documentation or certificates necessary to consummate the Transaction:

Name	Title
Geraldine M. Gurley	Vice President, Manager
Matthew J. Chorske	Senior Vice President
Steven J. Heslep	Senior Vice President

IN WITNESS WHEREOF, the undersigned, on behalf of Compass Bank, has set my hand as of the 8th day of November, 2004.

COMPASS BANK

By: M. Follmer
Name: **Marc D. Follmer**
Its: **Associate General Counsel and Assistant Secretary**

OFFICIAL STATEMENT

RATINGS:
Moody's: "A1"/"VMIG1"

NEW ISSUE - FULL BOOK ENTRY FORM **See "RATINGS" herein**

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.

$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS,
SERIES 2004

DATED: Date of Delivery **DUE: July 1, 2029**

The Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 (while the Bonds bear interest at the Weekly Rate as defined herein) and integral multiples 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 – General Description" herein. Interest on the Bonds (except defaulted interest, if any) will be payable on the first Business Day of each month so long as the Bonds bear interest at the Weekly Rate (each an "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 Western Overlay 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 November 1, 2004, from the District to Wells Fargo Bank, N.A., as trustee ("the Trustee") and a resolution of the District Board of the District. Except to the extent payable from the Letter of Credit (defined below), the Bonds will be payable as to both principal and interest from *ad valorem* property taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. Debt service with respect to the Bonds will also be payable from amounts payable pursuant to a Standby Contribution Agreement, dated as of November 1, 2004, between the District and DMB White Tank, LLC, an Arizona corporation and developer of the Project (the "Developer") and DMB Realco II, LLC, an Arizona limited liability company (the "Guarantor"). See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement can be released under certain circumstances described under Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Release of Standby Contribution Agreement" and "RISK FACTORS" herein.)*

The Bonds will be backed by an irrevocable direct pay letter of credit in the amount of $13,160,274.00 with an initial term of three years (the "Letter of Credit") provided by Compass Bank (the "Bank").

Compass Bank

The Letter of Credit represents the principal security for repayment of the Bonds. The Letter of Credit is issued under a Reimbursement Agreement dated as of November 1, 2004 (the "Reimbursement Agreement") between the Bank and the Developer. The Letter of Credit may be replaced or terminated in accordance with its terms and the provisions of the Indenture. Reference is hereby made to the Indenture, the Letter of Credit and Reimbursement Agreement for a complete description of the Bonds, and for the provisions, among others, with respect to the rights, duties and obligations of the District, the Bank, the Developer, the Guarantor and the Owners of the Bonds, the ability of the parties to amend the Indenture and the Reimbursement Agreement without the consent of or notice to the Owners and the terms upon which the Bonds are issued. The Letter of Credit is the direct obligation of the initial Bank to pay the Trustee, in conformity with the terms thereof, sums sufficient to pay (i) in full all amounts of principal of and interest on the Bonds due on any Interest Payment Date and (ii) up to the purchase price of all Bonds tendered or deemed tendered, less the aggregate amount of remarketing proceeds.

The Bonds will be subject to optional, special mandatory redemption and mandatory redemption by the District prior to maturity and to optional and mandatory tender for purchase 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.

Investment in the Bonds has risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Official Statement. Neither the District, the Developer or the Guarantor are entering into continuing disclosure undertakings.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and subject to the approval of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona, for the Bank by Quarles & Brady Streich Lang LLP, Phoenix, Arizona for the Original Purchaser by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona and for the Developer and the Guarantor by 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 November 17, 2004.

RBC DAIN RAUSCHER

November 16, 2004

THIS OFFICIAL STATEMENT, WHICH INCLUDES THE COVER PAGE AND THE APPENDICES HERETO, SHOULD BE CONSIDERED IN ITS ENTIRETY, AND NO ONE SUBJECT SHOULD BE CONSIDERED LESS IMPORTANT THAN ANOTHER BY REASON OF LOCATION IN THE TEXT. BRIEF DESCRIPTIONS OF THE BONDS, THE INDENTURE, THE REIMBURSEMENT AGREEMENT, THE LETTER OF CREDIT, THE STANDBY CONTRIBUTION AGREEMENT, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT, THE BANK, THE DEVELOPER, THE GUARANTOR AND THE PUBLIC INFRASTRUCTURE (AS SUCH TERMS ARE DEFINED HEREIN) AND OTHER INFORMATION ARE INCLUDED IN THIS OFFICIAL STATEMENT. SUCH DESCRIPTIONS DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES HEREIN TO THE BONDS, THE INDENTURE, THE REIMBURSEMENT AGREEMENT, THE LETTER OF CREDIT, THE BOND RESOLUTION, THE STANDBY CONTRIBUTION AGREEMENT AND ANY OTHER DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS, COPIES OF WHICH MAY BE OBTAINED FROM RBC DAIN RAUSCHER INC. (THE "ORIGINAL PURCHASER") AT SUITE 700, 2398 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016.

THE ORIGINAL PURCHASER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE ORIGINAL PURCHASER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE ORIGINAL PURCHASER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT, THE BANK, 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 OFFICIAL STATEMENT CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION WHICH ARE NOT INTENDED AS STATEMENTS OF FACT, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS OR THAT THEY WILL BE REALIZED. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF AD VALOREM TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IN THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO STATED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT. THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT, THE BANK, THE DEVELOPER OR THE GUARANTOR WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN SINCE THE DATE OF THIS OFFICIAL STATEMENT.

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 OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGIS TERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THIS OFFICIAL STATEMENT, 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.

TABLE OF CONTENTS

Page

MAP 1 SHOWING LOCATION OF DISTRICT IN CONTEXT OF TOWN OF BUCKEYE AND NEIGHBORING COMMUNITIES

MAP 2 SHOWING DISTRICT BOUNDARIES AND BOUNDARIES OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

MAP 3 SHOWING PHASE I DEVELOPMENT

INTRODUCTORY STATEMENT 1

THE BONDS 2
- Authority and Election 2
- General Description 2
- Determination of Interest Rates 3
- Conversion to Fixed Rate 4
- Tender of Bonds for Purchase 4
- Remarketing of Bonds 7
- Delivery of Remarketed Bonds and Purchased Bonds 8
- Optional Redemption of Bonds 8
- Mandatory Sinking Fund Redemption; Credit 8
- Redemption of Purchased Bonds 9
- Method of Selecting Bonds for Redemption 10
- Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue 10
- Cancellation 10
- Notice of Redemption 10

THE BANK, THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT 11
- Compass Bank 11
- The Letter of Credit 12
- Reimbursement Agreement 13
- Certain Covenants of Developer 13
- Events of Default 14

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS 16

RISK FACTORS 16
- General 16
- Forward-Looking Statements 17
- Concentration of Ownership; Subsequent Transfer 17
- Certain Factors Which May Adversely Affect Development; Consequences 17
- Effect of Valuation of Property 18
- Availability of Standby Contribution Agreement 18
- Direct and Overlapping Indebtedness 18
- Bankruptcy and Foreclosure Delays 19
- Timing of Completion of the Public Infrastructure 19
- General Risks of Real Estate Investment 19
- Environmental Matters 20
- Cancellation of Contracts 20

LITIGATION 20
- District 20
- Developer 20
- Bank 21

TAX EXEMPTION 21

LEGAL MATTERS 22

FINANCIAL INFORMATION 22

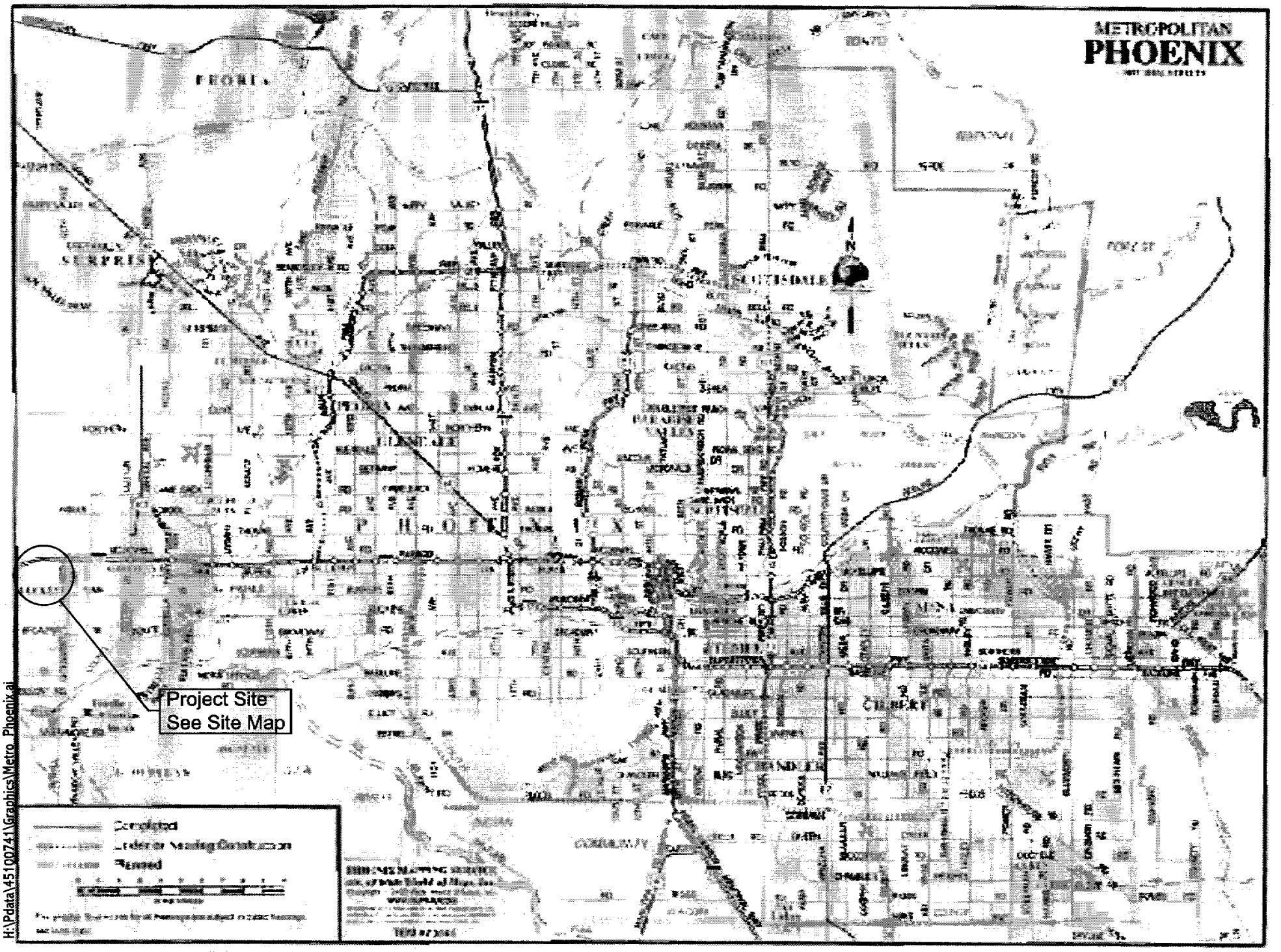
RATINGS 22

UNDERWRITING 22

RELATIONSHIPS AMONG PARTIES 23

APPENDIX A: - General Information A-1
APPENDIX B: - Summary of Certain Provisions of the Indenture B-1
APPENDIX C: - Form of Legal Opinion of Bond Counsel C-1
APPENDIX D: - Financial Statements of the Developer D-1
APPENDIX E: - Book-Entry-Only System E-1

Map 1
MAP SHOWING LOCATION OF DISTRICT
IN CONTEXT OF TOWN OF BUCKEYE
AND NEIGHBORING COMMUNITIES


METROPOLITAN
PHOENIX
PEORIA
SURPRISE
GLENDALE
PHOENIX
MESA
CHANDLER
Project Site
See Site Map
Completed
Planned
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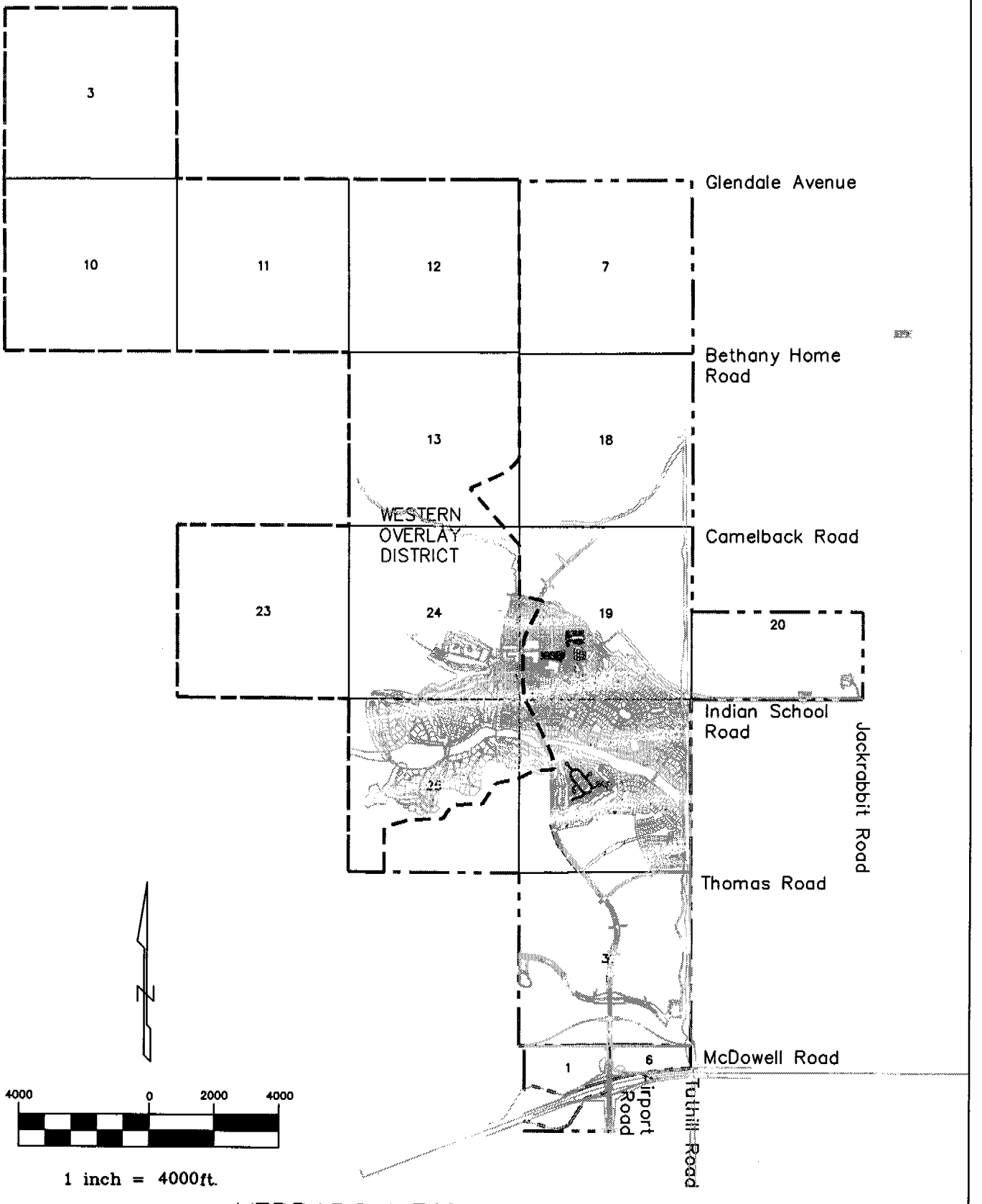
Map 2
MAP SHOWING DISTRICT BOUNDARIES AND BOUNDARIES OF VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT



VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

VERRADO

BUCKEYE, ARIZONA

DMB

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

11/04/04
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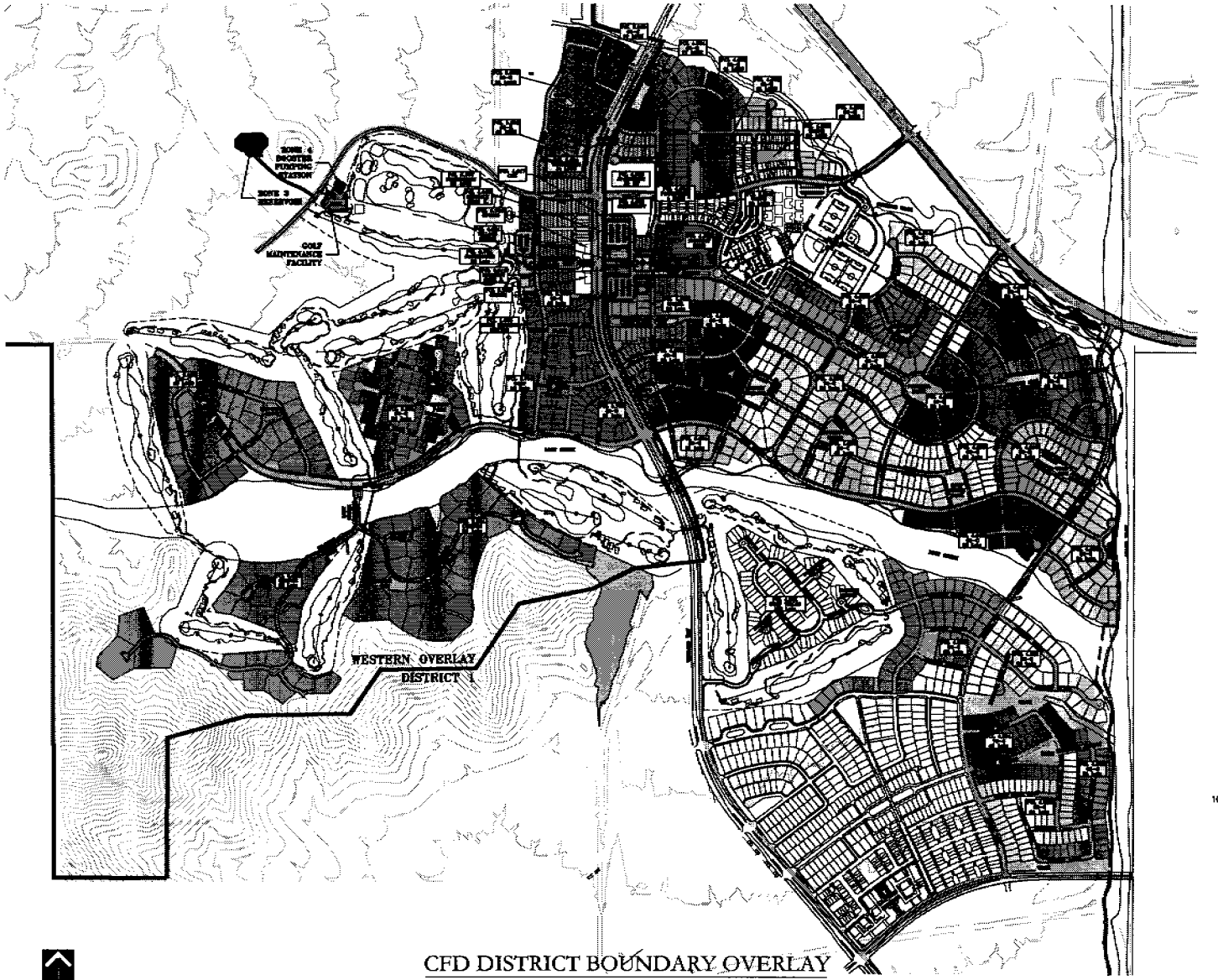
Map 3
MAP SHOWING PHASE I DEVELOPMENT



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1 inch = 1000 ft.

PRELIMINARY
NOT FOR CONSTRUCTION
OR RECORDING

DMB

CFD DISTRICT BOUNDARY OVERLAY

VERRADO
BUCKEYE, ARIZONA

WOOD/PATEL

11/05/04

$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS,
SERIES 2004

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, provides certain information concerning the issuance of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), in the aggregate principal amount of $13,000,000. **Certain capitalized terms not defined in the text of this Official Statement 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 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 Western Overlay Community Facilities District (the "District") on June 19, 2001. See Appendix A - "GENERAL INFORMATION" for certain information about the Town, the District and the Developer. Certain adjustments to the boundaries of the District were approved by the District Board on February 15, 2002.

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 $60,000,000 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. On June 19, 2001, the Town also formed the Verrado District 1 Community Facilities District ("District 1") which overlays the District (see Map 3 and Appendix A - "GENERAL INFORMATION"). 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 Appendix A - "GENERAL INFORMATION" and "SOURCES AND APPLICATIONS OF FUNDS."

The principal of the Bonds, up to 50 days of accrued interest on the Bonds (at the maximum rate of 9% per annum) and the purchase price of the Bonds upon optional and mandatory tender will be payable from the proceeds of draws under a direct pay Letter of Credit (the "Letter of Credit") to be issued by Compass Bank (the "Bank"). The expiration date of the Letter of Credit will be three years from the Closing Date (estimated to be November 10, 2007). Drawings under the Letter of Credit will be repaid by the District pursuant to the Indenture, up to the limit of tax collections in the applicable year and any additional amount by the Developer pursuant to a Letter of Credit and Reimbursement Agreement, dated as of the Closing Date (the "Reimbursement Agreement") between the Bank and the Developer. The obligations of the Developer to the Bank under the Reimbursement Agreement are guaranteed by the Guarantor pursuant to an unconditional guarantee of payment.

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 Letter of Credit and Standby Contribution Agreement, to pay Debt Service with

respect to the Bonds when due or to reimburse the Bank, in whole or in part, for payments under the Letter of Credit to pay Debt Service. While the Letter of Credit is in effect the tax rate is expected to be $3.00 per $100 of secondary assessed valuation. **See Appendix A - "GENERAL INFORMATION - DISTRICT TAXATION" and "RISK FACTORS."**

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.

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Indenture for detailed terms and provision thereof, see Appendix B "SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE."

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 $60,000,000 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 November 2, 2004 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of November 1, 2004 (the "Indenture"), from the District to the Trustee. The Bonds are the first series issued pursuant to the authorization approved by the Election, and, after issuance of the Bonds, $47,000,000 principal amount of such bonds will remain authorized but unissued. See Appendix A - "GENERAL INFORMATION - OVERLAPPING, ADDITIONAL, ADDITIONAL OVERLAPPING AND OTHER INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District."

General Description

The Bonds will be dated as of the Closing Date. Upon issuance and until changed pursuant to the Indenture, the Bonds will bear interest at the Weekly Interest Rates established from time to time. The interest rate for the Bonds may be changed so that the Bonds would bear interest at a Fixed Rate as set forth in the Trust Indenture. No Bond issued under the Trust Indenture will ever bear interest at a higher rate than the Maximum Rate. The Maximum Rate is 9% per annum. See Appendix B – "SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE" for additional information regarding the accrual and payment of interest.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of, premium, if any and interest on each Bond will be made, and notices and other communications to Bondholders will be given, directly to DTC or its nominee, Cede & Co., by the Trustee. See Appendix E "BOOK-ENTRY SYSTEM."

So long as the Bonds of a particular series are subject to the Book-Entry System, all payments on such Bonds (including payment of the Purchase Price of any Bond) and all transfers and exchanges of beneficial ownership interests in the Bonds will be made in accordance with the Book-Entry System agreement entered into among the District, the Trustee and the Securities Depository with respect to the Bonds and will be subject in all respects to the rules and regulations governing such Book-Entry System.

In the event the Bonds are not in a book-entry only system, payment of principal of, premium, if any, and interest on the Bonds will be made and such notices and communications will be given as described in the Indenture.

Determination of Interest Rates

(A) Weekly Rate. The following provisions apply to the Bonds (other than a Bond which has been purchased with a draw under the Letter of Credit and not remarketed which remains held by or for the benefit of the Bank (a "Purchased Bond")) so long as they bear interest at the Weekly Rate:

(i) Standard for Weekly Rate. The Weekly Rate shall be determined by the Remarketing Agent for the Bonds to be the rate of interest that, if borne by the Bonds for such Weekly Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities of the same general nature as the Bonds the interest on which is excludable from gross income for Federal income tax purposes and which are comparable as to credit and maturity or tender dates with the credit and Maturity or Tender Dates of the Bonds, would be the lowest interest rate that would enable the Bonds to be sold on the first day of the applicable Weekly Rate Period at a price of par, plus accrued interest, if any.

(ii) Notice of Weekly Rate. On the Business Day after the Weekly Rate is set, the Remarketing Agent shall notify the Trustee, the Tender Agent and the District by facsimile or electronic means, of the interest rate borne by the Bonds for such Weekly Rate Period.

(iii) Remarketing Agent Determines Weekly Rate. The Remarketing Agent shall determine a Weekly Rate for each Weekly Rate Period applicable to the Bonds by close of business, Eastern time, on the Tuesday preceding the first day of such Weekly Rate Period, or the next succeeding day if Tuesday is not a Business Day. If for any reason (i) the Weekly Rate for a Weekly Rate Period is not established as aforesaid, (ii) no Remarketing Agent shall be serving under the Indenture, (iii) the Weekly Rate so established is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Weekly Rate, then the Weekly Rate for such Weekly Rate Period shall be 110% of the Weekly Index Alternative Rate on the date such Weekly Rate was to have been determined by the Remarketing Agent. If for any reason the Weekly Rate applicable to the Bonds for a Weekly Rate Period can not be determined by reference to the Weekly Index Alternative Rate, then the rate to be borne by the Bonds shall be the rate for the Bonds in effect on the day preceding the first day of such Weekly Rate Period.

(iv) Weekly Index Alternate Rate. The Weekly Index Alternative Rate applicable to the Bonds shall be the BMA Municipal Index unless, in the reasonable opinion of the Remarketing Agent and the Bank, the BMA Municipal Index is not available on a timely basis for use in determining the Weekly Index Alternative Rate, whereupon the Remarketing Agent shall determine the Substitute Weekly Index, based upon the Qualified Index Criteria, on the first day of the Weekly Rate Period for which a Weekly Rate is to be set by reference to the Weekly Index Alternative Rate; provided, however, that if the Remarketing Agent fails or is unable to determine the Substitute Weekly Index, the District shall appoint an Indexing Agent who shall determine the Substitute Weekly Index. If, in the reasonable opinion of the District, the Indexing Agent fails or is unable for any reason to determine the Substitute Weekly Index for any Weekly Rate Period, the District shall appoint a replacement Indexing Agent to determine the Substitute Weekly Index.

(v) Weekly Rate Period. A Weekly Rate Period is any period (after initial issuance of the Bonds) commencing on the Wednesday of a calendar week and extending to and including the next succeeding Tuesday.

(B) Fixed Rate. Upon conversion to the Fixed Rate, each Bond will bear interest at a Fixed Rate. The Fixed Rate for each Bond shall be determined by the District and the Remarketing Agent or other investment banking firm or firms with which the District has entered into an agreement for the purchase, as underwriters, of the Bonds upon conversion to the Fixed Rate on the Conversion Date. If for any reason the Fixed Rate is not determined as aforesaid, then the Rate Period for the Bonds shall convert to a Weekly Rate Period on the Conversion Date.

(C) Purchased Bond Rate. Subject to the limitations on payment of the Purchased Bond Rate, a Purchased Bond will bear interest at the Purchased Bond Rate payable on each January 1 and July 1 during the period the Bond is a Purchased Bond.

(D) Limitations on Rates. No Bond shall bear interest at a rate which exceeds the Maximum Rate.

(E) Limitation on Rate Periods. No Weekly Rate Period for the Bonds shall extend beyond the fifth (5th) day (or the preceding Business Day if such day is not a Business Day) prior to the scheduled expiration date of the Letter of Credit, if any, then in effect.

(F) No Liability. In determining the rate applicable to the Bonds, the District and the Remarketing Agent shall have no liability to the Trustee, the Tender Agent, the Bank, or any Owner, except for its respective willful misconduct or negligence.

Conversion to Fixed Rate

(A) Generally.

(i) Requirements for Conversion. No Conversion to the Fixed Rate shall occur unless:

(a) on the Conversion Date, no Event of Default described in this Indenture has occurred and is continuing;

(b) on or prior to 10:00 a.m., Eastern time, on the day that the District delivers a request for conversion , the District, the Trustee and the Remarketing Agent have received a letter from Bond Counsel stating that, based on the then-current law, such Bond Counsel knows of no reason why the Opinion of Bond Counsel required by clause (c) below could not be rendered on the Conversion Date;

(c) on or prior to 10:00 a.m., Eastern time, on the Conversion Date, the District shall deliver to the Remarketing Agent, the Tender Agent and the Trustee, an Opinion of Bond Counsel with respect to such proposed Conversion; and

(d) if conversion will require a draw on the Letter of Credit, the Bank shall have consented to the conversion.

All Bonds are subject to mandatory tender for purchase on the Conversion Date.

Tender of Bonds for Purchase

(A) Optional Tender Of Book Entry Bonds. For so long as any Bond, which is a Book Entry Bond, bears interest at the Weekly Rate, a Participant, acting on behalf of a Beneficial Owner, has the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Bond for purchase on any Optional Tender Date, by giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective designated offices, not later than close of business, Eastern time, on the seventh calendar day prior to the Optional Tender Date, a Tender Notice which states (i) the aggregate principal amount in an Authorized Denomination of each Bond or portion thereof to be purchased and (ii) that such principal amount of Bonds (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture.

Any Tender Notice given or delivered in accordance with this subsection (A) shall be irrevocable and shall be binding on the Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner and the principal amount of the Bonds for which a Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date

pursuant to a Tender Notice given pursuant to this subsection (A), ownership of such aggregate principal amount of Bonds shall be recorded as provided in the Indenture.

(B) Optional Tender Of Other Bonds. For so long as any Bond which is not a Book Entry Bond bears interest at a Weekly Rate, the Owner of such Bond shall have the right to tender any such Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(i) Giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective principal offices, not later than close of business, Eastern time, on the seventh calendar day prior to the Optional Tender Date, an irrevocable telephonic Tender Notice subsequently confirmed in writing the same day, by facsimile or electronic means, which Tender Notice states (a) the aggregate principal amount in an Authorized Denomination of such Bonds to be purchased, and (b) that such Bonds (or portion thereof in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture; and

(ii) Delivery of such Bonds (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., Eastern time, on such Optional Tender Date; provided, however, that no Bonds (or portion thereof in an Authorized Denomination) shall be purchased unless the Bonds so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any Tender Notice given or delivered in accordance with this subsection (B) shall be irrevocable and shall be binding on the Owner giving or delivering such Tender Notice and on any transferee of such Owner and the principal amount of the Bonds for which such Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice given pursuant to this subsection (B), ownership of such aggregate principal amount of Bonds shall be recorded as provided in the Indenture.

(C) Mandatory Tender. Any Bond (other than Bonds bearing interest at a Fixed Rate) is subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

(i) Conversion of Bonds. On the Conversion Date;

(ii) Expiration of Letter of Credit. On a date that is not less than three (3) Business Days prior to the expiration date of the Letter of Credit (or if such day is not a Business Day, on the immediately preceding Business Day), unless such Letter of Credit has been extended or a Substitute Letter of Credit is delivered and effective at least twenty (20) days prior to such expiration date;

(iii) Substitution of Letter of Credit. At least thirty-five (35) days before the effective date of the Substitute Letter of Credit, evidence in writing from each Rating Agency which maintains a rating on the Bonds must be provided to the Trustee and the District indicating whether the substitution of the Substitute Letter of Credit will cause the rating on the Bonds to be reduced. If each rating on the Bonds is maintained, the Trustee shall, not less than thirty (30) days prior to the Substitution Date, give notice by first-class mail to the Owners as to the substitution of the Letter of Credit and the Substitution Date. If one or more ratings on the Bonds is reduced, the Bonds shall be subject to mandatory tender for purchase with notice given as described in "(D) Notices of Mandatory Tender" below;

(iv) Default Under Reimbursement Agreement. If (a) notice from the Developer or the Bank that an Event of Default has occurred under the Reimbursement Agreement and a request from the Bank to cause the mandatory tender and purchase or redemption of the Bonds are received by the Trustee (1) prior to 11:30 a.m. Eastern Time on a Business Day then on such Business Day or (2) at or after 11:30 a.m. on a Business Day then the subsequent Business Day, or (b) such notice is received by the Trustee but not a

request from the Bank to cause the mandatory tender and purchase or redemption of the Bonds then (1) if the Event of Default arises out of the nonpayment by the Developer and the Guarantor of any amount due the Bank under the Reimbursement Agreement, or the insolvency, bankruptcy, receivership, liquidation or termination of the Developer or the Guarantor, on the 7th Business Day following receipt of such notice unless the Bank notifies the Issuer and the Trustee no later than 11:00 a.m. Eastern Time on such Business Day that the Event of Default has been cured, or (2) otherwise on the 120th day (or, if not a Business Day, the prior Business Day) following receipt of such notice unless the Bank notifies the Issuer and the Trustee no later than the Business Day prior to such Mandatory Tender Date that the Event of Default has been cured;

(v) Rating Event. If the Trustee receives prior to 11:30 a.m. Eastern Time on a Business Day notice from the Issuer, the Remarketing Agent, the Tender Agent or the Bank of the occurrence of a Rating Event, then on such Business Day or if such notice is received at or after 11:30 a.m. on a Business Day then the subsequent Business Day.

(D) Notices of Mandatory Tenders. Whenever the Bonds are to be tendered for purchase upon Conversion to the Fixed Rate, the Tender Agent shall give the notices required by the Indenture. Whenever the Bonds are to be tendered for purchase in accordance with (i) subsection (C)(ii) immediately above, the Tender Agent shall, not less than ten (10) days' and (ii) subsection (c)(iii) immediately above, the Tender Agent shall, not less than thirty (30) days, prior to the Mandatory Tender Date, give notice by first-class mail to the Owners that the Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date specified in such notice in accordance with subsection (C) above. Whenever the Bonds are to be tendered for purchase in accordance with subsection (C)(iv) or (v), the Tender Agent shall give immediate notice to the Owners that the Bonds were subject to mandatory tender on the Mandatory Tender Date and will be or were deemed tendered on that date.

(E) No Delay of Other Tender or Redemption. No provision for Mandatory Tender shall prevent or delay any optional or mandatory redemption or optional or mandatory tender from occurring as otherwise provided in the Indenture.

(F) Tendered and Deemed Tendered Bonds. The Owner of a Bond subject to Tender shall deliver the Bond to the Tender Agent on or before the applicable Tender Date. If an Owner fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Bond subject to mandatory tender for purchase or any Bond, for which an election to tender has been duly made, such Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the Purchase Date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of any person who on a record date is the Owner of a Bond to receipt of interest, if any, due thereon on the date such Bond is required to be purchased. Delivery of Tendered Bonds which are Book-Entry Bonds shall be made pursuant to the procedures of the Securities Depository and the Book-Entry-Only System.

(G) Purchase of Tendered Bonds. On each Tender Date, the Tendered Bond shall be purchased at the applicable Purchase Price, which shall be paid by 3:00 p.m., Eastern time, on the Tender Date. Moneys for the payment of the Purchase Price of the Tendered Bonds shall be paid by the Tender Agent solely from the following sources and in the following order of priority:

(i) Proceeds of the remarketing of the Tendered Bonds (or portions thereof in Authorized Denominations); and

(ii) Moneys obtained pursuant to the Letter of Credit then in effect with respect to the Bonds.

Tendered Bonds purchased as provided above shall be delivered as described under "Delivery of Purchased Bonds" below. No Tendered Bond so purchased shall cease to be Outstanding solely by reason of the purchase thereof.

(H) No District Obligation to Purchase. The District shall have no obligation to pay the Purchase Price of Tendered Bonds from any amounts other than described in subsections (i) and (ii) above. No Owner shall have any claim for payment of the Purchase Price out of the taxes levied and collected by the District or to compel the District to levy or collect taxes for such purpose.

(I) Segregation of Amounts Received by Tender Agent. All moneys received by the Tender Agent as proceeds of the sale of Tendered Bonds that have been transferred to the Tender Agent shall be held by the Tender Agent in the Bond Purchase Fund.

Remarketing of Bonds

(A) Duty to Remarket Tendered Bonds. Except as otherwise described below, upon receipt of any notice given that any Bonds will be or are required to be tendered for purchase, the Remarketing Agent shall use its reasonable best efforts to remarket such Tendered Bond on its Tender Date at a price equal to the Purchase Price. By 3:00 p.m., Eastern time, on the Business Day immediately preceding each Tender Date, the Remarketing Agent shall give notice by telephone, subsequently confirmed in writing the same day by facsimile or electronic means, of the principal amount of Tendered Bonds for which it has arranged a remarketing (and such other particulars with respect thereto as the District, the Trustee, the Tender Agent or the Remarketing Agent deem necessary), along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing, to the Trustee, the Tender Agent, the District, the Bank and the Developer, and, by 11:00 a.m., Eastern time, on the Tender Date, shall transfer to the Tender Agent the proceeds of the remarketing of the Tendered Bonds. By (x) 11:15 a.m., Eastern time, on each Tender Date, and (y) close of business Eastern time, on the Business Day prior to the Conversion Date for a Tendered Bond, the Tender Agent shall notify the District, the Bank and the Developer of the amount required to be paid by the Bank for the Purchase Price of Bonds to be tendered for which the Remarketing Agent has not arranged a remarketing; provided, however, that the failure to give such notice shall not affect the right of the Tender Agent to obtain moneys pursuant to the Letter of Credit. By 11:30 a.m., Eastern time, on each Tender Date (including the Conversion Date), the Tender Agent or the Trustee, as the case may be, shall then take such actions as may be required pursuant to the Letter of Credit to obtain moneys thereunder in an amount equal to the full Purchase Price of all such Tendered Bonds, less the proceeds of the remarketing of such Tendered Bonds theretofore transferred to the Tender Agent by the Remarketing Agent. The Tender Agent shall notify the District of the amount so obtained.

For purposes of this subsection (A), if the Remarketing Agent fails to transfer to the Tender Agent by 11:15 a.m., Eastern time, on a Tender Date the proceeds of the remarketing of Tendered Bonds, it shall be assumed that no arrangement for the remarketing of any Tendered Bonds has been made and the Tender Agent shall take the action necessary to obtain moneys with which to pay the Purchase Price of all the Tendered Bonds.

(B) Remarketing of Purchased Bonds. Except as otherwise described, the Remarketing Agent shall use its reasonable best efforts to remarket all, but not less than all, Outstanding Purchased Bonds at a price equal to the Purchase Price.

(C) Limitations on Remarketings. The Remarketing Agent shall not, during any period prior to the Conversion Date, remarket Tendered Bonds or Purchased Bonds (i) if upon such remarketing the amount available to be drawn pursuant to the Letter of Credit for the payment of the principal or Purchase Price of the Outstanding Bonds is less than the amount required under the Indenture, (ii) if the Letter of Credit will expire or terminate within twenty (20) days after the Tender Date of the Tendered Bonds or the Purchased Bond Remarketing Date, as applicable, unless and until such Letter of Credit has been extended or a Substitute Letter of Credit has been delivered to the Tender Agent in accordance with the Indenture, or (iii) if the Bank has delivered a No Remarketing Notice to the District or the Trustee and such No Remarketing Notice remains in effect and has not been annulled or rescinded or (iv) any event has occurred and is continuing which is cause for a mandatory tender of the Bonds.

Delivery of Remarketed Bonds and Purchased Bonds

(A) Tendered Bonds and Purchased Bonds remarketed pursuant to the Indenture shall be delivered as follows:

(i) Tendered Bonds in the aggregate principal amount purchased with Available Moneys constituting remarketing proceeds, upon receipt of payment therefor, shall be recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the accounts of the Participants purchasing or representing the purchasers of such aggregate principal amount; and

(ii) Tendered Bonds in the aggregate principal amount purchased with Available Moneys constituting moneys obtained pursuant to the Letter of Credit, upon receipt of payment therefor, shall become Purchased Bonds and shall be recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the account of the Trustee on behalf of the Bank or, at the direction of the Bank, to the account of another Person. .

(iii) Purchased Bonds which are remarketed upon receipt of payment therefor shall be recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the account of the Participants purchasing or representing the purchasers of such aggregate principal amount.

(B) Notwithstanding the provisions of (A) above, no Tendered Bonds or Purchased Bonds shall be delivered to the purchasers thereof (other than the Bank) upon a remarketing unless the amount available to be paid pursuant to the Letter of Credit shall be equal to the principal amount of Bonds that will be Outstanding Bonds, other than Purchased Bonds, after the delivery to such purchasers, together with interest on such principal amount at the Maximum Rate for 50 days or such longer period as may be required by any Rating Agency then providing a rating on the Bonds to allow for the highest possible short-term rating and the Trustee receives a certificate of the Bank to that effect.

Optional Redemption of Bonds

(A) Weekly Rate Bonds. So long as the Bonds bear interest at the Weekly Rate, the Bonds shall be subject to redemption prior to maturity (i) at the election and direction of the District with the consent of the Bank, or (ii) at the election and direction of the Bank, upon the occurrence of a Reimbursement Agreement Default, in either case such redemption may be in whole or in part, on any Business Day, at a redemption price equal to 100% of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, but without premium.

(B) Available Monies. The redemption price of any Bond being redeemed shall be paid only with Available Monies.

Mandatory Sinking Fund Redemption; Credit

The Bonds shall be subject to redemption, in part, through application of Sinking Fund Installments beginning on July 1, 2010, at the redemption price of one hundred percent (100%) of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. There shall be due, and the District shall be required to pay for the retirement of the Bonds each year, the amount set forth opposite such year in the following table, each referred to herein as a Sinking Fund Installment:

Redemption Date (July 1)	Principal Amount
2010	$500,000
2011	500,000
2012	500,000
2013	500,000
2014	600,000
2015	600,000
2016	600,000
2017	600,000
2018	600,000
2019	600,000
2020	600,000
2021	700,000
2022	700,000
2023	700,000
2024	700,000
2025	700,000
2026	800,000
2027	800,000
2028	800,000
2029	900,000

The Sinking Fund Installments shall be rounded to the nearest Authorized Denomination then in effect (the sinking fund amount shall be rounded down if there are two nearest Authorized Denominations); provided, however, if a Sinking Fund Installment is rounded down, the excess amount not redeemed shall be added to the succeeding Sinking Fund Installment, and if a Sinking Fund Installment is rounded up, the excess amount redeemed shall be subtracted from the succeeding Sinking Fund Installment.

There shall be credited against and in satisfaction of the Sinking Fund Installment payable on any date for the Bonds the principal amount of Bonds entitled to such Sinking Fund Installment (a) purchased with moneys in the Redemption Fund and canceled by the Trustee; (b) redeemed at the option of the District pursuant to the Indenture, (c) purchased by the District and delivered to the Trustee for cancellation and (d) deemed to have been paid in accordance with the defeasance provisions of the Indenture. Bonds redeemed at the option of the District, purchased by the District or deemed to have been paid in accordance with the defeasance provisions of the Indenture shall be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments payable with respect to the Bonds on such dates as the District shall specify in a written direction delivered to the Trustee at least fifteen (15) days prior to the earliest date on which notice of redemption of the Bonds entitled to such Sinking Fund Installment may be given by the Trustee, and the Sinking Fund Installment payable with respect to the Bonds on each date specified in such direction shall be reduced by the principal amount of the Bonds so purchased, redeemed or deemed to have been paid in accordance with the defeasance provisions of the Indenture to be applied in satisfaction of such Sinking Fund Installment as set forth in such direction.

The redemption price of any Bond being redeemed shall be paid only with Available Monies.

Redemption of Purchased Bonds

(A) Partial Redemption of Purchased Bonds. The Bonds that are Purchased Bonds shall be subject to redemption prior to maturity in part at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds or portion thereof to be redeemed at the times and in the principal amounts required by the Reimbursement Agreement.

(B) Redemption of Purchased Bonds in Whole. If so provided in the Reimbursement Agreement, the Bonds that are Purchased Bonds shall be subject to redemption prior to maturity in whole, but solely from amounts drawn on the Letter of Credit, as soon as practicable upon receipt by the Trustee of a default notice given by the Bank or its agent pursuant to the Reimbursement Agreement, which default notice expressly states that the Purchased Bonds are to be redeemed in whole, but solely from amounts drawn on the Letter of Credit, at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds to be redeemed.

(C) Mandatory Redemption of Purchased Bonds After Six Months. Purchased Bonds are subject to mandatory redemption, but solely from amounts drawn on the Letter of Credit, on the date which is the first day of the sixth month following the month in which such Bonds became Purchased Bonds. Under certain conditions this mandatory redemption may be delayed at the request of the Bank and with the consent of the District.

Method of Selecting Bonds for Redemption

If less than all of the outstanding Bonds are to be redeemed, the Trustee shall select for redemption, using such method of selection as it deems proper in its discretion, the Purchased Bonds before selecting any other Bonds for redemption. Bonds which are not Purchased Bonds shall be selected by the Trustee by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

Unless the District has previously provided other Available Moneys with the Trustee, the Trustee shall draw on the Letter of Credit on the redemption date, the amount necessary to redeem all the Bonds called for redemption. On the redemption date the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit or draw of Available Monies having been made then, notwithstanding that any Bond called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond. From and after such date of redemption (such notice having been given and such deposit having been made) the Bonds to be redeemed shall be deemed not to be Outstanding, and the District shall be under no further liability in respect thereof.

Cancellation

Except as otherwise provided under the Book-Entry-Only System, all Bonds which have been redeemed, including those redeemed through draws on the Letter of Credit, and all Bonds delivered to the Trustee by the District for cancellation shall be canceled by the Trustee and destroyed as provided in the Indenture.

Notice of Redemption

(A) Notice of redemption shall be given by the Trustee in the name and at the expense of the District, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to CEDE & CO.

(B) All notices of redemption shall include a statement as to

(i) the Redemption Date,

(ii) the Redemption Price,

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

(iv) 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.

(C) Notices of redemption shall also be sent 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 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.

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

THE BANK, THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

Compass Bank

The information contained herein relates to and has been provided by Compass Bank, a state chartered banking association, for inclusion in this Official Statement. No other party has independently verified or assumes any responsibility for such information, and neither the District nor the Underwriter make any representation as to the accuracy or completeness of such information. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or incorporated by reference in this appendix is correct as of any time subsequent to its date.

Compass Bank (the "Bank"), headquartered in Birmingham, Alabama, conducts a general commercial banking and trust business at 352 bank offices, including 121 in Texas, 89 in Alabama, 65 in Arizona, 42 in Florida, 24 in Colorado, 9 in New Mexico and 2 in Nebraska. As of December 31, 2002, Compass Bank is a subsidiary and asset of Compass Bancshares, Inc, a Delaware corporation and registered bank holding company organized under the Bank Holding Act of 1956 (the "Company"). The Company is a $23.9 billion asset (as of December 31, 2002) financial service company headquartered in Birmingham, Alabama. The Company's lead bank subsidiary is Compass Bank. The Company also owns Central Bank of the South, an Alabama banking corporation headquartered in Anniston, Alabama, that has limited activities. The Company, through wholly owned subsidiaries, is engaged in providing insurance products to its customers and owning real estate for bank premises through nonbanking subsidiaries. The principal role of the Company is to supervise and coordinate the activities of its subsidiaries and to provide them with capital and services of various kinds.

Compass Bank performs banking services customary for full service banks of similar size and character. Such services include receiving demand and time deposit accounts, making personal and commercial loans and furnishing personal and commercial checking accounts. Compass Bank provides correspondent banking services, including educational seminars and operational and investment services, to approximately 1,000 financial institutions located throughout the United States. Through the Correspondent and Investment Services Division, Compass Bank distributes or makes available a variety of investment services and products to institutional and individual investors including institutional sales, bond accounting, safekeeping and interest rate risk analysis services. Through its wholly owned subsidiary, Compass Brokerage, Inc., Compass Bank also provides discount brokerage services, mutual funds and variable annuities to individuals and businesses. Compass Bank provides lease financing services to individuals and businesses, through its wholly owned subsidiary, Compass Financial Corporation. The Asset Management Division of Compass Bank offers its customers a variety of fiduciary services, including portfolio management and the administration and investment of funds of estates, trusts and employee benefit plans. Compass Bank, through its wholly owned subsidiaries, Texas Insurance Agency, Horizons Insurance Group, Inc., and Compass Bancshares Insurance, Inc., makes available to its customers and others, as agent for a variety of insurance companies, term life insurance, fixed-rate annuities, property and casualty insurance and other insurance products. Compass Bank, through its wholly owned subsidiaries Compass Mortgage Corporation and Arizona Financial Products, Inc., also provides loans and related products to consumers and investor advisory services to Compass Bank and others.

Compass Bank, organized under the laws of the State of Alabama, is a member of the Federal Reserve. As such, it is supervised, regulated and regularly examined by the Alabama State Banking Department and the Federal Reserve.

The Letter of Credit is an obligation solely of the Bank and no assets of Compass Bancshares or any affiliate of the Bank or Compass Bancshares will be pledged to the payment thereof. Furthermore, repayment of the Bonds will not be insured by the Federal Deposit Insurance Corporation.

The Bank will provide any person, upon written request, a complete copy of the Bank's most recent annual report. Written requests should be directed to the principal offices of the Company. Its principal offices are located at 15 South 20th Street, Birmingham, Alabama 35233, telephone (205) 297-3000.

The Letter of Credit

The following summary has been furnished by the Bank for use in this Official Statement, does not purport to be complete and its subject to, and qualified in its entirety by reference to, the provisions of the Letter of Credit.

The Bank will issue the Letter of Credit pursuant to the Reimbursement Agreement (the Reimbursement Agreement, together with the Letter of Credit, are sometimes referred to herein as the "Letter of Credit Documents") simultaneously with the issuance of the Bonds. The Letter of Credit is the direct obligation of the initial Bank to pay the Trustee, in conformity with the terms thereof, sums sufficient to pay (i) in full all mounts of principal of and interest on the Bonds due on any Interest Payment Date and (ii) up to the purchase price of all Bonds tendered or deemed tendered, less the aggregate amount of remarketing proceeds, notice of the receipt of which was given to the Trustee pursuant to the Indenture.

The Letter of Credit will expire on the earliest to occur of: (a) the Bank's close of business on November 10, 2007 (the "Scheduled Expiration Date"); (b) the first Business Day immediately following the date the Bonds were remarketed to bear interest at a Fixed Rate; (c) the first Business Day immediately following the date specified by the trustee in a notice as being the date that all outstanding Bonds have been paid or will be paid with funds deposited with the Trustee; or (d) the first Business day immediately following the date specified by the Trustee in a notice as being the effective date of a Substitute Letter of Credit received by the Trustee and meeting the requirements of the Indenture.

The Letter of Credit provides for the following drawings:

(A) For the payment of interest on the Bonds on any interest payment date or purchase date for the Bonds other than as described in (D) below (an "Annex 1 Drawing");

(B) For the payment of principal of and interest on the Bonds under the Indenture due to redemption or scheduled maturity (an "Annex 2 Drawing");

(C) For the purchase price of the principal of Bonds being optionally tendered or deemed tendered to the Tender Agent for which the District has not received notice from the Remarketing Agent that it has arranged for the sale of such Bonds to a purchaser other than the District or any affiliated applicant (an "Annex 3 Drawing"); and

(D) For any payment under the Indenture of the portion of the purchase price equal to interest accrued to the date of purchase on the Bonds being tendered or deemed tendered in each case because of a mandatory tender to the Tender Agent (an "Annex 4 Drawing").

The Bank agrees with the Trustee that each demand presented in the form of Annex 1 or Annex 2 will be honored by payment to the Trustee in immediately available funds (a) no later than 1:00 p.m., New York time, on the Business Day next succeeding the day on which such demand is presented as aforesaid if such presentation is made at or before 1:00 p.m., New York time; or (b) no later than 1:00 p.m., New York time, on the second Business

Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after 1:00 p.m., New York time.

The Bank agrees with the Trustee that each demand presented in the form of Annex 3 or Annex 4 in full compliance with the terms of the Letter of Credit will be duly honored by payment to the Trustee in immediately available funs (a) no later than 2:00 p.m., New York time, on the day such demand is presented as aforesaid if such presentation is made at or before 11:30 a.m., New York time; or (b) no later than 2:00 p.m., New York time, on the Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after 11:30 a.m., New York time.

The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time.

Upon each payment under the Letter of Credit with respect to the principal of the Bonds, the Principal Portion shall be decreased by the amount of the payment and immediately thereafter the Interest Portion shall be decreased proportionally.

The Bank will agree not to assert any, and will waive all, rights (whether by counterclaim, set off or otherwise) and defenses that are or may be available to the Bank to avoid payment of its obligations under the Letter of Credit.

Reimbursement Agreement

The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Reimbursement Agreement.

The Developer and the Bank have entered into the Reimbursement Agreement with respect to the Letter of Credit pursuant to which the Developer has agreed to reimburse, with interest, the Bank for amounts paid pursuant to such Letter of Credit. The Developer has further agreed to pay or reimburse the Bank for all reasonable out of-pocket costs, expenses and disbursements incurred in connection with the Reimbursement Agreement and the transactions contemplated thereby, and to indemnify the Bank against certain liabilities, subject to the provisions of the Reimbursement Agreement.

Pursuant to the Reimbursement Agreement, the Bank has rights to reimbursement from the Developer for amounts paid under the Letter of Credit. The obligations of the Developer under the Reimbursement Agreement are guaranteed by the Guarantor pursuant to the Guaranty and are also secured by a lien on certain real property outside the District (the "Real Property") pursuant to a Deed of Trust and other security documents (collectively, the "Security Documents"). The Real Property and the Security Documents do not secure payment of the Bonds.

The District will also reimburse the Bank for amounts drawn under the Letter of Credit to the extent of available taxes collected.

Certain Covenants of Developer

So long as the Expiration Date has not occurred or any amount is due or owing to the Bank under the Reimbursement Agreement, unless the Bank shall otherwise consent in writing in Bank's absolute and sole discretion, Developer to the extent applicable shall comply with certain covenants contained in the Reimbursement Agreement including maintenance of existence and limitations on mergers and sale of assets and creation of liens, transfer of collateral pledged to the Bank, amendments to documents, changes in accounting periods and debt. In addition, the amount available under the Letter of Credit less funds pledged to the Bank cannot exceed a certain percentage of the fair market value of the real property pledged to the Bank. The Developer and the Guarantor must also maintain certain net worth covenants.

Events of Default

The following is a summary of the circumstances set forth in the Reimbursement Agreement which constitute events of default thereunder. This summary is qualified by reference to the complete text of the Reimbursement Agreement.

(a) Developer shall fail to pay any amount specified in the Reimbursement Agreement when due.

(b) The failure of Developer to comply with the net worth covenants set forth in the Reimbursement Agreement.

(c) The failure of Developer to observe or perform any of its other covenants, conditions or provisions of the Reimbursement Agreement or any of the Related Documents (as defined in the Reimbursement Agreement) if such failure is not remedied within ten (10) days after written notice thereof is given by the Bank, which ten (10) day period may be extended an additional forty-five (45) days if the Developer is diligently pursuing the remedy but not reasonably able to cure such event within the ten (10) days.

(d) Any material representation or warranty made by Developer in the Reimbursement Agreement or in any certificate, financial or other statement furnished by Developer pursuant to the Reimbursement Agreement or any of the Related Documents shall prove to have been untrue or incomplete in any material respect when made.

(e) The occurrence and continuation of an event of default under the other Loan Documents (as defined in the Reimbursement Agreement), the Bond Documents (as defined in the Reimbursement Agreement) or any of the other related documents or under any document or instrument given by Developer in connection with any other indebtedness of Developer to the Bank.

(f) Developer shall (i) fail to pay any Debt subject to a Significant Debt Agreement (i.e. any document evidencing an obligation in excess of $100,000) when due and payable, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) or within any applicable grace period, or (ii) allow the occurrence of any material event of default with respect to such Debt.

(g) Admission by Developer, the Guarantor or the Pledgor of insolvency or bankruptcy or its inability or failure generally to pay its debts as they become due, or Developer, the Guarantor or the Developer as trustor under the Deed of Trust (the "Pledgor") makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for Developer, the Guarantor or the Pledgor, or for a major part of its property.

(h) Appointment of a trustee in bankruptcy, custodian or receiver for Developer, the Guarantor or the Pledgor, or for a major part of its property and failure to obtain discharge of such within ninety (90) days after such appointment.

(i) Institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, by or against Developer, the Guarantor or the Pledgor (other than bankruptcy proceedings instituted by Developer, the Guarantor or the Pledgor against third parties), and, if instituted against Developer, the Guarantor or the Pledgor, allowance against Developer, the Guarantor or the Pledgor or consent by Developer, the Guarantor or the Pledgor to such proceedings or failure to obtain dismissal, stay or other nullification within ninety (90) days after such institution.

(j) The Reimbursement Agreement or any of the Related Documents ceases to be valid and binding on Developer, the Guarantor or the Pledgor, or is declared null and void, or the validity or

enforceability thereof is contested by Developer, the Guarantor or the Pledgor or Developer, the Guarantor or the Pledgor denies it has any or further liability under the Reimbursement Agreement or any of the Related Documents.

(k) Any levy or execution upon, or judicial seizure of, any portion of any collateral or security subject to the Security Documents, that is not released or removed within thirty (30) days of its creation.

(l) Any attachment or garnishment of, or the existence or filing of any lien or encumbrance, other than any lien or encumbrance permitted by the Deed of Trust, against any portion of any collateral or security subject to the Security Documents, that is not bonded over, removed or released within thirty (30) days after its creation.

(m) The institution of any legal action or proceedings to enforce any Lien or Encumbrance upon any portion of any collateral or security subject to the Security Documents, that is not bonded over or dismissed within thirty (30) days after its institution.

(n) The liquidation, termination or dissolution of Developer or Guarantor.

(o) A change in the business or financial condition of Developer or Guarantor that results in a material adverse effect on the validity or enforceability of the documents or the ability of the Developer to fulfill its obligations.

(p) The failure of the Developer to deposit funds to the collateral account as required by the Reimbursement Agreement.

(q) The failure of the Developer to maintain funds in the Debt Service Reserve Fund as required by the Reimbursement Agreement and held by the Bank.

Rights and Remedies. If any Event of Default shall have occurred and be continuing, the Bank may:

(a) notify the Trustee of such Event of Default and provide a copy of such notice to Developer and the District;

(b) request the Trustee to redeem the Bonds in whole or in part;

(c) request the Trustee to purchase the Bonds on behalf of the Bank;

(d) declare all principal amounts outstanding under the Reimbursement Agreement, all interest thereon and all other amounts payable under the Reimbursement Agreement to be forthwith due and payable.

(e) deliver a "No Remarketing Notice to Trustee" as provided in the Indenture;

(f) apply any monies in the Accounts to the satisfaction of Developer's obligations under the Reimbursement Agreement;

(g) request Developer to deposit in the Collateral Account funds equal to the Available Amount less the then balance of the Collateral Account;

(h) proceed to protect and enforce its rights and remedies under this Reimbursement Agreement and all Security Documents; and/or

(i) avail itself of any other relief to which the Bank may be legally or equitably entitled;

provided, however, that in the event of an order for relief with respect to Developer under the Federal Bankruptcy Code, all amounts reimbursable on demand, all interest accrued and unpaid thereon and all other amounts payable shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are expressly waived by Developer.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

The primary security for and source of payment on the Bonds is the Letter of Credit. See Appendix A for a discussion of District Taxation, the District and the Public Infrastructure, the Project and the Developer and information regarding the Town of Buckeye, Arizona.

SOURCES AND APPLICATIONS OF FUNDS

Sources	
Par Amount of Bonds	$13,000,000
Applications	
Cost of Acquisition and Construction	$12,464,523
Costs of Issuance (including Underwriter's Compensation and Letter of credit Fees)	535,477
Total	$13,000,000

RISK FACTORS

General

The Bonds will be secured by the Letter of Credit. The Bonds are further secured by ad valorem taxes generated within the District and amounts available pursuant to the Standby Contribution Agreement. Anyone considering investing in the Bonds should carefully examine this Official Statement, including the Appendices hereto. ***The following risk factors are relevant only if the Bank should fail to honor draws on the Letter of Credit and payment of the Bonds becomes wholly reliant on the District's ad valorem taxes and the Developer's payments under the Standby Contribution Agreement. The Bank is obligated to honor draws on the Letter of Credit to pay amounts due on the Bonds notwithstanding any failure of the Developer or the Project and notwithstanding any insufficiency in tax collections. For information concerning the Bank and the Letter of Credit see "THE BANK, THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT - Compass Bank" and - The Letter of Credit".***

Investment in the Bonds has risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Official Statement. In reliance upon the Letter of Credit, the District does not intend to levy a tax rate for the payment of debt service exceeding $3.00 per $100 of secondary assessed valuation within the District. So long as the Letter of Credit is in effect, the Developer and the Guarantor are not obligated to make any payments under the Standby Contribution Agreement. If for any reason funds cannot be obtained pursuant to the Letter of Credit to pay debt service on the Bonds, the Developer and Guarantor will have to make payments under the Standby Contribution Agreement sufficient to allow the District to maintain its tax rate at $3.00. If for any reason the Developer and the Guarantor fail to make the necessary payments under the Standby Contribution Agreement, the District will have to increase its tax rate as necessary to pay debt service on the Bonds. 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 7years 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. If neither the Bank nor the Developer is able to fund its

respective 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, AppendixA – "GENERAL INFORMATION" and Appendix D - "CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER".

Forward-Looking Statements

This Official Statement 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, if any, under the Standby Contribution Agreement or that the District can obtain sufficient tax revenue if needed. 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) or payments under the Standby Contribution Agreement, 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 therefromto 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 Appendix A - "GENERAL INFORMATION - 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. 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. 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION" - Ad Valorem Property Taxation in the District") and reduce the ability or desire of the property owners to pay the ad valorem taxes securing the Bonds. 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 collection of tax revenues securing 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 in Appendix A - "GENERAL INFORMATION - THE DISTRICT" - Ad Valorem Taxation in the District") in the event it has to be foreclosed upon.

Effect of Valuation of Property

Decreases in the value of property within the District 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION" - Ad Valorem Property Taxation in the District."

Availability of Standby Contribution Agreement Payments

If amounts to be available pursuant to the Letter of Credit and the Standby Contribution Agreement are not available for any reason (including financial difficulties of the Bank and the Developer), payment of the Bonds solely from District ad valorem taxes will result in increased District tax rates and increase the likelihood of non-payment by property owners. 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 Appendix A -"GENERAL INFORMATION - OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS." The District is authorized to issue

$60,000,000 of general obligation bonds. 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION - Ad Valorem Property Taxation in the District."

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. If tax collection were relied upon for payment of the principal of, and interest on, the Bonds, such delay would increase the likelihood of a delay or default in such payment.

In addition, the various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) and relating to the Standby Contribution Agreement and the Indenture will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Bankruptcy or similar occurrence of or to the Developer could result in a temporary or permanent cessation of amounts payable, if any, pursuant to the Standby Contribution Agreement. .

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 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 INFORMATION - 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).

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

District

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 Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

Developer

At the time of delivery and payment for the Bonds, appropriate representatives of the Developer and Guarantor 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 Developer or Guarantor affecting the existence of the Developer or Guarantor, 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, the Standby Contribution Agreement, the Letter of Credit, any action of the Developer or Guarantor contemplated by any of the said documents, or the collection or application of the revenues provided for the payment of the Bonds, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Developer or Guarantor or its authority with

respect to the Bonds, the Standby Contribution Agreement, the Letter of Credit or any action of the Developer or Guarantor contemplated by any of said documents.

Bank

At the time of delivery and payment for the Bonds, appropriate representatives of the Bank 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 Bank affecting the existence of the Bank, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the execution or delivery of the Letter of Credit or the making of draws thereunder, or in any way contesting or affecting the validity or enforceability of the Letter of Credit, any action of the Bank contemplated by the Letter of Credit, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Bank or its authority with respect to the Bonds or the Letter of Credit or any action of the Bank contemplated by either 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. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona; for the Bank by Quarles Brady Streich Lang LLP, 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

Certain unaudited financial information of DMB White Tank, LLC is included in Appendix E.

RATINGS

Based on the Letter of Credit for the Bonds, Moody's has given the Bonds a rating of "A-1"/"VMIG1". No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody's. The District furnished to Moody's certain information and materials respecting itself and the Bonds. Generally, Moody's bases its ratings on such information and materials and its own investigation, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that it may not be lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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 $12,870,000 (reflecting the aggregate principal amount of the Bonds, less underwriter's discount). 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.

RELATIONSHIPS AMONG PARTIES

Gust Rosenfeld P.L.C., Bond Counsel, has acted as counsel to the underwriter in other transactions underwritten by the Original Purchaser and by Peacock, Hislop, Staley & Given, Inc., financial consultant to the District (the "Financial Consultant") and as bond counsel in other transactions underwritten by the Original Purchaser and by the Financial Consultant. Greenberg Traurig, LLP, Counsel to the Original Purchaser, has acted as bond counsel in other transactions underwritten by the Original Purchaser and by the Financial Consultant. Greenberg Traurig, LLP and Gust Rosenfeld P.L.C. have also acted as bond counsel and/or underwriter's counsel with respect to bonds issued by the Town and other overlapping political subdivisions. Gust Rosenfeld P.L.C. also serves as general counsel to the Town.

The Original Purchaser and the Financial Consultant have underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions. The Original Purchaser and the Financial Consultant have underwritten or acted as financial advisor on other transactions together and expect to do so in the future.

This Official Statement has been approved, executed and delivered by the District.

VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT

By/s/ Dustin Hall
Chairman, District Board

APPENDIX A

GENERAL INFORMATION

The following information about the District, property taxation, the Public Infrastructure, the Project, the Developer and the Town is for background purposes. Payment of the Bonds is secured by the Direct Pay Letter of Credit issued by Compass Bank. So long as the Bank makes payments under the Letter of Credit, the Bond Owners will not have to rely on the levy and collection of ad valorem property taxes in the District or the obligation of the Developer and the Guarantor to make payments under the Standby Contribution Agreement. The obligation of the Bank to honor draws on the Letter of Credit is not affected by the success or failure of the Project or the Developer or the payment of ad valorem taxes within the District.

THE DISTRICT

Generally

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. The District comprises approximately 4,926 acres within Verrado.

Formation of the District was approved by the Town on June 19, 2001 upon the request of all the landowners within the District. A map of the Project depicting the District boundaries is included in p. iv of this Official Statement.

Simultaneous with the formation of the District, District 1 was approved by the Town. The District 1 comprises approximately 8,800 acres and is coincident within Verrado. All of the District is within District 1.

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 $60,000,000 pursuant to an election held on August 7, 2001. District 1 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, of which $24,000,000 was issued in 2003.

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.

The Bonds

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, including payments under the Letter of Credit, and available pursuant to the Indenture, to pay Debt Service with respect to the Bonds (whether at maturity or prior redemption) when due or to reimburse the Bank, in whole or in part, for payments under the Letter of Credit to pay Debt Service. Amounts derived from the levy of the tax when collected constitute funds to pay the Debt Service on the Bonds or such reimbursement to the Bank 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION - **Ad Valorem Property 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."

Investment in the Bonds involves 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.

DISTRICT TAXATION

Ad Valorem Property 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 $4.560 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 during the period 2004-2005 for each class of property are set forth below.

TABLE 1
PROPERTY TAX ASSESSMENT RATIOS

Property Classification (1)	Assessment as Percent of Full Cash Value
Mining	25%
Utility	25%
Commercial and Industrial (2)	25%
Agriculture and Vacant Land (2)	16
Owner Occupied Residential	10
Leased or Rented Residential	10
Railroad, Private Car Company and Airline Flight Property (3)	N/A

(1) Additional classes of property exist, but seldom amount to a significant portion of municipal body's total valuation.

(2) The first $55,546 in 2004-2005 of full cash values on commercial, industrial and agricultural personal property are exempt from taxation. This amount is indexed each year for inflation. Any portion of the full cash value in excess of such 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 amo unt to Maricopa County who will then determine the necessary *ad valorem* tax rates for the District. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Pledge and Levy of Taxes." 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 asses sment 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.

Property Valuations. The following table lists aggregate property valuations for the District:

TABLE 2

Fiscal Year	Full Cash Value	Secondary Assessed Value
2002-2003	$ 6,490,466	$1,038,473
2003-2004	5,983,505	957,355
2004-2005	26,759,931	4,281,585

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	2003-2004 Net Secondary Assessed Valuation	2004-2005 Net Secondary Assessed Valuation	2004-2005 Percent of Total
2	Agriculture and Vacant Land	$957,355	$4,281,585(a)	100.0%

(a) The increase from 2003-2004 to 2004-2005 is due primarily to development within the District prior to residential reclassification of property for valuation purposes.

Source: Maricopa County Assessor's Office

Estimated 2004-05 Net Secondary Assessed Valuations of Certain Taxpayers. Shown below with respect to 2004-05 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 2004-05, their current net secondary assessed value and their relative proportion of the total net secondary assessed value of the District.

TABLE 4

Taxpayer	2004-05 Net Secondary Assessed Valuation	As Percent of District's 2004-05 Net Secondary Assessed Valuation
First Fidelity National Title Company Trust B176	$4,126,171	96.57%
Ashton Woods Arizona LLC	75,013	1.75
Total		

Source: Maricopa County Assessor's Office

See "THE PROJECT AND THE DEVELOPER - Project - General" and "Description of Developer" 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.

General Obligation Bonded Indebtedness to be Outstanding. The Bonds will be the first issuance of bonds by the District.

The Standby Contribution Agreement

Under the Standby Contribution Agreement, the Developer and the Guarantor are required to keep in full force and effect a Letter of Credit meeting the requirements of the Indenture. So long as the Bond fulfills its obligations under the Letter of Credit, the obligations of the Developer and Guarantor under the Standby Contribution Agreement shall be deemed satisfied. If the Bank is in default under the Letter of Credit, the Developer and the Guarantor would be responsible for any Bond Debt Service in excess of the District's tax levy of $3.00 per $100 of secondary assessed valuation as provided in the Standby Contribution Agreement.

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. Although release of the Standby Contribution Agreement will release the Developer and the Guarantor from the obligation to provide the Letter of Credit, release of the Standby Contribution Agreement will not cause the termination of the Letter of Credit. Any termination of the Letter of Credit without replacement with a Substitute Letter of Credit will be preceded by a mandatory tender of the Bonds.

THE PUBLIC INFRASTRUCTURE

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 Western Overlay Community Facilities District
Infrastructure to be Funded with Bond Proceeds

ITEM	DESCRIPTION	CONSTRUCTION COST	ESTIMATED CONTRACT AWARD	ESTIMATED COMPLETION DATES
A	Previously Approved Reimbursement Items			
	1. Roadway, Sidewalk, Street Light & Storm Drain Improvements	$ 3,321,272	-	complete
	2. Dry Utility Trench and Conduit	574,369	-	complete
	3. Roadway Landscaping	837,581	-	complete
	4. Bridge over Lost Creek Wash (northbound)	1,146,297	-	complete
	5. Culvert Crossings	420,982	-	complete
	6. Floodway Improvements (Lost Creek Wash, Acacia Wash, Sunrise Wash)	1,474,024	-	complete
	7. Traffic Signal Bases, Poles and Interconnect (3 on Verrado Way)	383,357	-	complete
	8. Linear Park (adjacent to Lost Creek Wash and Acacia Wash)	581,334	-	complete
	9. Grade Separated Ped Crossings	812,918	-	complete
	10. Verrado Way South – Northbound Lanes only	654,345	-	complete
	SUBTOTAL	**$ 10,206,480**		
B	Roadway, Sidewalk, Street Light and Storm Drain Improvements	$ 1,652,555	June, 2004	Dec., 2004
C	Dry Utility Trench &Conduit, as necessary for roadway and landscape improvements	162,513	June, 2004	Dec., 2004
D	Roadway Landscaping	776,637	June, 2004	Feb., 2005
E	Traffic Signal Lights and Mast Arms (3 on Verrado Way)	189,000	April, 2005	June, 2005
F	Linear Park and Multiple-Use Path System	345,000	Aug., 2004	Nov., 2004
G.	Bridge @ Verrado Way over Lost Creek Wash (southbound)	1,260,927	June, 2005	Oct. 2005
	SUBTOTAL	**$ 4,386,632**		
H	Additional Roadway, Sidewalk Street Light and Storm Drain Improvements	$ 1,349,970	June, 2005	Sept., 2005
I	Additional Dry Utility Trench & Conduit, as necessary for roadway and landscape improvements	157,245	June, 2005	Sept., 2005
J	Additional Roadway Landscaping	174,064	June, 2005	Sept., 2005
K	Grade Separated Ped X-ing under Lost Creek Drive West	298,070	June, 2005	Sept., 2005
L	Culvert Crossing @ Verrado Way over Sunrise Wash	458,000	June, 2005	Sept. 2005
	SUBTOTAL	**$ 2,437,349**		
	TOTAL PAYMENT	**$ 17,030,465**		

Source: Developer

See "SOURCES AND APPLICATIONS OF FUNDS" herein. Additional infrastructure may be funded if Bond proceeds are available.

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, the 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, occurred in January 2004. See the map on p. v for the relationship of Phase I to the District and District 1. Phase II is contemplated to commence in late 2006. Pursuant to the Community Master Plan and the Development Agreement, as hereinafter described, the Project is presently entitled as a multi-phased development providing for approximately 14,080 residential dwelling units, just over 4 million square feet of gross floor area for commercial/mixed use development, and an additional 1,000 resort rooms. Current development plans for the Project include 9,556 residential units, 1,364 multi-family units, 415 developed commercial acres or approximately 3.9 million square feet, and 1,000 resort rooms upon completion of the Project. Phase I of the Project consists of 2,457 residential units, 319 multi-family units and 5 commercial acres.

Western Overlay - Specific

Current development plans for the Western Overlay portion of the project include 2,608 residential units, 192 multi-family units, and 49 developed commercial acres. Within Phase I of the Project, the Western Overlay consists of 428 residential units consisting of 188 high-end custom home sites and 310 production builder home sites. (See "Table 8").

Governmental Approvals and Agreements

Developer and the Town are parties to a 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 is provided by means of a spread diamond traffic interchange that was 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").

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 Government approved of the Master Street Plan on December 12, 2001.

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., dated October 17, 2001) (the "Master Drainage Plans").

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 AAWC. 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.

Phase I Budget, Development Status and Plans

The Developer estimates that approximately $201,300,000 will be required to complete Phase I of the Project, consisting of approximately $6,600,000 in land acquisition costs, approximately $86,300,000 in Offsite and Backbone Infrastructure costs, approximately $27,100,000 in Amenity Improvements, and approximately $81,300,000 in planning, entitlements, engineering and administrative and other costs.

As of April 30, 2004, the Developer has invested approximately $152,000,000 in the Project and estimates that an additional $49,300,000 will be required to complete Phase I. The funds invested to date consist of approximately $5,900,000 in land acquisition costs, approximately $60,500,000 in Offsite and Backbone Infrastructure costs, approximately $23,400,000 in Amenity Improvements and approximately $62,300,000 in planning, entitlements, engineering and administrative and other costs. See Table 7 below.

The additional $49,300,000 required to complete Phase I of the Project, consists of approximately $700,000 in land acquisition costs, approximately $25,800,000 in Offsite and Backbone Infrastructure costs, approximately $3,800,000 in Amenity Improvements 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, additional general obligation bonds issued by District 1, net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer.

TABLE 7
Phase I of Verrado
Development Status as of April 30, 2004

Activity	Amounts invested as of April 30, 2004	Status
Land Acquisition Costs	$ 5,877,278	Estimated completion by 12/05
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Phase I Mass Grade	12,866,386	Estimated completion by 12/04
Backbone (roads & utilities)	16,921,287	Estimated completion by 3/05
Parcel Collector Infrastructure	4,300,400	Estimated completion by 7/05
Wastewater Treatment Plant	6,666,928	Completed 6/04
Offsite Potable Water	4,614,865	Completed 9/04
Phase I Water Storage Tank	3,845,463	Completed 1/04
Traffic Interchange	2,362,638	Completed 6/03
Hillside Disturbance Mitigation	1,140,709	Completed 6/03
Floodway Improvements	1,215,207	Completed 2/04
Tuthill Collector Sewer	543,916	Completed 1/04
Other	6,012,884	Estimated completion by 12/05
	$ 60,490,684	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course	$ 12,095,421	Completed 1/04
Golf Course Clubhouse	5,491,444	Completed 1/04
Verrado Sports Club	2,608,739	Completed 12/03
Home Finding Center	1,986,141	Completed 1/04
Parks, Path and Trail System	1,187,627	Estimated completion by 7/05
	$ 23,369,372	
Planning, Entitlement, Engineering, Administrative and Other Costs	$ 62,301,978	Estimated completion by 12/05
Total Invested at April 30, 2004	$152,039,312	

Source: The Developer.

As of April 30, 2004, with respect to the Phase I, the Developer has closed on 775 residential subdivision lots, representing approximately $28,442,000 in land sale revenue. In addition, an additional 166 custom and homebuilder lots are in escrow for closings in June and July 2004 representing over $22,236,000. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately the high $100,000's to $600,000. Custom homes are expected to sell for higher prices.

As of April 30, 2004, the Developer has substantially completed 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. Tenants began occupancy in the 1st quarter of 2004.

Source: The Developer.

Land Sales – Western Overlay

As of October 31, 2004, the Developer has closed on 331 residential subdivision lots within the Western Overlay district, representing approximately $31,104,000 in land sale revenue. An additional 77 custom and homebuilder lots are in escrow representing over $6,404,200. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately the high $100,000's to $600,000. custom homes are expected to sell for higher prices.

TABLE 8
Western Overlay - All Phases
Projected Development

	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Single Family (units)	51	87	136	115	240	289
Single Family (cumulative)	51	138	274	390	629	918

From 2010 through build-out in 2021, the Developer anticipates development of approximately 1,900 single family units and the sale of approximately 49 acres for commercial development.

Source: The Developer

Estimated single-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 (See Table 5). 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.

The 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 November 2, 1998. 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, commercial developments, master-planned communities and recreational resort properties.

In addition to Verrado, DMB is involved in a number of other master-planned communities.

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 1,600 residential homesites through December 31, 2003.

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 750 residential homesites through December 31, 2003. The second community, a 1,330 acre master-planned single family community broke ground in early 2001 and has sold approximately 2,300 residential homesites through December 31, 2003.

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 6,000 residential homesites through December 31, 2003.

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 648 residential homesites through December 31, 2003.

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 125 residential homesites through December 31, 2003.

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	2004-05 Net Secondary Assessed Valuation	Net Bonded Debt Outstanding(a)	Proportion Applicable to the District: Approx. Percent	Proportion Applicable to the District: Net Amount	2004-05 Combined Tax Rate Per $100 Assessed(b)
State of Arizona	$44,480,893,202	None	0.01%	None	$0.0000
Maricopa County	30,066,986,670	None	0.01%	None	2.0577(c)
Maricopa County Community College District	30,066,986,670	234,440,000	0.01%	33,385	1.0372
Liberty Elementary School District No. 25	113,060,291	1,930,000	3.79%	73,089	4.0775
Litchfield Park Elementary School District No. 79	362,977,757	19,570,000	1.18%	230,842	4.1073
Saddle Mountain Unified School District No. 90	828,799,101	23,615,000	0.52%	121,995	2.6620
Verrado District 1 Community Facilities District	9,444,137	24,000,000	45.34%	10,880,617	3.3000
Town of Buckeye	81,842,158	1,145,000	5.23%	59,901	1.5500
Verrado Western Overlay Community Facilities District	4,281,585	13,000,000*	100.00%	13,000,000	3.3000*
Total Net Direct and Overlapping General Obligation Bonded Debt				**$24,399,829**	

* To be levied beginning in fiscal year 2004-2005.

(a) This table does not include the Salt River Project Agricultural Improvement and Power District general obligation bonded debt. Such debt has been refunded in advance of maturity and is secured for payment by government securities held in irrevocable trust.

This table also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the U.S. Department of the Interior to deliver Colorado River water to central Arizona down to Tucson. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. CAWCD was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment of Arizona's portion of the costs reimbursable to the federal government. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which thirteen cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 *et. seq.*) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona and Federal legislation. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. 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.

This table also does not include the obligation of the Maricopa County Flood Control District to contribute $80 million to CAP. The Flood Control District's sole source of revenue to pay the contribution will be raised from ad valorem taxes.

(b) 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 $1.2108 county tax rate, the $0.4560 tax rate of the Education Equalization District, the $0.2119 tax rate of the Maricopa County Flood Control District, the $0.0521 tax rate of the County's Free Library District, $0.1200 tax rate of the Central Arizona Project and the $0.0069 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 $60,000,000 and will have $47,000,000* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of other 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.

While the Letter of Credit is in effect, the District may not issue additional bonds with a senior or parity lien on ad valorem property tax revenues of the District without the prior written consent of the Bank.

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.

Authorized but Unissued
General Obligation Debt

Overlapping Jurisdiction	
Verrado Western Overlay District	$47,000,000*
Verrado District 1	76,000,000
Maricopa County Community College District	951,359,000

* Preliminary, subject to change.

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.

General

The Town is located approximately 35 miles from downtown Phoenix, Arizona, north and south of Interstate 10. The Town, which was founded in 1889 and incorporated in 1929, encompasses approximately 600 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
2003 Estimate*	13,030	3,396,875	5,629,870
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

State Highway 85 traverses the downtown portion of the Town and connects to Interstate 8. Interstate 10 also traverses 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 some of its residents with water and sewer services. In some areas of the Town water and/or sewer services are provided by private utility companies. 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.

* Estimate as of July 1, 2003

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. In addition, the Town is the location of a large distribution center for Wal-Mart. The close proximity of the Town to the greater Phoenix metropolitan area also provides employment. See below for certain historic employment information and for a list of major employers located in and within close proximity of the Town.

AREA UNEMPLOYMENT AVERAGES

Year	United States	State of Arizona	Maricopa County	Town of Buckeye
2004*	5.4%	4.9%	3.9%	9.0%
2003	6.0	5.6	4.9	11.3
2002	5.8	6.2	5.6	12.8
2001	4.8	4.7	3.9	9.0
2000	4.0	3.9	2.6	6.2
1999	4.2	4.4	3.0	6.9

*August 2004

Source: Arizona Department of Economic Security, Research Administration.

MAJOR EMPLOYERS
Town of Buckeye, Arizona and Surrounding Area

Employer	Product/Service	Approximate Number of Employees
Palo Verde Nuclear Generating Plant	Energy Plant	2,100
Lewis Prison Complex	State Prison	1,100
Wal-Mart Distribution	Retail Warehouse	837
Paradise Waste of Arizona	Waste Management	395
Department of Corrections (Juvenile)	Government	263
Schult Homes Inc.	Mobile Home Manufacturer	230
Rip Griffin's Truck/Travel Center	Commercial Oasis	180
Buckeye Elementary School District	Education	175
Town of Buckeye	Government	128
Buckeye Union High School District	Education	120

Source: Town of Buckeye, Arizona and an individual employee survey.

Non-Agricultural Wage and Salary Employment
Maricopa County

Industry	1999	2000	2001	2002
Manufacturing	167,400	162,600	158,500	143,000
Mining	900	1,100	1,200	900
Construction	113,000	115,500	120,400	114,900
Transportation, Communication & Public Utilities	78,800	83,600	83,400	80,900
Trade	359,200	369,400	373,100	376,500
Finance, Insurance & Real Estate	122,600	124,000	122,700	124,000
Services & Miscellaneous	457,000	518,100	507,300	504,900
Government	172,600	178,800	189,900	194,000
Total	1,471,500	1,553,200	1,555,600	1,539,100

Source: The State of Arizona, Department of Economic Security, Resource Administration.

	2003
Manufacturing	127,700
Natural Resources and Mining	1,200
Construction	127,300
Trade, Transportation, and Public Utilities	321,500
Information	36,000
Financial Activities	129,400
Professional and Business Services	254,800
Education and Health Services	159,400
Leisure and Hospitality	152,700
Other Services	61,800
Government	197,200
Total	1,569,000

Source: The State of Arizona, Department of Economic Security, Resource Administration.

Town of Buckeye
Sales Tax Collections

Budget Year	Amount
2002-03	$2,776,931
2001-02	1,676,502
2000-01	1,411,865
1999-00	1,445,838
1998-99	1,005,187

Source: Town of Buckeye Finance Department.

Agriculture

The Town includes and 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
2002	$792,307,000
2001	886,169,000
2000	818,160,000
1999	807,701,000
1998	835,808,000
1997	784,759,000

Source: *2002 Arizona Agricultural Statistics*, July 2003.

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
2003	$ 35,084,759
2002	31,628,767
2001	27,859,411(a)
2000	27,336,883(b)
1999	22,330,881(c)

(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.

Construction

The following tables were compiled from Arizona Construction Report, a publication of the Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and information from the Town. The Center obtains its data from County and 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
2004(a)	$102,791,000	NR	NR	$102,791,000(c)
2003	68,411,000	NR	NR	68,411,000(c)
2002	20,849,000	NR	NR	20,849,777(c)
2001	19,287,101	NR	NR	19,287,101(c)
2000	8,282,083	$53,062,000(b)	$ 699,425	62,043,508
1999	9,036,146	3,124,015	1,154,795	13,314,956

(a) Through the second quarter of 2004.

(b) Commercial & Industrial classification includes an approximately $52 million amount relating to the Wal-Mart retail warehouse expansion.

(c) Includes amounts for Residential classification only.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2004(a)	778
2003	570
2002	209
2001	73
2000	137

(a) Through the second quarter of 2004.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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.

Definitions of Certain Terms

The following are certain terms defined in the Indenture and used in this Official Statement.

"Available Moneys" means, with respect to the Bonds, (i) whenever a Letter of Credit is required to be maintained for the Bonds, (a) moneys obtained by the Trustee from the Bank pursuant to such Letter of Credit and held by the Trustee for payment of Debt Service on the Bonds, (b) moneys obtained by the Tender Agent from the Bank pursuant to such Letter of Credit and held by the Tender Agent for payment of the Purchase Price of Bonds, (c) moneys derived from a remarketing of Bonds which are paid directly to and held by the Tender Agent for payment of the Purchase Price of such Bonds, (d) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the District pursuant to the Bankruptcy Code has been filed and no other bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, (e) any other moneys the application of which to the payment of the Debt Service on, or Purchase Price of, the Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the District pursuant to the Bankruptcy Code, and (e) the proceeds from the investment of moneys described in clauses (a) through (e) above, and (ii) at any other time, any moneys.

"Bank" means Compass Bank, an Alabama banking corporation and any successor thereto, as issuer of the Letter of Credit and in the event a Substitute Letter of Credit is delivered, the Substitute Bank.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended, 11 U.S.C., § 101 et seq.

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

"BMA Municipal Index" means The Bond Market Association Municipal Swap Index as of the most recent date for which such Index was published or such other weekly, high-grade Index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such Index is no longer produced by Municipal Market Data, Inc. or its successor, then "BMA Municipal Index" shall mean such other reasonably comparable Index as may be selected by the District.

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

"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 District.

"Bond Purchase Fund" means the fund of that name established pursuant to the Indenture.

"Bond Year" means the twelve-month period beginning on July 2 of any year and ending on July 1 of the subsequent year.

"Bond Year Bank Fees" means, with respect to any Bond Year (i) the regular quarterly fee due the Bank pursuant to the Reimbursement Agreement of 1.25% per annum of the average amount available under the Letter of Credit for such Bond Year (without regard to any increase in the event of a default under the

Reimbursement Agreement), (ii) the drawing fee of $250 for each draw under the Letter of Credit, and (iii) the wire fee of $25 for each draw under the Letter of Credit, provided that these amounts may be adjusted with the prior written consent of the District.

"Bond Year Debt Service" means, with respect to any Bond Year, the Debt Service on the Bonds coming due during that Bond Year.

"Bond Year Draws" means, with respect to any Bond Year, the amounts drawn on the Letter of Credit during that Bond Year to pay Bond Year Debt Service for that Bond Year.

"Bond Year Tax Collections" means, with respect to any Bond Year, all revenues actually received by the District during that Bond Year from the levy and collection of the ad valorem property tax.

"Bonds" means the District's $13,000,000 District Variable Rate General Obligation Bonds, Series 2004.

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

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

"Business Day" for any Bonds means any day hat the principal office of the Bank, the Remarketing Agent and the Tender Agent, if any, and the Trustee and the Paying Agent are open and the Securities Depository is not closed.

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

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

"Conversion" means the change of the interest rate on the Bonds from the Weekly Rate to the Fixed Rate.

"Conversion Date" means the day on which the interest rate on the Bonds is converted from the Weekly Rate to the Fixed Rate.

"Conversion Notice" means a written notice specifying a Conversion Date.

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

"Defaulted Interest" means interest not paid when due.

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

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

"District" means Verrado Western Overlay Community Facilities District, a community facilities district formed by the Municipality and duly organized and validly existing, pursuant to the laws of the State.

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

"DTC" means The Depository Trust Company, New York, and its successors and assigns.

"Event of Default" means an Event of Default under the Indenture.

"Fixed Rate" means the rate at which a Bond bears interest from the Conversion Date to its maturity.

"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 owners 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 for defeasance purposes, 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 defeasance purposes, 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 defeasance, 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.

"Guarantor" means DMB Realco II, LLC, an Arizona limited liability company.

"Immediate Notice" means notice by telephone, telex or telecopier to such telephone number, telex number or telecopier number as the addressee has directed in writing, promptly followed by written notice by first class mail postage prepaid to such address as the addressee has directed in writing.

"Indenture" means the Indenture of Trust and Security Agreement dated as of November 1, 2004, as supplemented, modified, or amended.

"Indexing Agent" means the person appointed by the District to act as Indexing Agent.

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

"Interest Payment Date" means (i) so long as the Bonds bear interest at the Weekly Rate, the first day of each month, and (ii) so long as the Bonds bear interest at the Fixed Rate, each January 1 and July 1.

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

"Letter of Credit" means an irrevocable direct pay letter of credit or other agreement or arrangement issued or extended by the Bank, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the payment of Debt Service on the Bonds and for the purchase or redemption of

Bonds tendered for purchase or redemption in accordance with the terms of the Indenture, which Letter of Credit meets the requirements of the Indenture, or any Substitute Letter of Credit delivered in accordance with the Indenture.

"Letter of Credit Substitution Date" means the day on which a Substitute Letter of Credit becomes effective and replaces the existing Letter of Credit.

"Mandatorily Tendered Bonds" means the Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Mandatory Tender Date" means any date on which the Bonds are required to be tendered for purchase.

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

"Maximum Rate" means 9% per annum; provided, however, that the Maximum Rate shall not exceed the maximum interest rate permitted by law from time to time.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing pursuant to the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

"Municipality" means the Town of Buckeye, Arizona.

"No Remarketing Notice" means a notice given by the Bank to the Trustee and the Remarketing Agent pursuant to the Reimbursement Agreement to the effect that a Reimbursement Agreement Default has occurred and that from and after the date specified therein no Tendered Bonds are to be remarketed.

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

"Opinion of Bond Counsel" means an opinion of Bond Counsel addressed to the District, the Remarketing Agent, the Bank and the Trustee to the effect that an action proposed to be taken will not cause interest on the Bonds to be included in the gross income of the owners of such Bonds for Federal income tax purposes and that such action is authorized or permitted by the Indenture and has been taken in accordance with the Indenture.

"Opinion of Counsel" means an opinion in writing of legal counsel, who may be counsel to the Trustee or the District.

"Optional Tender Date" means the date on which a Bond bearing interest at the Weekly Rate is subject to tender and repurchase at the option of the Owner or Beneficial Owner.

"Optionally Tendered Bonds" means the Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

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

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

(2) Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any Paying Agent for the Owners of such Bonds at the Maturity thereof; provided,

however, that if such Bonds are to be redeemed in advance of their Stated Maturity, notice of such redemption has been duly given 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;

(4) Bonds alleged to have been destroyed, lost, or stolen which have been paid;

(5) Bonds which have been defeased; and

(6) Bonds, for which all Debt Service with respect thereto has been paid, including payment or deemed payment from draws under the Letter of Credit.

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

"Parity Debt Service" means principal and interest due on outstanding general obligation bonds of the District other than the Bonds.

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

"Paying Agent" means the Trustee and any other bank or banks, if any, designated to receive and disburse the principal of and interest or premium on the Bonds.

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

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

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States:

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

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

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

J. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the District (buyer/lender), and the transfer of cash from the District 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 District in exchange for the securities at a specified date. Repurchase Agreements must satisfy the following criteria.

1. Repos must be between the District 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 District, 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 District 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 District, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:
   a. Repo meets guidelines under state law for legal investment of public funds.

K. Governmental Obligations.

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

"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 in lieu of a mutilated, lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Bond.

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

"Purchase Price" means an amount equal to one hundred percent (100%) of the principal amount of any Bonds tendered or deemed tendered to the Tender Agent for purchase, plus accrued and unpaid interest thereon to the date of purchase; provided, however, if the date of purchase is an Interest Payment Date with respect to such Bonds, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Owner as of the applicable Regular Record Date.

"Purchased Bond" means any Bond during the period from and including the date it is purchased or paid for by a draw on the Letter of Credit to, but excluding, the earliest of (i) the date on which the principal, redemption price or Purchase Price of such Bond, together with all interest accrued thereon, is paid or deemed paid at Maturity, or (ii) the date on which such Bond is to be purchased if the Trustee then holds, in trust for the benefit the Bank, sufficient moneys to pay the Purchase Price of such Bond, together with the interest accrued thereon to the date of purchase.

"Purchased Bond Rate" means the rate at which a Purchased Bond bears interest, which shall be a rate equal to the lesser of (i) the greater of (A) 1.00% per annum above the interest rate most recently published in *The Wall Street Journal* as the "Prime Rate", or if not available, a similar rate from a substantially similar source selected by the Bank, as in effect from time to time, or (B) 4.50% per annum; (ii) the Maximum Rate; and (iii) the rate per annum, expressed as a percentage, for each Bond Year equal to the Bond Year Tax Collections divided by the average principal amount of Bonds Outstanding during such Bond Year, provided, however, that in no event shall such rate exceed the Maximum Rate applicable thereto.

"Qualified Index Criteria" means yield evaluations at par of notes or bonds of not less than five "high grade" component issuers, which notes or bonds are rated in either of the two highest short-term rating category by Moody's and S&P and are subject to tender upon seven (7) days' notice, and the interest on which is, pursuant to the Code, excludable from gross income for Federal income tax purposes.

"Rate" means the Weekly Rate or the Fixed Rate, as applicable.

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

"Rating Event" means that (i) the short-term rating of the Bonds has fallen below the top two categories from Moody's, (ii) the long-term rating of the Bonds has fallen below the top three categories from Moody's, (iii) the short-term rating of the Bank has fallen below the top two categories from Moody's or S&P, or (iv) the long-term rating of the Bank has fallen below the top three categories from Moody's or S&P, in each case, without regard to ratings modifiers.

"Rebate Consultant" means the consultant retained by the District to determine rebate liability.

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption.

"Redemption Price" when used with respect to any Bond to be redeemed means the price fixed for such redemption.

"Regular Record Date" means, with respect to any Interest Payment Date, (i) so long as the Bonds bear interest at the Weekly Rate, the close of business on the Business Day preceding such Interest Payment Date, and (ii) so long as the Bonds bear interest at the Fixed Rate, the fifteenth day (whether or not a Business Day) of the calendar month preceding such Interest Payment Date.

"Reimbursement Agreement" means the reimbursement agreement, pursuant to which the Bank agrees to issue a Letter of Credit as such agreement may from time to time be amended or supplemented, and thereafter means the agreement pursuant to which a Substitute Bank agrees to issue any Substitute Letter of Credit at the time in effect, as such agreement may from time to time be amended or supplemented.

"Reimbursement Agreement Default" means the occurrence of any Event of Default as defined in the Reimbursement Agreement which has not been cured within the applicable cure period, if any, pursuant to the Indenture.

"Reimbursement Date" means each date on which the Trustee shall transfer tax collections to the Bank to reimburse the Bank for amounts drawn under the Letter of Credit. For each Bond Year, the Reimbursement Dates shall be January 1 and July 1 of such Bond Year.

"Remarketing Agent" means a Remarketing Agent, if any, appointed and serving in such capacity or any successor Remarketing Agent. Initially, the Remarketing Agent shall be RBC Dain Rauscher Inc.

"Remarketing Agreement" means the Remarketing Agreement dated as of November 1, 2004, by and between the District and RBC Dain Rauscher Inc. and any substitute remarketing agreement between the District and the Remarketing Agent which may from time to time be entered into with respect to the remarketing or placement of Bonds, as fromtime to time amended and supplemented.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Board.

"Securities Depository" means DTC as securities depository for the Bonds until a successor securities depository is appointed and thereafter shall mean such successor securities depository.

"Sinking Fund Installment" means, with respect to the Bonds, the sinking fund redemption payments due on the Bonds.

"Special Record Date" means such date set by the Trustee with respect to the payment of Defaulted Interest.

"Standby Contribution Agreement" means that certain Standby Contribution Agreement, dated as of November 1, 2004 by and among the District, the Developer, the Guarantor and the Trustee.

"State" means the State of Arizona.

"Stated Expiration Date" means, with respect to a particular Letter of Credit, the stated date of expiration or termination of the Letter of Credit, including any extensions thereof.

"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 Bank" means one or more commercial banks, trust companies or financial institutions (other than the then current Bank) obligated under any Substitute Letter of Credit and acceptable to the District with a rating by Moody's and S&P in the top two short-term rating categories and the top three long-term rating categories assigned by such Rating Agency (without giving effect to numeric or other qualifiers).

"Substitute Letter of Credit" means, with respect to the Bonds, an irrevocable direct pay letter of credit or other agreement or arrangement issued or extended by a Substitute Bank, pursuant to which moneys are to be obtained upon substantially the same terms and conditions contained in the Letter of Credit for the payment of Debt Service on the Bonds and for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Indenture, which Letter of Credit is acceptable to the District and meets the requirements of the Indenture on or prior to the Letter of Credit Substitution Date with respect to the Bonds; however, none of the following shall be deemed a Substitute Letter of Credit: (i) a change in the Reimbursement Agreement pursuant to which the Letter of Credit is issued; (ii) a change in the number of days of interest or interest rate covered by the Letter of Credit; and (iii) a renewal of the term of the existing Letter of Credit if, in the case of such renewal, there is delivered to the District, the Trustee and the Remarketing Agent an opinion of counsel for the Bank or the Substitute Bank, as the case may be, regarding the enforceability of such Letter of Credit, in substantially the form delivered to the Trustee upon execution and delivery of the initial Letter of Credit.

"Substitute Reimbursement Agreement" means, with respect to the Bonds, any agreement (other than the initial Reimbursement Agreement for the Bonds) between the Developer, the Guarantor and any Substitute Bank (which agreement shall be satisfactory in form and substance to the Trustee and the District) as it may from time to time be amended or supplemented, pursuant to which a Substitute Letter of Credit shall be in effect for the Bonds.

"Substitute Weekly Index" means the index used to determine the Weekly Rate during a Weekly Rate Period if one is not otherwise established.

"Tax Deposit Date" means each date on which the District shall deposit tax revenues from the limited ad valorem property tax levy with the Trustee. For each Bond Year, the Tax Deposit Dates shall be January 1 and July 1.

"Tender Agent" means the Trustee and its successors.

"Tender Date" means each Optional Tender Date or Mandatory Tender Date.

"Tender Notice" means the notice delivered by or on behalf of the Owner or Beneficial Owner of Bonds subject to Optional Tender.

"Tendered Bond" means a Bond or portion thereof in an Authorized Denomination mandatorily tendered or tendered at the option of the Owner or Beneficial Owner thereof for purchase, including a Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

"Trustee" means Wells Fargo Bank, National Association and any successor.

"Trustee's Agent" means any agent designated by the Trustee and at the time serving in that capacity.

"Weekly Index Alternative Rate" means the index used to determine the Weekly Rate during a Weekly Rate Period if not otherwise determined.

"Weekly Rate" means the rate at which the Bonds bear interest during each Weekly Rate Period until the Conversion Date, as established from time to time, except the Bonds bearing interest at the Purchased Bond Rate.

"Weekly Rate Period" means any period commencing on the date of initial issuance and delivery of the Series 2004 Bonds or the Wednesday of a calendar week and extending to and including the next succeeding Tuesday.

Acts of Owners. Any action to be taken by Owners may be evidenced by instruments of substantially similar tenor signed by such Owners in person or by an agent appointed in writing, and, except as otherwise provided, such action shall become effective when such instruments are delivered to the Trustee.

Execution by any Owner of any instrument 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. Whenever such execution is by an officer of a corporation or a member of a company on behalf of such corporation or company, such certificate or affidavit shall also constitute sufficient proof of the officer's or member's authority. Execution of any such instrument and the authority of any person executing as or on behalf of any Owner may also be proved in any other manner which the Trustee deems sufficient.

Ownership of any Bond shall be proved by the Bond Register.

Any action by the Owner of any Bond shall bind every future Owner of the same Bond and any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done, whether or not notation of such action is made upon such Bond.

Notices to Owners. Notice to Owners shall be sufficiently given (unless otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Owner affected by such event, at the address of such Owner as it appears in the Bond Register. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Owner shall affect the sufficiency of such notice with respect to other Owners. So long as the Bonds are Book Entry Bonds, notice to the Owner shall be given as provided under the Book-Entry-Only System.

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

Severability Clause. In case any provision in the Indenture or 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.

Benefits of Indenture. Nothing in the Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties thereto and their successor, the Bank, the Paying Agent, the Remarketing Agent, the Tender Agent, the Trustee's Agent and the Owners of Outstanding Bonds, any benefit or any legal or equitable right, remedy, or claim under the Indenture. The Bank is a third-party beneficiary thereof for the purpose of enforcing the obligations of the District to levy and cause the tax to be collected as limited therein and paid to the Trustee and the obligation of the Trustee to pay from such tax collections to the Bank the amounts provided therein. The Developer is a third-party beneficiary thereof for the purpose of enforcing the obligations of the District to levy and cause the tax to be collected as limited therein and paid to the Trustee and, while the Letter of Credit or Purchased Bonds are outstanding, the obligation of the Trustee to pay from such tax collections to the Bank the amounts provided therein and for the purpose of enforcing the obligations of the District and the Remarketing Agent to remarket the Bonds or Outstanding Purchased Bonds as limited therein.

Governing Law. The 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.

Notice of Section 38-511, Arizona Revised Statutes, as Amended. To the extent applicable by provision of law, the parties acknowledge that the Indenture is subject to cancellation pursuant to A.R.S. Section 38-511.

Business Day. If the specified date for any action shall be other than a Business Day, then such 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.

Interest Calculation. So long as the Bonds bear interest at the Weekly Rate, interest shall be calculated on the basis of a 365/366 day year and actual number of days elapsed. Following conversion to the Fixed Rate, interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Obligations. The Bonds shall constitute general obligations of the District. The Bonds shall be payable from (i) the proceeds of ad valorem property taxes imposed each year upon all taxable property in the District, (ii) any revenue derived directly or indirectly from the enforcement of the collection of such taxes, (iii) all moneys and earnings thereon held in certain accounts created under the Indenture, (iv) drawings by the Paying Agent or the Trustee on the Letter of Credit, and (v) amounts paid by the Developer or the Guarantor under the Standby Contribution Agreement.

Additional Bonds. Nothing shall be construed to limit the right of the District to issue additional bonds or obligations payable from any source whatsoever except that, while the Letter of Credit is in effect or while any Bonds are Purchased Bonds, no bonds may be issued with a senior or parity lien to the Bonds on ad valorem property tax revenues of the District without the prior consent of the Bank. Any Additional Bonds shall be separately designated to distinguish them from the Bonds and shall not be secured by or payable from the Letter of Credit or draws thereon.

Persons Deemed Owners. The Owner of a Bond shall be treated as the sole, exclusive, and absolute owner thereof for all purposes, notwithstanding any knowledge or notice to the contrary; and payments with respect to such Bond shall be made only to such Owner, which payments shall satisfy and discharge the liability on such Bond to the extent so paid.

Limit Upon Remarketing to District. Tendered Bonds shall not be remarketed to the District, or any affiliate thereof unless the District has delivered to the Trustee an unqualified written opinion of counsel experienced in bankruptcy matters and satisfactory to the Trustee and each Rating Agency then maintaining a rating on the Bonds (which opinion may assume that no Owners are "insiders" within the meaning of Title XI of the United States Bankruptcy Code) to the effect that payment of such amounts to Owners would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the District or any affiliate thereof, as the case may be, become a debtor in a proceeding commenced thereunder.

Bond Payment Fund. The "General Obligation Bonds, Series 2004 Bond Payment Fund" (herein referred to as the "Bond Payment Fund") is established under the Indenture. The money deposited to the Bond Payment Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in the Indenture.

Deposits to and Application of Bond Payment Fund. The District shall deposit with the Trustee and the Trustee shall deposit to the credit of the Bond Payment Fund:

(i) on each Tax Deposit Date all amounts collected by or remitted to the District as ad valorem taxes and not previously deposited;

(ii) immediately upon receipt, certain amounts received from proceeds of the initial sale of the Bonds;

(iii) immediately upon receipt, amounts received as additional tax collections, and

(iv) such other funds as the District shall, at its option deem advisable.

The Trustee shall transfer money contained in the Bond Payment Fund to the accounts described below at the following respective times, and the money in each such account shall be disbursed only for the purposes and uses authorized.

(i) Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Account from, and only to the extent of, money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, shall be sufficient to pay interest payable on the Outstanding Bonds on such Interest Payment Date. Money in the Interest Account shall be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Bonds or, to the extent such interest has been paid by a draw on the Letter of Credit, on each Reimbursement Date with respect to the Bond Year of such payment to reimburse the Bank for the amount drawn to pay such interest.

(ii) Principal Account. The Trustee, on each Principal Payment Date, shall deposit in the Principal Account from, and only to the extent of amounts available therein, moneys in the Bond Payment

Fund an amount which shall be sufficient to pay the principal becoming due on each Principal Payment Date. Money in the Principal Account shall be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Bonds due on such date, or, to the extent such principal was paid by a draw on the Letter of Credit, on each Reimbursement Date with respect to the Bond Year of such payment to reimburse the Bank for the amount drawn to pay such principal.

(iii) Redemption Account. When no Letter of Credit is in effect, the Trustee shall deposit in the Redemption Account amounts received from the District to pay the principal of and premium on Bonds to be redeemed, and money in the Redemption Account shall be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the principal of and premium, if any, on Outstanding Bonds upon the redemption thereof.

(iv) Letter of Credit Account The Trustee shall deposit the proceeds of draws on the Letter of Credit in the Letter of Credit Account. When the Letter of Credit is in effect, money in the Letter of Credit Account shall be used and withdrawn by the Trustee on each Interest Payment Date, each Principal Payment Date, and each Redemption Date and used to pay the interest and premium, if any, on and principal of the Bonds (whether at Stated Maturity or redemption in advance of Stated Maturity).

If on or before July 1 of any Bond Year, the Trustee determines that Bond Year Tax Collections for such Bond Year will exceed the amount necessary to pay all Bond Year Debt Service or Bond Year Draws, as applicable, for such Bond Year and all Bond Year Bank Fees for such Bond Year, such excess shall be used to optionally redeem Bonds at the earliest practicable date but in no event later than August 1 of the subsequent Bond Year. Such redemption shall be in increments of $100,000. Any amount of such excess not used for such redemption shall be treated as Bond Year Tax Collections for such subsequent Bond Year.

The following provisions apply if no Letter of Credit is in effect, or if the Bank is in default, or denies it obligations, under the Letter of Credit:

(i) On or, if either day is not a Business Day, before March 27 and September 27 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit into the Bond Payment Fund upon receipt all amounts paid to it pursuant to the Standby Contribution Agreement.

(ii) On or, if either day is not a Business Day, before June 10 and December 10 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit into the Bond Payment Fund upon receipt all amounts paid to it by the Developer under the Standby Contribution Agreement for the difference between the amount in the Bond Payment Fund 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 1 or January 1, as the case may be.

Payments into and Use of Moneys in the Bond Purchase Fund. The Trustee shall establish and maintain, or cause the Tender Agent to establish and maintain, so long as any Bonds are Outstanding and bear interest at the Weekly Rate, the Bond Purchase Fund. There shall be established two separate segregated accounts within the Bond Purchase Fund to be known as the "Remarketing Proceeds Account" and the "Letter of Credit Account". Amounts on deposit in each such account shall not be commingled with any other moneys. There shall be deposited into the Bond Purchase Fund from time to time the following:

(i) The price received upon the remarketing of Tendered Bonds to any person pursuant to the Remarketing Agreement (other than Tendered Bonds sold to the District or any affiliate (as defined in the Bankruptcy Code) of the District) to be deposited in the Remarketing Proceeds Account;

(ii) The price received from the underwriter or purchaser (other than the District or any affiliate (as defined in the Bankruptcy Code) of the District) of Tendered Bonds upon the Conversion of the interest rate thereon to a Fixed Rate to be deposited in the Remarketing Proceeds Account;

(iii) Moneys obtained by the Trustee or the Tender Agent pursuant to the Letter of Credit to be applied to pay the Purchase Price of Tendered Bonds to be deposited into the Letter of Credit Account; and

The District shall have no obligation to deposit any funds into the Bond Purchase Fund, notwithstanding the insufficiency of the amounts obtained pursuant to (i), (ii) or (iii) above to pay the purchase price of Tendered Bonds.

On any bond sale date, the Trustee's agent shall take such actions as are necessary to cause the purchaser or its nominee to be reflected as the Beneficial Owner under the Book-Entry-Only System effective from and after such date. Any Owner of an Optionally Tendered Bond or a Mandatorily Tendered Bond required to tender such Bond for purchase shall be entitled solely to payment of the Purchase Price for such Bond and shall not be entitled to the payment of any principal thereon or any interest accrued thereon on or after such Optional or Mandatory Tender Date provided that the Purchase Price has been deposited with the Trustee's Agent. Any such Bond deemed to be tendered shall no longer be considered to be an Outstanding Bond.

If the Book-Entry-Only System is not in effect, on any Optional Tender Date or Mandatory Tender Date, the Trustee shall transfer on the Bond Register ownership of all of the Bonds tendered or required to be tendered to the name of the purchaser thereof, including without limitation, registration of Purchased Bonds.

Moneys in the Remarketing Proceeds Account and the Letter of Credit Account, in that order, shall be held exclusively in trust for the payment of the Purchase Price of Tendered Bonds; provided, however, that proceeds of any drawing made pursuant to the Letter of Credit shall not be used to purchase Purchased Bonds. Moneys obtained by the Trustee pursuant to the Letter of Credit in excess of the amount needed for the payment of the Purchase Price of Tendered Bonds shall be promptly paid to the Bank. In the event any Tendered Bonds shall not be presented for purchase and moneys to pay such Purchase Price of Tendered Bonds are held in the Bond Purchase Fund, such moneys on deposit in the Bond Purchase Fund shall be invested only in Government Obligations described under part (i) of the definition of Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that moneys therefrom are anticipated to be required.

Rebate Account. The "District Variable Rate General Obligation Bonds, Series 2004 Rebate Account" (hereinafter referred to as the "Rebate Account") is established. There shall be deposited into the Rebate Account investment income on moneys, provided by the written direction of the District, moneys received from the District, moneys transferred to the Rebate Account from the Bond Payment Fund; and all other moneys received by the Trustee when accompanied by written directions that such moneys are to be paid into the Rebate Account. The Trustee shall cause amounts on deposit in the Rebate Account to be forwarded to the United States Treasury at the times and in the amounts set forth in the District's written direction. The District may retain a Rebate Consultant to determine the amount of rebate liability owed from time to time. If the moneys on deposit in the Rebate Account are insufficient, the Trustee at the written direction of the District shall transfer moneys to the Rebate Account from the Bond Payment Fund. Upon receipt by the Trustee of an opinion of a nationally recognized rebate analyst acceptable to the District to the effect that the amount in the Rebate Account is in excess of the amount required, such excess shall be transferred to the Bond Payment Fund.

Acquisition and Construction Fund. The "General Obligation Bonds, Series 2004 Acquisition and Construction Fund" (herein referred to as the "Acquisition and Construction Fund") is established. The money deposited to the Acquisition and Construction Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in the Indenture.

Deposits to and Application of Acquisition and Construction Fund. The District shall deposit to the Acquisition and Construction Fund a portion of the proceeds of the Bonds. Amounts on deposit in the Acquisition and Construction Fund shall be applied by the Trustee in the amounts and to the persons set forth in writing by the District to pay Costs of Issuance and 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 Payment Fund. On November 1, 2007, any amounts remaining in the Acquisition and Construction Fund shall be transferred to the Bond Payment Fund.

Investment of and Security for Funds. Money held by the Trustee for the credit of the Bond Payment Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Governmental Obligations as directed in writing by the District. Money held for the credit of the Acquisition and Construction Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Permitted Investments as directed by the District. Money held for the credit of the Bond Purchase Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Government Obligations as directed by the District. 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. All money held by the Trustee 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 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.

Moneys obtained pursuant to the Letter of Credit may be invested only in Government Obligations described under part (i) of the definitions of Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such amounts or the date or dates such amounts are anticipated to be required.

Substitution of Letter of Credit. The Developer may replace the Letter of Credit with a Substitute Letter of Credit approved by the Trustee. Prior to the substitution of any Substitute Letter of Credit, the following shall be delivered to the Trustee: (i) an opinion of counsel to the Substitute Bank to the effect that such Substitute Letter of Credit constitutes a legal, valid and binding obligation of the Substitute Bank enforceable in accordance with its terms, subject only to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights insofar as the same may be applicable in the event of a bankruptcy, insolvency, moratorium or other similar proceeding or occurrence with respect to the Substitute Bank and to equitable principles; (ii) an opinion of Bond Counsel to the effect that the substitution or replacement of the Substitute Letter of Credit will not affect the tax exempt status of the Bonds; and (iii) evidence that the Substitute Bank is rated in one of the two highest short-term rating categories and one of the three highest long-term rating categories of each Rating Agency, without regard to ratings modifiers. At least 35 days prior to the effective date of any Substitute Letter of Credit, the Company may deliver to the Trustee, the Issuer and the Tender Agent, evidence from each Rating Agency then maintaining a rating on the Bonds that the substitution of the Substitute Letter of Credit shall not cause the rating on the Bonds to be reduced or withdrawn. The Trustee shall provide the Owners with notice of the Letter of Credit Substitution Date not less than 30 days prior thereto. The Letter of Credit Substitution Date shall be a Mandatory Tender Date, unless the maintenance of rating evidence is delivered pursuant to this paragraph for all Rating Agencies then maintaining a rating on the Bonds.

Requirements of a Letter of Credit Any Letter of Credit must have a term of not less than three hundred sixty (360) days and must provide money at the times and in the amounts required. The Trustee shall not consent to any amendment of a Letter of Credit unless it has obtained an opinion of Bond Counsel that the proposed amendment will not adversely affect the interests of any of the Owners in any material respect, unless such amendment shall not become effective until after the date on which there is a mandatory tender of the Bonds. An "amendment" of a Letter of Credit shall not include an extension of the Letter of Credit.

Consent of the Bank. No consent of or notice to the Bank shall be required nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, pursuant to any provision of the Indenture during any time in which (A) such Bank is in default in its obligation to make funds available under and in compliance with the terms of its Letter of Credit; (B) the Letter of Credit of such Bank for any reason ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any provision of the Letter of Credit is denied by the Bank or any governmental agency or authority, in all of the above cases contrary to the terms of the Letter of Credit; (C) a petition has been filed and is pending against the Bank pursuant to any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, and has not been dismissed within thirty (30) days after such filing; or (D) the Bank has filed a petition,

which is pending, pursuant to any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law, of any jurisdiction, or has consented to the filing of any petition against it under such law; or government due to war or peace time emergency or the United States government declares a moratorium on the Bank's activities.

Nonpresentment of Bonds. In the event any Bonds, or portions thereof, are not presented for payment when due, if funds sufficient for the payment thereof, including accrued interest thereon, have been deposited into the Bond Payment Fund or otherwise made available to the Trustee for deposit therein, then on and after the date said principal becomes due, all interest thereon shall cease to accrue and all liability of the District to the Owner or Owners thereof for the payment of such Bonds shall be completely discharged, and it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the Owner or Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part pursuant to the Indenture with respect to, said Bonds. Such moneys shall not be required to be invested during such period by the Trustee. If any Bonds are not presented for payment within the period of three years following the date when such Bonds become due, the Trustee shall, at the written request of the District, return to the District the funds theretofore held by it for payment of such Bonds and such Bonds shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the District. The obligations of the Trustee shall be subject, however, to any law applicable to the unclaimed funds or the Trustee providing other requirements for the disposition of unclaimed property.

Payment of Indebtedness; Satisfaction and Discharge of Indenture. Whenever:

(A) All Bonds have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding, however: (i) Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent, (ii) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid, except for any such Bond which, prior to the satisfaction and discharge of the Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Owner thereof and where enforceability has not been determined adversely against such Owner by a court of competent jurisdiction, (iii) Bonds, other than those referred to in the foregoing clauses, for the payment or redemption of which the District has deposited or caused to be deposited with the Trustee an amount (to be immediately available for payment, except in the case of Bonds excepted from the foregoing Clause (ii) 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 Outstanding for principal (and premium, if any) and interest to the Stated Maturity or Redemption Date, as the case may be, and (iv) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both; and

(B) the District has paid or caused to be paid, subject to the limited sources and amounts provided in the Indenture, all other sums payable by the District,

then the Indenture and the interests created thereby shall cease, determine, and become null and void (except as to any surviving rights of transfer or exchange of Bonds), and the Trustee shall 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 District all cash, securities, and other personal property then held by it as a part of the Trust Estate. In the absence of an District Request, the payment of all Outstanding Bonds shall not render the Indenture inoperative. For the purpose of determining the interest due on any Bond during a Weekly Rate Period for which the Weekly Rate has not been determined, the rate shall be assumed to be the Maximum Rate.

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 shall have been provided for by depositing for such payment from funds of the District (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. Any such deposit shall be made either with the Trustee or 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. 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 for the selection of Bonds to be redeemed.

No such deposit shall have the effect above described (1) if made during the existence of default under the Indenture of which the Trustee has received written notice unless made with respect to all of the Bonds then Outstanding, (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, and (3) if the Letter of Credit is in effect, such deposit shall be made solely from Available Funds. At such times as a Bond shall be deemed to be paid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for purposes of any such payment from such money or Governmental Obligations.

For the purpose of determining the interest due on any Bond during a Weekly Rate Period for which the Weekly Rate has not been determined, the rate shall be assumed to be the Maximum Rate.

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) Evidence satisfactory to the District that, for the immediately prior year, the current year and each future year in which any Bond is scheduled to be outstanding, a secondary tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the District was or is projected to be sufficient to pay when due the scheduled Debt Service on the Bonds during each such year. Such evidence shall consist of a written projection, prepared by the District or its financial advisor, that is based upon the application of such secondary tax rate in light of:

(i) for the immediately prior year, (x) the historical secondary assessed valuation of the property within the boundaries of the District for the prior year, and (y) the historical delinquency factor/collection rate for such year;

(ii) for the current year, (x) the actual secondary assessed valuation of the property within the boundaries of the District for the current year, and (y) a delinquency factor/collection rate that is the lesser of (I) the rate in subparagraph (i)(y) above and (II) a 95% collection rate; and

(iii) for each future year, (x) an assessed valuation of the property within the boundaries of the District equal to the amount in subparagraph (ii)(x) above, (y) a delinquency factor/collection rate that is the lessor of (I) subparagraph (i)(y) above and (II) a 95% collection rate, and (z) such other factors, not inconsistent with the foregoing, as the District reasonably determines to be relevant for the purposes of this calculation.

(B) Written approval by the District which shall not be withheld unreasonably.

(C) The Bonds have been previously converted to the Fixed Rate at the option of the District.

Upon proof of satisfaction of each of the above conditions, the District shall 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.

Events of Default Each of the following is an "Event of Default":

(A) Default in the payment of the principal of or premium, if any, or the Purchase Price on any Bonds when the same shall become due and payable, whether at the Stated Maturity thereof, on a sinking fund payment date, tender for purchase or upon proceedings for redemption;

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

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

Suits for Enforcement; Mandamus. The Trustee in its discretion, may enforce its rights and the rights of the Owners by proceeding, as the Trustee, being advised by counsel, shall deem most effectual to enforce such rights but no proceeding shall accelerate the payment of any amounts due in the future other than through redemption from amounts drawn on the Letter of Credit. If the District defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations of the District set forth in the Indenture, or in the Standby Contribution Agreement, the Trustee shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring, but subject to the limitation on sources of revenue as described in the Indenture, the directors and other officers of the District to cause the District to make such payment or to observe and perform any covenant, obligation, or condition of the District prescribed in the Indenture or the Standby Contribution Agreement.

Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment. If (i) default occurs in the payment of any interest on any Bond when such interest becomes due and payable, or (ii) 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 shall pay or cause to be paid to the Trustee for the benefit of the Owners of such Bonds, but solely from the limited sources and in the limited amounts specified in the Indenture, the amount then so due and payable on the Bonds for principal (and premium, if any) and interest, but not any such amounts due in the future, and, in addition thereto, but solely from the sources specified in the Indenture, 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 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, shall be entitled to sue for and recover judgment against the District for the amount then so due and unpaid, but solely from the sources, and subject to the limitations, specified in the Indenture. The Trustee may recover judgment for any portion of the amounts remaining unpaid, with interest, but solely from the sources, and subject to the limitations, specified in the Indenture.

Application of Money Collected Except for the proceeds of draws on the Letter of Credit, any money collected by the Trustee 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:

(A) First: To the payment of all unpaid amounts due the Trustee for compensation;

(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 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;

(C) Third: To the reimbursement of the Bank for amounts drawn under the Letter of Credit subject to the limitations as to amount and source contained in the Indenture and in the Reimbursement Agreement; and

(D) Fourth: 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.

Trustee May File Proofs of Claim. In case of the pendency of any judicial proceeding relative to the District or the property of the District, the Trustee shall be entitled and empowered, 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 Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Owners allowed in such judicial proceeding, and to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same; and any official in any such judicial proceeding is authorized to make such payments to the Trustee, and to pay to the Trustee any amount due to the Trustee pursuant to the Indenture. Nothing shall authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding.

Right of Owners to Receive Principal, Premium and Interest. The Owner of any Bond shall have the right to receive, after payment of all amounts due to the Trustee, payment of the principal of and interest on any such Bond on the respective Stated Maturities (or, in the case of redemption, on the Redemption Date), but solely from the limited sources and in the limited amounts provided, and to institute suit for the enforcement of any such payment, and such rights shall not be further impaired without the consent of such Owner; provided, however, that no Owner shall be entitled to take any action, if and to the extent that such action would result in a surrender, impairment, waiver, or loss of the lien upon the Trust Estate, or any part thereof, as security for Bonds held by any other Owner.

Control by Owners. The Owners of a majority in aggregate principal amount of any Outstanding Bonds affected thereby shall have the right (subject to providing indemnity to the Trustee) (i) to require the Trustee to proceed to enforce the Indenture; and (ii) 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, provided that: (a) such direction shall not be in conflict with any rule of law or the Indenture, (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, (c) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction, and (d) if the remedy requires the consent of a certain number of the Owners, such consent has been provided. Before taking action, 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.

Rights and Remedies of Owners. No Owner of any Bond has any right to institute any remedy unless a default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, nor unless such default has become an Event of Default and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding has made written request to the Trustee and has satisfied the conditions of the Indenture and offered reasonable opportunity either to proceed to exercise the powers granted or to institute such proceeding in its own name, nor unless the Trustee shall thereafter fail or refuse to exercise within a reasonable period of time (not to exceed 30 days) the powers granted, or to institute such proceeding; it being understood and intended that no one or more Owners of the Bonds has the right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her or their action or to enforce any right except in the manner provided and that all proceedings shall be maintained for the equal benefit of the Owners of the Bonds then

outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner of a Bond to enforce payment of the principal of, premium, if any or interest on any such Bond at and after the maturity thereof, or the obligation of the District to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner provided. So long as the Bonds are held by the Securities Depository pursuant to the Book-Entry-Only System, the Trustee shall be permitted to accept direction from the Beneficial Owners of the Bonds, rather than the Owner, upon receipt by the Trustee of appropriate certification of such Beneficial Ownership.

Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Trustee, the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds affected thereby may, by Act of such Owners delivered to the Trustee, the District and the Bank, on behalf of the Owners of all the Bonds waive any past default and its consequences, except a default in respect of a covenant or provision which cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected. Upon any such waiver, such default shall cease to exist; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Undertaking for Costs. Any court may require, in any suit, 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 this provision shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Owner, or group of Owners of any series of the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Owner for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

Remedies Subject to Applicable Law. All rights, remedies, and powers may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all remedies are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render the Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law. Notwithstanding the foregoing, the Bank expressly waives any right to require the levy of taxes at a rate higher than provided for in the Indenture.

Certain Duties and Responsibilities of the Trustee.

(A) The Trustee undertakes to perform such duties and only such duties as are specifically set forth and no implied covenants or obligations shall 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; but in the case of any such certificates or opinions which 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 of the Indenture.

(B) No provision 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 (i) this clause (B) shall not be construed to limit the effect of clause (A) above; (ii) 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; (iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; and (iv) no provision of the 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, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith, provided that no indemnity will be required in order to draw under the Letter of Credit, make payments to Owners or effect a mandatory tender of the Bonds.

(C) Whether or not therein expressly so provided, every provision relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of clauses (A) and (B) above.

Certain Rights of Trustee. Except as otherwise provided (A) the Trustee may rely and shall be protected in acting or refraining from acting upon (i) any document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons; and (ii) failure to receive any such document or communication, if prior receipt thereof is required by the Indenture before the Trustee is to take or refrain from taking any action; (B) any request or direction of the District shall be sufficiently evidenced by an District Request, and any order or resolution of the District may be sufficiently evidenced by an District Resolution; (C) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action, the Trustee (unless other evidence be specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate or, for purposes of rebate compliance, 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 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 the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction; (F) the Trustee shall not be bound to make any investigation into the facts or matters stated in any document or communication 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 District, personally or by agent or attorney; and (G) the Trustee may execute any of its trusts or powers or perform any duties 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.

Not Responsible for Recitals or Application of Proceeds. The recitals, except the certificate of authentication on the Bonds, shall be taken as the statements of the District, 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 District thereto or as to the security afforded thereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee, or as to the validity or sufficiency of the Indenture or the Bonds. The Trustee shall not be accountable for the use or application by the District of the Bonds or the proceeds thereof.

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

Compensation and Reimbursement. The District shall (i) pay to the Trustee from time to time reasonable compensation for all services rendered by it and (ii) except as otherwise expressly provided, reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee, except any such expense, disbursement, or advance as may be attributable to the Trustee's negligence or bad faith. The Trustee shall be secured by a lien for the payment of such compensation, expenses, reimbursements, and indemnity and the Trustee shall have the right to use and apply any trust funds held by it under the Indenture after payment of other amounts due thereunder. The Trustee shall have no right to use or apply amounts drawn on the Letter of Credit or paid for the Purchase Price of Tendered Bonds for any amounts due the Trustee for compensation, expenses, reimbursements or indemnity.

Corporate Trustee Required; Eligibility. The Trustee 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. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then 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, it shall resign immediately.

Resignation and Removal; Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee shall be come effective until the acceptance of appointment by the successor Trustee. The Trustee may resign at any time by giving written notice thereof to the District and the Bank. 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. The Trustee may be removed at any time by Act of the Owners of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District. The Trustee may be removed at any time by the District by District Resolution delivered to the Trustee, the Bank, and any Remarketing Agent, Paying Agent, Tender Agent and Bond Registrar.

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

The District shall given notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Owners, the Bank, and any Remarketing Agent, Paying Agent, Tender Agent and Bond Registrar.

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, provided such corporation shall be otherwise qualified and eligible, without the execution or filing of any paper or any further act on the part of any of the parties.

Paying Agents; Appointment and Acceptance of Duties; Removal. The Trustee is designated and agrees to act as principal Paying Agent and as Bond Registrar for and in respect of the Bonds. The District may appoint one or more additional Paying Agents for the Bonds. Any such Paying Agent shall be a commercial bank or trust company organized under the laws of the United States of America or one of the states thereof.

Trustee's Agents. The Trustee may approve one or more Trustee's Agents with respect to any of the Trustee's duties under the Indenture and the Bonds. The Trustee may remove any Trustee's Agent by written notice to the Trustee's Agent and the District.

Powers and Duties of Remarketing Agent. Any Remarketing Agreement shall provide that the Remarketing Agent will, inter alia: (A) determine the rates and give notice of such rates; (B) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice; and (C) use its reasonable best efforts to remarket Tendered Bonds (including Purchased Bonds).

Change of Remarketing Agent. The provisions regarding the removal and resignation of the Remarketing Agent shall be as set forth in the Remarketing Agreement.

Successor Remarketing Agents. Any person which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested in all the property, rights and powers of such Remarketing Agent. In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the District shall appoint or cause the appointment of a successor within thirty (30) days of any such action. Each successor Remarketing Agent shall at all times be either a member of the National Association of Securities Dealers, Inc. or registered as a dealer of municipal securities pursuant to the Securities Exchange Act of 1934, as amended, and have net capital of at least $15,000,000. The Trustee shall give written notice to the Owners, Moody's and S&P of any resignation, removal or appointment of the Remarketing Agent. If, at any time and for any reason, there is no entity serving as Remarketing Agent, the Trustee shall assume the duties of Remarketing Agent solely for the purpose of accepting notices of tender.

The Tender Agent. The Trustee shall serve as Tender Agent for the Bonds. The Tender Agent makes no representations as to the validity or sufficiency of the Indenture or the Bonds, or in respect of the security afforded by the Indenture. The Tender Agent shall not be liable in connection with the performance of its duties except for its own negligence or willful misconduct. The Tender Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it. The duties and obligations of the Tender Agent shall be determined by the express provisions of the Indenture and the Tender Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth therein.

Compensation of the Tender Agent. Unless otherwise provided by contract with the Tender Agent, the District shall pay to the Tender Agent, from time to time, reasonable compensation for all services rendered by it and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties. The Tender Agent has no lien therefor on any funds at any time held by it. The Tender Agent is not required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Tender Agent shall not be required to take any action at the request or direction of a Bank unless and until such Bank has indemnified and saved the Tender Agent harmless against any liabilities and all reasonable expenses incurred in connection with or as a result of taking the action requested or directed by a Bank to be taken, provided that the Tender Agent shall not be entitled to indemnity as a condition for drawings on the Letter of Credit. The rights, privileges, protections, immunities and benefits given to the Trustee by the Indenture are extended to, and shall be enforceable by the Tender Agent in each of its capacities, and to each agent, custodian and other person employed by the Tender Agent.

Permitted Acts. The Tender Agent may become the owner of or may deal in Bonds as fully and with the same rights as if it were not such Tender Agent. The Tender Agent may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the District or any committee formed to protect the rights of Owners of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Indenture or the Bonds, whether or not such committee shall represent the Owners of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

Removal or Resignation of Tender Agent. Unless the Bonds have been converted to the Fixed Rate, the Tender Agent may not resign or be removed except upon its resignation or removal as Trustee. No such removal or resignation shall take effect until a successor Trustee has been appointed.

Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement Without Consent of Owners. Without the consent of the Owners of any Bonds, but with the consent of the Bank, the District and the Trustee may enter into one or more supplemental indentures, or the District, with the consent of the other parties thereto, may amend the Bond Resolution or the Standby Contribution Agreement (A) to correct or amplify the description of an property at any time subject to the lien thereof, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien thereof, or to subject to the lien thereof additional property; (B) to add to the conditions, limitations, and restrictions on the authorized amount,

terms, or purposes of issue, authentication, and delivery of Bonds, and additional conditions, limitations, and restrictions thereafter to be observed; (C) 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 or the Bonds; (D) to add to the covenants of the District for the benefit of the Owners of all of the Bonds; or (E) to cure any ambiguity, to correct or supplement any provisions in the Indenture, the Bond Resolution or the Standby Contribution Agreement which may be inconsistent with any other provision therein, or to make any other provisions, with respect to matters or questions arising under the Indenture or the Bond Resolution or the Standby Contribution Agreement, provided such action shall not adversely affect the interests of the Owners of the Bonds.

Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement With Consent of Owners. With the consent of the Bank and of the Owners of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture or such amendment, by Act of such Owners delivered to the District and the Trustee, the District and the Trustee may enter into supplemental indentures or amendments to the Bond Resolution or the Standby Contribution Agreement, for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the Owners of the Bonds under thereunder; provided, however, that no such supplemental indenture or amendments shall, without the consent of the Owner of each Outstanding Bond affected thereby (i) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or (except for resetting the Weekly Rate for each Weekly Rate Period) the interest on, any Bond, or change the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Owners of which is required for any such supplemental indenture or amendment, or the consent of Owners of which is required for any waiver of compliance with provisions of, or defaults under, the Indenture and their consequences; (iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or (iv) modify any of the provisions for amendment with consent of Owners, except to increase any percentage of Owners provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each Owner affected thereby. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment and any such determination shall be conclusive upon every Owner of Bonds, whether theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith. It shall not be necessary for any Act of Owners to approve the particular form of any proposed supplemental indenture or any such amendment, but it shall be sufficient if such Act shall approve the substance thereof.

Execution of Supplemental Indentures and Amendments. The Trustee 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.

Effect of Supplemental Indentures and Amendments. Upon the execution of any supplemental indenture, the Indenture shall be modified in accordance therewith, and upon the amendment of the Bond Resolution or the Standby Contribution Agreement, the Bond Resolution or the Standby Contribution Agreement shall be modified in accordance therewith, and every Owner of Bonds theretofore or thereafter authenticated and delivered shall be bound thereby.

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

Consent to Supplement Indentures While the Standby Contribution Agreement is in Effect. The District shall not enter into any supplemental indenture while the Standby Contribution Agreement is in effect without the prior written consent of the Developer.

Pledge and Levy of Taxes. Subject to the limits described below, for each Bond Year while any Bond is Outstanding, the District shall annually 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 within the boundaries of the District, to pay Bond Year Debt Service or Bond Year Draws, as applicable, and Bond Year Bank Fees for such Bond Year, and to pay principal and interest on all outstanding general obligation bonds of the District due for such Bond Year ("Parity Debt Service") when due. For each Bond Year while any Bond is Outstanding, the District shall cause to be levied a tax rate of $3.00 per $100 of secondary assessed valuation to pay such Bond Year Debt Service or Bond Year Draws, as applicable, Bond Year Bank Fees and Parity Debt Service, provided, however, that the tax rate for any Bond 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 District Bond Year Tax Collections for such Bond Year sufficient to pay in full the Bond Year Debt Service or Bond Year Draws, as applicable, Bond Year Bank Fees and any Parity Debt Service for such Bond Year.

In setting the levy for any Bond Year, the District may take into account amounts expected to be available under the Letter of Credit during such Bond Year provided, however, that the District shall not cause to be levied less than $3.00 for any Bond Year unless such lower tax rate shall produce, based on the then current secondary assessed valuation of the property within the boundaries of the District, Bond Year Tax Collections for such Bond Year sufficient to pay in full the Bond Year Debt Service or Bond Year Draws, as applicable and Bond Year Bank Fees for such Bond Year without regard to any amounts expected to be available under the Letter of Credit. For this purpose, if the rate of interest to be applied to the Bonds during any period is not determined, interest during such period shall be assumed to be the Maximum Rate.

The District and the Trustee acknowledge that the Bonds and any other general obligation bonds of the District will be secured on a parity basis in the collection and application of property tax revenues of the District and that such property taxes will be allocated to each series of general obligation bonds in accordance with any Debt Service or Parity Debt Service then due and in either case, taking into account other funds held by the District 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. Moneys to be applied to pay Debt Service derived from the levy of the tax, when collected constitute funds to pay Debt Service and shall be kept separately from other funds of the District. 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, shall apply.

The District shall not be obligated to levy or cause to be levied any tax with respect to any Bond Year:

(i) for payment of Debt Service on Bonds which are no longer Outstanding, including Bonds which are no longer Outstanding due to payment from amounts drawn under the Letter of Credit prior to such Bond Year;

(ii) for payment of interest on Bonds to the extent such interest has been paid or provided for, including interest paid from amounts drawn under the Letter of Credit prior to such Bond Year;

(iii) at a rate greater than $3.00 per $100 of secondary assessed valuation except as necessary to pay principal and interest on Outstanding Bonds other than Purchased Bonds if and to the extent amounts drawn under the Letter of Credit or paid pursuant to the Standby Contribution Agreement are insufficient for such purpose;

(iv) to pay the Purchase Price of any Bonds tendered for purchase; and

(v) for payments to the Bank of Bond Year Debt Service for, or for reimbursement of the Bank for Bond Year Draws for any prior Bond Year whether or not otherwise paid or provided for.

To the extent the Bond Year Tax Collections with respect to any Bond Year are not sufficient to pay all Bond Year Debt Service or Bond Year Draws for such Bond Year, the Bank shall rely solely upon the Reimbursement Agreement, the Developer and the Guarantor for such shortfall and the District may treat any Bonds with a Maturity during such Bond Year and any Bond Year Debt Service for such Bond Year as paid in full for the purpose of payment to the Bank from any tax levy or other funds of the District.

Reimbursement of Bank. If, with respect to any Bond Year, the Letter of Credit is in effect and amounts are drawn thereunder and used to pay when due the Bond Year Debt Service during such Bond Year, the Bond Year Tax Collections for such Bond Year to the extent sufficient therefor, shall be used to reimburse the Bank on the Reimbursement Date occurring on or after such payment but in no event later than July 1 of the Bond Year for such Bond Year Draws for such Bond Year.

The District shall have no obligation to pay, from any source whatsoever, or to levy or cause to be levied any tax for: (i) any interest on any amounts drawn under the Letter of Credit; (ii) any Bond Year Draw for a Bond Year except to the extent amounts are available therefor from the Bond Year Tax Collections for such Bond Year; (iii) any costs or fees of the Bank other than Bond Year Bank Fees; and (iv) any Bond Year Bank Fees for any Bond Year, except to the extent that Bond Year Tax Collections for such Bond Year exceed Bond Year Debt Service or Bond Year Draws, as applicable for such Bond Year.

For any Bond Year, to the extent the Bond Year Tax Collections exceed the Bond Year Debt Service (including such portion payable as reimbursement of Bond Year Draws), the Trustee shall pay the Bond Year Bank Fees.

Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money. The sums which are segregated to pay the principal of or interest on any Bonds shall be held in trust for the benefit of the Owners of such Bonds and the Bank. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Owners and the Bank entitled to such principal or interest, as the case may be.

Compliance with Federal Law. The District 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 District 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. The District will comply with the rebate requirements which may require the District to take certain actions (including the payment of certain amounts to the United States Treasury).

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

Partial Invalidity. If any of the provisions contained in the Indenture shall be contrary to law, then such provisions shall be null and void and shall be deemed separable from the remaining provisions of the Indenture and shall in no way affect the validity thereof or of the Bonds, and the Owners shall retain all the benefit, protection, and security afforded to them thereunder and under all provisions of applicable law.

Reference to Bank. After the expiration or termination of the Letter of Credit and after all obligations relating to the Bonds and owed to the Bank pursuant to the Indenture or the Reimbursement Agreement have been paid in full or discharged, all references to the Bank shall be of no further force and effect.

Eastern Time. Unless otherwise expressly stated, all times referred to in the Indenture shall be Eastern Time as then in effect in the City of New York, New York.

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 Western Overlay
Community Facilities District

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) General Obligation Bonds, Series 2004

At your request we have examined the official proceedings leading to the issuance of $_____ aggregate principal amount of District General Obligation Bonds, Series 2004, dated _____, 2004, issued by Verrado Western Overlay 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. 2004-_____, passed and adopted by the District Board on _____, 2004 (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 minimu m 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.

Certain of the documents referred to permit actions to be taken in the future if an opinion of bond counsel is given at that time to the effect that such action will not cause interest on the Bonds to be included in gross income of the owners for federal income tax purposes. We express no opinion on whether any such action, if taken, will cause interest on the Bonds to be included is gross income of the owners for federal income tax purposes.

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

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
August 31, 2004

	Current Month End Balance	Prior Year End Balance
ASSETS		
Cash	$ 3,453,676	$ 10,055
Accounts receivable	492,000	335,000
Related party receivable	36,155	(173,486)
Receivable - Verrado Golf Club	15,233	-
Receivable - Verrado Association	56,246	-
Receivable - Verrado Assembly	27,595	-
Prepaid expenses	502,234	479,287
Real estate under development	118,115,537	107,987,885
Land improvements	2,958,373	2,554,030
Property and equipment, net	226,509	92,874
Deposits	7,245	-
Investments	96,000	96,000
Total assets	$ 125,986,802	$ 111,381,645
LIABILITIES AND MEMBER'S EQUITY		
Accounts payable	$ 1,676,506	$ 2,036,415
Accrued liabilities	89,023	-
Unrealized gross profit	21,000	-
Retention payable	778,725	2,212,584
Refundable deposits	6,000	6,000
Related party payable	511,537	554,589
Notes payable	8,912,794	13,081,636
Total liabilities	$ 11,995,585	$ 17,891,224
Member's equity	$ 107,884,694	$ 94,768,004
Net income (loss)	6,106,523	(1,277,584)
Total member's equity	$ 113,991,217	$ 93,490,420
Total liabilities and member's equity	$ 125,986,802	$ 111,381,645

DMB White Tank, LLC
Income Statement
Unaudited
August 31, 2004

	Month to Date	Year to Date
REVENUES		
Land	$ 6,936,952	$ 28,215,944
Lot Premiums	---	---
Development Fee Income	322,000	2,023,000
Interest Income	---	---
Other Income	2,000	6,000
Total revenue	$ 7,260,952	$ 30,244,944
COST OF SALES		
Land - Cost Of Sales	1,914,102	13,483,777
Selling Costs	24,258	236,713
Commissions	549,319	1,858,517
Closing Costs	8,826	117,862
Total cost of sales	$ 2,496,505	$ 15,696,869
EXPENSES		
General & administrative	461,413	5,196,879
Marketing	254,109	3,014,395
Depreciation	2,550	20,397
Total expenses	$ 718,072	$ 8,231,670
Net income (loss)	$ 4,046,375	$ 6,316,405

DMB White Tank LLC
Statement of Cash Flows
Unaudited
For the 8 Months Ended August 31, 2004

	Month to Date	Year to Date
CASH FLOWS FROM OPERATING ACTIVITES		
Net income (loss)	$ 3,836,493	$ 6,106,523
Adjustments to reconcile net income (loss) to net cash:		
Depreciation and amortization	$ 2,550	$ 20,397
(Increase) decrease in assets:		
Accounts receivable	8,000	(157,000)
Related party receivables	90,206	(308,715)
Prepaid expenses	(9,620)	(22,947)
Other assets	(4,745)	(7,245)
Real estate under development	(752,451)	(10,127,651)
Increase (decrease) in liabilities:		
Accounts payable	1,010,540	(359,909)
Accrued liabilities	(21,261)	89,023
Retention payable	(47,213)	(1,433,860)
Related party payable	(3,625)	(43,052)
Accrued interest	-	(71,389)
Deferred revenue	14,000	21,000
Net cash (used) provided by operating activites	$ 4,122,873	$ (6,294,826)
CASH FLOWS FROM INVESTING ACTIVITES		
Land & land improvements	-	$ (404,343)
Leasehold improvements	(2,044)	(107,567)
Furniture, fixtures and equipment	(6,495)	(46,465)
Net cash (used) provided by investing activities	$ (8,539)	$ (558,375)
CASH FLOWS FROM FINANCING ACTIVITES		
Notes payable	$ (1,134,205)	$ (4,097,452)
Contributions DMB Realco LLC	2,238,000	32,329,322
Distribution DMB Realco LLC	(7,600,000)	(17,935,048)
Net cash (used) provided by financing activities	$ (6,496,205)	$ 10,296,821
Net increase (decrease) in cash and cash equivalents	$ (2,381,871)	$ 3,443,621
Cash and cash equivalents at beginning of period	$ 5,835,546	$ 10,055
Cash and cash equivalents at end of period	$ 3,453,676	$ 3,453,676

DMB White Tank, LLC
Statement of Changes in Members' Equity
Unaudited
For the 8 months ended August 31, 2004

Balance at December 31, 2003	$ 93,490,420
Contributions	32,329,322
Distributions	(17,935,048)
Net income/(loss)	6,106,523
Balance at August 31, 2004	$ 113,991,217

APPENDIX E

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 District as soon as possible after the record date. The

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

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.

SUPPLEMENT DATED NOVEMBER 10, 2004
TO
PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2004

$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS,
SERIES 2004

This Supplement sets forth certain changes to the provisions for substitution of the letter of credit described in the Preliminary Official Statement.

The descriptions set forth in the Preliminary Official Statement under **"THE BONDS-Tender of Bonds for Purchase**-(C) Mandatory Tender-(iii) Substitution of Letter of Credit" and –(D) Notice of Mandatory Tenders" are revised as follows:

(C) Mandatory Tender Any Bond (other than Bonds bearing interest at a Fixed Rate) is subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

. . . . .

(iii) Substitution of Letter of Credit. At least thirty-five (35) days before the effective date of the Substitute Letter of Credit, evidence in writing from each Rating Agency which maintains a rating on the Bonds must be provided to the Trustee and the District indicating whether the substitution of the Substitute Letter of Credit will cause the rating on the Bonds to be reduced. If each rating on the Bonds is maintained, the Trustee shall, not less than thirty (30) days prior to the Substitution Date, give notice by first-class mail to the Owners as to the substitution of the Letter of Credit and the Substitution Date. If one or more ratings on the Bonds is reduced, the Bonds shall be subject to mandatory tender for purchase with notice given as described in "(D) Notice of Mandatory Tender" below.

(D) Notice of Mandatory Tender

Whenever the Bonds are to be tendered for purchase upon Conversion to the Fixed Rate, the Tender Agent shall give the notices required by the Indenture. Whenever the Bonds are to be tendered for purchase in accordance with (i) subsection (C)(ii) immediately above, the Tender Agent shall, not less than ten (10) days' and (ii) subsection (c)(iii) immediately above, the Tender Agent shall, not less than thirty (30) days, prior to the Mandatory Tender Date, give notice by first-class mail to the Owners that the Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date specified in such notice in accordance with subsection (C) above. Whenever the Bonds are to be tendered for purchase in accordance with subsection (C)(iv) or (v), the Tender Agent shall give immediate notice to the Owners that the Bonds were subject to mandatory tender on the Mandatory Tender Date and will be or were deemed tendered on that date.

RBC DAIN RAUSCHER

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

RATINGS:
Moody's: "A-1"/"VMIG1"

NEW ISSUE - FULL BOOK ENTRY FORM **See "RATINGS" herein**

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.

$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS,
SERIES 2004

DATED: Date of Delivery **DUE: July 1, 2029**

The Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), will be issued in the form of fully registered bonds in denominations of $100,000 (while the Bonds bear interest at the Weekly Rate as defined herein) and integral multiples 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 – General Description" herein. Interest on the Bonds (except defaulted interest, if any) will be payable on the first Business Day of each month so long as the Bonds bear interest at the Weekly Rate (each an "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 Western Overlay 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 November 1, 2004, from the District to Wells Fargo Bank, N.A., as trustee ("the Trustee") and a resolution of the District Board of the District. Except to the extent payable from the Letter of Credit (defined below), the Bonds will be payable as to both principal and interest from *ad valorem* property taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. Debt service with respect to the Bonds will also be payable from amounts payable pursuant to a Standby Contribution Agreement, dated as of November 1, 2004, between the District and DMB White Tank, LLC, an Arizona corporation and developer of the Project (the "Developer") and DMB Realco II, LLC, an Arizona limited liability company (the "Guarantor"). See "SECURITY FOR AND SOURCES OF PAYMENT" herein. *Such Standby Contribution Agreement can be released under certain circumstances described under Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Release of Standby Contribution Agreement" and "RISK FACTORS" herein.)*

The Bonds will be backed by an irrevocable direct pay letter of credit in the amount of $13,160,274.00 with an initial term of three years (the "Letter of Credit") provided by Compass Bank (the "Bank").

Compass Bank

The Letter of Credit represents the principal security for repayment of the Bonds. The Letter of Credit is issued under a Reimbursement Agreement dated as of November 1, 2004 (the "Reimbursement Agreement") between the Bank and the Developer. The Letter of Credit may be replaced or terminated in accordance with its terms and the provisions of the Indenture. Reference is hereby made to the Indenture, the Letter of Credit and Reimbursement Agreement for a complete description of the Bonds, and for the provisions, among others, with respect to the rights, duties and obligations of the District, the Bank, the Developer, the Guarantor and the Owners of the Bonds, the ability of the parties to amend the Indenture and the Reimbursement Agreement without the consent of or notice to the Owners and the terms upon which the Bonds are issued. The Letter of Credit is the direct obligation of the initial Bank to pay the Trustee, in conformity with the terms thereof, sums sufficient to pay (i) in full all amounts of principal of and interest on the Bonds due on any Interest Payment Date and (ii) up to the purchase price of all Bonds tendered or deemed tendered, less the aggregate amount of remarketing proceeds.

The Bonds will be subject to optional, special mandatory redemption and mandatory redemption by the District prior to maturity and to optional and mandatory tender for purchase 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.

Investment in the Bonds has risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Official Statement. Neither the District, the Developer or the Guarantor are entering into continuing disclosure undertakings.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and subject to the approval of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona, for the Bank by Quarles & Brady Streich Lang LLP, Phoenix, Arizona for the Original Purchaser by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona and for the Developer and the Guarantor by 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 November 10, 2004.

RBC DAIN RAUSCHER

November ___, 2004

THIS OFFICIAL STATEMENT, WHICH INCLUDES THE COVER PAGE AND THE APPENDICES HERETO, SHOULD BE CONSIDERED IN ITS ENTIRETY, AND NO ONE SUBJECT SHOULD BE CONSIDERED LESS IMPORTANT THAN ANOTHER BY REASON OF LOCATION IN THE TEXT. BRIEF DESCRIPTIONS OF THE BONDS, THE INDENTURE, THE REIMBURSEMENT AGREEMENT, THE LETTER OF CREDIT, THE STANDBY CONTRIBUTION AGREEMENT, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT, THE BANK, THE DEVELOPER, THE GUARANTOR AND THE PUBLIC INFRASTRUCTURE (AS SUCH TERMS ARE DEFINED HEREIN) AND OTHER INFORMATION ARE INCLUDED IN THIS OFFICIAL STATEMENT. SUCH DESCRIPTIONS DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES HEREIN TO THE BONDS, THE INDENTURE, THE REIMBURSEMENT AGREEMENT, THE LETTER OF CREDIT, THE BOND RESOLUTION, THE STANDBY CONTRIBUTION AGREEMENT AND ANY OTHER DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS, COPIES OF WHICH MAY BE OBTAINED FROM RBC DAIN RAUSCHER INC. (THE "ORIGINAL PURCHASER") AT SUITE 700, 2398 EAST CAMELBACK ROAD, PHOENIX, ARIZONA 85016.

THE ORIGINAL PURCHASER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE ORIGINAL PURCHASER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE ORIGINAL PURCHASER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT, THE BANK, 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 OFFICIAL STATEMENT CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION WHICH ARE NOT INTENDED AS STATEMENTS OF FACT, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS OR THAT THEY WILL BE REALIZED. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF AD VALOREM TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IN THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO STATED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT. THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT, THE BANK, THE DEVELOPER OR THE GUARANTOR WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN SINCE THE DATE OF THIS OFFICIAL STATEMENT.

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 OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGIS TERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THIS OFFICIAL STATEMENT, 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.

TABLE OF CONTENTS

Page

MAP 1 SHOWING LOCATION OF DISTRICT IN CONTEXT OF TOWN OF BUCKEYE AND NEIGHBORING COMMUNITIES

MAP 2 SHOWING DISTRICT BOUNDARIES AND BOUNDARIES OF VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

MAP 3 SHOWING PHASE I DEVELOPMENT

INTRODUCTORY STATEMENT 1

THE BONDS 2
- Authority and Election 2
- General Description 3
- Determination of Interest Rates 3
- Conversion to Fixed Rate 4
- Tender of Bonds for Purchase 4
- Remarketing of Bonds 7
- Delivery of Remarketed Bonds and Purchased Bonds 8
- Optional Redemption of Bonds 8
- Mandatory Sinking Fund Redemption; Credit 8
- Redemption of Purchased Bonds 9
- Method of Selecting Bonds for Redemption 10
- Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue 10
- Cancellation 10
- Notice of Redemption 10

THE BANK, THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT 11
- Compass Bank 11
- The Letter of Credit 12
- Reimbursement Agreement 13
- Certain Covenants of Developer 13
- Events of Default 14

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS 16

RISK FACTORS 16
- General 16
- Forward-Looking Statements 17
- Concentration of Ownership; Subsequent Transfer 17
- Certain Factors Which May Adversely Affect Development; Consequences 18
- Effect of Valuation of Property 18
- Availability of Standby Contribution Agreement 18
- Direct and Overlapping Indebtedness 19
- Bankruptcy and Foreclosure Delays 19
- Timing of Completion of the Public Infrastructure 19
- General Risks of Real Estate Investment 19
- Environmental Matters 20
- Cancellation of Contracts 20

LITIGATION 20
- District 20
- Developer 20
- Bank 21

TAX EXEMPTION 21

LEGAL MATTERS 22

FINANCIAL INFORMATION 22

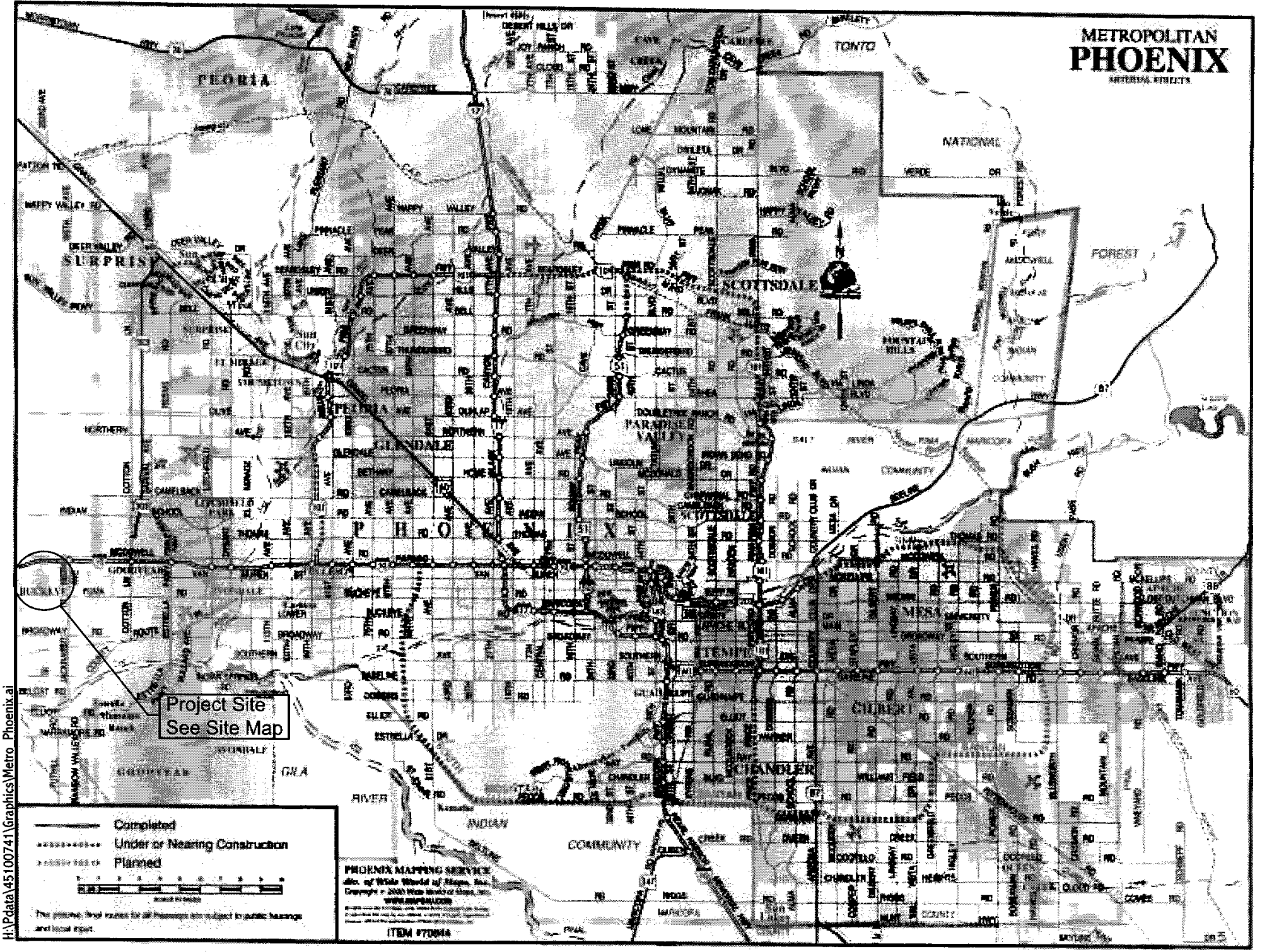
RATINGS 22

UNDERWRITING 23

RELATIONSHIPS AMONG PARTIES 23

APPENDIX A: - General Information A-1
APPENDIX B: - Summary of Certain Provisions of the Indenture B-1
APPENDIX C: - Form of Legal Opinion of Bond Counsel C-1
APPENDIX D: - Financial Statements of the Developer D-1
APPENDIX E: - Book-Entry-Only System E-1

Map 1
MAP SHOWING LOCATION OF DISTRICT
IN CONTEXT OF TOWN OF BUCKEYE
AND NEIGHBORING COMMUNITIES



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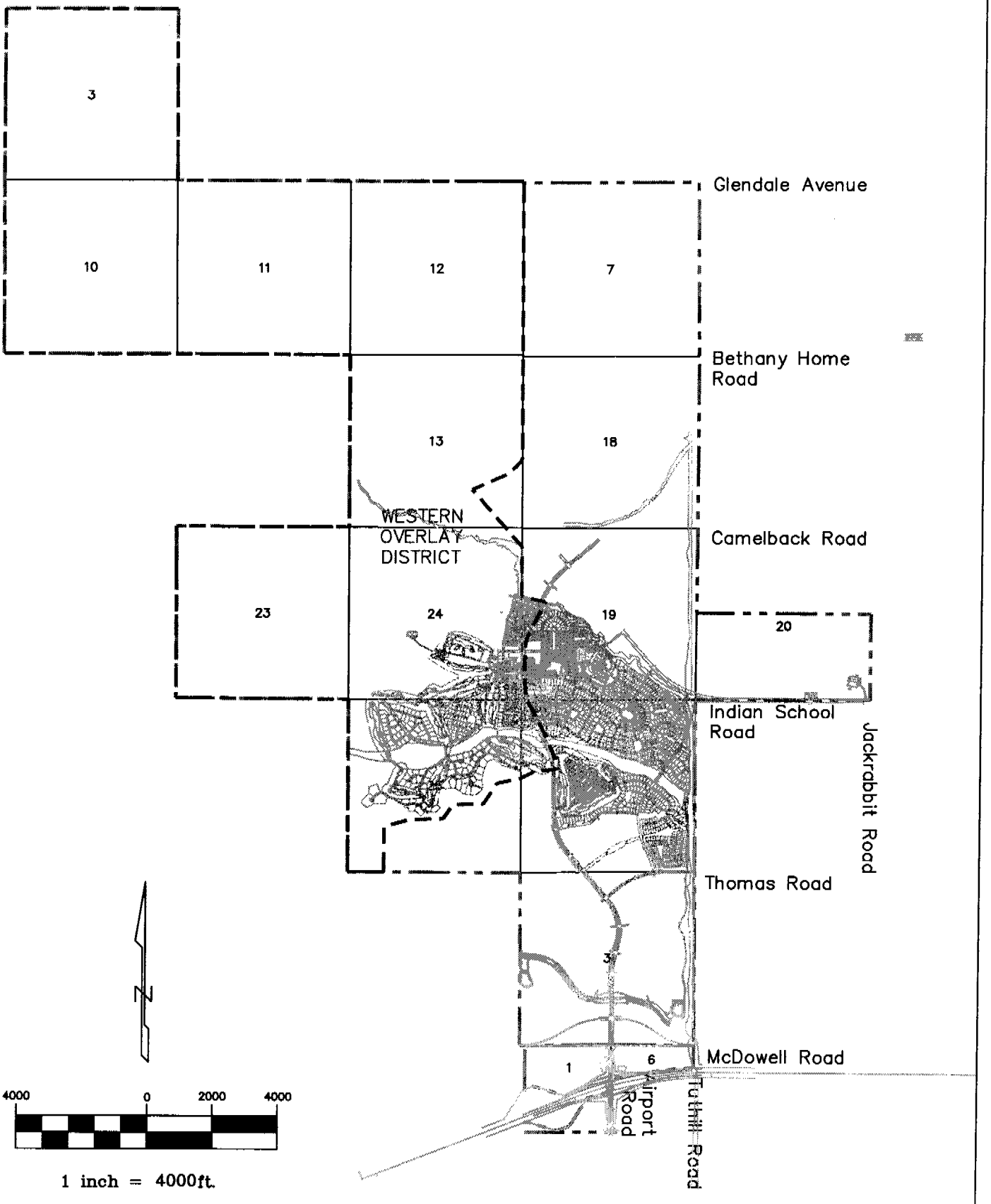
Map 2
MAP SHOWING DISTRICT BOUNDARIES AND BOUNDARIES OF VERRADO DISTRICT 1 COMMUNITY FACILITIES DISTRICT



VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT

VERRADO

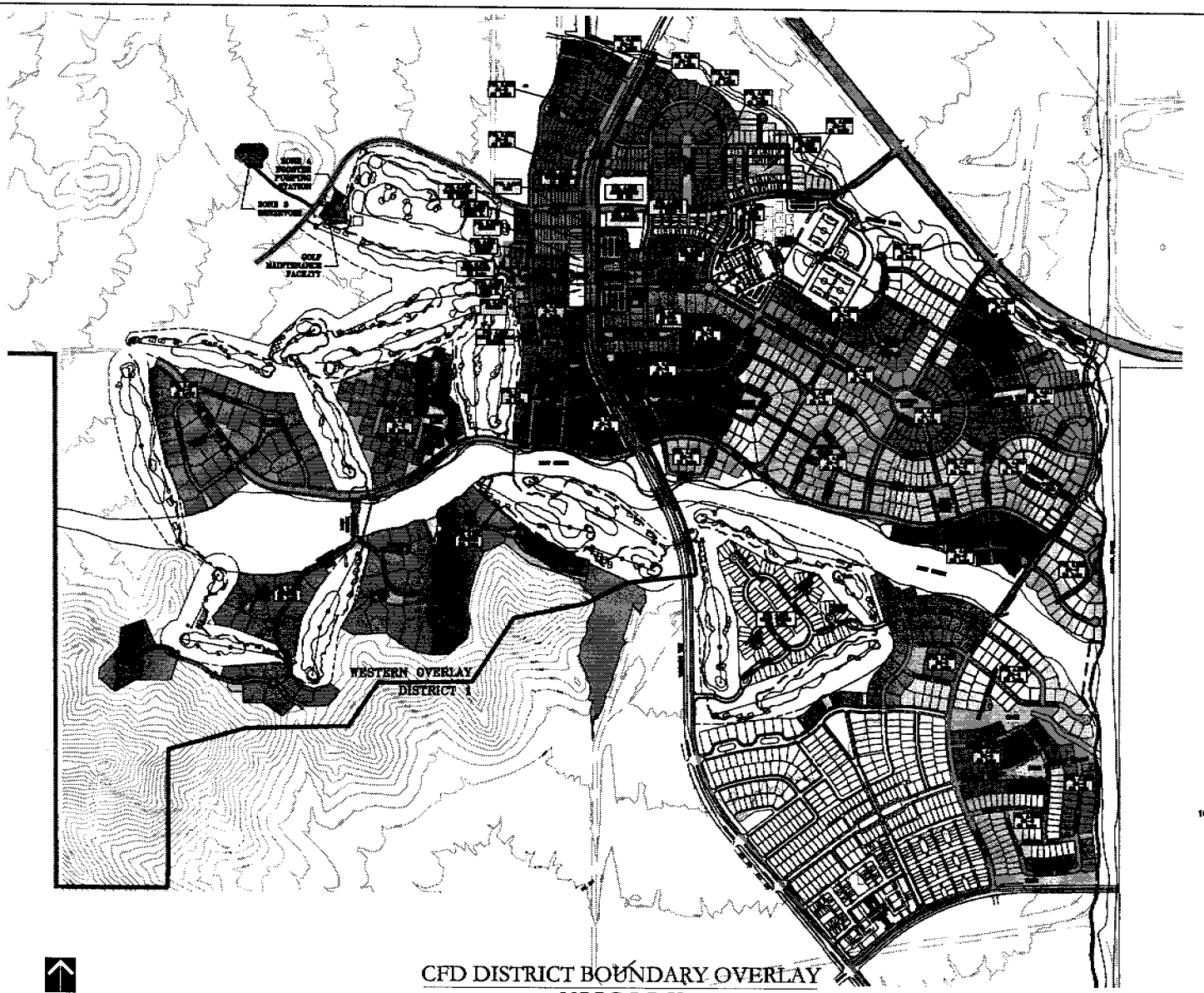
BUCKEYE, ARIZONA

DMB

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

11/04/04
M:\2000\001081\DGN\EXHIBITS\CFD-EXHIBIT2.DWG

Map 3
MAP SHOWING PHASE I DEVELOPMENT



1000 0 500 1000

1 inch = 1000 ft.

PRELIMINARY
NOT FOR CONSTRUCTION
OR RECORDING

WOOD/PATEL

DMB

CFD DISTRICT BOUNDARY OVERLAY

VERRADO

BUCKEYE, ARIZONA

$13,000,000
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS,
SERIES 2004

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, provides certain information concerning the issuance of Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004 (the "Bonds"), in the aggregate principal amount of $13,000,000. **Certain capitalized terms not defined in the text of this Official Statement 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 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 Western Overlay Community Facilities District (the "District") on June 19, 2001. See Appendix A - "GENERAL INFORMATION" for certain information about the Town, the District and the Developer. Certain adjustments to the boundaries of the District were approved by the District Board on February 15, 2002.

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 $60,000,000 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. On June 19, 2001, the Town also formed the Verrado District 1 Community Facilities District ("District 1") which overlays the District (see Map 3 and Appendix A - "GENERAL INFORMATION"). 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 Appendix A - "GENERAL INFORMATION" and "SOURCES AND APPLICATIONS OF FUNDS."

The principal of the Bonds, up to 50 days of accrued interest on the Bonds (at the maximum rate of 9% per annum) and the purchase price of the Bonds upon optional and mandatory tender will be payable from the proceeds of draws under a direct pay Letter of Credit (the "Letter of Credit") to be issued by Compass Bank (the "Bank"). The expiration date of the Letter of Credit will be three years from the Closing Date (estimated to be November __, 2007). Drawings under the Letter of Credit will be repaid by the District pursuant to the Indenture, up to the limit of tax collections in the applicable year and any additional amount by the Developer pursuant to a Letter of Credit and Reimbursement Agreement, dated as of the Closing Date (the "Reimbursement Agreement") between the Bank and the Developer. The obligations of the Developer to the Bank under the Reimbursement Agreement are guaranteed by the Guarantor pursuant to an unconditional guarantee of payment.

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 Letter of Credit and Standby Contribution Agreement, to pay Debt Service with

respect to the Bonds when due or to reimburse the Bank, in whole or in part, for payments under the Letter of Credit to pay Debt Service. While the Letter of Credit is in effect the tax rate is expected to be $3.00 per $100 of secondary assessed valuation. **See Appendix A - "GENERAL INFORMATION DISTRICT TAXATION" and "RISK FACTORS."**

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.

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Indenture for detailed terms and provision thereof, see Appendix B "SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE."

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 $60,000,000 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 November 2, 2004 (the "Bond Resolution"), and the Indenture of Trust and Security Agreement, dated as of November 1, 2004 (the "Indenture"), from the District to the Trustee. The Bonds are the first series issued pursuant to the authorization approved by the Election, and, after issuance of the Bonds, $47,000,000* principal amount of such bonds will remain authorized but unissued. See Appendix A - "GENERAL INFORMATION - OVERLAPPING, ADDITIONAL, ADDITIONAL OVERLAPPING AND OTHER INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District."

General Description

The Bonds will be dated as of the Closing Date. Upon issuance and until changed pursuant to the Indenture, the Bonds will bear interest at the Weekly Interest Rates established from time to time. The interest rate for the Bonds may be changed so that the Bonds would bear interest at a Fixed Rate as set forth in the Trust Indenture. No Bond issued under the Trust Indenture will ever bear interest at a higher rate than the Maximum Rate. The Maximum Rate is 9% per annum. See Appendix B – "SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE" for additional information regarding the accrual and payment of interest.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of, premium, if any and interest on each Bond will be made, and notices and other communications to Bondholders will be given, directly to DTC or its nominee, Cede & Co., by the Trustee. See Appendix E "BOOK-ENTRY SYSTEM."

So long as the Bonds of a particular series are subject to the Book-Entry System, all payments on such Bonds (including payment of the Purchase Price of any Bond) and all transfers and exchanges of beneficial ownership interests in the Bonds will be made in accordance with the Book-Entry System agreement entered into among the District, the Trustee and the Securities Depository with respect to the Bonds and will be subject in all respects to the rules and regulations governing such Book-Entry System.

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* Preliminary, subject to change.

In the event the Bonds are not in a book-entry only system, payment of principal of, premium, if any, and interest on the Bonds will be made and such notices and communications will be given as described in the Indenture.

Determination of Interest Rates

(A) Weekly Rate. The following provisions apply to the Bonds (other than a Bond which has been purchased with a draw under the Letter of Credit and not remarketed which remains held by or for the benefit of the Bank (a "Purchased Bond")) so long as they bear interest at the Weekly Rate:

(i) Standard for Weekly Rate. The Weekly Rate shall be determined by the Remarketing Agent for the Bonds to be the rate of interest that, if borne by the Bonds for such Weekly Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities of the same general nature as the Bonds the interest on which is excludable from gross income for Federal income tax purposes and which are comparable as to credit and maturity or tender dates with the credit and Maturity or Tender Dates of the Bonds, would be the lowest interest rate that would enable the Bonds to be sold on the first day of the applicable Weekly Rate Period at a price of par, plus accrued interest, if any.

(ii) Notice of Weekly Rate. On the Business Day after the Weekly Rate is set, the Remarketing Agent shall notify the Trustee, the Tender Agent and the District by facsimile or electronic means, of the interest rate borne by the Bonds for such Weekly Rate Period.

(iii) Remarketing Agent Determines Weekly Rate. The Remarketing Agent shall determine a Weekly Rate for each Weekly Rate Period applicable to the Bonds by close of business, Eastern time, on the Tuesday preceding the first day of such Weekly Rate Period, or the next succeeding day if Tuesday is not a Business Day. If for any reason (i) the Weekly Rate for a Weekly Rate Period is not established as aforesaid, (ii) no Remarketing Agent shall be serving under the Indenture, (iii) the Weekly Rate so established is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Weekly Rate, then the Weekly Rate for such Weekly Rate Period shall be 110% of the Weekly Index Alternative Rate on the date such Weekly Rate was to have been determined by the Remarketing Agent. If for any reason the Weekly Rate applicable to the Bonds for a Weekly Rate Period can not be determined by reference to the Weekly Index Alternative Rate, then the rate to be borne by the Bonds shall be the rate for the Bonds in effect on the day preceding the first day of such Weekly Rate Period.

(iv) Weekly Index Alternate Rate. The Weekly Index Alternative Rate applicable to the Bonds shall be the BMA Municipal Index unless, in the reasonable opinion of the Remarketing Agent and the Bank, the BMA Municipal Index is not available on a timely basis for use in determining the Weekly Index Alternative Rate, whereupon the Remarketing Agent shall determine the Substitute Weekly Index, based upon the Qualified Index Criteria, on the first day of the Weekly Rate Period for which a Weekly Rate is to be set by reference to the Weekly Index Alternative Rate; provided, however, that if the Remarketing Agent fails or is unable to determine the Substitute Weekly Index, the District shall appoint an Indexing Agent who shall determine the Substitute Weekly Index. If, in the reasonable opinion of the District, the Indexing Agent fails or is unable for any reason to determine the Substitute Weekly Index for any Weekly Rate Period, the District shall appoint a replacement Indexing Agent to determine the Substitute Weekly Index

(v) Weekly Rate Period. A Weekly Rate Period is any period (after initial issuance of the Bonds) commencing on the Wednesday of a calendar week and extending to and including the next succeeding Tuesday.

(B) Fixed Rate. Upon conversion to the Fixed Rate, each Bond will bear interest at a Fixed Rate. The Fixed Rate for each Bond shall be determined by the District and the Remarketing Agent or other investment banking firm or firms with which the District has entered into an agreement for the purchase, as underwriters, of the Bonds upon conversion to the Fixed Rate on the Conversion Date. If for any reason the Fixed Rate is not

determined as aforesaid, then the Rate Period for the Bonds shall convert to a Weekly Rate Period on the Conversion Date.

(C) Purchased Bond Rate. Subject to the limitations on payment of the Purchased Bond Rate, a Purchased Bond will bear interest at the Purchased Bond Rate payable on each January 1 and July 1 during the period the Bond is a Purchased Bond.

(D) Limitations on Rates. No Bond shall bear interest at a rate which exceeds the Maximum Rate.

(E) Limitation on Rate Periods. No Weekly Rate Period for the Bonds shall extend beyond the fifth (5th) day (or the preceding Business Day if such day is not a Business Day) prior to the scheduled expiration date of the Letter of Credit, if any, then in effect.

(F) No Liability. In determining the rate applicable to the Bonds, the District and the Remarketing Agent shall have no liability to the Trustee, the Tender Agent, the Bank, or any Owner, except for its respective willful misconduct or negligence.

Conversion to Fixed Rate

(A) Generally.

(i) Requirements for Conversion. No Conversion to the Fixed Rate shall occur unless:

(a) on the Conversion Date, no Event of Default described in this Indenture has occurred and is continuing;

(b) on or prior to 10:00 a.m., Eastern time, on the day that the District delivers a request for conversion , the District, the Trustee and the Remarketing Agent have received a letter from Bond Counsel stating that, based on the then-current law, such Bond Counsel knows of no reason why the Opinion of Bond Counsel required by clause (c) below could not be rendered on the Conversion Date;

(c) on or prior to 10:00 a.m., Eastern time, on the Conversion Date, the District shall deliver to the Remarketing Agent, the Tender Agent and the Trustee, an Opinion of Bond Counsel with respect to such proposed Conversion; and

(d) if conversion will require a draw on the Letter of Credit, the Bank shall have consented to the conversion.

All Bonds are subject to mandatory tender for purchase on the Conversion Date.

Tender of Bonds for Purchase

(A) Optional Tender Of Book Entry Bonds. For so long as any Bond, which is a Book Entry Bond, bears interest at the Weekly Rate, a Participant, acting on behalf of a Beneficial Owner, has the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Bond for purchase on any Optional Tender Date, by giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective designated offices, not later than close of business, Eastern time, on the seventh calendar day prior to the Optional Tender Date, a Tender Notice which states (i) the aggregate principal amount in an Authorized Denomination of each Bond or portion thereof to be purchased and (ii) that such principal amount of Bonds (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture.

Any Tender Notice given or delivered in accordance with this subsection (A) shall be irrevocable and shall be binding on the Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner and the principal amount of the Bonds for which a Tender Notice has been given or delivered

shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice given pursuant to this subsection (A), ownership of such aggregate principal amount of Bonds shall be recorded as provided in the Indenture.

(B) Optional Tender Of Other Bonds. For so long as any Bond which is not a Book Entry Bond bears interest at a Weekly Rate, the Owner of such Bond shall have the right to tender any such Bond (or portion thereof in an Authorized Denomination) to the Tender Agent for purchase on any Optional Tender Date, but only upon:

(i) Giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective principal offices, not later than close of business, Eastern time, on the seventh calendar day prior to the Optional Tender Date, an irrevocable telephonic Tender Notice subsequently confirmed in writing the same day, by facsimile or electronic means, which Tender Notice states (a) the aggregate principal amount in an Authorized Denomination of such Bonds to be purchased, and (b) that such Bonds (or portion thereof in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture; and

(ii) Delivery of such Bonds (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent at its principal office at or prior to 1:00 p.m., Eastern time, on such Optional Tender Date; provided, however, that no Bonds (or portion thereof in an Authorized Denomination) shall be purchased unless the Bonds so delivered to the Tender Agent shall conform in all respects to the description thereof in the aforesaid notice.

Any Tender Notice given or delivered in accordance with this subsection (B) shall be irrevocable and shall be binding on the Owner giving or delivering such Tender Notice and on any transferee of such Owner and the principal amount of the Bonds for which such Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice given pursuant to this subsection (B), ownership of such aggregate principal amount of Bonds shall be recorded as provided in the Indenture.

(C) Mandatory Tender. Any Bond (other than Bonds bearing interest at a Fixed Rate) is subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

(i) Conversion of Bonds. On the Conversion Date;

(ii) Expiration of Letter of Credit. On a date that is not less than three (3) Business Days prior to the expiration date of the Letter of Credit (or if such day is not a Business Day, on the immediately preceding Business Day), unless such Letter of Credit has been extended or a Substitute Letter of Credit is delivered and effective at least twenty (20) days prior to such expiration date;

(iii) Substitution of Letter of Credit. On the effective date of a Substitute Letter of Credit unless at least 15 days before the effective date of the Substitute Letter of Credit, the Trustee and the District receive evidence in writing from each Rating Agency which maintains a rating on the Bonds that the substitution of the Substitute Letter of Credit will not cause the rating to be reduced or withdrawn (or if such day is not a Business Day, on the immediately preceding Business Day), provided that such date is not later than three (3) Business Days prior to the termination date of the then-existing Letter of Credit (or if such day is not a Business Day, on the immediately preceding Business Day);

(iv) Default Under Reimbursement Agreement. If (a) notice from the Developer or the Bank that an Event of Default has occurred under the Reimbursement Agreement and a request from the Bank to cause the mandatory tender and purchase or redemption of the Bonds are received by the Trustee (1) prior

to 11:30 a.m. Eastern Time on a Business Day then on such Business Day or (2) at or after 11:30 a.m. on a Business Day then the subsequent Business Day, or (b) such notice is received by the Trustee but not a request from the Bank to cause the mandatory tender and purchase or redemption of the Bonds then (1) if the Event of Default arises out of the nonpayment by the Developer and the Guarantor of any amount due the Bank under the Reimbursement Agreement, or the insolvency, bankruptcy, receivership, liquidation or termination of the Developer or the Guarantor, on the 7th Business Day following receipt of such notice unless the Bank notifies the Issuer and the Trustee no later than 11:00 a.m. Eastern Time on such Business Day that the Event of Default has been cured, or (2) otherwise on the 120th day (or, if not a Business Day, the prior Business Day) following receipt of such notice unless the Bank notifies the Issuer and the Trustee no later than the Business Day prior to such Mandatory Tender Date that the Event of Default has been cured;

(v) Rating Event. If the Trustee receives prior to 11:30 a.m. Eastern Time on a Business Day notice from the Issuer, the Remarketing Agent, the Tender Agent or the Bank of the occurrence of a Rating Event, then on such Business Day or if such notice is received at or after 11:30 a.m. on a Business Day then the subsequent Business Day.

(D) Notices of Mandatory Tenders. Whenever the Bonds are to be tendered for purchase upon Conversion to the Fixed Rate, the Tender Agent shall give the notices required the Indenture. Whenever the Bonds are to be tendered for purchase in accordance with (i) subsection (C)(ii) immediately above, the Tender Agent shall, not less than ten (10) days' prior and (ii) subsection (c)(iv) immediately above, the Tender Agent shall, not less than thirty (30) days, prior to the Mandatory Tender Date, give notice by first-class mail to the Owners that the Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date specified in such notice in accordance with subsection (C) above. Whenever the Bonds are to be tendered for purchase in accordance with subsection (C)(iv) or (v), the Tender Agent shall give immediate notice to the Owners that the Bonds were subject to mandatory tender on the Mandatory Tender Date and will be or were deemed tendered on that date.

(E) No Delay of Other Tender or Redemption. No provision for Mandatory Tender shall prevent or delay any optional or mandatory redemption or optional or mandatory tender from occurring as otherwise provided in the Indenture.

(F) Tendered and Deemed Tendered Bonds. The Owner of a Bond subject to Tender shall deliver the Bond to the Tender Agent on or before the applicable Tender Date. If an Owner fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Bond subject to mandatory tender for purchase or any Bond, for which an election to tender has been duly made, such Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the Purchase Date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of any person who on a record date is the Owner of a Bond to receipt of interest, if any, due thereon on the date such Bond is required to be purchased. Delivery of Tendered Bonds which are Book-Entry Bonds shall be made pursuant to the procedures of the Securities Depository and the Book-Entry-Only System.

(G) Purchase of Tendered Bonds. On each Tender Date, the Tendered Bond shall be purchased at the applicable Purchase Price, which shall be paid by 3:00 p.m., Eastern time, on the Tender Date. Moneys for the payment of the Purchase Price of the Tendered Bonds shall be paid by the Tender Agent solely from the following sources and in the following order of priority:

(i) Proceeds of the remarketing of the Tendered Bonds (or portions thereof in Authorized Denominations); and

(ii) Moneys obtained pursuant to the Letter of Credit then in effect with respect to the Bonds.

Tendered Bonds purchased as provided above shall be delivered as described under "Delivery of Purchased Bonds" below. No Tendered Bond so purchased shall cease to be Outstanding solely by reason of the purchase thereof.

(H) No District Obligation to Purchase. The District shall have no obligation to pay the Purchase Price of Tendered Bonds from any amounts other than described in subsections (i) and (ii) above. No Owner shall have any claim for payment of the Purchase Price out of the taxes levied and collected by the District or to compel the District to levy or collect taxes for such purpose.

(I) Segregation of Amounts Received by Tender Agent. All moneys received by the Tender Agent as proceeds of the sale of Tendered Bonds that have been transferred to the Tender Agent shall be held by the Tender Agent in the Bond Purchase Fund.

Remarketing of Bonds

(A) Duty to Remarket Tendered Bonds. Except as otherwise described below, upon receipt of any notice given that any Bonds will be or are required to be tendered for purchase, the Remarketing Agent shall use its reasonable best efforts to remarket such Tendered Bond on its Tender Date at a price equal to the Purchase Price. By 3:00 p.m., Eastern time, on the Business Day immediately preceding each Tender Date, the Remarketing Agent shall give notice by telephone, subsequently confirmed in writing the same day by facsimile or electronic means, of the principal amount of Tendered Bonds for which it has arranged a remarketing (and such other particulars with respect thereto as the District, the Trustee, the Tender Agent or the Remarketing Agent deem necessary), along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing, to the Trustee, the Tender Agent, the District, the Bank and the Developer, and, by 11:00 a.m., Eastern time, on the Tender Date, shall transfer to the Tender Agent the proceeds of the remarketing of the Tendered Bonds. By (x) 11:15 a.m., Eastern time, on each Tender Date, and (y) close of business Eastern time, on the Business Day prior to the Conversion Date for a Tendered Bond, the Tender Agent shall notify the District, the Bank and the Developer of the amount required to be paid by the Bank for the Purchase Price of Bonds to be tendered for which the Remarketing Agent has not arranged a remarketing; provided, however, that the failure to give such notice shall not affect the right of the Tender Agent to obtain moneys pursuant to the Letter of Credit. By 11:30 a.m., Eastern time, on each Tender Date (including the Conversion Date), the Tender Agent or the Trustee, as the case may be, shall then take such actions as may be required pursuant to the Letter of Credit to obtain moneys thereunder in an amount equal to the full Purchase Price of all such Tendered Bonds, less the proceeds of the remarketing of such Tendered Bonds theretofore transferred to the Tender Agent by the Remarketing Agent. The Tender Agent shall notify the District of the amount so obtained.

For purposes of this subsection (A), if the Remarketing Agent fails to transfer to the Tender Agent by 11:15 a.m., Eastern time, on a Tender Date the proceeds of the remarketing of Tendered Bonds, it shall be assumed that no arrangement for the remarketing of any Tendered Bonds has been made and the Tender Agent shall take the action necessary to obtain moneys with which to pay the Purchase Price of all the Tendered Bonds.

(B) Remarketing of Purchased Bonds. Except as otherwise described, the Remarketing Agent shall use its reasonable best efforts to remarket all, but not less than all, Outstanding Purchased Bonds at a price equal to the Purchase Price.

(C) Limitations on Remarketings. The Remarketing Agent shall not, during any period prior to the Conversion Date, remarket Tendered Bonds or Purchased Bonds (i) if upon such remarketing the amount available to be drawn pursuant to the Letter of Credit for the payment of the principal or Purchase Price of the Outstanding Bonds is less than the amount required under the Indenture, (ii) if the Letter of Credit will expire or terminate within twenty (20) days after the Tender Date of the Tendered Bonds or the Purchased Bond Remarketing Date, as applicable, unless and until such Letter of Credit has been extended or a Substitute Letter of Credit has been delivered to the Tender Agent in accordance with the Indenture, or (iii) if the Bank has delivered a No Remarketing Notice to the District or the Trustee and such No Remarketing Notice remains in effect and has not been annulled or rescinded or (iv) any event has occurred and is continuing which is cause for a mandatory tender of the Bonds.

Delivery of Remarketed Bonds and Purchased Bonds

(A) Tendered Bonds and Purchased Bonds remarketed pursuant to the Indenture shall be delivered as follows:

(i) Tendered Bonds in the aggregate principal amount purchased with Available Moneys constituting remarketing proceeds, upon receipt of payment therefor, shall be recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the accounts of the Participants purchasing or representing the purchasers of such aggregate principal amount; and

(ii) Tendered Bonds in the aggregate principal amount purchased with Available Moneys constituting moneys obtained pursuant to the Letter of Credit, upon receipt of payment therefor, shall become Purchased Bonds and shall be recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the account of the Trustee on behalf of the Bank or, at the direction of the Bank, to the account of another Person. .

(iii) Purchased Bonds which are remarketed upon receipt of payment therefor shall be recorded in the records of the Securities Depository as a transfer of ownership of such principal amount to the account of the Participants purchasing or representing the purchasers of such aggregate principal amount.

(B) Notwithstanding the provisions of (A) above, no Tendered Bonds or Purchased Bonds shall be delivered to the purchasers thereof (other than the Bank) upon a remarketing unless the amount available to be paid pursuant to the Letter of Credit shall be equal to the principal amount of Bonds that will be Outstanding Bonds, other than Purchased Bonds, after the delivery to such purchasers, together with interest on such principal amount at the Maximum Rate for 50 days or such longer period as may be required by any Rating Agency then providing a rating on the Bonds to allow for the highest possible short-term rating and the Trustee receives a certificate of the Bank to that effect.

Optional Redemption of Bonds

(A) Weekly Rate Bonds. So long as the Bonds bear interest at the Weekly Rate, the Bonds shall be subject to redemption prior to maturity (i) at the election and direction of the District with the consent of the Bank, or (ii) at the election and direction of the Bank, upon the occurrence of a Reimbursement Agreement Default, in either case such redemption may be in whole or in part, on any Business Day, at a redemption price equal to 100% of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, but without premium.

(B) Available Monies. The redemption price of any Bond being redeemed shall be paid only with Available Monies.

Mandatory Sinking Fund Redemption; Credit

The Bonds shall be subject to redemption, in part, through application of Sinking Fund Installments beginning on July 1, 2010, at the redemption price of one hundred percent (100%) of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. There shall be due, and the District shall be required to pay for the retirement of the Bonds each year, the amount set forth opposite such year in the following table, each referred to herein as a Sinking Fund Installment:

Redemption Date (July 1)	Principal Amount
2010	$500,000
2011	500,000
2012	500,000
2013	500,000
2014	600,000
2015	600,000
2016	600,000
2017	600,000
2018	600,000
2019	600,000
2020	600,000
2021	700,000
2022	700,000
2023	700,000
2024	700,000
2025	700,000
2026	800,000
2027	800,000
2028	800,000
2029	900,000

The Sinking Fund Installments shall be rounded to the nearest Authorized Denomination then in effect (the sinking fund amount shall be rounded down if there are two nearest Authorized Denominations); provided, however, if a Sinking Fund Installment is rounded down, the excess amount not redeemed shall be added to the succeeding Sinking Fund Installment, and if a Sinking Fund Installment is rounded up, the excess amount redeemed shall be subtracted from the succeeding Sinking Fund Installment.

There shall be credited against and in satisfaction of the Sinking Fund Installment payable on any date for the Bonds the principal amount of Bonds entitled to such Sinking Fund Installment (a) purchased with moneys in the Redemption Fund and canceled by the Trustee; (b) redeemed at the option of the District pursuant to the Indenture, (c) purchased by the District and delivered to the Trustee for cancellation and (d) deemed to have been paid in accordance with the defeasance provisions of the Indenture. Bonds redeemed at the option of the District, purchased by the District or deemed to have been paid in accordance with the defeasance provisions of the Indenture shall be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments payable with respect to the Bonds on such dates as the District shall specify in a written direction delivered to the Trustee at least fifteen (15) days prior to the earliest date on which notice of redemption of the Bonds entitled to such Sinking Fund Installment may be given by the Trustee, and the Sinking Fund Installment payable with respect to the Bonds on each date specified in such direction shall be reduced by the principal amount of the Bonds so purchased, redeemed or deemed to have been paid in accordance with the defeasance provisions of the Indenture to be applied in satisfaction of such Sinking Fund Installment as set forth in such direction.

The redemption price of any Bond being redeemed shall be paid only with Available Monies.

Redemption of Purchased Bonds

(A) Partial Redemption of Purchased Bonds. The Bonds that are Purchased Bonds shall be subject to redemption prior to maturity in part at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds or portion thereof to be redeemed at the times and in the principal amounts required by the Reimbursement Agreement.

(B) Redemption of Purchased Bonds in Whole. If so provided in the Reimbursement Agreement, the Bonds that are Purchased Bonds shall be subject to redemption prior to maturity in whole, but solely from amounts drawn on the Letter of Credit, as soon as practicable upon receipt by the Trustee of a default notice given by the Bank or its agent pursuant to the Reimbursement Agreement, which default notice expressly states that the Purchased Bonds are to be redeemed in whole, but solely from amounts drawn on the Letter of Credit, at a redemption price equal to one hundred percent (100%) of the principal amount of the Purchased Bonds to be redeemed.

(C) Mandatory Redemption of Purchased Bonds After Six Months. Purchased Bonds are subject to mandatory redemption, but solely from amounts drawn on the Letter of Credit, on the date which is the first day of the sixth month following the month in which such Bonds became Purchased Bonds. Under certain conditions this mandatory redemption may be delayed at the request of the Bank and with the consent of the District.

Method of Selecting Bonds for Redemption

If less than all of the outstanding Bonds are to be redeemed, the Trustee shall select for redemption, using such method of selection as it deems proper in its discretion, the Purchased Bonds before selecting any other Bonds for redemption. Bonds which are not Purchased Bonds shall be selected by the Trustee by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

Unless the District has previously provided other Available Moneys with the Trustee, the Trustee shall draw on the Letter of Credit on the redemption date, the amount necessary to redeem all the Bonds called for redemption. On the redemption date the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit or draw of Available Monies having been made then, notwithstanding that any Bond called for redemption shall not have been surrendered, no further interest shall accrue on any such Bond. From and after such date of redemption (such notice having been given and such deposit having been made) the Bonds to be redeemed shall be deemed not to be Outstanding, and the District shall be under no further liability in respect thereof.

Cancellation

Except as otherwise provided under the Book-Entry-Only System, all Bonds which have been redeemed, including those redeemed through draws on the Letter of Credit, and all Bonds delivered to the Trustee by the District for cancellation shall be canceled by the Trustee and destroyed as provided in the Indenture.

Notice of Redemption

(A) Notice of redemption shall be given by the Trustee in the name and at the expense of the District, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to CEDE & CO.

(B) All notices of redemption shall include a statement as to

(i) the Redemption Date,

(ii) the Redemption Price,

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

(iv) 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.

(C) Notices of redemption shall also be sent 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 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.

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

THE BANK, THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

Compass Bank

The information contained herein relates to and has been provided by Compass Bank, a state chartered banking association, for inclusion in this Official Statement. No other party has independently verified or assumes any responsibility for such information, and neither the District nor the Underwriter make any representation as to the accuracy or completeness of such information. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or incorporated by reference in this appendix is correct as of any time subsequent to its date.

Compass Bank (the "Bank"), headquartered in Birmingham, Alabama, conducts a general commercial banking and trust business at 352 bank offices, including 121 in Texas, 89 in Alabama, 65 in Arizona, 42 in Florida, 24 in Colorado, 9 in New Mexico and 2 in Nebraska. As of December 31, 2002, Compass Bank is a subsidiary and asset of Compass Bancshares, Inc, a Delaware corporation and registered bank holding company organized under the Bank Holding Act of 1956 (the "Company"). The Company is a $23.9 billion asset (as of December 31, 2002) financial service company headquartered in Birmingham, Alabama. The Company's lead bank subsidiary is Compass Bank. The Company also owns Central Bank of the South, an Alabama banking corporation headquartered in Anniston, Alabama, that has limited activities. The Company, through wholly owned subsidiaries, is engaged in providing insurance products to its customers and owning real estate for bank premises through nonbanking subsidiaries. The principal role of the Company is to supervise and coordinate the activities of its subsidiaries and to provide them with capital and services of various kinds.

Compass Bank performs banking services customary for full service banks of similar size and character. Such services include receiving demand and time deposit accounts, making personal and commercial loans and furnishing personal and commercial checking accounts. Compass Bank provides correspondent banking services, including educational seminars and operational and investment services, to approximately 1,000 financial institutions located throughout the United States. Through the Correspondent and Investment Services Division, Compass Bank distributes or makes available a variety of investment services and products to institutional and individual investors including institutional sales, bond accounting, safekeeping and interest rate risk analysis services. Through its wholly owned subsidiary, Compass Brokerage, Inc., Compass Bank also provides discount brokerage services, mutual funds and variable annuities to individuals and businesses. Compass Bank provides lease financing services to individuals and businesses, through its wholly owned subsidiary, Compass Financial Corporation. The Asset Management Division of Compass Bank offers its customers a variety of fiduciary services, including portfolio management and the administration and investment of funds of estates, trusts and employee benefit plans. Compass Bank, through its wholly owned subsidiaries, Texas Insurance Agency, Horizons Insurance Group, Inc., and Compass Bancshares Insurance, Inc., makes available to its customers and others, as agent for a variety of insurance companies, term life insurance, fixed-rate annuities, property and casualty insurance and other insurance products. Compass Bank, through its wholly owned subsidiaries Compass Mortgage Corporation and Arizona Financial Products, Inc., also provides loans and related products to consumers and investor advisory services to Compass Bank and others.

Compass Bank, organized under the laws of the State of Alabama, is a member of the Federal Reserve. As such, it is supervised, regulated and regularly examined by the Alabama State Banking Department and the Federal Reserve.

The Letter of Credit is an obligation solely of the Bank and no assets of Compass Bancshares or any affiliate of the Bank or Compass Bancshares will be pledged to the payment thereof. Furthermore, repayment of the Bonds will not be insured by the Federal Deposit Insurance Corporation.

The Bank will provide any person, upon written request, a complete copy of the Bank's most recent annual report. Written requests should be directed to the principal offices of the Company. Its principal offices are located at 15 South 20th Street, Birmingham, Alabama 35233, telephone (205) 297-3000.

The Letter of Credit

The following summary has been furnished by the Bank for use in this Official Statement, does not purport to be complete and its subject to, and qualified in its entirety by reference to, the provisions of the Letter of Credit.

The Bank will issue the Letter of Credit pursuant to the Reimbursement Agreement (the Reimbursement Agreement, together with the Letter of Credit, are sometimes referred to herein as the "Letter of Credit Documents") simultaneously with the issuance of the Bonds. The Letter of Credit is the direct obligation of the initial Bank to pay the Trustee, in conformity with the terms thereof, sums sufficient to pay (i) in full all mounts of principal of and interest on the Bonds due on any Interest Payment Date and (ii) up to the purchase price of all Bonds tendered or deemed tendered, less the aggregate amount of remarketing proceeds, notice of the receipt of which was given to the Trustee pursuant to the Indenture.

The Letter of Credit will expire on the earliest to occur of: (a) the Bank's close of business on November ____, 2007 (the "Scheduled Expiration Date"); (b) the first Business Day immediately following the date the Bonds were remarketed to bear interest at a Fixed Rate; (c) the first Business Day immediately following the date specified by the trustee in a notice as being the date that all outstanding Bonds have been paid or will be paid with funds deposited with the Trustee; or (d) the first Business day immediately following the date specified by the Trustee in a notice as being the effective date of a Substitute Letter of Credit received by the Trustee and meeting the requirements of the Indenture.

The Letter of Credit provides for the following drawings:

(A) For the payment of interest on the Bonds on any interest payment date or purchase date for the Bonds other than as described in (D) below (an "Annex 1 Drawing");

(B) For the payment of principal of and interest on the Bonds under the Indenture due to redemption or scheduled maturity (an "Annex 2 Drawing");

(C) For the purchase price of the principal of Bonds being optionally tendered or deemed tendered to the Tender Agent for which the District has not received notice from the Remarketing Agent that it has arranged for the sale of such Bonds to a purchaser other than the District or any affiliated applicant (an "Annex 3 Drawing"); and

(D) For any payment under the Indenture of the portion of the purchase price equal to interest accrued to the date of purchase on the Bonds being tendered or deemed tendered in each case because of a mandatory tender to the Tender Agent (an "Annex 4 Drawing").

The Bank agrees with the Trustee that each demand presented in the form of Annex 1 or Annex 2 will be honored by payment to the Trustee in immediately available funds (a) no later than 1:00 p.m., New York time, on the Business Day next succeeding the day on which such demand is presented as aforesaid if such presentation is made at or before 1:00 p.m., New York time; or (b) no later than 1:00 p.m., New York time, on the second Business

Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after 1:00 p.m., New York time.

The Bank agrees with the Trustee that each demand presented in the form of Annex 3 or Annex 4 in full compliance with the terms of the Letter of Credit will be duly honored by payment to the Trustee in immediately available funs (a) no later than 2:00 p.m., New York time, on the day such demand is presented as aforesaid if such presentation is made at or before 11:30 a.m., New York time; or (b) no later than 2:00 p.m., New York time, on the Business Day next succeeding the day such demand is presented as aforesaid, if such presentation is made after 11:30 a.m., New York time.

The Stated Amount is comprised of the Principal Portion and the Interest Portion, as they may vary from time to time.

Upon each payment under the Letter of Credit with respect to the principal of the Bonds, the Principal Portion shall be decreased by the amount of the payment and immediately thereafter the Interest Portion shall be decreased proportionally.

The Bank will agree not to assert any, and will waive all, rights (whether by counterclaim, set off or otherwise) and defenses that are or may be available to the Bank to avoid payment of its obligations under the Letter of Credit.

Reimbursement Agreement

The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Reimbursement Agreement.

The Developer and the Bank have entered into the Reimbursement Agreement with respect to the Letter of Credit pursuant to which the Developer has agreed to reimburse, with interest, the Bank for amounts paid pursuant to such Letter of Credit. The Developer has further agreed to pay or reimburse the Bank for all reasonable out of-pocket costs, expenses and disbursements incurred in connection with the Reimbursement Agreement and the transactions contemplated thereby, and to indemnify the Bank against certain liabilities, subject to the provisions of the Reimbursement Agreement.

Pursuant to the Reimbursement Agreement, the Bank has rights to reimbursement from the Developer for amounts paid under the Letter of Credit. The obligations of the Developer under the Reimbursement Agreement are guaranteed by the Guarantor pursuant to the Guaranty and are also secured by a lien on certain real property outside the District (the "Real Property") pursuant to a Deed of Trust and other security documents (collectively, the "Security Documents"). The Real Property and the Security Documents do not secure payment of the Bonds.

The District will also reimburse the Bank for amounts drawn under the Letter of Credit to the extent of available taxes collected.

Certain Covenants of Developer

So long as the Expiration Date has not occurred or any amount is due or owing to the Bank under the Reimbursement Agreement, unless the Bank shall otherwise consent in writing in Bank's absolute and sole discretion, Developer to the extent applicable shall comply with certain covenants contained in the Reimbursement Agreement including maintenance of existence and limitations on mergers and sale of assets and creation of liens, transfer of collateral pledged to the Bank, amendments to documents, changes in accounting periods and debt. In addition, the amount available under the Letter of Credit less funds pledged to the Bank cannot exceed a certain percentage of the fair market value of the real property pledged to the Bank. The Developer and the Guarantor must also maintain certain net worth covenants.

Events of Default

The following is a summary of the circumstances set forth in the Reimbursement Agreement which constitute events of default thereunder. This summary is qualified by reference to the complete text of the Reimbursement Agreement.

(a) Developer shall fail to pay any amount specified in the Reimbursement Agreement when due.

(b) The failure of Developer to comply with the net worth covenants set forth in the Reimbursement Agreement.

(c) The failure of Developer to observe or perform any of its other covenants, conditions or provisions of the Reimbursement Agreement or any of the Related Documents (as defined in the Reimbursement Agreement) if such failure is not remedied within ten (10) days after written notice thereof is given by the Bank, which ten (10) day period may be extended an additional forty-five (45) days if the Developer is diligently pursuing the remedy but not reasonably able to cure such event within the ten (10) days.

(d) Any material representation or warranty made by Developer in the Reimbursement Agreement or in any certificate, financial or other statement furnished by Developer pursuant to the Reimbursement Agreement or any of the Related Documents shall prove to have been untrue or incomplete in any material respect when made.

(e) The occurrence and continuation of an event of default under the other Loan Documents (as defined in the Reimbursement Agreement), the Bond Documents (as defined in the Reimbursement Agreement) or any of the other related documents or under any document or instrument given by Developer in connection with any other indebtedness of Developer to the Bank.

(f) Developer shall (i) fail to pay any Debt subject to a Significant Debt Agreement (i.e. any document evidencing an obligation in excess of $100,000) when due and payable, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) or within any applicable grace period, or (ii) allow the occurrence of any material event of default with respect to such Debt.

(g) Admission by Developer, the Guarantor or the Pledgor of insolvency or bankruptcy or its inability or failure generally to pay its debts as they become due, or Developer, the Guarantor or the Developer as trustor under the Deed of Trust (the "Pledgor") makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for Developer, the Guarantor or the Pledgor, or for a major part of its property.

(h) Appointment of a trustee in bankruptcy, custodian or receiver for Developer, the Guarantor or the Pledgor, or for a major part of its property and failure to obtain discharge of such within ninety (90) days after such appointment.

(i) Institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, by or against Developer, the Guarantor or the Pledgor (other than bankruptcy proceedings instituted by Developer, the Guarantor or the Pledgor against third parties), and, if instituted against Developer, the Guarantor or the Pledgor, allowance against Developer, the Guarantor or the Pledgor or consent by Developer, the Guarantor or the Pledgor to such proceedings or failure to obtain dismissal, stay or other nullification within ninety (90) days after such institution.

(j) The Reimbursement Agreement or any of the Related Documents ceases to be valid and binding on Developer, the Guarantor or the Pledgor, or is declared null and void, or the validity or

enforceability thereof is contested by Developer, the Guarantor or the Pledgor or Developer, the Guarantor or the Pledgor denies it has any or further liability under the Reimbursement Agreement or any of the Related Documents.

(k) Any levy or execution upon, or judicial seizure of, any portion of any collateral or security subject to the Security Documents, that is not released or removed within thirty (30) days of its creation.

(l) Any attachment or garnishment of, or the existence or filing of any lien or encumbrance, other than any lien or encumbrance permitted by the Deed of Trust, against any portion of any collateral or security subject to the Security Documents, that is not bonded over, removed or released within thirty (30) days after its creation.

(m) The institution of any legal action or proceedings to enforce any Lien or Encumbrance upon any portion of any collateral or security subject to the Security Documents, that is not bonded over or dismissed within thirty (30) days after its institution.

(n) The liquidation, termination or dissolution of Developer or Guarantor.

(o) A change in the business or financial condition of Developer or Guarantor that results in a material adverse effect on the validity or enforceability of the documents or the ability of the Developer to fulfill its obligations.

(p) The failure of the Developer to deposit funds to the collateral account as required by the Reimbursement Agreement.

(q) The failure of the Developer to maintain funds in the Debt Service Reserve Fund as required by the Reimbursement Agreement and held by the Bank.

Rights and Remedies. If any Event of Default shall have occurred and be continuing, the Bank may:

(a) notify the Trustee of such Event of Default and provide a copy of such notice to Developer and the District;

(b) request the Trustee to redeem the Bonds in whole or in part;

(c) request the Trustee to purchase the Bonds on behalf of the Bank;

(d) declare all principal amounts outstanding under the Reimbursement Agreement, all interest thereon and all other amounts payable under the Reimbursement Agreement to be forthwith due and payable.

(e) deliver a "No Remarketing Notice to Trustee" as provided in the Indenture;

(f) apply any monies in the Accounts to the satisfaction of Developer's obligations under the Reimbursement Agreement;

(g) request Developer to deposit in the Collateral Account funds equal to the Available Amount less the then balance of the Collateral Account;

(h) proceed to protect and enforce its rights and remedies under this Reimbursement Agreement and all Security Documents; and/or

(i) avail itself of any other relief to which the Bank may be legally or equitably entitled;

provided, however, that in the event of an order for relief with respect to Developer under the Federal Bankruptcy Code, all amounts reimbursable on demand, all interest accrued and unpaid thereon and all other amounts payable shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are expressly waived by Developer.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

The primary security for and source of payment on the Bonds is the Letter of Credit. See Appendix A for a discussion of District Taxation, the District and the Public Infrastructure, the Project and the Developer and information regarding the Town of Buckeye, Arizona.

SOURCES AND APPLICATIONS OF FUNDS
(exclusion of accrued interest)

Sources	
Par Amount of Bonds	$
Applications	
Cost of Acquisition and Construction	$
Costs of Issuance (including Underwriter's Compensation)	
Total	$

RISK FACTORS

General

The Bonds will be secured by the Letter of Credit. The Bonds are further secured by ad valorem taxes generated within the District and amounts available pursuant to the Standby Contribution Agreement. Anyone considering investing in the Bonds should carefully examine this Official Statement, including the Appendices hereto. ***The following risk factors are relevant only if the Bank should fail to honor draws on the Letter of Credit and payment of the Bonds becomes wholly reliant on the District's ad valorem taxes and the Developer's payments under the Standby Contribution Agreement. The Bank is obligated to honor draws on the Letter of Credit to pay amounts due on the Bonds notwithstanding any failure of the Developer or the Project and notwithstanding any insufficiency in tax collections. For information concerning the Bank and the Letter of Credit see THE BANK, THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT - Compass Bank and - The Letter of Credit.***

Investment in the Bonds has risk for a variety of reasons as described under "RISK FACTORS" herein and under other portions of the Official Statement. In reliance upon the Letter of Credit, the District does not intend to levy a tax rate for the payment of debt service exceeding $3.00 per $100 of secondary assessed valuation within the District. So long as the Letter of Credit is in effect, the Developer and the Guarantor are not obligated to make any payments under the Standby Contribution Agreement. If for any reason funds cannot be obtained pursuant to the Letter of Credit to pay debt service on the Bonds, the Developer and Guarantor will have to make payments under the Standby Contribution Agreement sufficient to allow the District to maintain its tax rate at $3.00. If for any reason the Developer and the Guarantor fail to make the necessary payments under the Standby Contribution Agreement, the District will have to increase its tax rate as necessary to pay debt service on the Bonds. 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 7years 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. If neither the Bank nor the Developer is able to fund its respective 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, AppendixA – "GENERAL INFORMATION" and Appendix D - "CERTAIN FINANCIAL STATEMENTS OF THE DEVELOPER".

Forward-Looking Statements

This Official Statement 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, if any, under the Standby Contribution Agreement or that the District can obtain sufficient tax revenue if needed. 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) or payments under the Standby Contribution Agreement, 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 Appendix A - "GENERAL INFORMATION - 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. 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. 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION" - Ad Valorem Property Taxation in the District") and reduce the ability or desire of the property owners to pay the ad valorem taxes securing the Bonds. 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 collection of tax revenues securing 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 in Appendix A - "GENERAL INFORMATION - THE DISTRICT" - Ad Valorem Taxation in the District") in the event it has to be foreclosed upon.

Effect of Valuation of Property

Decreases in the value of property within the District 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION" - Ad Valorem Property Taxation in the District."

Availability of Standby Contribution Agreement Payments

If amounts to be available pursuant to the Letter of Credit and the Standby Contribution Agreement are not available for any reason (including financial difficulties of the Bank and the Developer), payment of the Bonds solely from District ad valorem taxes will result in increased District tax rates and increase the likelihood of non-payment by property owners. 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 Appendix A -"GENERAL INFORMATION - OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS." The District is authorized to issue $60,000,000 of general obligation bonds. 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION - Ad Valorem Property Taxation in the District."

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. If tax collection were relied upon for payment of the principal of, and interest on, the Bonds, such delay would increase the likelihood of a delay or default in such payment.

In addition, the various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) and relating to the Standby Contribution Agreement and the Indenture will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Bankruptcy or similar occurrence of or to the Developer could result in a temporary or permanent cessation of amounts payable, if any, pursuant to the Standby Contribution Agreement. .

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 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 INFORMATION - 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).

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

District

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 Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

Developer

At the time of delivery and payment for the Bonds, appropriate representatives of the Developer and Guarantor 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 Developer or Guarantor affecting the existence of the Developer or Guarantor, 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, the Standby Contribution Agreement, the Letter of Credit, any action of the Developer or Guarantor contemplated by any of the said documents, or the collection or application of the revenues provided for the payment of the Bonds, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Developer or Guarantor or its authority with respect to the Bonds, the Standby Contribution Agreement, the Letter of Credit or any action of the Developer or Guarantor contemplated by any of said documents.

Bank

At the time of delivery and payment for the Bonds, appropriate representatives of the Bank 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 Bank affecting the existence of the Bank, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the execution or delivery of the Letter of Credit or the making of draws thereunder, or in any way contesting or affecting the validity or enforceability of the Letter of Credit, any action of the Bank contemplated by the Letter of Credit, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Bank or its authority with respect to the Bonds or the Letter of Credit or any action of the Bank contemplated by either 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. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona; for the Bank by Quarles Brady Streich Lang LLP, 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

Certain unaudited financial information of DMB White Tank, LLC is included in Appendix E.

RATINGS

Based on the Letter of Credit for the Bonds, Moody's has given the Bonds a rating of "A-1"/"VMIG1". No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. Any explanation of the significance of such ratings may only be obtained from Moody's. The District furnished to Moody's certain information and materials respecting itself and the Bonds. Generally, Moody's bases its ratings on such information and materials and its own investigation, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that it may not be lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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 discount). 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.

RELATIONSHIPS AMONG PARTIES

Gust Rosenfeld P.L.C., Bond Counsel, has acted as counsel to the underwriter in other transactions underwritten by the Original Purchaser and by Peacock, Hislop, Staley & Given, Inc., financial consultant to the District (the "Financial Consultant") and as bond counsel in other transactions underwritten by the Original Purchaser and by the Financial Consultant. Greenberg Traurig, LLP, Counsel to the Original Purchaser, has acted as bond counsel in other transactions underwritten by the Original Purchaser and by the Financial Consultant. Greenberg Traurig, LLP and Gust Rosenfeld P.L.C. have also acted as bond counsel and/or underwriter's counsel with respect to bonds issued by the Town and other overlapping political subdivisions. Gust Rosenfeld P.L.C. also serves as general counsel to the Town.

The Original Purchaser and the Financial Consultant have underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions. The Original Purchaser and the Financial Consultant have underwritten or acted as financial advisor on other transactions together and expect to do so in the future.

This Official Statement has been approved, executed and delivered by the District.

VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT

By/s/_____
Chairman, District Board

APPENDIX A

GENERAL INFORMATION

The following information about the District, property taxation, the Public Infrastructure, the Project, the Developer and the Town is for background purposes. Payment of the Bonds is secured by the Direct Pay Letter of Credit issued by Compass Bank. So long as the Bank makes payments under the Letter of Credit, the Bond Owners will not have to rely on the levy and collection of ad valorem property taxes in the District or the obligation of the Developer and the Guarantor to make payments under the Standby Contribution Agreement. The obligation of the Bank to honor draws on the Letter of Credit is not affected by the success or failure of the Project or the Developer or the payment of ad valorem taxes within the District.

THE DISTRICT

Generally

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. The District comprises approximately 4,926 acres within Verrado.

Formation of the District was approved by the Town on June 19, 2001 upon the request of all the landowners within the District. A map of the Project depicting the District boundaries is included in p. iv of this Official Statement.

Simultaneous with the formation of the District, District 1 was approved by the Town. The District 1 comprises approximately 8,800 acres and is coincident within Verrado. All of the District is within District 1.

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 $60,000,000 pursuant to an election held on August 7, 2001. District 1 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, of which $24,000,000 was issued in 2003.

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.

The Bonds

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, including payments under the Letter of Credit, and available pursuant to the Indenture, to pay Debt Service with respect to the Bonds (whether at maturity or prior redemption) when due or to reimburse the Bank, in whole or in part, for payments under the Letter of Credit to pay Debt Service. Amounts derived from the levy of the tax when collected constitute funds to pay the Debt Service on the Bonds or such reimbursement to the Bank 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 Appendix A - "GENERAL INFORMATION – DISTRICT TAXATION - **Ad Valorem Property 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."

Investment in the Bonds involves 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.

DISTRICT TAXATION

Ad Valorem Property 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 $4.560 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 during the period 2004-2005 for each class of property are set forth below.

TABLE 1
PROPERTY TAX ASSESSMENT RATIOS

Property Classification (1)	Assessment as Percent of Full Cash Value
Mining	25%
Utility	25%
Commercial and Industrial (2)	25%
Agriculture and Vacant Land (2)	16
Owner Occupied Residential	10
Leased or Rented Residential	10
Railroad, Private Car Company and Airline Flight Property (3)	N/A

(1) Additional classes of property exist, but seldom amount to a significant portion of municipal body's total valuation.

(2) The first $55,546 in 2004-2005 of full cash values on commercial, industrial and agricultural personal property are exempt from taxation. This amount is indexed each year for inflation. Any portion of the full cash value in excess of such amount will be assessed at 25% or 16% as applicable.

Source: Developer

(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. See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Pledge and Levy of Taxes." 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.

Property Valuations. The following table lists aggregate property valuations for the District:

TABLE 2

Fiscal Year	Full Cash Value	Secondary Assessed Value
2002-2003	$ 6,490,466	$1,038,473
2003-2004	5,983,505	957,355
2004-2005	26,759,931	4,281,585

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	2003-2004 Net Secondary Assessed Valuation	2004-2005 Net Secondary Assessed Valuation	2004-2005 Percent of Total
2	Agriculture and Vacant Land	$957,355	$4,281,585(a)	100.0%

(a) The increase from 2003-2004 to 2004-2005 is due primarily to development within the District prior to residential reclassification of property for valuation purposes.

Source: Maricopa County Assessor's Office

Estimated 2004-05 Net Secondary Assessed Valuations of Certain Taxpayers. Shown below with respect to 2004-05 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 2004-05, their current net secondary assessed value and their relative proportion of the total net secondary assessed value of the District.

TABLE 4

Taxpayer	2004-05 Net Secondary Assessed Valuation	As Percent of District's 2004-05 Net Secondary Assessed Valuation
First Fidelity National Title Company Trust B176	$4,126,171	96.57%
Ashton Woods Arizona LLC	75,013	1.75
Total		

Source: Maricopa County Assessor's Office

Source: Developer

See "THE PROJECT AND THE DEVELOPER" - Project - General" and "Description of Developer" 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.

General Obligation Bonded Indebtedness to be Outstanding. The Bonds will be the first issuance of bonds by the District.

The Standby Contribution Agreement

Under the Standby Contribution Agreement, the Developer and the Guarantor are required to keep in full force and effect a Letter of Credit meeting the requirements of the Indenture. So long as the Bond fulfills its obligations under the Letter of Credit, the obligations of the Developer and Guarantor under the Standby Contribution Agreement shall be deemed satisfied. If the Bank is in default under the Letter of Credit, the Developer and the Guarantor would be responsible for any Bond Debt Service in excess of the District's tax levy of $3.00 per $100 of secondary assessed valuation as provided in the Standby Contribution Agreement.

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. Although release of the Standby Contribution Agreement will release the Developer and the Guarantor from the obligation to provide the Letter of Credit, release of the Standby Contribution Agreement will not cause the termination of the Letter of Credit. Any termination of the Letter of Credit without replacement with a Substitute Letter of Credit will be preceded by a mandatory tender of the Bonds.

THE PUBLIC INFRASTRUCTURE

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.

Source: Developer

TABLE 6
Verrado Western Overlay Community Facilities District
Infrastructure to be Funded with Bond Proceeds

ITEM	DESCRIPTION	CONSTRUCTION COST	ESTIMATED CONTRACT AWARD	ESTIMATED COMPLETION DATES
A	Previously Approved Reimbursement Items			
	1. Roadway, Sidewalk, Street Light & Storm Drain Improvements	$ 3,321,272	-	complete
	2. Dry Utility Trench and Conduit	574,369	-	complete
	3. Roadway Landscaping	837,581	-	complete
	4. Bridge over Lost Creek Wash (northbound)	1,146,297	-	complete
	5. Culvert Crossings	420,982	-	complete
	6. Floodway Improvements (Lost Creek Wash, Acacia Wash, Sunrise Wash)	1,474,024	-	complete
	7. Traffic Signal Bases, Poles and Interconnect (3 on Verrado Way)	383,357	-	complete
	8. Linear Park (adjacent to Lost Creek Wash and Acacia Wash)	581,334	-	complete
	9. Grade Separated Ped Crossings	812,918	-	complete
	10. Verrado Way South – Northbound Lanes only	654,345	-	complete
	SUBTOTAL	**$ 10,206,480**		
B	Roadway, Sidewalk, Street Light and Storm Drain Improvements	$ 1,652,555	June, 2004	Dec., 2004
C	Dry Utility Trench &Conduit, as necessary for roadway and landscape improvements	162,513	June, 2004	Dec., 2004
D	Roadway Landscaping	776,637	June, 2004	Feb., 2005
E	Traffic Signal Lights and Mast Arms (3 on Verrado Way)	189,000	April, 2005	June, 2005
F	Linear Park and Multiple-Use Path System	345,000	Aug., 2004	Nov., 2004
G.	Bridge @ Verrado Way over Lost Creek Wash (southbound)	1,260,927	June, 2005	Oct. 2005
	SUBTOTAL	**$ 4,386,632**		
H	Additional Roadway, Sidewalk Street Light and Storm Drain Improvements	$ 1,349,970	June, 2005	Sept., 2005
I	Additional Dry Utility Trench & Conduit, as necessary for roadway and landscape improvements	157,245	June, 2005	Sept., 2005
J	Additional Roadway Landscaping	174,064	June, 2005	Sept., 2005
K	Grade Separated Ped X-ing under Lost Creek Drive West	298,070	June, 2005	Sept., 2005
L	Culvert Crossing @ Verrado Way over Sunrise Wash	458,000	June, 2005	Sept. 2005
	SUBTOTAL	**$ 2,437,349**		
	TOTAL PAYMENT	**$ 17,030,465**		

See "SOURCES AND APPLICATIONS OF FUNDS" herein. Additional infrastructure may be funded if Bond proceeds are available.

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, the 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, occurred in January 2004. See the map on p. v for the relationship of Phase I to the District and District 1. Phase II is contemplated to commence in late 2006. Pursuant to the Community Master Plan and the Development Agreement, as hereinafter described, the Project is presently entitled as a multi-phased development providing for approximately 14,080 residential dwelling units, just over 4 million square feet of gross floor area for commercial/mixed use development, and an additional 1,000 resort rooms. Current development plans for the Project include 9,556 residential units, 1,364 multi-family units, 415 developed commercial acres or approximately 3.9 million square feet, and 1,000 resort rooms upon completion of the Project. Phase I of the Project consists of 2,457 residential units, 319 multi-family units and 5 commercial acres.

Western Overlay - Specific

Current development plans for the Western Overlay portion of the project include 2,608 residential units, 192 multi-family units, and 49 developed commercial acres. Within Phase I of the Project, the Western Overlay consists of 428 residential units consisting of 188 high-end custom home sites and 310 production builder home sites. (See "Table 8").

Governmental Approvals and Agreements

Developer and the Town are parties to a 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 is provided by means of a spread diamond traffic interchange that was 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").

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 Government approved of the Master Street Plan on December 12, 2001.

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., dated October 17, 2001) (the "Master Drainage Plans").

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 AAWC. 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.

Phase I Budget, Development Status and Plans

The Developer estimates that approximately $201,300,000 will be required to complete Phase I of the Project, consisting of approximately $6,600,000 in land acquisition costs, approximately $86,300,000 in Offsite and Backbone Infrastructure costs, approximately $27,100,000 in Amenity Improvements, and approximately $81,300,000 in planning, entitlements, engineering and administrative and other costs.

As of April 30, 2004, the Developer has invested approximately $152,000,000 in the Project and estimates that an additional $49,300,000 will be required to complete Phase I. The funds invested to date consist of approximately $5,900,000 in land acquisition costs, approximately $60,500,000 in Offsite and Backbone Infrastructure costs, approximately $23,400,000 in Amenity Improvements and approximately $62,300,000 in planning, entitlements, engineering and administrative and other costs. See Table 7 below.

The additional $49,300,000 required to complete Phase I of the Project, consists of approximately $700,000 in land acquisition costs, approximately $25,800,000 in Offsite and Backbone Infrastructure costs, approximately $3,800,000 in Amenity Improvements 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, additional general obligation bonds issued by District 1, net cash flow generated by the land sales of the Project and moneys advanced on behalf of the Developer.

TABLE 7
Phase I of Verrado
Development Status as of April 30, 2004

Activity	Amounts invested as of April 30, 2004	Status
Land Acquisition Costs	**$ 5,877,278**	Estimated completion by 12/05
Offsite and Backbone Infrastructure (including Public Infrastructure)		
Phase I Mass Grade	12,866,386	Estimated completion by 12/04
Backbone (roads & utilities)	16,921,287	Estimated completion by 3/05
Parcel Collector Infrastructure	4,300,400	Estimated completion by 7/05
Wastewater Treatment Plant	6,666,928	Completed 6/04
Offsite Potable Water	4,614,865	Completed 9/04
Phase I Water Storage Tank	3,845,463	Completed 1/04
Traffic Interchange	2,362,638	Completed 6/03
Hillside Disturbance Mitigation	1,140,709	Completed 6/03
Floodway Improvements	1,215,207	Completed 2/04
Tuthill Collector Sewer	543,916	Completed 1/04
Other	6,012,884	Estimated completion by 12/05
	$ 60,490,684	
Amenity, Golf & Vertical Improvements		
18-hole Championship Golf Course	$ 12,095,421	Completed 1/04
Golf Course Clubhouse	5,491,444	Completed 1/04
Verrado Sports Club	2,608,739	Completed 12/03
Home Finding Center	1,986,141	Completed 1/04
Parks, Path and Trail System	1,187,627	Estimated completion by 7/05
	$ 23,369,372	
Planning, Entitlement, Engineering, Administrative and Other Costs	**$ 62,301,978**	Estimated completion by 12/05
Total Invested at April 30, 2004	**$152,039,312**	

Source: The Developer.

As of April 30, 2004, with respect to the Phase I, the Developer has closed on 775 residential subdivision lots, representing approximately $28,442,000 in land sale revenue. In addition, an additional 166 custom and homebuilder lots are in escrow for closings in June and July 2004 representing over $22,236,000. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately the high $100,000's to $600,000. Custom homes are expected to sell for higher prices.

As of April 30, 2004, the Developer has substantially completed 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. Tenants began occupancy in the 1st quarter of 2004.

Source: The Developer.

Land Sales – Western Overlay

As of October 31, 2004, the Developer has closed on 331 residential subdivision lots within the Western Overlay district, representing approximately $31,104,000 in land sale revenue. An additional 77 custom and homebuilder lots are in escrow representing over $6,404,200. Single-family production (non-custom) homes in Verrado are expected to sell for prices ranging from approximately the high $100,000's to $600,000. custom homes are expected to sell for higher prices.

TABLE 8
Western Overlay - All Phases
Projected Development

	Projected 2004	Projected 2005	Projected 2006	Projected 2007	Projected 2008	Projected 2009
Single Family (units)	51	87	136	115	240	289
Single Family (cumulative)	51	138	274	390	629	918

From 2010 through build-out in 2021, the Developer anticipates development of approximately 1,900 single family units and the sale of approximately 49 acres for commercial development.

Source: The Developer

Estimated single-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 (See Table 5). 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.

The 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 November 2, 1998. 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, commercial developments, master-planned communities and recreational resort properties.

In addition to Verrado, DMB is involved in a number of other master-planned communities.

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 1,600 residential homesites through December 31, 2003.

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 750 residential homesites through December 31, 2003. The second community, a 1,330 acre master-planned single family community broke ground in early 2001 and has sold approximately 2,300 residential homesites through December 31, 2003.

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 dstinguished 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 6,000 residential homesites through December 31, 2003.

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 648 residential homesites through December 31, 2003.

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 125 residential homesites through December 31, 2003.

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 5acre 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	2004-05 Net Secondary Assessed Valuation	Net Bonded Debt Outstanding(a)	Proportion Applicable to the District: Approx. Percent	Proportion Applicable to the District: Net Amount	2004-05 Combined Tax Rate Per $100 Assessed(b)
State of Arizona	$44,480,893,202	None	0.01%	None	$0.0000
Maricopa County	30,066,986,670	None	0.01%	None	2.0577(c)
Maricopa County Community College District	30,066,986,670	234,440,000	0.01%	33,385	1.0372
Liberty Elementary School District No. 25	113,060,291	1,930,000	3.79%	73,089	4.0775
Litchfield Park Elementary School District No. 79	362,977,757	19,570,000	1.18%	230,842	4.1073
Saddle Mountain Unified School District No. 90	828,799,101	23,615,000	0.52%	121,995	2.6620
Verrado District 1 Community Facilities District	9,444,137	24,000,000	45.34%	10,880,617	3.3000
Town of Buckeye	81,842,158	1,145,000	5.23%	59,901	1.5500
Verrado Western Overlay Community Facilities District	4,281,585	13,000,000*	100.00%	13,000,000	3.3000*
Total Net Direct and Overlapping General Obligation Bonded Debt				**$24,399,829**	

* To be levied beginning in fiscal year 2004-2005.

(a) This table does not include the Salt River Project Agricultural Improvement and Power District general obligation bonded debt. Such debt has been refunded in advance of maturity and is secured for payment by government securities held in irrevocable trust.

This table also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the U.S. Department of the Interior to deliver Colorado River water to central Arizona down to Tucson. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. CAWCD was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment of Arizona's portion of the costs reimbursable to the federal government. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which thirteen cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 *et. seq.*) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State of Arizona and Federal legislation. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. 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.

This table also does not include the obligation of the Maricopa County Flood Control District to contribute $80 million to CAP. The Flood Control District's sole source of revenue to pay the contribution will be raised from ad valorem taxes.

(b) 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 $1.2108 county tax rate, the $0.4560 tax rate of the Education Equalization District, the $0.2119 tax rate of the Maricopa County Flood Control District, the $0.0521 tax rate of the County's Free Library District, $0.1200 tax rate of the Central Arizona Project and the $0.0069 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 $60,000,000 and will have $47,000,000* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of other 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.

While the Letter of Credit is in effect, the District may not issue additional bonds with a senior or parity lien on ad valorem property tax revenues of the District without the prior written consent of the Bank.

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.

Authorized but Unissued
General Obligation Debt

Overlapping Jurisdiction	
Verrado Western Overlay District	$47,000,000*
Verrado District 1	76,000,000
Maricopa County Community College District	951,359,000

Maricopa County Community College District has scheduled a bond election for November 2004, requesting the authorization of an additional $951,359,000 principal amount of bonds.

* Preliminary, subject to change.

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.

General

The Town is located approximately 35 miles from downtown Phoenix, Arizona, north and south of Interstate 10. The Town, which was founded in 1889 and incorporated in 1929, encompasses approximately 600 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
2003 Estimate*	13,030	3,396,875	5,629,870
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

State Highway 85 traverses the downtown portion of the Town and connects to Interstate 8. Interstate 10 also traverses 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 some of its residents with water and sewer services. In some areas of the Town water and/or sewer services are provided by private utility companies. 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.

* Estimate as of July 1, 2003

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. In addition, the Town is the location of a large distribution center for Wal-Mart. The close proximity of the Town to the greater Phoenix metropolitan area also provides employment. See below for certain historic employment information and for a list of major employers located in and within close proximity of the Town.

AREA UNEMPLOYMENT AVERAGES

Year	United States	State of Arizona	Maricopa County	Town of Buckeye
2004*	5.4%	4.9%	3.9%	9.0%
2003	6.0	5.6	4.9	11.3
2002	5.8	6.2	5.6	12.8
2001	4.8	4.7	3.9	9.0
2000	4.0	3.9	2.6	6.2
1999	4.2	4.4	3.0	6.9

*August 2004

Source: Arizona Department of Economic Security, Research Administration.

MAJOR EMPLOYERS
Town of Buckeye, Arizona and Surrounding Area

Employer	Product/Service	Approximate Number of Employees
Palo Verde Nuclear Generating Plant	Energy Plant	2,100
Lewis Prison Complex	State Prison	1,100
Wal-Mart Distribution	Retail Warehouse	837
Paradise Waste of Arizona	Waste Management	395
Department of Corrections (Juvenile)	Government	263
Schult Homes Inc.	Mobile Home Manufacturer	230
Rip Griffin's Truck/Travel Center	Commercial Oasis	180
Buckeye Elementary School District	Education	175
Town of Buckeye	Government	128
Buckeye Union High School District	Education	120

Source: Town of Buckeye, Arizona and an individual employee survey.

Non-Agricultural Wage and Salary Employment
Maricopa County

Industry	1999	2000	2001	2002
Manufacturing	167,400	162,600	158,500	143,000
Mining	900	1,100	1,200	900
Construction	113,000	115,500	120,400	114,900
Transportation, Communication & Public Utilities	78,800	83,600	83,400	80,900
Trade	359,200	369,400	373,100	376,500
Finance, Insurance & Real Estate	122,600	124,000	122,700	124,000
Services & Miscellaneous	457,000	518,100	507,300	504,900
Government	172,600	178,800	189,900	194,000
Total	1,471,500	1,553,200	1,555,600	1,539,100

Source: The State of Arizona, Department of Economic Security, Resource Administration.

	2003
Manufacturing	127,700
Natural Resources and Mining	1,200
Construction	127,300
Trade, Transportation, and Public Utilities	321,500
Information	36,000
Financial Activities	129,400
Professional and Business Services	254,800
Education and Health Services	159,400
Leisure and Hospitality	152,700
Other Services	61,800
Government	197,200
Total	1,569,000

Source: The State of Arizona, Department of Economic Security, Resource Administration.

Town of Buckeye
Sales Tax Collections

Budget Year	Amount
2002-03	$2,776,931
2001-02	1,676,502
2000-01	1,411,865
1999-00	1,445,838
1998-99	1,005,187

Source: Town of Buckeye Finance Department.

Agriculture

The Town includes and 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
2002	$792,307,000
2001	886,169,000
2000	818,160,000
1999	807,701,000
1998	835,808,000
1997	784,759,000

Source: *2002 Arizona Agricultural Statistics*, July 2003.

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
2003	$ 35,084,759
2002	31,628,767
2001	27,859,411(a)
2000	27,336,883(b)
1999	22,330,881(c)

(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.

Construction

The following tables were compiled from Arizona Construction Report, a publication of the Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University and information from the Town. The Center obtains its data from County and 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
2004(a)	$102,791,000	NR	NR	$102,791,000(c)
2003	68,411,000	NR	NR	68,411,000(c)
2002	20,849,000	NR	NR	20,849,777(c)
2001	19,287,101	NR	NR	19,287,101(c)
2000	8,282,083	$53,062,000(b)	$ 699,425	62,043,508
1999	9,036,146	3,124,015	1,154,795	13,314,956

(a) Through the second quarter of 2004.

(b) Commercial & Industrial classification includes an approximately $52 million amount relating to the Wal-Mart retail warehouse expansion.

(c) Includes amounts for Residential classification only.

Town of Buckeye
New Housing Starts

Year	Housing Permits
2004(a)	778
2003	570
2002	209
2001	73
2000	137

(a) Through the second quarter of 2004.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture to which reference is hereby made for a more complete description of its terms. The following are certain terms defined in the Indenture and used in this Official Statement.

Definitions of Certain Terms

"Available Moneys" means, with respect to the Bonds, (i) whenever a Letter of Credit is required to be maintained for the Bonds, (a) moneys obtained by the Trustee from the Bank pursuant to such Letter of Credit and held by the Trustee for payment of Debt Service on the Bonds, (b) moneys obtained by the Tender Agent from the Bank pursuant to such Letter of Credit and held by the Tender Agent for payment of the Purchase Price of Bonds, (c) moneys derived from a remarketing of Bonds which are paid directly to and held by the Tender Agent for payment of the Purchase Price of such Bonds, (d) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Issuer pursuant to the Bankruptcy Code has been filed and no other bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, (e) any other moneys the application of which to the payment of the Debt Service on, or Purchase Price of, the Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Issuer pursuant to the Bankruptcy Code, and (e) the proceeds from the investment of moneys described in clauses (a) through (e) above, and (ii) at any other time, any moneys.

"Bank" means Compass Bank, an Alabama banking corporation and any successor thereto, as issuer of the Letter of Credit and in the event a Substitute Letter of Credit is delivered, the Substitute Bank.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, as amended, 11 U.S.C., § 101 et seq.

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

"BMA Municipal Index" means The Bond Market Association Municipal Swap Index as of the most recent date for which such Index was published or such other weekly, high-grade Index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association; provided, however, that, if such Index is no longer produced by Municipal Market Data, Inc. or its successor, then "BMA Municipal Index" shall mean such other reasonably comparable Index as may be selected by the Issuer.

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

"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 Purchase Fund" means the fund of that name established pursuant to the Indenture.

"Bond Year" means the twelve-month period beginning on July 2 of any year and ending on July 1 of the subsequent year.

"Bond Year Bank Fees" means, with respect to any Bond Year (i) the regular quarterly fee due the Bank pursuant to the Reimbursement Agreement of 1.25% per annum of the average amount available under the Letter of Credit for such Bond Year (without regard to any increase in the event of a default under the Reimbursement Agreement), (ii) the drawing fee of $250 for each draw under the Letter of Credit, and (iii) the wire

fee of $25 for each draw under the Letter of Credit, provided that these amounts may be adjusted with the prior written consent of the Issuer.

"Bond Year Debt Service" means, with respect to any Bond Year, the Debt Service on the Bonds coming due during that Bond Year.

"Bond Year Draws" means, with respect to any Bond Year, the amounts drawn on the Letter of Credit during that Bond Year to pay Bond Year Debt Service for that Bond Year.

"Bond Year Tax Collections" means, with respect to any Bond Year, all revenues actually received by the District during that Bond Year from the levy and collection of the ad valorem property tax.

"Bonds" means the Issuer's $13,000,000 District Variable Rate General Obligation Bonds, Series 2004.

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

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

"Business Day" for any Bonds means any day that the principal office of the Bank, the Remarketing Agent and the Tender Agent, if any, and the Trustee and the Paying Agent are open and the Securities Depository is not closed.

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

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

"Conversion" means the change of the interest rate on the Bonds from the Weekly Rate to the Fixed Rate.

"Conversion Date" means the day on which the interest rate on the Bonds is converted from the Weekly Rate to the Fixed Rate.

"Conversion Notice" means a written notice specifying a Conversion Date.

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

"Defaulted Interest" means interest not paid when due.

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

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

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

"DTC" means The Depository Trust Company, New York, and its successors and assigns.

"Event of Default" means an Event of Default under the Indenture.

"Fixed Rate" means the rate at which a Bond bears interest from the Conversion Date to its maturity.

"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 owners 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.

"Guarantor" means DMB Realco II, LLC, an Arizona limited liability company.

"Immediate Notice" means notice by telephone, telex or telecopier to such telephone number, telex number or telecopier number as the addressee has directed in writing, promptly followed by written notice by first class mail postage prepaid to such address as the addressee has directed in writing.

"Indenture" means the Indenture and Security Agreement dated as of November 1, 2004, as supplemented, modified, or amended.

"Indexing Agent" means the person appointed by the Issuer to act as Indexing Agent.

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

"Interest Payment Date" means (i) so long as the Bonds bear interest at the Weekly Rate, the first day of each month, and (ii) so long as the Bonds bear interest at the Fixed Rate, each January 1 and July 1.

"Issuer" means Verrado Western Overlay Community Facilities District, a community facilities district formed by the Municipality and duly organized and validly existing, pursuant to the laws of the State.

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

"Letter of Credit" means an irrevocable direct pay letter of credit or other agreement or arrangement issued or extended by the Bank, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the payment of Debt Service on the Bonds and for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Indenture, which Letter of Credit

meets the requirements of the Indenture, or any Substitute Letter of Credit delivered in accordance with the Indenture.

"Letter of Credit Substitution Date" means the day on which a Substitute Letter of Credit becomes effective and replaces the existing Letter of Credit.

"Mandatorily Tendered Bonds" means the Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Mandatory Tender Date" means any date on which the Bonds are required to be tendered for purchase.

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

"Maximum Rate" means 9% per annum; provided, however, that the Maximum Rate shall not exceed the maximum interest rate permitted by law from time to time.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing pursuant to the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

"Municipality" means the Town of Buckeye, Arizona.

"No Remarketing Notice" means a notice given by the Bank to the Trustee and the Remarketing Agent pursuant to the Reimbursement Agreement to the effect that a Reimbursement Agreement Default has occurred and that from and after the date specified therein no Tendered Bonds are to be remarketed.

"Officer's Certificate" means a certificate signed by an Issuer Representative and delivered to the Trustee.

"Opinion of Bond Counsel" means an opinion of Bond Counsel addressed to the Issuer, the Remarketing Agent, the Bank and the Trustee to the effect that an action proposed to be taken will not cause interest on the Bonds to be included in the gross income of the owners of such Bonds for Federal income tax purposes and that such action is authorized or permitted by the Indenture and has been taken in accordance with the Indenture.

"Opinion of Counsel" means an opinion in writing of legal counsel, who may be counsel to the Trustee or the Issuer.

"Optional Tender Date" means the date on which a Bond bearing interest at the Weekly Rate is subject to tender and repurchase at the option of the Owner or Beneficial Owner.

"Optionally Tendered Bonds" means the Bonds tendered or deemed tendered for purchase on an Optional Tender Date.

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

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

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

(4) Bonds alleged to have been destroyed, lost, or stolen which have been paid;

(5) Bonds which have been defeased; and

(6) Bonds, for which all Debt Service with respect thereto has been paid, including payment or deemed payment from draws under the Letter of Credit.

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

"Parity Debt Service" means principal and interest due on outstanding general obligation bonds of the Issuer other than the Bonds.

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

"Paying Agent" means the Trustee and any other bank or banks, if any, designated to receive and disburse the principal of and interest or premium on the Bonds.

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

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

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States:

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

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

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

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

1. 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.

K. Governmental Obligations.

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

"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 in lieu of a mutilated, lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Bond.

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

"Purchase Price" means an amount equal to one hundred percent (100%) of the principal amount of any Bonds tendered or deemed tendered to the Tender Agent for purchase, plus accrued and unpaid interest thereon to the date of purchase; provided, however, if the date of purchase is an Interest Payment Date with respect to such Bonds, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Owner pursuant to the Book-Entry-Only System or, if the Book-Entry-Only System is not in effect, then to the Owner as of the applicable Regular Record Date.

"Purchased Bond" means any Bond during the period from and including the date it is purchased or paid for by a draw on the Letter of Credit to, but excluding, the earliest of (i) the date on which the principal, redemption price or Purchase Price of such Bond, together with all interest accrued thereon, is paid or deemed paid at Maturity, or (ii) the date on which such Bond is to be purchased if the Trustee then holds, in trust for the benefit the Bank, sufficient moneys to pay the Purchase Price of such Bond, together with the interest accrued thereon to the date of purchase.

"Purchased Bond Rate" means the rate at which a Purchased Bond bears interest, which shall be a rate equal to the lesser of (i) the greater of (A) 1.00% per annum above the interest rate most recently published in The Wall Street Journal as the "Prime Rate", or if not available, a similar rate from a substantially similar source selected by the Bank, as in effect from time to time, or (B) 4.50% per annum; (ii) the Maximum Rate; and (iii) the rate per annum, expressed as a percentage, for each Bond Year equal to the Bond Year Tax Collections divided by the average principal amount of Bonds Outstanding during such Bond Year, provided, however, that in no event shall such rate exceed the Maximum Rate applicable thereto.

"Qualified Index Criteria" means yield evaluations at par of notes or bonds of not less than five "high grade" component issuers, which notes or bonds are rated in either of the two highest short-term rating category by Moody's and S&P and are subject to tender upon seven (7) days' notice, and the interest on which is, pursuant to the Code, excludable from gross income for Federal income tax purposes.

"Rate" means the Weekly Rate or the Fixed Rate, as applicable.

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

"Rating Event" means that (i) the short-term rating of the Bonds has fallen below the top two categories from Moody's, (ii) the long-term rating of the Bonds has fallen below the top three categories from Moody's, (iii) the short-term rating of the Bank has fallen below the top two categories from Moody's or S&P, or (iv) the long-term rating of the Bank has fallen below the top three categories from Moody's or S&P.

"Rebate Consultant" means the consultant retained by the Issuer to determine rebate liability.

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption.

"Redemption Price" when used with respect to any Bond to be redeemed means the price fixed for such redemption.

"Regular Record Date" means, with respect to any Interest Payment Date if the Bonds are not Book Entry Bonds, (i) so long as the Bonds bear interest at the Weekly Rate, the close of business on the Business Day preceding such Interest Payment Date, and (ii) so long as the Bonds bear interest at the Fixed Rate, the fifteenth day (whether or not a Business Day) of the calendar month preceding such Interest Payment Date.

"Reimbursement Agreement" means the reimbursement agreement, pursuant to which the Bank agrees to issue a Letter of Credit as such agreement may from time to time be amended or supplemented, and thereafter means the agreement pursuant to which a Substitute Bank agrees to issue any Substitute Letter of Credit at the time in effect, as such agreement may from time to time be amended or supplemented.

"Reimbursement Agreement Default" means the occurrence of any Event of Default as defined in the Reimbursement Agreement which has not been cured within the applicable cure period, if any, pursuant to the Indenture.

"Reimbursement Date" means each date on which the Trustee shall transfer tax collections to the Bank to reimburse the Bank for amounts drawn under the Letter of Credit. For each Bond Year, the Reimbursement Dates shall be January 1 and July 1 of such Bond Year.

"Remarketing Agent" means a Remarketing Agent, if any, appointed and serving in such capacity or any successor Remarketing Agent. Initially, the Remarketing Agent shall be RBC Dain Rauscher Inc.

"Remarketing Agreement" means the Remarketing Agreement dated as of November 1, 2004, by and between the Issuer and RBC Dain Rauscher Inc. and any substitute remarketing agreement between the Issuer and the Remarketing Agent which may from time to time be entered into with respect to the remarketing or placement of Bonds, as from time to time amended and supplemented.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Board.

"Securities Depository" means DTC as securities depository for the Bonds until a successor securities depository is appointed and thereafter shall mean such successor securities depository.

"Sinking Fund Installment" means, with respect to the Bonds, the sinking fund redemption payments due on the Bonds.

"Special Record Date" means such date set by the Trustee with respect to the payment of Defaulted Interest.

"Standby Contribution Agreement" means that certain Standby Contribution Agreement, dated as of November 1, 2004 by and among the Issuer, the Developer, the Guarantor and the Trustee.

"State" means the State of Arizona.

"Stated Expiration Date" means, with respect to a particular Letter of Credit, the stated date of expiration or termination of the Letter of Credit, including any extensions thereof.

"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 Bank" means one or more commercial banks, trust companies or financial institutions (other than the then current Bank) obligated under any Substitute Letter of Credit and acceptable to the Issuer with a rating by Moody's and S&P in the top two short-term rating categories and the top three long-term rating categories assigned by such Rating Agency (without giving effect to numeric or other qualifiers).

"Substitute Letter of Credit" means, with respect to the Bonds, an irrevocable direct pay letter of credit or other agreement or arrangement issued or extended by a Substitute Bank, pursuant to which moneys are to be obtained upon substantially the same terms and conditions contained in the Letter of Credit for the payment of Debt Service on the Bonds and for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Indenture, which Letter of Credit is acceptable to the Issuer and meets the requirements of the Indenture on or prior to the Letter of Credit Substitution Date with respect to the Bonds; however, none of the following shall be deemed a Substitute Letter of Credit: (i) a change in the Reimbursement Agreement pursuant to which the Letter of Credit is issued; (ii) a change in the number of days of interest or interest rate covered by the Letter of Credit; and (iii) a renewal of the term of the existing Letter of Credit if, in the case of such renewal, there is delivered to the Issuer, the Trustee and the Remarketing Agent an opinion of counsel for the Bank or the Substitute Bank, as the case may be, regarding the enforceability of such Letter of Credit, in substantially the form delivered to the Trustee upon execution and delivery of the initial Letter of Credit.

"Substitute Reimbursement Agreement" means, with respect to the Bonds, any agreement (other than the initial Reimbursement Agreement for the Bonds) between the Developer, the Guarantor and any Substitute Bank (which agreement shall be satisfactory in form and substance to the Trustee and the Issuer) as it may from time to time be amended or supplemented, pursuant to which a Substitute Letter of Credit shall be in effect for the Bonds.

"Substitute Weekly Index" means the index used to determine the Weekly Rate during a Weekly Rate Period if one is not otherwise established.

"Tax Deposit Date" means each date on which the Issuer shall deposit tax revenues from the limited ad valorem property tax levy with the Trustee. For each Bond Year, the Tax Deposit Dates shall be January 1 and July 1.

"Tender Agent" means the Trustee and its successors.

"Tender Date" means each Optional Tender Date or Mandatory Tender Date.

"Tender Notice" means the notice delivered by or on behalf of the Owner or Beneficial Owner of Bonds subject to Optional Tender.

"Tendered Bond" means a Bond or portion thereof in an Authorized Denomination mandatorily tendered or tendered at the option of the Owner or Beneficial Owner thereof for purchase, including a Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

"Trustee" means Wells Fargo Bank, National Association and any successor.

"Trustee's Agent" means any agent designated by the Trustee and at the time serving in that capacity.

"Weekly Index Alternative Rate" means the index used to determine the Weekly Rate during a Weekly Rate Period if not otherwise determined.

"Weekly Rate" means the rate at which the Bonds bear interest during each Weekly Rate Period until the Conversion Date, as established from time to time, except the Bonds bearing interest at the Purchased Bond Rate.

"Weekly Rate Period" means any period commencing on the date of initial issuance and delivery of the Series 2004 Bonds or the Wednesday of a calendar week and extending to and including the next succeeding Tuesday.

Acts of Owners. Any action to be taken by Owners may be evidenced by instruments of substantially similar tenor signed by such Owners in person or by an agent appointed in writing, and, except as otherwise provided, such action shall become effective when such instruments are delivered to the Trustee.

Execution by any Owner of any instrument 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. Whenever such execution is by an officer of a corporation or a member of a company on behalf of such corporation or company, such certificate or affidavit shall also constitute sufficient proof of the officer's or member's authority. Execution of any such instrument and the authority of any person executing as or on behalf of any Owner may also be proved in any other manner which the Trustee deems sufficient.

Ownership of any Bond shall be proved by the Bond Register.

Any action by the Owner of any Bond shall bind every future Owner of the same Bond and any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done, whether or not notation of such action is made upon such Bond.

Notices to Owners. Notice to Owners shall be sufficiently given (unless otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Owner affected by such event, at the address of such Owner as it appears in the Bond Register. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Owner shall affect the sufficiency of such notice with respect to other Owners. So long as the Bonds are Book Entry Bonds, notice to the Owner shall be given as provided under the Book-Entry-Only System.

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

Severability Clause. In case any provision in the Indenture or 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.

Benefits of Indenture. Nothing in the Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties thereto and their successor, the Bank, the Paying Agent, the Remarketing Agent, the Tender Agent, the Trustee's Agent and the Owners of Outstanding Bonds, any benefit or any legal or equitable right, remedy, or claim under the Indenture. The Bank is a third-party beneficiary thereof for the purpose of enforcing the obligations of the District to levy and cause the tax to be collected as limited therein and paid to the Trustee and the obligation of the Trustee to pay from such tax collections to the Bank the amounts provided therein. The Developer is a third-party beneficiary thereof for the purpose of enforcing the obligations of the District to levy and cause the tax to be collected as limited therein and paid to the Trustee and, while the Letter of Credit or Purchased Bonds are outstanding, the obligation of the Trustee to pay from such tax collections to the Bank the amounts provided therein and for the purpose of enforcing the obligations of the District and the Remarketing Agent to remarket the Bonds or Outstanding Purchased Bonds as limited therein.

Governing Law. The 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.

Notice of Section 38-511, Arizona Revised Statutes, as Amended. To the extent applicable by provision of law, the parties acknowledge that the Indenture is subject to cancellation pursuant to A.R.S. Section 38-511.

Business Day. If the specified date for any action shall be other than a Business Day, then such 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.

Interest Calculation. So long as the Bonds bear interest at the Weekly Rate, interest shall be calculated on the basis of a 365/366 day year and actual number of days elapsed. Following conversion to the Fixed Rate, interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Obligations. The Bonds shall constitute general obligations of the Issuer. The Bonds shall be payable from (i) the proceeds of ad valorem property taxes imposed each year upon all taxable property in the Issuer, (ii) any revenue derived directly or indirectly from the enforcement of the collection of such taxes, (iii) all moneys and earnings thereon held in certain accounts created under the Indenture, (iv) drawings by the Paying Agent or the Trustee on the Letter of Credit, and (v) amounts paid by the Developer or the Guarantor under the Standby Contribution Agreement.

Additional Bonds. Nothing shall be construed to limit the right of the Issuer to issue additional bonds or obligations payable from any source whatsoever except that, while the Letter of Credit is in effect or while any Bonds are Purchased Bonds, no bonds may be issued with a senior or parity lien to the Bonds on ad valorem property tax revenues of the Issuer without the prior consent of the Bank. Any Additional Bonds shall be separately designated to distinguish them from the Bonds and shall not be secured by or payable from the Letter of Credit or draws thereon.

Persons Deemed Owners. The Owner of a Bond shall be treated as the sole, exclusive, and absolute owner thereof for all purposes, notwithstanding any knowledge or notice to the contrary; and payments with respect to such Bond shall be made only to such Owner, which payments shall satisfy and discharge the liability on such Bond to the extent so paid.

Limit Upon Remarketing to Issuer. Tendered Bonds shall not be remarketed to the Issuer, or any affiliate thereof unless the Issuer has delivered to the Trustee an unqualified written opinion of counsel experienced in bankruptcy matters and satisfactory to the Trustee and each Rating Agency then maintaining a rating on the Bonds (which opinion may assume that no Owners are "insiders" within the meaning of Title XI of the United States Bankruptcy Code) to the effect that payment of such amounts to Owners would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Issuer or any affiliate thereof, as the case may be, become a debtor in a proceeding commenced thereunder.

Bond Payment Fund. The "General Obligation Bonds, Series 2004 Bond Payment Fund" (herein referred to as the "Bond Payment Fund") is established under the Indenture. The money deposited to the Bond Payment Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in the Indenture.

Deposits to and Application of Bond Payment Fund. The Issuer shall deposit with the Trustee and the Trustee shall deposit to the credit of the Bond Payment Fund:

(i) on each Tax Deposit Date all amounts collected by or remitted to the Issuer as ad valorem taxes and not previously deposited;

(ii) immediately upon receipt, certain amounts received from proceeds of the initial sale of the Bonds;

(iii) immediately upon receipt, amounts received as additional tax collections, and

(iv) such other funds as the Issuer shall, at its option deem advisable.

The Trustee shall transfer money contained in the Bond Payment Fund to the accounts described below at the following respective times, and the money in each such account shall be disbursed only for the purposes and uses authorized.

(i) Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Account from, and only to the extent of, money in the Bond Payment Fund an amount which, together with amounts already on deposit in the Interest Account, shall be sufficient to pay interest payable on the Outstanding Bonds on such Interest Payment Date. Money in the Interest Account shall be used and withdrawn by the Trustee on each Interest Payment Date solely for the payment of interest on the Outstanding Bonds or, to the extent such interest has been paid by a draw on the Letter of Credit, on each Reimbursement Date with respect to the Bond Year of such payment to reimburse the Bank for the amount drawn to pay such interest.

(ii) Principal Account. The Trustee, on each Principal Payment Date, shall deposit in the Principal Account from, and only to the extent of amounts available therein, moneys in the Bond Payment

Fund an amount which shall be sufficient to pay the principal becoming due on each Principal Payment Date. Money in the Principal Account shall be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of Outstanding Bonds due on such date, or, to the extent such principal was paid by a draw on the Letter of Credit, on each Reimbursement Date with respect to the Bond Year of such payment to reimburse the Bank for the amount drawn to pay such principal.

(iii) Redemption Account. When no Letter of Credit is in effect, the Trustee shall deposit in the Redemption Account amounts received from the Issuer to pay the principal of and premium on Bonds to be redeemed, and money in the Redemption Account shall be used and withdrawn by the Trustee on each Redemption Date solely for the payment of the principal of and premium, if any, on Outstanding Bonds upon the redemption thereof.

(iv) Letter of Credit Account The Trustee shall deposit the proceeds of draws on the Letter of Credit in the Letter of Credit Account. When the Letter of Credit is in effect, money in the Letter of Credit Account shall be used and withdrawn by the Trustee on each Interest Payment Date, each Principal Payment Date, and each Redemption Date and used to pay the interest and premium, if any, on and principal of the Bonds (whether at Stated Maturity or redemption in advance of Stated Maturity).

If on or before July 1 of any Bond Year, the Trustee determines that Bond Year Tax Collections for such Bond Year will exceed the amount necessary to pay all Bond Year Debt Service or Bond Year Draws, as applicable, for such Bond Year and all Bond Year Bank Fees for such Bond Year, such excess shall be used to optionally redeem Bonds at the earliest practicable date but in no event later than August 1 of the subsequent Bond Year. Such redemption shall be in increments of $100,000. Any amount of such excess not used for such redemption shall be treated as Bond Year Tax Collections for such subsequent Bond Year.

The following provisions apply if no Letter of Credit is in effect, or if the Bank is in default, or denies it obligations, under the Letter of Credit:

(i) On or, if either day is not a Business Day, before April 11 and October 12 of each year prior to the termination of the Standby Contribution Agreement, the Trustee shall deposit into the Bond Payment Fund upon receipt all amounts paid to it pursuant to the Standby Contribution Agreement.

(ii) On or, if either day is not a Business Day, before June 24 and December 24 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 Bond Payment Fund 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 1 or January 1, as the case may be (a "Tax Contribution Request"). The Trustee shall deposit into the Bond Payment Fund upon receipt all amounts paid to it pursuant to a Tax Contribution Request.

Payments into and Use of Moneys in the Bond Purchase Fund. The Trustee shall establish and maintain, or cause the Tender Agent to establish and maintain, so long as any Bonds are Outstanding and bear interest at the Weekly Rate, the Bond Purchase Fund. There shall be established two separate segregated accounts within the Bond Purchase Fund to be known as the "Remarketing Proceeds Account" and the "Letter of Credit Account". Amounts on deposit in each such account shall not be commingled with any other moneys. There shall be deposited into the Bond Purchase Fund from time to time the following:

(i) The price received upon the remarketing of Tendered Bonds to any person pursuant to the Remarketing Agreement (other than Tendered Bonds sold to the Issuer or any affiliate (as defined in the Bankruptcy Code) of the Issuer) to be deposited in the Remarketing Proceeds Account;

(ii) The price received from the underwriter or purchaser (other than the Issuer or any affiliate (as defined in the Bankruptcy Code) of the Issuer) of Tendered Bonds upon the Conversion of the interest rate thereon to a Fixed Rate to be deposited in the Remarketing Proceeds Account;

(iii) Moneys obtained by the Trustee or the Tender Agent pursuant to the Letter of Credit to be applied to pay the Purchase Price of Tendered Bonds to be deposited into the Letter of Credit Account; and

The Issuer shall have no obligation to deposit any funds into the Bond Purchase Fund, notwithstanding the insufficiency of the amounts obtained pursuant to (i), (ii) or (iii) above to pay the purchase price of Tendered Bonds.

On any bond sale date, the Trustee's agent shall take such actions as are necessary to cause the purchaser or its nominee to be reflected as the Beneficial Owner under the Book-Entry-Only System effective from and after such date. Any Owner of an Optionally Tendered Bond or a Mandatorily Tendered Bond required to tender such Bond for purchase shall be entitled solely to payment of the Purchase Price for such Bond and shall not be entitled to the payment of any principal thereon or any interest accrued thereon on or after such Optional or Mandatory Tender Date provided that the Purchase Price has been deposited with the Trustee's Agent. Any such Bond deemed to be tendered shall no longer be considered to be an Outstanding Bond.

If the Book-Entry-Only System is not in effect, on any Optional Tender Date or Mandatory Tender Date, the Trustee shall transfer on the Bond Register ownership of all of the Bonds tendered or required to be tendered to the name of the purchaser thereof, including without limitation, registration of Purchased Bonds.

Moneys in the Remarketing Proceeds Account and the Letter of Credit Account, in that order, shall be held exclusively in trust for the payment of the Purchase Price of Tendered Bonds; provided, however, that proceeds of any drawing made pursuant to the Letter of Credit shall not be used to purchase Purchased Bonds. Moneys obtained by the Trustee pursuant to the Letter of Credit in excess of the amount needed for the payment of the Purchase Price of Tendered Bonds shall be promptly paid to the Bank. In the event any Tendered Bonds shall not be presented for purchase and moneys to pay such Purchase Price of Tendered Bonds are held in the Bond Purchase Fund, such moneys on deposit in the Bond Purchase Fund shall be invested only in Government Obligations described under part (i) of the definition of Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that moneys therefrom are anticipated to be required.

Rebate Account. The "District Variable Rate General Obligation Bonds, Series 2004 Rebate Account" (hereinafter referred to as the "Rebate Account") is established. There shall be deposited into the Rebate Account investment income on moneys, provided by the written direction of the Issuer, moneys received from the Issuer, moneys transferred to the Rebate Account from the Bond Payment Fund; and all other moneys received by the Trustee when accompanied by written directions that such moneys are to be paid into the Rebate Account. The Trustee shall cause amounts on deposit in the Rebate Account to be forwarded to the United States Treasury at the times and in the amounts set forth in the Issuer's written direction. The Issuer may retain a Rebate Consultant to determine the amount of rebate liability owed from time to time. If the moneys on deposit in the Rebate Account are insufficient, the Trustee at the written direction of the Issuer shall transfer moneys to the Rebate Account from the Bond Payment Fund. Upon receipt by the Trustee of an opinion of a nationally recognized rebate analyst acceptable to the Issuer to the effect that the amount in the Rebate Account is in excess of the amount required, such excess shall be transferred to the Bond Payment Fund.

Acquisition and Construction Fund. The "General Obligation Bonds, Series 2004 Acquisition and Construction Fund" (herein referred to as the "Acquisition and Construction Fund") is established. The money deposited to the Acquisition and Construction Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in the Indenture.

Deposits to and Application of Acquisition and Construction Fund. The Issuer shall deposit to the Acquisition and Construction Fund a portion of the proceeds of the Bonds. Amounts on deposit in the

Acquisition and Construction Fund shall be applied by the Trustee in the amounts and to the persons set forth in writing by the Issuer to pay Costs of Issuance and Costs of Acquisition and Construction and, to the extent the funds deposited to the Acquisition and Construction Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the Issuer to transfer such unexpended proceeds or income to the Bond Payment Fund. On November 1, 2007, any amounts remaining in the Acquisition and Construction Fund shall be transferred to the Bond Payment Fund.

Investment of and Security for Funds. Money held by the Trustee for the credit of the Bond Payment Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Governmental Obligations as directed in writing by the Issuer. Money held for the credit of the Acquisition and Construction Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Permitted Investments as directed by the Issuer. Money held for the credit of the Bond Purchase Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Government Obligations as directed by the Issuer. 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. All money held by the Trustee 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 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.

Moneys obtained pursuant to the Letter of Credit may be invested only in Government Obligations described under part (i) of the definitions of Government Obligations with a term not exceeding the earlier of 30 days from the date of investment of such amounts or the date or dates such amounts are anticipated to be required.

Requirements of a Letter of Credit Any Letter of Credit must have a term of not less than three hundred sixty (360) days and must provide money at the times and in the amounts required. The Trustee shall not consent to any amendment of a Letter of Credit unless it has obtained an opinion of Bond Counsel that the proposed amendment will not adversely affect the interests of any of the Owners in any material respect, unless such amendment shall not become effective until after the date on which there is a mandatory tender of the Bonds. An "amendment" of a Letter of Credit shall not include an extension of the Letter of Credit.

Consent of the Bank. No consent of or notice to the Bank shall be required nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, pursuant to any provision of the Indenture during any time in which (A) such Bank is in default in its obligation to make funds available under and in compliance with the terms of its Letter of Credit; (B) the Letter of Credit of such Bank for any reason ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any provision of the Letter of Credit is denied by the Bank or any governmental agency or authority, in all of the above cases contrary to the terms of the Letter of Credit; (C) a petition has been filed and is pending against the Bank pursuant to any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, and has not been dismissed within thirty (30) days after such filing; or (D) the Bank has filed a petition, which is pending, pursuant to any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law, of any jurisdiction, or has consented to the filing of any petition against it under such law; or government due to war or peace time emergency or the United States government declares a moratorium on the Bank's activities.

Nonpresentment of Bonds. In the event any Bonds, or portions thereof, are not presented for payment when due, if funds sufficient for the payment thereof, including accrued interest thereon, have been deposited into the Bond Payment Fund or otherwise made available to the Trustee for deposit therein, then on and after the date said principal becomes due, all interest thereon shall cease to accrue and all liability of the Issuer to the Owner or Owners thereof for the payment of such Bonds shall be completely discharged, and it shall be the duty of the Trustee to hold such fund or funds in a separate trust account for the benefit of the Owner or Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his, her or their part pursuant to the Indenture with respect to, said Bonds. Such moneys shall not be required to be invested during such period by the Trustee. If any Bonds are not presented for payment within the period of three

years following the date when such Bonds become due, the Trustee shall, at the written request of the Issuer, return to the Issuer the funds theretofore held by it for payment of such Bonds and such Bonds shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer. The obligations of the Trustee shall be subject, however, to any law applicable to the unclaimed funds or the Trustee providing other requirements for the disposition of unclaimed property.

Payment of Indebtedness; Satisfaction and Discharge of Indenture. Whenever:

(A) All Bonds have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding, however: (i) Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent, (ii) Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid, except for any such Bond which, prior to the satisfaction and discharge of the Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Owner thereof and where enforceability has not been determined adversely against such Owner by a court of competent jurisdiction, (iii) Bonds, other than those referred to in the foregoing clauses, for the payment or redemption of which the Issuer has deposited or caused to be deposited with the Trustee an amount (to be immediately available for payment, except in the case of Bonds excepted from the foregoing Clause (ii) 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 Outstanding for principal (and premium, if any) and interest to the Stated Maturity or Redemption Date, as the case may be, and (iv) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both; and

(B) the Issuer has paid or caused to be paid, subject to the limited sources and amounts provided in the Indenture, all other sums payable by the Issuer,

then the Indenture and the interests created thereby shall cease, determine, and become null and void (except as to any surviving rights of transfer or exchange of Bonds), and the Trustee shall 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 all cash, securities, and other personal property then held by it as a part of the Trust Estate. In the absence of an Issuer Request, the payment of all Outstanding Bonds shall not render the Indenture inoperative. For the purpose of determining the interest due on any Bond during a Weekly Rate Period for which the Weekly Rate has not been determined, the rate shall be assumed to be the Maximum Rate.

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 shall have been provided for by depositing for such payment from funds of the Issuer (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. Any such deposit shall be made either with the Trustee or 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. 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 for the selection of Bonds to be redeemed.

No such deposit shall have the effect above described (1) if made during the existence of default under the Indenture of which the Trustee has received written notice unless made with respect to all of the Bonds then Outstanding, (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, and (3) if the Letter of Credit is in effect, such deposit shall be made solely from Available Funds. At such times as a Bond shall be deemed to be paid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for purposes of any such payment from such money or Governmental Obligations.

For the purpose of determining the interest due on any Bond during a Weekly Rate Period for which the Weekly Rate has not been determined, the rate shall be assumed to be the Maximum Rate.

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) Evidence satisfactory to the Issuer that, for the immediately prior year, the current year and each future year in which any Bond is scheduled to be outstanding, a secondary tax rate of $3.00 per $100 of secondary assessed valuation of property within the boundaries of the Issuer was or is projected to be sufficient to pay when due the scheduled Debt Service on the Bonds during each such year. Such evidence shall consist of a written projection, prepared by the Issuer or its financial advisor, that is based upon the application of such secondary tax rate in light of:

(i) for the immediately prior year, (x) the historical secondary assessed valuation of the property within the boundaries of the Issuer for the prior year, and (y) the historical delinquency factor/collection rate for such year;

(ii) for the current year, (x) the actual secondary assessed valuation of the property within the boundaries of the Issuer for the current year, and (y) a delinquency factor/collection rate that is the lesser of (I) the rate in subparagraph (i)(y) above and (II) a 95% collection rate; and

(iii) for each future year, (x) an assessed valuation of the property within the boundaries of the Issuer equal to the amount in subparagraph (ii)(x) above, (y) a delinquency factor/collection rate that is the lessor of (I) subparagraph (i)(y) above and (II) a 95% collection rate, and (z) such other factors, not inconsistent with the foregoing, as the Issuer reasonably determines to be relevant for the purposes of this calculation.

(B) Written approval by the Issuer which shall not be withheld unreasonably.

(C) The Bonds have been previously converted to the Fixed Rate at the option of the Issuer.

Upon proof of satisfaction of each of the above conditions, the Issuer shall 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.

Events of Default. Each of the following is an "Event of Default":

(A) Default in the payment of the principal of or premium, if any, or the Purchase Price on any Bonds when the same shall become due and payable, whether at the Stated Maturity thereof, on a sinking fund payment date, tender for purchase or upon proceedings for redemption;

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

(C) Default shall be made in the observance or performance of any covenant, agreement, contract or other provision in the Bonds or the Indenture contained (other than as referred to in subsection (A) or (B) above) and such default shall continue for a period of 30 days after written notice to the Issuer, the Bank and the Trustee from the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding or to the

Issuer and the Bank from the Trustee specifying such default and requiring the same to be remedied, provided, with respect to any such failure, no Event of Default shall be deemed to have occurred so long as a course of action adequate to remedy such failure has been commenced within such 30-day period and shall thereafter be diligently prosecuted to completion and the default shall be cured thereby.

Suits for Enforcement; Mandamus. The Trustee in its discretion, may enforce its rights and the rights of the Owners by proceeding, as the Trustee, being advised by counsel, shall deem most effectual to enforce such rights but no proceeding shall accelerate the payment of any amounts due in the future other than through redemption from amounts drawn on the Letter of Credit. If the Issuer defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations of the Issuer set forth in the Indenture, or in the Standby Contribution Agreement, the Trustee shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring, but subject to the limitation on sources of revenue as described in the Indenture, the directors and other officers of the Issuer to cause the Issuer to make such payment or to observe and perform any covenant, obligation, or condition of the Issuer prescribed in the Indenture or the Standby Contribution Agreement.

Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment. If (i) default occurs in the payment of any interest on any Bond when such interest becomes due and payable, or (ii) default occurs in the payment of the principal of, or premium, if any, on any Bond at its Maturity, then upon demand of the Trustee, the Issuer shall pay or cause to be paid to the Trustee for the benefit of the Owners of such Bonds, but solely from the limited sources and in the limited amounts specified in the Indenture, the amount then so due and payable on the Bonds for principal (and premium, if any) and interest, but not any such amounts due in the future, and, in addition thereto, but solely from the sources specified in the Indenture, 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, but solely from the sources, and subject to the limitations, specified in the Indenture. The Trustee may recover judgment for any portion of the amounts remaining unpaid, with interest, but solely from the sources, and subject to the limitations, specified in the Indenture.

Application of Money Collected Except for the proceeds of draws on the Letter of Credit, any money collected by the Trustee 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:

(A) First: To the payment of all unpaid amounts due the Trustee for compensation;

(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 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;

(C) Third: To the reimbursement of the Bank for amounts drawn under the Letter of Credit subject to the limitations as to amount and source contained in the Indenture and in the Reimbursement Agreement; and

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

Trustee May File Proofs of Claim. In case of the pendency of any judicial proceeding relative to the Issuer or the property of the Issuer, the Trustee shall be entitled and empowered, 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 Bonds

and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Owners allowed in such judicial proceeding, and to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same; and any official in any such judicial proceeding is authorized to make such payments to the Trustee, and to pay to the Trustee any amount due to the Trustee pursuant to the Indenture. Nothing shall authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding.

Right of Owners to Receive Principal, Premium and Interest. The Owner of any Bond shall have the right to receive, after payment of all amounts due to the Trustee, payment of the principal of and interest on any such Bond on the respective Stated Maturities (or, in the case of redemption, on the Redemption Date), but solely from the limited sources and in the limited amounts provided, and to institute suit for the enforcement of any such payment, and such rights shall not be further impaired without the consent of such Owner; provided, however, that no Owner shall be entitled to take any action, if and to the extent that such action would result in a surrender, impairment, waiver, or loss of the lien upon the Trust Estate, or any part thereof, as security for Bonds held by any other Owner.

Control by Owners. The Owners of a majority in aggregate principal amount of any Outstanding Bonds affected thereby shall have the right (subject to providing indemnity to the Trustee) (i) to require the Trustee to proceed to enforce the Indenture; and (ii) 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, provided that: (a) such direction shall not be in conflict with any rule of law or the Indenture, (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, (c) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction, and (d) if the remedy requires the consent of a certain number of the Owners, such consent has been provided. Before taking action, 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.

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

Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Trustee, the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds affected thereby may, by Act of such Owners delivered to the Trustee, the Issuer and the Bank, on behalf of the Owners of all the Bonds waive any past default and its consequences, except a default in respect of a covenant or provision which cannot be modified or amended without the consent of the Owner of each Outstanding Bond

affected. Upon any such waiver, such default shall cease to exist; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Undertaking for Costs. Any court may require, in any suit, 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 this provision shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Owner, or group of Owners of any series of the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Owner for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

Remedies Subject to Applicable Law. All rights, remedies, and powers may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all remedies are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render the Indenture invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law. Notwithstanding the foregoing, the Bank expressly waives any right to require the levy of taxes at a rate higher than provided for in the Indenture.

Certain Duties and Responsibilities of the Trustee.

(A) The Trustee undertakes to perform such duties and only such duties as are specifically set forth and no implied covenants or obligations shall 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; but in the case of any such certificates or opinions which 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 of the Indenture.

(B) No provision 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 (i) this clause (B) shall not be construed to limit the effect of clause (A) above; (ii) 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; (iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; and (iv) no provision of the 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, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith, provided that no indemnity will be required in order to draw under the Letter of Credit, make payments to Owners or effect a mandatory tender of the Bonds.

(C) Whether or not therein expressly so provided, every provision relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of clauses (A) and (B) above.

Certain Rights of Trustee. Except as otherwise provided (A) the Trustee may rely and shall be protected in acting or refraining from acting upon (i) any document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons; and (ii) failure to receive any such document or communication, if prior receipt thereof is required by the Indenture before the Trustee is to take or refrain from taking any action; (B) any request or direction of the Issuer shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Issuer may be sufficiently evidenced by an Issuer Resolution; (C) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action, the Trustee (unless other evidence be specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate or, for purposes of rebate compliance, 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 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 the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction; (F) the Trustee shall not be bound to make any investigation into the facts or matters stated in any document or communication 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 its trusts or powers or perform any duties 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.

Not Responsible for Recitals or Application of Proceeds. The recitals, 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 as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee, or as to the validity or sufficiency of the Indenture or the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of the Bonds or the proceeds thereof.

May Hold Bonds. The Trustee, any Paying Agent, the Bond Registrar, the Tender Agent and any other agent, 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, the Tender Agent or such other agent.

Compensation and Reimbursement. The Issuer shall (i) pay to the Trustee from time to time reasonable compensation for all services rendered by it and (ii) except as otherwise expressly provided, reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee, except any such expense, disbursement, or advance as may be attributable to the Trustee's negligence or bad faith. The Trustee shall be secured by a lien for the payment of such compensation, expenses, reimbursements, and indemnity and the Trustee shall have the right to use and apply any trust funds held by it under the Indenture after payment of other amounts due thereunder. The Trustee shall have no right to use or apply amounts drawn on the Letter of Credit or paid for the Purchase Price of Tendered Bonds for any amounts due the Trustee for compensation, expenses, reimbursements or indemnity.

Corporate Trustee Required; Eligibility. The Trustee 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. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then 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, it shall resign immediately.

Resignation and Removal; Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee shall be come effective until the acceptance of appointment by the successor Trustee. The Trustee may resign at any time by giving written notice thereof to the Issuer and the Bank. 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. The Trustee may be removed at any time by Act of the Owners of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the Issuer. The Trustee may be removed at any time by the Issuer by Issuer Resolution delivered to the Trustee, the Bank, and any Remarketing Agent, Paying Agent, Tender Agent and Bond Registrar.

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

The Issuer shall given notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Owners, the Bank, and any Remarketing Agent, Paying Agent, Tender Agent and Bond Registrar.

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, provided such corporation shall be otherwise qualified and eligible, without the execution or filing of any paper or any further act on the part of any of the parties.

Paying Agents; Appointment and Acceptance of Duties; Removal. The Trustee is designated and agrees to act as principal Paying Agent and as Bond Registrar for and in respect of the Bonds. The Issuer may appoint one or more additional Paying Agents for the Bonds. Any such Paying Agent shall be a commercial bank or trust company organized under the laws of the United States of America or one of the states thereof.

Trustee's Agents. The Trustee may approve one or more Trustee's Agents with respect to any of the Trustee's duties under the Indenture and the Bonds. The Trustee may remove any Trustee's Agent by written notice to the Trustee's Agent and the Issuer.

Powers and Duties of Remarketing Agent. Any Remarketing Agreement shall provide that the Remarketing Agent will, inter alia: (A) determine the rates and give notice of such rates; (B) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice; and (C) use its reasonable best efforts to remarket Tendered Bonds (including Purchased Bonds).

Change of Remarketing Agent. The provisions regarding the removal and resignation of the Remarketing Agent shall be as set forth in the Remarketing Agreement.

Successor Remarketing Agents. Any person which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested in all the property, rights and powers of such Remarketing Agent. In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Issuer shall appoint or cause the appointment of a successor within thirty (30) days of any such action. Each successor Remarketing Agent shall at all times be either a member of the National Association of Securities Dealers, Inc. or registered as a dealer of municipal securities pursuant to the Securities Exchange Act of 1934, as amended, and have net capital of at least $15,000,000. The Trustee shall give written notice to the Owners, Moody's and S&P of any resignation, removal or appointment of the Remarketing Agent. If, at any time and for any reason, there is no entity serving as Remarketing Agent, the Trustee shall assume the duties of Remarketing Agent solely for the purpose of accepting notices of tender.

The Tender Agent. The Trustee shall serve as Tender Agent for the Bonds. The Tender Agent makes no representations as to the validity or sufficiency of the Indenture or the Bonds, or in respect of the security afforded by the Indenture. The Tender Agent shall not be liable in connection with the performance of its duties except for its own negligence or willful misconduct. The Tender Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it. The duties and obligations of the Tender Agent shall be determined by the express provisions of the Indenture and the Tender Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth therein.

Compensation of the Tender Agent. Unless otherwise provided by contract with the Tender Agent, the Issuer shall pay to the Tender Agent, from time to time, reasonable compensation for all services rendered by it and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties. The Tender Agent has no lien therefor on any funds at any time held by it. The Tender Agent is not required to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Tender Agent shall not be required to take any action at the request or direction of a Bank unless and until such Bank has indemnified and saved the Tender Agent harmless against any liabilities and all reasonable expenses incurred in connection with or as a result of taking the action requested or directed by a Bank to be taken, provided that the Tender Agent shall not be entitled to indemnity as a condition for drawings on the Letter of Credit. The rights, privileges, protections, immunities and benefits given to the Trustee by the Indenture are extended to, and shall be enforceable by the Tender Agent in each of its capacities, and to each agent, custodian and other person employed by the Tender Agent.

Permitted Acts. The Tender Agent may become the owner of or may deal in Bonds as fully and with the same rights as if it were not such Tender Agent. The Tender Agent may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Issuer or any committee formed to protect the rights of Owners of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Indenture or the Bonds, whether or not such committee shall represent the Owners of a majority in principal amount of the Outstanding Bonds in respect of which any such action is taken.

Removal or Resignation of Tender Agent. Unless the Bonds have been converted to the Fixed Rate, the Tender Agent may not resign or be removed except upon its resignation or removal as Trustee. No such removal or resignation shall take effect until a successor Trustee has been appointed.

Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement Without Consent of Owners. Without the consent of the Owners of any Bonds, but with the consent of the Bank, the Issuer and the Trustee may enter into one or more supplemental indentures, or the Issuer, with the consent of the other parties thereto, may amend the Bond Resolution or the Standby Contribution Agreement (A) to correct or amplify the description of an property at any time subject to the lien thereof, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien thereof, or to subject to the lien thereof additional property; (B) to add to the conditions, limitations, and restrictions on the authorized amount, terms, or purposes of issue, authentication, and delivery of Bonds, and additional conditions, limitations, and restrictions thereafter to be observed; (C) to evidence the succession of another entity to the Issuer and the assumption by any such successor of the covenants of the Issuer in the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Bonds; (D) to add to the covenants of the Issuer for the benefit of the Owners of all of the Bonds; or (E) to cure any ambiguity, to correct or supplement any provisions in the Indenture, the Bond Resolution or the Standby Contribution Agreement which may be inconsistent with any other provision therein, or to make any other provisions, with respect to matters or questions arising under the Indenture or the Bond Resolution or the Standby Contribution Agreement, provided such action shall not adversely affect the interests of the Owners of the Bonds.

Supplemental Indentures or Amendments to Bond Resolution or Standby Contribution Agreement With Consent of Owners. With the consent of the Bank and of the Owners of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture or such amendment, by Act of

such Owners delivered to the Issuer and the Trustee, the Issuer and the Trustee may enter into supplemental indentures or amendments to the Bond Resolution or the Standby Contribution Agreement, for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the Owners of the Bonds under thereunder; provided, however, that no such supplemental indenture or amendments shall, without the consent of the Owner of each Outstanding Bond affected thereby (i) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or (except for resetting the Weekly Rate for each Weekly Rate Period) the interest on, any Bond, or change the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Owners of which is required for any such supplemental indenture or amendment, or the consent of Owners of which is required for any waiver of compliance with provisions of, or defaults under, the Indenture and their consequences; (iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or (iv) modify any of the provisions for amendment with consent of Owners, except to increase any percentage of Owners provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each Owner affected thereby. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment and any such determination shall be conclusive upon every Owner of Bonds, whether theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith. It shall not be necessary for any Act of Owners to approve the particular form of any proposed supplemental indenture or any such amendment, but it shall be sufficient if such Act shall approve the substance thereof.

Execution of Supplemental Indentures and Amendments. The Trustee 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.

Effect of Supplemental Indentures and Amendments. Upon the execution of any supplemental indenture, the Indenture shall be modified in accordance therewith, and upon the amendment of the Bond Resolution or the Standby Contribution Agreement, the Bond Resolution or the Standby Contribution Agreement shall be modified in accordance therewith, and every Owner of Bonds theretofore or thereafter authenticated and delivered shall be bound thereby.

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

Consent to Supplement Indentures While the Standby Contribution Agreement is in Effect. The Issuer shall not enter into any supplemental indenture while the Standby Contribution Agreement is in effect without the prior written consent of the Developer.

Pledge and Levy of Taxes. Subject to the limits described below, for each Bond Year while any Bond is Outstanding, the Issuer shall annually 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 within the boundaries of the Issuer, to pay Bond Year Debt Service or Bond Year Draws, as applicable, and Bond Year Bank Fees for such Bond Year, and to pay principal and interest on all outstanding general obligation bonds of the Issuer due for such Bond Year ("Parity Debt Service") when due. For each Bond Year while any Bond is Outstanding, the Issuer shall cause to be levied a tax rate of $3.00 per $100 of secondary assessed valuation to pay such Bond Year Debt Service or Bond Year Draws, as applicable, Bond Year Bank Fees and Parity Debt Service, provided, however, that the tax rate for any Bond 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 Bond Year Tax Collections for such Bond

Year sufficient to pay in full the Bond Year Debt Service or Bond Year Draws, as applicable, Bond Year Bank Fees and any Parity Debt Service for such Bond Year.

In setting the levy for any Bond Year, the Issuer may take into account amounts expected to be available under the Letter of Credit during such Bond Year provided, however, that the Issuer shall not cause to be levied less than $3.00 for any Bond Year unless such lower tax rate shall produce, based on the then current secondary assessed valuation of the property within the boundaries of the Issuer, Bond Year Tax Collections for such Bond Year sufficient to pay in full the Bond Year Debt Service or Bond Year Draws, as applicable and Bond Year Bank Fees for such Bond Year without regard to any amounts expected to be available under the Letter of Credit. For this purpose, if the rate of interest to be applied to the Bonds during any period is not determined, interest during such period shall be assumed to be the Maximum Rate.

The Issuer and the Trustee acknowledge that the Bonds and any other general obligation bonds of the Issuer will be secured on a parity basis in the collection and application of property tax revenues of the Issuer and that such property taxes will be allocated to each series of general obligation bonds in accordance with any 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. Moneys to be applied to pay Debt Service derived from the levy of the tax, when collected constitute funds to pay Debt Service and shall be kept separately from other funds of the Issuer. 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, shall apply.

The Issuer shall not be obligated to levy or cause to be levied any tax with respect to any Bond Year:

(i) for payment of Debt Service on Bonds which are no longer Outstanding, including Bonds which are no longer Outstanding due to payment from amounts drawn under the Letter of Credit prior to such Bond Year;

(ii) for payment of interest on Bonds to the extent such interest has been paid or provided for, including interest paid from amounts drawn under the Letter of Credit prior to such Bond Year;

(iii) at a rate greater than $3.00 per $100 of secondary assessed valuation except as necessary to pay principal and interest on Outstanding Bonds other than Purchased Bonds if and to the extent amounts drawn under the Letter of Credit or paid pursuant to the Standby Contribution Agreement are insufficient for such purpose;

(iv) to pay the Purchase Price of any Bonds tendered for purchase; and

(v) for payments to the Bank of Bond Year Debt Service for, or for reimbursement of the Bank for Bond Year Draws for any prior Bond Year whether or not otherwise paid or provided for.

To the extent the Bond Year Tax Collections with respect to any Bond Year are not sufficient to pay all Bond Year Debt Service or Bond Year Draws for such Bond Year, the Bank shall rely solely upon the Reimbursement Agreement, the Developer and the Guarantor for such shortfall and the Issuer may treat any Bonds with a Maturity during such Bond Year and any Bond Year Debt Service for such Bond Year as paid in full for the purpose of payment to the Bank from any tax levy or other funds of the Issuer.

Reimbursement of Bank. If, with respect to any Bond Year, the Letter of Credit is in effect and amounts are drawn thereunder and used to pay when due the Bond Year Debt Service during such Bond Year, the Bond Year Tax Collections for such Bond Year to the extent sufficient therefor, shall be used to reimburse the Bank on the Reimbursement Date occurring on or after such payment but in no event later than July 1 of the Bond Year for such Bond Year Draws for such Bond Year.

The Issuer shall have no obligation to pay, from any source whatsoever, or to levy or cause to be levied any tax for: (i) any interest on any amounts drawn under the Letter of Credit; (ii) any Bond Year Draw for a Bond Year except to the extent amounts are available therefor from the Bond Year Tax Collections for such Bond Year; (iii) any costs or fees of the Bank other than Bond Year Bank Fees; and (iv) any Bond Year Bank Fees for any Bond Year, except to the extent that Bond Year Tax Collections for such Bond Year exceed Bond Year Debt Service or Bond Year Draws, as applicable for such Bond Year.

For any Bond Year, to the extent the Bond Year Tax Collections exceed the Bond Year Debt Service (including such portion payable as reimbursement of Bond Year Draws), the Trustee shall pay the Bond Year Bank Fees.

Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money. The sums which are segregated to pay the principal of or interest on any Bonds shall be held in trust for the benefit of the Owners of such Bonds and the Bank. Money so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Owners and the Bank entitled to such principal or interest, as the case may be.

Compliance with Federal Law. The Issuer 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. The Issuer will comply with the rebate requirements which may require the Issuer to take certain actions (including the payment of certain amounts to the United States Treasury).

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

Partial Invalidity. If any of the provisions contained in the Indenture shall be contrary to law, then such provisions shall be null and void and shall be deemed separable from the remaining provisions of the Indenture and shall in no way affect the validity thereof or of the Bonds, and the Owners shall retain all the benefit, protection, and security afforded to them thereunder and under all provisions of applicable law.

Reference to Bank. After the expiration or termination of the Letter of Credit and after all obligations relating to the Bonds and owed to the Bank pursuant to the Indenture or the Reimbursement Agreement have been paid in full or discharged, all references to the Bank shall be of no further force and effect.

Eastern Time. Unless otherwise expressly stated, all times referred to in the Indenture shall be Eastern Time as then in effect in the City of New York, New York.

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 Western Overlay
Community Facilities District

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) General Obligation Bonds, Series 2004

At your request we have examined the official proceedings leading to the issuance of $_____ aggregate principal amount of District General Obligation Bonds, Series 2004, dated _____, 2004, issued by Verrado Western Overlay 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. 2004-_____, passed and adopted by the District Board on _____, 2004 (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.

Certain of the documents referred to permit actions to be taken in the future if an opinion of bond counsel is given at that time to the effect that such action will not cause interest on the Bonds to be included in gross income of the owners for federal income tax purposes. We express no opinion on whether any such action, if taken, will cause interest on the Bonds to be included is gross income of the owners for federal income tax purposes.

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

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
August 31, 2004

	Current Month End Balance	Prior Year End Balance
ASSETS		
Cash	$ 3,453,676	$ 10,055
Accounts receivable	492,000	335,000
Related party receivable	36,155	(173,486)
Receivable - Verrado Golf Club	15,233	-
Receivable - Verrado Association	56,246	-
Receivable - Verrado Assembly	27,595	-
Prepaid expenses	502,234	479,287
Real estate under development	118,115,537	107,987,885
Land improvements	2,958,373	2,554,030
Property and equipment, net	226,509	92,874
Deposits	7,245	-
Investments	96,000	96,000
Total assets	$ 125,986,802	$ 111,381,645
LIABILITIES AND MEMBER'S EQUITY		
Accounts payable	$ 1,676,506	$ 2,036,415
Accrued liabilities	89,023	-
Unrealized gross profit	21,000	-
Retention payable	778,725	2,212,584
Refundable deposits	6,000	6,000
Related party payable	511,537	554,589
Notes payable	8,912,794	13,081,636
Total liabilities	$ 11,995,585	$ 17,891,224
Member's equity	$ 107,884,694	$ 94,768,004
Net income (loss)	6,106,523	(1,277,584)
Total member's equity	$ 113,991,217	$ 93,490,420
Total liabilities and member's equity	$ 125,986,802	$ 111,381,645

The accompanying notes are an integral part of the financial statements

DMB White Tank, LLC
Income Statement
Unaudited
August 31, 2004

	Month to Date	Year to Date
REVENUES		
Land	$ 6,936,952	$ 28,215,944
Lot Premiums	---	---
Development Fee Income	322,000	2,023,000
Interest Income	---	---
Other Income	2,000	6,000
Total revenue	$ 7,260,952	$ 30,244,944
COST OF SALES		
Land - Cost Of Sales	1,914,102	13,483,777
Selling Costs	24,258	236,713
Commissions	549,319	1,858,517
Closing Costs	8,826	117,862
Total cost of sales	$ 2,496,505	$ 15,696,869
EXPENSES		
General & administrative	461,413	5,196,879
Marketing	254,109	3,014,395
Depreciation	2,550	20,397
Total expenses	$ 718,072	$ 8,231,670
Net income (loss)	$ 4,046,375	$ 6,316,405

The accompanying notes are an integral part of the financial statements

DMB White Tank LLC
Statement of Cash Flows
Unaudited
For the 8 Months Ended August 31, 2004

	Month to Date	Year to Date
CASH FLOWS FROM OPERATING ACTIVITES		
Net income (loss)	$ 3,836,493	$ 6,106,523
Adjustments to reconcile net income (loss) to net cash:		
Depreciation and amortization	$ 2,550	$ 20,397
(Increase) decrease in assets:		
Accounts receivable	8,000	(157,000)
Related party receivables	90,206	(308,715)
Prepaid expenses	(9,620)	(22,947)
Other assets	(4,745)	(7,245)
Real estate under development	(752,451)	(10,127,651)
Increase (decrease) in liabilities:		
Accounts payable	1,010,540	(359,909)
Accrued liabilities	(21,261)	89,023
Retention payable	(47,213)	(1,433,860)
Related party payable	(3,625)	(43,052)
Accrued interest	-	(71,389)
Deferred revenue	14,000	21,000
Net cash (used) provided by operating activites	$ 4,122,873	$ (6,294,826)
CASH FLOWS FROM INVESTING ACTIVITES		
Land & land improvements	-	$ (404,343)
Leasehold improvements	(2,044)	(107,567)
Furniture, fixtures and equipment	(6,495)	(46,465)
Net cash (used) provided by investing activities	$ (8,539)	$ (558,375)
CASH FLOWS FROM FINANCING ACTIVITES		
Notes payable	$ (1,134,205)	$ (4,097,452)
Contributions DMB Realco LLC	2,238,000	32,329,322
Distribution DMB Realco LLC	(7,600,000)	(17,935,048)
Net cash (used) provided by financing activities	$ (6,496,205)	$ 10,296,821
Net increase (decrease) in cash and cash equivalents	$ (2,381,871)	$ 3,443,621
Cash and cash equivalents at beginning of period	$ 5,835,546	$ 10,055
Cash and cash equivalents at end of period	$ 3,453,676	$ 3,453,676

DMB White Tank, LLC
Statement of Changes in Members' Equity
Unaudited
For the 8 months ended August 31, 2004

Balance at December 31, 2003	$ 93,490,420
Contributions	32,329,322
Distributions	(17,935,048)
Net income/(loss)	6,106,523
Balance at August 31, 2004	$ 113,991,217

The accompanying notes are an integral part of the financial statements

APPENDIX E

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 District as soon as possible after the record date. The

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

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.

REGISTERED REGISTERED

No. R-1 $13,000,000

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 OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

This bond may be transferred, in whole but not in part, only to another nominee of the Depository (as defined herein) or to a successor Depository or to a nominee of a successor Depository.

UNITED STATES OF AMERICA
STATE OF ARIZONA

VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

INTEREST RATE	MATURITY DATE	ORIGINAL DATED DATE	CUSIP NO.:
Variable	July 1, 2029	November 17, 2004	92511R AA 7

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT: THIRTEEN MILLION AND NO/100 DOLLARS

Verrado Western Overlay Community Facilities District (the "Issuer"), 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, for value received, hereby promises to pay to the "Owner" specified above or registered assigns (the "Owner"), in lawful money of the United States of America, on the "Maturity Date" specified above unless earlier redeemed as provided herein, the "Principal Amount" specified above and to pay interest 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"), on each Interest Payment Date, at the rate per annum as may be set from time to time pursuant to the Indenture.

Interest Rates. Subject to the provisions of the Bond Resolution (as such term is hereinafter defined) and the Indenture, the Bonds shall initially bear interest at a Weekly Rate determined by the Remarketing Agent pursuant to the Indenture and will continue to accrue interest at the Weekly Rate until maturity in accordance with the Indenture unless and until converted to the Fixed Rate. Each Bond may, at the election of the Issuer, be converted to bear interest at a Fixed Rate determined by the Remarketing Agent in accordance with the Indenture. In no event shall the interest rate on any Bonds exceed nine percent (9%) per annum.

PRELIMINARY

Under certain circumstances, Bonds purchased with the proceeds of amounts drawn on the Letter of Credit (as hereinafter defined) and not remarketed may bear interest at the Purchased Bond Rate determined pursuant to the Indenture.

Additional terms, conditions and events which may affect the setting of the Weekly Rate or the conversion to, and setting of, the Fixed Rate are set forth in the Indenture.

Payment. So long as the Bonds bear interest at the Weekly Rate, the Interest Payment Dates shall be the first day of each month, and interest shall be calculated on the basis of a 365/366 day year and actual number of days elapsed.

Following conversion of the Bonds to bear interest at the Fixed Rate, the Interest Payment Dates shall be January 1 and July 1 of each year, and interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

As provided in the Indenture, the interest, principal and Redemption Price (as such term is defined in the Indenture) payable on the Bonds shall be paid to CEDE & Co. or its registered assigns in same-day funds no later than 2:30 p.m. (Eastern Time) on the date due (or in accordance with then existing arrangements between the Issuer and DTC).

If the specified date for any such payment shall be a Saturday, a Sunday, or a legal holiday or equivalent for banking institutions generally in the city where the designated corporate trust office of the Paying Agent is located then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Authority and Issue. This Bond is one of a duly authorized issue of bonds of the Issuer having the designation specified in its title (the "Bonds"), 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 November 1, 2004 (herein, together with all indentures supplemental thereto, referred to as the "Indenture"), from the Issuer to Wells Fargo Bank, N.A., as trustee (the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder of the Owners of the Bonds, the Trustee, and the Issuer, and the terms upon which the bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Owner of this Bond hereby consents. The Bonds are authorized and issued by a resolution of the Board of Directors of the Issuer adopted on November 2, 2004 (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").

Obligation. 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, 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 within the boundaries of the Issuer sufficient together with any other moneys from sources available pursuant to the Enabling Act (including, with respect to the Bonds but not any other obligations or bonds, amounts available from the Letter of Credit and the Standby Contribution Agreement as described below) to pay debt service on the Bonds when due. DMB White Tank, LLC, an Arizona limited liability company (the "Company") master developer of the land within the boundaries of the Issuer, and DMB Realco II, LLC, an Arizona limited liability company (the "Guarantor") have entered into a Standby Contribution Agreement

dated as of November 1, 2004 (the "Standby Contribution Agreement") with the Issuer pursuant to which the Company and the Guarantor will, under certain circumstances, make payments to the Trustee to pay the Bonds to the extent necessary to supplement tax revenues. THE STANDBY CONTRIBUTION AGREEMENT MAY BE RELEASED PRIOR TO THE MATURITY OF THE BONDS BY THE ISSUER UPON SATISFACTION OF CERTAIN CONDITIONS SET FORTH IN THE INDENTURE.

The Company and the Guarantor have also requested Compass Bank, an Alabama banking corporation (together with any successor thereto, the "Bank"), to issue its direct pay letter of credit (together with any letter of credit hereafter substituted thereto pursuant to the Indenture, the "Letter of Credit").

Payment of (i) the principal and interest on this Bond, when due either at Stated Maturity or prior redemption, and (ii) the Purchase Price of this Bond if tendered for purchase pursuant to the Indenture are secured by the Letter of Credit. The Letter of Credit is subject to substitution, expiration and termination under certain circumstances as described in the Indenture.

Payment of principal, interest, premium, Redemption Price or Purchase Price shall be paid only with Available Moneys. Available Moneys means (i) whenever a Letter of Credit is required to be maintained for the Bonds, (a) moneys obtained by the Trustee from the Bank pursuant to the Letter of Credit and held by the Trustee pursuant to the Indenture or payment of principal of and interest or premium on the Bonds when due, (b) moneys obtained by the Trustee in its capacity as Tender Agent under the Indenture (together with any other agent appointed for such purpose, the "Tender Agent") from the Bank pursuant to the Letter of Credit and held by the Tender Agent pursuant to the Indenture for payment of the Purchase Price of Bonds, (c) moneys derived from a remarketing of Bonds which are paid directly to and held by the Tender Agent for payment of the Purchase Price of such Bonds pursuant to the Indenture, (d) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Issuer pursuant to the Bankruptcy Code (as hereinafter defined) has been filed and no other bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, (e) any other moneys the application of which to the payment of the principal, interest, premium, Redemption Price or Purchase Price of the Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Issuer pursuant to the Bankruptcy Code, and (f) the proceeds from the investment of moneys described in clauses (a) through (e) above, and (ii) at any other time, any moneys.

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 any integral multiples thereof or such higher denomination as determined by the Issuer.

Optional Redemption.

(A) **Weekly Rate Bonds**. So long as the Bonds bear interest at the Weekly Rate, the Bonds shall be subject to redemption prior to maturity (i) at the election or direction of the Issuer with the consent of the Bank, or (ii) at the election and direction of the Bank, upon the occurrence of a Reimbursement Agreement Default. In either case such redemption may be in whole or in part, on any Business Day, at a Redemption Price equal to 100% of the principal amount of each Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, but without premium.

SPECIMEN

(B) **Fixed Rate Bonds**. Unless, at the time Bonds are converted to the Fixed Rate, the Issuer establishes other dates and redemption prices at which the Bonds may be redeemed at the election or direction of the Issuer, the Bonds once converted to the Fixed Rate shall be subject to redemption prior to maturity at the election or direction of the Issuer in whole or in part at any time after the period set forth below, at a redemption price equal to the percentages of the principal amount of each Bond or portion thereof to be redeemed as set forth below, plus accrued interest, if any, to the date of redemption:

Number of years remaining to maturity at the date of Conversion	Number of years following Conversion when the Bonds may be redeemed and redemption price	
	10 years or more but less than 11 years	11 years or more
11 years or more	101%	100%
10 or more years but less than 11 years	100%	Not applicable
Less than 10 years	Not subject to redemption	

Mandatory Redemption. The Bonds shall be redeemed on the following Redemption Dates and in the following amounts upon not more than 60 nor less than 30 days prior notice given by mail as provided in 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 1)		PRINCIPAL AMOUNT
2010		$500,000
2011		500,000
2012		500,000
2013		500,000
2014		600,000
2015		600,000
2016		600,000
2017		600,000
2018		600,000
2019		600,000
2020		600,000
2021		700,000
2022		700,000
2023		700,000
2024		700,000
2025		700,000
2026		800,000
2027		800,000
2028		800,000
2029	(maturity)	900,000

SPECIMEN BOND

There shall be credited against and in satisfaction of any Sinking Fund Installment payable on any date for the Bonds the principal amount of Bonds entitled to such Sinking Fund Installment (a) purchased with moneys in the Redemption Fund and canceled by the Trustee; (b) redeemed at the option of the Issuer pursuant to the optional redemption provisions of the Trust Agreement, (c) purchased by the Issuer and delivered to the Trustee for cancellation, and (d) deemed to have been paid in accordance with the defeasance provisions of the Indenture.

Redemption of Purchased Bonds. Bonds which have been purchased with proceeds of a draw on the Letter of Credit and not remarketed ("Purchased Bonds") shall be redeemed in advance of maturity as provided in the Indenture.

Selection of Bonds to be Redeemed; Notice of Redemption. In the case of redemptions of Bonds, the Trustee shall select the Bonds to be redeemed by lot, using such method of selection as the Trustee shall consider proper in its discretion. Notice of the call for redemption shall be given by the Trustee by transmitting a copy of the redemption notice by first-class mail, not less than 30 days prior to the redemption date, to the Owners of the Bonds to be redeemed in whole or in part at the address last showing on the registration books. If at the time of mailing the notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all of the Bonds to be called for redemption, which moneys are or will be available for redemption of Bonds, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited. Failure to give notice in the manner prescribed above with respect to any Bonds, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Bonds with respect to which notice was properly given. Upon the occurrence of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon and premium, if any, the Bonds called for redemption shall not thereafter bear interest, be protected by the Bond Resolution or be deemed to be Outstanding for the purposes of the Bond Resolution or the Indenture.

Optional Tender. For so long as any Bond bears interest at the Weekly Rate, a Participant, acting on behalf of a Beneficial Owner, has the right to tender all or any portion, in an Authorized Denomination, of the principal amount of such Beneficial Owner's interest in such Bond for purchase on any Optional Tender Date, by giving or delivering to the Remarketing Agent, the Tender Agent and the Trustee at their respective designated offices, not later than the close of business, Eastern Time, on the seventh calendar day prior to the Optional Tender Date, a Tender Notice which states (i) the aggregate principal amount in an Authorized Denomination of each Bond or portion thereof to be purchased and (ii) that such principal amount of Bonds (in an Authorized Denomination) shall be purchased on such Optional Tender Date pursuant to the Indenture.

Any Tender Notice given or delivered shall be irrevocable and shall be binding on the Participant, the Beneficial Owner on whose behalf such notice was given and any transferee of such Beneficial Owner and the principal amount of the Bonds for which a Tender Notice has been given or delivered shall be deemed tendered on the Optional Tender Date without presentation or surrender of the Bonds to the Tender Agent. If there shall be on deposit with the Tender Agent on the Optional Tender Date an amount sufficient to pay the Purchase Price of the aggregate principal amount of Bonds to be tendered on such Optional Tender Date pursuant to a Tender Notice, ownership of such aggregate principal amount of Bonds shall be recorded as provided in the Indenture.

Mandatory Tender. So long as Bonds bear interest at the Weekly Rate, the Bonds are subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"): (i) on the Conversion Date; (ii) on a date that is not less than three (3) Business Days prior

SPECIMEN

to the expiration date of any Letter of Credit then in effect with respect to the Bonds (or if such day is not a Business Day, on the immediately preceding Business Day), unless such Letter of Credit has been extended or a Substitute Letter of Credit is delivered to the Trustee and effective at least twenty (20) days prior to such expiration date; (iii) on the effective date of a Substitute Letter of Credit delivered pursuant to the Indenture with respect to such Bonds (or if such day is not a Business Day, on the immediately preceding Business Day) unless at least 35 days prior to the effective date of the Substitute Letter of Credit, the Trustee and the Issuer receive evidence in writing from each Rating Agency maintaining a rating on the Bonds that the substitution of the Substitute Letter of Credit will not cause the reduction or withdrawal of the rating on the Bonds, provided that such Mandatory Tender Date, if required, is not later than the third Business Day immediately preceding the date on which the then-existing Letter of Credit terminates in accordance with its terms (or if such day is not a Business Day, on the immediately preceding Business Day); (iv) upon an Event of Default under the Reimbursement Agreement, immediately if requested by the provider of the Letter of Credit (the "Bank"), or, if not so requested by the Bank, then in 7 Business Days if the Event of Default arises out of nonpayment of amounts due the Bank, or the insolvency, bankruptcy or similar proceedings, or liquidation or termination of the Company or Guarantor and is not cured prior to 11:00 a.m. on the Mandatory Tender Date or in 120 days (or, if not a Business Day, the prior Business Day) if arising out of other matters and such Event of Default is not cured prior to the Business Day preceding the Mandatory Tender Date; and (v) no later than the Business Day following the Business Day in which the Trustee receives notice from the Issuer, the Remarketing Agent, the Tender Agent or the Bank of the occurrence of a Rating Event with respect to the Bank.

Failure to Deliver Tendered Bonds. If an Owner fails to deliver to the Tender Agent, on or before the applicable Tender Date, all or any portion of a Bond subject to tender for purchase (each, a "Tendered Bond"), such tendered Bond (or portion thereof in an Authorized Denomination) shall be deemed to have been properly tendered to the Tender Agent. To the extent that there shall be on deposit with the Tender Agent on the purchase date thereof an amount sufficient to pay the Purchase Price of the Tendered Bonds, such Tendered Bonds shall cease to constitute or represent a right to payment of principal or interest thereon and shall constitute and represent only the right to the payment of the Purchase Price payable on such date. The foregoing shall not limit the right of the Owner of a Bond to the receipt of interest, if any, due thereon on the date such Bond is required to be purchased.

Purchase of Tendered Bonds. On each Tender Date, the Tendered Bond shall be purchased at the applicable Purchase Price, which shall be paid by 3:00 p. m., Eastern Time, on the Tender Date. All moneys received by the Tender Agent as proceeds of the sale of the Tendered Bonds that have been transferred to the Tender Agent shall be deposited and held by the Tender Agent in a separate and segregated account. Additional amounts, if any, received by the Tender Agent from the Bank pursuant to draws on the Letter of Credit shall be deposited and held by the Tender Agent in an additional separate and segregated account. The moneys in such accounts shall not be commingled with any other moneys, shall be held un-invested and irrevocably pledged to the Owners of the Tendered Bonds for payment and shall be applied to the payment of the Purchase Price of Tendered Bonds. The Issuer shall have no obligation to pay the Purchase Price of Tendered Bonds except for amounts drawn on the Letter of Credit for such purpose or amounts received from the remarketing of such Tendered Bonds.

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

Neither the Issuer, the Paying Agent, the Tender Agent, the Bank nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or

SPECIMEN BOND

any other person not shown on the registration books of the Trustee as being an Owner with respect to: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the timely or ultimate payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (4) the delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolution or the Indenture to be given to Owners; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as Owner.

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

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

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

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

Amendments. The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Owners of the bonds under the Bond Resolution, the Indenture and the Standby Contribution Agreement at any time by the Issuer with the consent of the Bank and the Owners of a majority in principal amount of the Bonds at the time Outstanding (as such term is defined in the Indenture) affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Owners of specified percentages in aggregate principal amount of the bonds at the time Outstanding, on behalf of the Owners of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Owner of this Bond or any Predecessor Bond evidencing the same debt shall be conclusive and binding upon such Owner and upon all future Owners 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. The Bond Resolution and the Indenture further permit certain amendments of the Indenture and the Standby Contribution Agreement without consent of the Owners but with the consent of the Bank.

CONFIRMED

Owners. 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.

Authentication Required. 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 herein described Bond Resolution or the Indenture or be valid or obligatory for any purpose.

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 as described herein) is pledged to the payment of the Bonds.

Miscellaneous. 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 limited 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 WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)

By _____
Chairman

ATTEST:

_____
District Clerk

Dated _____

CERTIFICATE OF AUTHENTICATION

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

WELLS FARGO BANK, N.A., as Trustee

By _____
Authorized Representative

SPECIMEN BOND

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

TEN COM - as tenants in common	UNIF GIFT/TRANS MIN ACT - _____ (Custodian)
TEN ENT - as tenants by the entireties	Custodian for _____ (Minor) Under Uniform
JT TEN - as joint tenants with right of survivorship and not as tenants in common	Gifts/Transfers to Minors Act of _____ (State)

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

ASSIGNMENT

For Value Received the undersigned 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

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
[Name of Issuer]

November 2, 2004
[Date]

[For Municipal Issues:
Underwriting Department—Eligibility; 50th Floor]
[For Corporate Issues:
General Counsel's Office; 49th Floor]
The Depository Trust Company
55 Water Street
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted:
THE DEPOSITORY TRUST COMPANY
By: _____

DTCC
The Depository Trust & Clearing Corporation

Very truly yours,
VERRADO WESTERN OVERLAY COMMUNITY FACILITIES DISTRICT (TOWN OF BUCKEYE, ARIZONA)
(Issuer)
By: _____
(Authorized Officer's Signature)
Carroll E. Reynolds, 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)
creynolds@buckeyeaz.org
(E-mail Address)

(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.

RBC Dain Rauscher
Member NYSE/SIPC

2398 East Camelback Road
Suite 700
Phoenix, Arizona 85016
(602) 381-5362
(602) 381-5380 FAX

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

Issue:	$13,000,000 Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona) District Variable Rate General Obligation Bonds, Series 2004
Bonds Dated:	Date of Initial Delivery
Interest Payment Dates:	First Business Day of Each Month
Ratings:	A1/VMIG-1
Maturity Date:	July 1, 2029
CUSIP:	92511RAA7
Mandatory Sinking Fund Redemption:	See Exhibit A
Pre-closing:	**Tuesday, November 16, 2004** 3:00 P.M. (M.S.T.) Gust Rosenfeld P.L.C. 201 East Washington Street Suite 800 Phoenix, AZ 85004 Phone: (602) 257-7967 Fax: (602) 340-1538
Closing:	**Wednesday, November 17, 2004** 8:00 A.M. (M.S.T.) Gust Rosenfeld P.L.C. 201 East Washington Street Suite 800 Phoenix, Arizona 85016 Keith Hoskins, Esq. Scott Ruby, Esq. Phone: (602) 257-7967 Fax: (602) 340-1538

Participants: See Exhibit B

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

Settlement Instructions:

Par Value of the Bonds	$13,000,000.00
Less: Underwriter's Discount	(130,000.00)
Purchase Price of the Bonds	$12,870,000.00
Less: Remaining Letter of Credit Commitment Fee	(83,702.05)
Total Funds Available to the District at Closing	$12,786,297.95

Transfers by RBC Dain on the Day of Closing: **$12,786,297.95** representing the Purchase Price of the Bonds less the Remaining Letter of Credit Commitment Fee, will be wire transferred on the day of closing to:

Wells Fargo Bank Minnesota, N.A.
ABA #121000248
Trust Clearing Account #00010-38-377
For Credit To: Verrado CFD
Account Number: 16730700

$83,702.05 representing the Remaining Letter of Credit Commitment Fee, will be wire transferred to Compass Bank to:

Routing # 107005319
Account # 2502495944
Account Name: DMB White Tank, LLC

Application of Funds by the Trustee: On the day of closing, **$12,786,297.95** will be deposited to the General Obligation Bonds, Series 2004 Acquisition and Construction Fund and used to pay the costs of the Public Infrastructure and the cost of issuance for the Bonds.

Transfers by DMB White Tank, LLC on the Day of Closing:

On the day of closing, **$160,274.00** representing the deposit to the Debt Service Reserve Fund required under the Reimbursement Agreement equal to the Interest Portion of the Stated Amount ($13,160,274.00) of the Letter of Credit, will be wire transferred to Compass Bank to:

Routing # 107005319
Account # 2502495944
Account Name: DMB White Tank, LLC

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

$13,000,000
Verrado Western Overlay Community Facilities District
(Town of Buckeye, Arizona)
District Variable Rate General Obligation Bonds, Series 2004

Mandatory Sinking Fund Redemptions

Date	Principal	
07/01/2005	$ -	
07/01/2006	-	
07/01/2007	-	
07/01/2008	-	
07/01/2009	-	
07/01/2010	500,000	(a)
07/01/2011	500,000	(a)
07/01/2012	500,000	(a)
07/01/2013	500,000	(a)
07/01/2014	600,000	(a)
07/01/2015	600,000	(a)
07/01/2016	600,000	(a)
07/01/2017	600,000	(a)
07/01/2018	600,000	(a)
07/01/2019	600,000	(a)
07/01/2020	600,000	(a)
07/01/2021	700,000	(a)
07/01/2022	700,000	(a)
07/01/2023	700,000	(a)
07/01/2024	700,000	(a)
07/01/2025	700,000	(a)
07/01/2026	800,000	(a)
07/01/2027	800,000	(a)
07/01/2028	800,000	(a)
07/01/2029	900,000	
Total	13,000,000	

(a) Represents the mandatory sinking fund redemptions for the term bond due July 1, 2029.

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 Western Overlay Community Facilities District (Town of Buckeye, Arizona)

2 Issuer's employer identification number
46-0503784

3 Number and street (or P.O. box if mail is not delivered to street address)
100 N. Apache, Suite A

Room/suite

4 Report number
3 2004-1

5 City, town, or post office, state, and ZIP code
Buckeye, Arizona 85326

6 Date of issue
November 17, 2004

7 Name of issue
District Variable Rate General Obligation Bonds, Series 2004

8 CUSIP number
92511R AA 7

9 Name and title of officer or legal representative whom the IRS may call for more information
Ron Brown, District Treasurer

10 Telephone number of officer or legal representative
623.386.4691

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☒ Other. Describe ▶ Various Municipal Impovements, Streets, Parks, Drainage	18	13,000,000
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	07/01/2029	$ 13,000,000	$ 13,000,000	16.1 years	Variable %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	13,000,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	461,775		
25	Proceeds used for credit enhancement	25	83,702		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	-		
27	Proceeds used to currently refund prior issues	27	-		
28	Proceeds used to advance refund prior issues	28	-		
29	Total (add lines 24 through 28)			29	545,477
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	12,454,523

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.

Ronald W Brown — 11/17/04
Signature of issuer's authorized representative — Date

Ron Brown
District Treasurer
Type or print name and title

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CERTIFICATE OF MAILING

I hereby certify and declare that I caused to be mailed by certified mail, return receipt requested, the Information Return for the above-captioned issue addressed to the Internal Revenue Service Center, Ogden, Utah 84201, on January 26, 2005.

Joyce M. Dumas

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 Western Overlay Community Facilities District (Town of Buckeye, Arizona)			
2. Issue name/title: District Variable Rate General Obligation Bonds, Series 2004			
3. Dated Date: November 17, 2004 Closing Date: November 17, 2004		4. Par Amount: $13,000,000	
5. Overall Interest Rate (TIC OR NIC): VR%		6. Type of Bond or Security: Variable Rate General Obligation Bonds	
7. Repayment sources: Ad valorem taxes levied on property in the District			
8. Total amount outstanding: $13,000,000		9. Total amount outstanding of senior or subordinate bonds: $ N/A	
10. Original issue price: Attach Schedule 1 a. Par Amount (principal amount)	$13,000,000.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: **For general obligation Bonds:** a. Secondary net assessed value: $4,281,585	
b. Original Issue Discount (-)	$(0.00)	b. Debt limit percentage: 60% of market value plus value of improvements	
c. Premium Amount (+)	$0.00	c. Total debt limit: $23,528,671*	
d. Original Issue Price (=)	$13,000,000.00	12. Available debt limit: $10,528,671*	
e. Underwriter Compensation (Discount) (-)	$(130,000.00)	13. Total amount authorized: $60,000,000	
f. Net Proceeds (=)	$12,870,000.00		
14. Remaining authorized amount:	$47,000,000.00	15. If voter authorized, election dates: August 7, 2001	

15-18 Please attach 1) a schedule providing a detailed listing of Issue Costs; 2) the Debt Service Schedule; 3) Form 8038; and 4) the Final Official Statement. Please refer to instructions.

Ronald W Brown
Signature

November 17, 2004
Date

Title, address and phone number

Mr. Ron Brown, District Treasurer
Verrado Western Overlay
Community Facilities District
100 N. Apache, Suite A
Buckeye, AZ 85326
623.386.4691

Trustee name, address and phone number

Wells Fargo Bank, N.A.
Corporate Trust Department
Wells Fargo Plaza, MAC S4101-22E
100 W. Washington Street
Phoenix, Arizona 85003
602.378.2337

Political Subdivision Contact
name, address, phone number

Mr. Ron Brown District Treasurer
Verrado Western Overlay
Community Facilities District
100 N. Apache, Suite A
Buckeye, AZ 85326
623.386.4691

Submit this form with attachments within 60 days of issuance to:

Arizona Department of Revenue
Attention Econometrics Section
1600 W. Monroe
Phoenix, AZ 85007

* Debt limit calculation based on Assessor's Full Cash Value which is expected to be less than market value.

KCH:joy 554247 11/06/04

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 Western Overlay Community Facilities District (Town of Buckeye, Arizona), District Variable Rate General Obligation Bonds, Series 2004

Par Amount: $13,000,000

Date Closed: November 10, 2004

Maturity Date (July 1)	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or (Discount) 10b or 10c
2010	$ 500,000	VR%	VR%	$ 500,000	$0.00
2011	500,000	VR%	VR%	500,000	0.00
2012	500,000	VR%	VR%	500,000	0.00
2013	500,000	VR%	VR%	500,000	0.00
2014	600,000	VR%	VR%	600,000	0.00
2015	600,000	VR%	VR%	600,000	0.00
2016	600,000	VR%	VR%	600,000	0.00
2017	600,000	VR%	VR%	600,000	0.00
2018	600,000	VR%	VR%	600,000	0.00
2019	600,000	VR%	VR%	600,000	0.00
2020	600,000	VR%	VR%	600,000	0.00
2021	700,000	VR%	VR%	700,000	0.00
2022	700,000	VR%	VR%	700,000	0.00
2023	700,000	VR%	VR%	700,000	0.00
2024	700,000	VR%	VR%	700,000	0.00
2025	700,000	VR%	VR%	700,000	0.00
2026	800,000	VR%	VR%	800,000	0.00
2027	800,000	VR%	VR%	800,000	0.00
2028	800,000	VR%	VR%	800,000	0.00
2029	900,000	VR%	VR%	900,000	0.00
TOTAL	**$13,000,000 ***			**$13,000,000**	**$0.00**
10e Underwriter's Discount and/or Placement Agent Fee, if any				$(130,000)	
10f Net Proceeds (as shown on issuance form)*				**$12,870,000**	

* Represents mandatory sinking fund redemption of $13,000,000 term bond maturing July 1, 2029.

KCH:joy 554247 11/06/04

Name of Issue: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona), District Variable Rate General Obligation Bonds, Series 2004

Costs of Issuance

Underwriter's Compensation	$130,000.00
Bond Counsel Fees	126,750.00
Financial Advisor	35,000.00
District Administration Fee	15,000.00
Moody's Investors Service	13,500.00
Title Premium	11,025.63
Trustee's Fees	5,500.00
Compass Bank Legal Fees	40,000.00
Underwriter's Counsel	70,000.00
Official Statement Printing	5,500.00
Endorsement Fees	3,098.87
Escrow Fee	1,100.00
Recording Fees	300.00
Miscellaneous	5,000.00
TOTAL	$461,774.50

KCH:joy 554247 11/06/04

EXHIBIT A

$13,000,000
Verrado Western Overlay Community Facilities District
(Town of Buckeye, Arizona)
District Variable Rate General Obligation Bonds, Series 2004

Mandatory Sinking Fund Redemptions

Date	Principal	
07/01/2005	$ -	
07/01/2006	-	
07/01/2007	-	
07/01/2008	-	
07/01/2009	-	
07/01/2010	500,000	(a)
07/01/2011	500,000	(a)
07/01/2012	500,000	(a)
07/01/2013	500,000	(a)
07/01/2014	600,000	(a)
07/01/2015	600,000	(a)
07/01/2016	600,000	(a)
07/01/2017	600,000	(a)
07/01/2018	600,000	(a)
07/01/2019	600,000	(a)
07/01/2020	600,000	(a)
07/01/2021	700,000	(a)
07/01/2022	700,000	(a)
07/01/2023	700,000	(a)
07/01/2024	700,000	(a)
07/01/2025	700,000	(a)
07/01/2026	800,000	(a)
07/01/2027	800,000	(a)
07/01/2028	800,000	(a)
07/01/2029	900,000	
Total	13,000,000	

(a) Represents the mandatory sinking fund redemptions for the term bond due July 1, 2029.

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 Western Overlay Community Facilities District (Town of Buckeye, Arizona)

2 Issuer's employer identification number
46-0503784

3 Number and street (or P.O. box if mail is not delivered to street address)
100 N. Apache, Suite A

Room/suite

4 Report number
3 2004-1

5 City, town, or post office, state, and ZIP code
Buckeye, Arizona 85326

6 Date of issue
November 17, 2004

7 Name of issue
District Variable Rate General Obligation Bonds, Series 2004

8 CUSIP number
92511R AA 7

9 Name and title of officer or legal representative whom the IRS may call for more information
Ron Brown, District Treasurer

10 Telephone number of officer or legal representative
623.386.4691

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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.

Ronald w Brown — Signature of issuer's authorized representative
11/17/04 — Date
Ron Brown, District Treasurer — Type or print name and title

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

CERTIFICATE OF HAND DELIVERY

I hereby certify and declare that I caused to be hand-delivered, the Report of Bond and Security Issuance for the above-captioned issue addressed to the Arizona Department of Revenue, Econometrics Section, 1600 W. Monroe Street, 9th Floor, Phoenix, Arizona 85007 on January 27, 2005.

Joyce M. Dumas

KCH:joy 234675

Moody's Investors Service

Harborside Financial Center Plaza Five
Suite 2400
Jersey City, New Jersey 07311-3988

November 2, 2004

Mr. Andy Beams
DMB, Inc.
7600 E. Doubletree Ranch Rd., Suite 300
Scottsdale, AZ 85258

Re: Verrado Western Overlay Community Facilities District (Town of Buckeye, Arizona)
Variable Rate General Obligation Bonds, Series 2004

Dear Mr. Beams:

At your request, we have reviewed the documents submitted in connection with the above-captioned issue. I am pleased to inform you that Moody's Rating Committee has assigned a rating of **A1/VMIG 1** to the bonds.

The rating is based upon the letter of credit provided by Compass Bank and will be changed whenever the bank's ratings are changed. The rating will terminate automatically on the earliest to occur of November 10, 2007, the mandatory tender associated with this stated expiration date, conversion to the fixed rate mode or upon earlier termination of the letter of credit.

In assigning our rating, we relied upon the draft documents provided to us. In order to maintain the rating, we must be provided with a set of executed documents within thirty days. Additionally, in connection with the surveillance of our rating, please e-mail information concerning letter of credit substitutions, letter of credit extensions, redemptions, tenders or any amendments to the governing documents to MoodysMunicipalStructuredProductsSurveillanceGroup@Moodys.com or faxed to Moodys Municipal Structured Products Surveillance Group at 212-553-1066. If you have any questions regarding this transaction, please call me directly at (212) 553-4743.

Sincerely,

Joann Hempel
Vice President/Senior Credit Officer

cc: Mr. Matt Diamond
RBC Dain Rauscher Inc.
2398 E. Camelback Rd. Suite 700
Phoenix, AZ 85016

$13,000,000
VERRADO WESTERN OVERLAY
COMMUNITY FACILITIES DISTRICT
(TOWN OF BUCKEYE, ARIZONA)
DISTRICT VARIABLE RATE
GENERAL OBLIGATION BONDS, SERIES 2004

Delivery Date: November 10, 2004

ISSUER REQUEST FOR PAYMENT

The Trustee is hereby requested to pay from the Acquisition and Construction Fund established by the Indenture of Trust and Security Agreement, dated as of November 1, 2004 (the "Indenture"), between Wells Fargo Bank, N.A., the trustee ("Trustee"), and Verrado Western Overlay 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 Costs of Issuance 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: November 17, 2004.

By _____
District Manager

KCH:joy 554240 11/06/04

EXHIBIT A

COSTS OF ISSUANCE

The following expenses are to be paid by the Trustee from the Acquisition and Construction Fund deposited with the Trustee for that purpose:

PAYEE	DISBURSEMENTS	AMOUNT
Gust Rosenfeld P.L.C. 201 E. Washington Street, Suite 800 Phoenix, Arizona 85004-2327	Bond Counsel Fees and expenses	$126,750.00
Greenberg Traurig, LLP 2375 E. Camelback Road, Suite 700 Phoenix, Arizona 85016	Underwriter's Counsel Fees and expenses	$70,000.00
Town of Buckeye 100 N. Apache, Suite A Buckeye, Arizona 85326	Administrative Fees	$15,000.00
Peacock, Hislop, Staley & Given, Inc. 2999 N. 44th Street, Suite 100 Phoenix, Arizona 85018	Financial Advisor Fees	$35,000.00
Wells Fargo Bank, N.A. Wells Fargo Plaza, MAC S4101-22E 100 W. Washington Street Phoenix, Arizona 85003	Trustee and Trustee's Counsel Fees	$5,500.00
Official Statement Printer Upon Invoice	Printing Costs	$5,500.00
Quarles & Brady Streich Lang LLP Renaissance One Two N. Central Avenue Phoenix, Arizona 85004-2391	Bank Counsel Fees and expenses	$40,000.00
Rating Agency Moody's Investors Service Upon Invoice	Ratings	$13,500.00
Fidelity National Title 3131 East Camelback Rd., Suite 115 Phoenix, Arizona 85016	Title Insurance Premiums, Escrow and Recording Fess and Costs	$17,493.37
TOTAL		$328,743.37