

In the opinion of The Weist Law Firm, Scotts Valley California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$990,000

**CALAVERAS COUNTY WATER DISTRICT
DALEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS
BANK QUALIFIED**

Dated: Date of Delivery

Due: September 2, as shown on the inside cover page

The above-titled Series 2010 Limited Obligation Improvement Bonds hereby offered (the "Bonds") are being issued by the Calaveras County Water District (the "District") pursuant to Municipal Improvement Act of 1913, being Sections 10000 and following of the California Streets and Highways Code (the "1913 Act"), the Improvement Bond Act of 1915 (Division 10 of said Streets and Highways Code; hereafter the "1915 Act"), Resolution No. 2010-60, adopted by the District on August 25, 2010 (the "Resolution"), and a Fiscal Agent Agreement, dated as of September 1, 2010 (the "Agreement"), by and between the District and Deutsche Bank National Trust Company, as Fiscal Agent (the "Fiscal Agent"). Interest evidenced and represented by the Bonds is payable semiannually on September 2 and March 2 of each year, commencing March 2, 2011. See "APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT" herein.

The Bonds are being issued for the purpose of (i) providing funds to finance the construction costs of certain public water system improvements serving property within DaLee / Cassidy Water System Assessment District (the "Assessment District"), (ii) funding a reserve fund with respect to the Bonds and (iii) paying certain costs incurred in connection with the execution and delivery of the Bonds. See "FINANCING PLAN" herein.

Under the provisions of the 1913 Act, the District has undertaken proceedings to levy assessment liens (the "Assessments") on property within the Assessment District (the "Assessment Parcels"). Assessment installments of principal and interest, sufficient to meet annual debt service on the Bonds, will be billed by the County of Calaveras (the "County") as part of the regular County tax bills to owners of the Assessment Parcels. Upon receipt by the County, these annual installments are to be paid into the Redemption Fund to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due. To provide funds for payment of the Bonds and the interest thereon as a result of delinquent installments, the District will establish a Reserve Fund from Bond proceeds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Initial purchases of beneficial interests in a portion of the Bonds will be made in book-entry form and a portion of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Initial Bond denominations are \$5,000 and any integral multiple of \$5,000. Purchasers of the portion of Bonds made in book-entry form and registered in the name of Cede & Co. will not receive certificates representing their interests in the Bonds and will not be paid directly by the Fiscal Agent. The balance of the purchasers of the Bonds will receive certificates representing their interests in the Bonds and will be paid directly by the Fiscal Agent. See "THE BONDS" and "APPENDIX E – INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to optional and mandatory redemption on any March 2 or September 2 in advance of maturity upon thirty days prior notice and upon payment of the principal and interest accrued thereon to the date of redemption, at the redemption price set forth herein. See "REDEMPTION OF BONDS" herein.

Unpaid Assessments constitute fixed liens on each of the Assessment Parcels and do not constitute a personal indebtedness of the respective owners of such lots and parcels. See "BONDOWNERS' RISKS – Payment of the Assessment not a Personal Obligation" herein." Accordingly, in the event of delinquency, proceedings may be taken only against the real property securing each respective delinquent Assessment. Thus, the value of land within the Assessment District is a crucial factor in determining the investment quality of the Bonds. See "ASSESSMENT PARCEL VALUATIONS" herein, for certain valuation information regarding the land within the Assessment District.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision with respect to the purchase of the Bonds. See "BONDOWNERS' RISKS" for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are limited obligation bonds and secured solely by the Assessments and the amounts pledged under the Agreement. The Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the District or any of its income or receipts. The full faith and credit of neither the District, the County nor the State of California is pledged for the payment of the principal of or interest or premium, if any, on the Bonds, and no tax or other source of funds, other than the Assessments, is pledged to pay the principal of or interest or premium, if any, on the Bonds. The payment of the principal of or interest or premium, if any, on the Bonds does not constitute a debt, liability or obligation of the District, the County or the State of California for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation.

The Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to the approval as to their validity by The Weist Law Firm, Scotts Valley, California, Bond Counsel. Certain other legal matters will be passed upon for the District by its general counsel, and by The Weist Law Firm, as Disclosure Counsel. It is anticipated that the Bonds in book-entry form will be available through the facilities of DTC in New York, New York for delivery on or about September 9, 2010.

NOLLENBERGER CAPITAL PARTNERS

Dated: August 26, 2010

\$990,000
CALAVERAS COUNTY WATER DISTRICT
DALEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS
BANK QUALIFIED

MATURITY SCHEDULE

\$30,000	2.500%	Term Bond Due September 2, 2012	– Price 100.000%	CUSIP^{®†} No. 128236 FA9
\$50,000	3.500%	Term Bond Due September 2, 2015	– Price 100.000%	CUSIP^{®†} No. 128236 FB7
\$80,000	4.375%	Term Bond Due September 2, 2019	– Price 98.178%	CUSIP^{®†} No. 128236 FC5
\$45,000	4.875%	Term Bond Due September 2, 2021	– Price 98.537%	CUSIP^{®†} No. 128236 FD3
\$50,000	5.000%	Term Bond Due September 2, 2023	– Price 97.667%	CUSIP^{®†} No. 128236 FE1
\$55,000	5.250%	Term Bond Due September 2, 2025	– Price 97.968%	CUSIP^{®†} No. 128236 FF8
\$165,000	5.875%	Term Bond Due September 2, 2030	– Price 97.984%	CUSIP^{®†} No. 128236 FG6
\$515,000	6.000%	Term Bond Due September 2, 2040	– Price 96.630%	CUSIP^{®†} No. 128236 FH4

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

In making an investment decision investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, neither the foregoing authorities nor Bond Counsel or Disclosure Counsel have confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. Words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter, Bond Counsel or Disclosure Counsel. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made under the Indenture shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CALAVERAS COUNTY WATER DISTRICT
Calaveras County, California

BOARD OF DIRECTORS

Philip J. McCartney, *President*
Jeff Davidson, *Vice-President*
Bob Dean, *Board Member*
Dennis Dooley, *Board Member*
Don Stump, *Board Member*

DISTRICT ADMINISTRATION

Joone Lopez, *General Manager*
Larry Diamond, *Assist. General Manager*
Jeffrey Meyer, *Finance Director*
Steve Hutchings, *District Engineer*
Mona Walker, *Clerk of the Board*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

The Weist Law Firm
Scotts Valley, California

Trustee

Deutsche Bank National Trust Company
San Francisco, California

Underwriter

Nollenberger Capital Partners Inc.
San Francisco, California

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OFFICIAL STATEMENT

\$990,000
CALAVERAS COUNTY WATER DISTRICT
DALEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS
BANK QUALIFIED

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information regarding the issuance by the Calaveras County Water District of its \$990,000 aggregate principal amount of DaLee / Cassidy Water System Assessment District, Series 2010 Limited Obligation Improvement Bonds. Further, the following introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the Cover Page and Appendices hereto, and the Resolutions, the Fiscal Agent Agreement, the Assessment Engineer's Report, and documents summarized or described herein. A full review should be made of the entire Official Statement and the documents referred to herein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Certain capitalized terms used herein are defined in "APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT – Definitions" herein.

INTRODUCTION

Authority for Issuance of the Bonds

The above-titled Series 2010 Limited Obligation Improvement Bonds hereby offered (the "Bonds") are being issued by the Calaveras County Water District (the "District") pursuant to Municipal Improvement Act of 1913, being Sections 10000 and following of the California Streets and Highways Code (the "1913 Act"), the Improvement Bond Act of 1915 (Division 10 of said Streets and Highways Code; hereafter the "1915 Act"), Resolution No. 2010-60, adopted by the District on August 25, 2010 (the "Resolution"), and a Fiscal Agent Agreement, dated as of September 1, 2010 (the "Agreement"), by and between the District and Deutsche Bank National Trust Company, as Fiscal Agent (the "Fiscal Agent"). See "APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT" herein.

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) providing funds to finance the construction costs of certain public water system improvements serving property within the DaLee / Cassidy Water System Assessment District (the "Assessment District"), (ii) funding a reserve fund with respect to the Bonds and (iii) paying certain costs incurred in connection with the execution and delivery of the Bonds. See "FINANCING PLAN" and "THE ASSESSMENT DISTRICT" herein.

Security for the Bonds

The Bonds are issued upon and secured by the unpaid special Assessments (the “Assessments”) levied on all parcels (the “Assessment Parcels”) within the DaLee / Cassidy Water System Assessment District (the “Assessment District”) against which there are unpaid Assessments. Under the provisions of the 1913 Act and the Agreement, installments of principal and interest sufficient to meet annual debt service on the Bonds are to be included on the regular Calaveras County (the “County”) tax bills sent to owners of property against which there are unpaid Assessments (the “Assessment Installments”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The unpaid Assessments represent fixed liens on the Assessment Parcels with unpaid Assessments, and failure to pay the Assessments could, in certain circumstances, result in proceedings to foreclose title to the delinquent property. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Commence Superior Court Foreclosure” herein. The Assessments do not constitute the personal indebtedness of the owners of Assessment Parcels, and therefore no proceedings to collect directly from an owner are permitted. See “BONDOWNERS’ RISKS – Payment of the Assessment not a Personal Obligation” herein.”

Assessment District

The Project. The water wells that provide drinking water to many of the Assessment Parcels have shown signs of continuous degradation as to quality and quantity, and consequently, the owners of greater than sixty percent of the assessment Parcels petitioned (the “Petition”) the Board of Directors (the “Board”) to conduct assessment district proceedings for the formation of the DaLee / Cassidy Water System Assessment District (the “Assessment District”) which was originally comprised of 56 taxable parcels of land in an unincorporated area of the County. See “THE ASSESSMENT DISTRICT” herein.

The main intent of the Bonds is to finance the construction and installation of a new water delivery system (the “Project”) for fire protection and residential water service to all parcels within the Assessment District. The water system Project will consist of pipelines, fire hydrants, and an individual service line with a concrete box for a future meter to each parcel. See “THE ASSESSMENT DISTRICT – The Project” and “FINANCING PLAN – Estimated Project costs” herein.

Assessment District Proceedings. The Board accepted the Petition, and correspondingly on May 26, 2010, the Board adopted a Resolution of Intention (the “Resolution of Intention”) declaring the intention of the Board to finance the cost of the construction of the Project through the levy of Assessments and referred the matter of the establishment of the Assessment District, and the levy and collection of Assessments to the District Engineer, as the qualified engineer retained by the District in the proceedings (the “Assessment Engineer”), and directed the Assessment Engineer to prepare and file with the Clerk of the Board (the “Clerk”) a report in writing containing the matters specified in Section 10204 of the 1913 Act, as amended and as supplemented by Article XIIIID of the California Constitution and Section 53753 of the California Government Code (the “Engineer’s Report”). See “APPENDIX F – FINAL ENGINEER’S REPORT” herein.

The Assessment Engineer prepared and filed its Engineer’s Report with the Clerk, and the Board then adopted its Resolution No. 2010-29 preliminarily approving the Engineer’s Report and setting the time

and place for the required public hearing for July 14, 2010 (the “Public Hearing”), and directed the Clerk to cause a notice of the Public Hearing, together with assessment ballots, to be prepared and distributed by first class mail to the Assessment Parcel owners in the time, form and manner provided by law.

On July 14, 2010, the Board held the Public Hearing to take testimony and approve the results of the balloting regarding the formation of the Assessment District, approved a resolution adopting the final Engineer's Report and confirming the Assessments to pay for the construction of the Project, and ordered a minimum 30-day cash payment period (the “Cash Collection Period”) for Property Owners to pay all or a portion of their Assessments prior to issuance of bonds. On August 25, 2010 the Board adopted the Resolution which, among other things, approved the Fiscal Agent Agreement and authorized the issuance of the Bonds in the amount of the total unpaid Assessments.

Cash Collections. The Cash Collection Period ended on August 16, 2010. A total of Twelve (12) Property Owners, for a total cash collection of \$178,980, exercised their right to pay their Assessment in cash during the Cash Collection Period.

Unpaid Assessments. There are forty-four (44) Assessment Parcels that presently have unpaid individual Assessments of \$16,950 each (for a total of \$745,800), and of these 44 Assessment Parcels, nineteen (19) elected to increase their individual Assessment by an additional \$10,750 (for a total of \$204,250) to prepay the District for their water capacity and connection fees (the “Connection Fees”). An additional four (4) Property Owners prepaid their base assessments of \$16,950, but opted to increase their individual Assessment by an additional \$10,750 (for a total of \$43,000) for the financing of their respective Connection Fees. The remaining total of all unpaid Assessments (including the total unpaid assessments of all 23 parcels that elected to finance Connection Fees) is \$993,050 (the “Total Unpaid Assessments”). See “THE ASSESSMENT DISTRICT – Cash Collections and Unpaid Assessments” herein.

Capacity Fees. As described above, there were twenty-three (23) Property Owners that elected to increase their individual Assessment by \$10,750 (for a total of \$247,250) to prepay the District for their Connection Fees. See FINANCING PLAN – Connection Fees” herein.

Parcel Valuations and Value-to-Lien Ratios

The District has relied on the assessed valuations of the County Assessor used for the purposes of general taxes for the valuations for all of the 48 Assessment Parcels presented in this Official Statement. See “ASSESSMENT PARCEL VALUATIONS” and “BONDHOLDERS’ RISKS – Determining Property Values” herein

The Assessed valuation to assessment lien ratios set forth in this Official Statement have been derived by dividing the County Assessor’s records of assessed valuation (land plus improvements) as of August 24, 2010 by the corresponding unpaid Assessments. For example, a 3:1 ratio means that the assessed value is three times the total assessment lien amount (each a “Value-to-Lien Ratio”). According to the County Assessor’s Office, the aggregate assessed valuation of land and improvements of the 48 Assessment Parcels with unpaid assessments is \$7,005,906 and Value-to-Lien Ratios range from 0.47:1 to 23.81:1. The total lien on all Assessment Parcels is \$993,050. The aggregate Value-to-Lien Ratio is 7.05:1. See “ASSESSMENT PARCEL VALUATIONS” herein.

THE DISTRICT HAS NOT COMMISSIONED AN APPRAISAL TO DETERMINE THE FAIR MARKET VALUE OF LAND AND IMPROVEMENTS OF THE ASSESSMENT PARCELS, CHOOSING INSTEAD TO RELY ON ASSESSED VALUES, AND THEREFORE INVESTORS MUST RECOGNIZE THE INHERENT UNCERTAINTIES AND INACCURACIES WITH RESPECT TO THE ASSESSED VALUES OF THE ASSESSMENT PARCELS, SINCE THE BONDS ARE SECURED SOLELY BY THE ASSESSMENT PARCELS. SEE “BONDHOLDERS’ RISKS” HEREIN.

Reserve Fund for the Bonds

A Reserve Fund for the Bonds has been established with a portion of the proceeds of the Bonds in an amount of \$72,700 (the “Reserve Requirement”), to be held by Deutsche Bank National Trust Company, as the Fiscal Agent for the Bonds. Reserve Fund moneys will be invested by the Fiscal Agent, and any interest earnings thereon will be allowed to accrue therein up to the amount of the Reserve Requirement, as defined herein. No guarantee or prediction of accrued interest earnings is made by the District. Amounts in the Reserve Fund will be transferred by the Fiscal Agent to the Redemption Fund to the extent of delinquencies in the payment of the Assessment Installments. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” herein.

Description of the Bonds

Payments. Interest on the Bonds is payable semi-annually on each September 2 and March 2, commencing March 2, 2011. Interest and principal on the Bonds are payable by the Fiscal Agent to either the registered Bond Owner or DTC, as the case may be. DTC which will be responsible for remitting such principal and interest to the DTC Participants which will in turn be responsible for remitting such principal and interest to the Beneficial Owners of the Bonds.

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

Redemptions. The Bonds are subject to optional and mandatory redemption prior to maturity. See “REDEMPTION OF BONDS” herein.

Registration. The Bonds will be issued in fully registered form without coupons in the name of either the registered Bond Owner or Cede & Co., as nominee of DTC, as the case may be. DTC will act as securities depository for a portion of the Bonds. Physical distribution of a portion of the Bonds will be made to the public under this arrangement. So long as a portion of the Bonds are maintained in book-entry form, all references herein to the owners or holders of that portion of the Bonds shall mean DTC and not the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry System” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE DISTRICT OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE ASSESSMENTS. THE FULL FAITH AND CREDIT OF NEITHER THE DISTRICT, THE COUNTY NOR THE STATE IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF THE BONDS AND NO TAX OR OTHER SOURCE OF FUNDS, OTHER THAN THE ASSESSMENTS, IS PLEDGED TO PAY THE INTEREST ON OR PRINCIPAL OF THE BONDS.

THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE DISTRICT, THE COUNTY OR THE STATE FOR WHICH ANY SUCH ENTITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH ANY SUCH ENTITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The District

The District was formed on November 5, 1946 and has operated continuously since 1947 under the laws of the State as a county water district for the primary purpose of providing water and sewer service to the residents of Calaveras County. The District boundaries span 1,080 square miles (645,210 acres). The District is a political subdivision of the State of California and is not a part of, or under the control of, Calaveras County; however, the District jurisdictional boundaries include all of Calaveras County, which is located in the central Sierra Nevada foothills, in the northeastern part of California. The County's picturesque gold rush towns, award winning foothill vineyards and tasting rooms, antique shops and gold rush museums offer both its residents, as well as tourists, natural and historic diversity. Accessing the more metropolitan areas is a comfortable distance from the County – 133 miles east of San Francisco – 135 miles west of Lake Tahoe – 75 miles southeast of Sacramento – 52 miles east of Stockton. For a further description of the District and the County, see “APPENDIX A – GENERAL INFORMATION ON THE DISTRICT, THE COUNTY AND SURROUNDING AREA” herein.

Risk Factors

The purchase of the Bonds involves certain risks. For a discussion of certain considerations relevant to an investment in the Bonds, in addition to the other matters set forth herein, see “BONDOWNERS’ RISKS” herein. The purchase of the Bonds involves significant risks, and the Bonds are not appropriate investments for investors who are not able to bear those risks. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Tax Exemption

In the opinion of Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

Continuing Disclosure

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and general data relating to the Assessment District by not later than nine (9) months following the end of the District's Fiscal Year (which currently would be by March 31 each year based upon the June 30 end of the District's Fiscal Year), commencing with the report for the 2009-10 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material.

The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system. The District has agreed to execute the Disclosure Certificate in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The District has further agreed to provide, in a timely manner, notice of certain material events. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. The District represents that it has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. See "CONTINUING DISCLOSURE" herein.

Limited Obligations of the District

The District has determined not to obligate itself to advance available funds from the District to cure any deficiency or delinquency which may occur in the Redemption Fund by reason of the failure of a property owner to pay an Assessment Installments.

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

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "propose," "estimate," "project," "budget," "anticipate," or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements.

READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

Other Matters

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Furthermore, this Official Statement speaks only as of its date, and the information and expressions of opinions contained herein are subject to change without notice. Neither delivery of this Official Statement nor any sale of the Bonds, under any circumstances, shall create any implication that there has been no change in the affairs of the District or the Assessment District since the date of this Official Statement.

The summaries of and references to documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the Agreement and the 1915 Act, and will be primarily secured by unpaid Assessments levied in the Assessment proceedings by the District for the Assessment District undertaken pursuant to the 1915 Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) providing funds to finance the construction costs of certain public water system improvements serving property within the Assessment District, (ii) funding a reserve fund with respect to the Bonds and (iii) paying certain costs incurred in connection with the execution and delivery of the Bonds. See “FINANCING PLAN” and “THE ASSESSMENT DISTRICT” herein.

General Description of the Bonds

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, and shall be issued in the name of either the registered Bond Owner or Cede & Co., as nominee of DTC, as the case may be. DTC will act as securities depository for a portion of the Bonds. Physical distribution of a portion of the Bonds will be made to the public under this arrangement. The Bonds shall be evidenced by one Bond maturing on each of the maturity dates of the Bonds in a denomination corresponding to the total principal amount of the Bonds payable on such date.

Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Agreement.

The Bonds will be issued in the aggregate principal listed on the inside front cover page hereof will be dated their date of delivery, and will bear interest at the rates per annum set forth on the inside front cover page hereof, payable semiannually on September 2 and March 2 of each year, commencing March 2, 2011 (individually, an "Interest Payment Date"). Interest shall be calculated on the basis of a 360-day year comprising twelve 30-day months.

If a delinquency occurs in the payment of any Assessment Installments, pursuant to Section 8769(b) of the Streets and Highways Code, the District has elected not to obligate itself to advance available funds, other than the Reserve Fund, to cure any delinquency. If, during any foreclosure sale process, there are insufficient funds in the Reserve Fund to make regularly scheduled payments of principal and interest on the Bonds, a delay may occur in payments to the owners of the Bonds or there may be insufficient funds to make such payments. See "Security AND SOURCES OF PAYMENT for the Bonds – Covenant to Foreclosure" herein.

Security for the Bonds

The Bonds are issued upon and secured by the unpaid Assessments, together with interest thereon, on Assessment Parcels within the Assessment District. The unpaid Assessments and interest and any penalties thereon represent fixed liens on the Assessment Parcels. They do not, however, constitute a personal indebtedness of the owners of such Assessment Parcels.

Other than the Reserve Fund, each Assessment Parcel is the sole security for the repayment of the Assessment levied upon it. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Assessments and Funds" herein.

Under the 1913 Act, installments of principal and interest sufficient to meet annual debt service on the Bonds are to be included on the regular Calaveras County tax bills sent to owners of property against which there are unpaid Assessments. These annual installments are to be paid into the Redemption Fund, and used to pay Bond principal and interest as it comes due. The installments billed against each Assessment Parcel each year represent a pro rata share of the total principal and interest coming due that year, based on the percentage which the unpaid Assessment against that property bears to the total of unpaid Assessments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Redemption Fund" herein.

There will be deposited into the Reserve Fund the sum of \$72,700 which amount is equal to the reserve requirement for the Bonds (the "Reserve Requirement"). The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Assessment Installments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund" herein.

The District's obligation to advance funds to the Redemption Fund in the event of delinquent Assessment Installments is limited to the balance in the Reserve Fund. Pursuant to the Agreement, the District has no obligation to replenish the Reserve Fund except to the extent that delinquent Assessments are paid or proceeds from foreclosure sales are realized. However, the determination by the District not to

obligate itself to advance available funds to cure delinquencies will not prevent the District from, in its sole discretion, advancing such funds.

The District covenants with the owners of the Bonds that it will review the public records of the County, in connection with the collection of the Assessment Installments, by not later than August 1 of each year to determine the amount of Assessment Installments collected in the prior Fiscal Year. If the District determines that any parcel or parcels are delinquent in the payment of Assessment Installments, then the District will cause judicial foreclosure proceedings to be filed in the superior court of the County not later than December 1 of each year, and will prosecute diligently such foreclosure proceedings to judgment and judicial foreclosure sale; provided, however, the commencement of any foreclosure action may be deferred in the sole discretion of the District if, and only so long as, the amount in the Reserve Fund is not less than seventy percent (70%) of the Reserve Requirement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Commence Superior Court Foreclosure” herein.

Delinquency in payment of Assessment Installments does not result in an acceleration of the entire amount of the Assessment; therefore, property may be sold at foreclosure sale for only the amount of delinquent installments. The District is not required to bid at the foreclosure sale. See “BONDOWNERS’ RISKS – Foreclosure and Sale Proceedings” herein.

For a more complete description of the security for the Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

Redemption

Any Bond may be called for redemption prior to maturity as a whole or in part on any March 2 or September 2 upon payment of a redemption premium (if applicable), plus accrued interest to the date of redemption. See “REDEMPTION OF BONDS” herein. The Bonds are also subject to refunding pursuant to Division 11.5 of the Streets and Highways Code.

Assessment Engineer’s Report

The Board of Directors of the District referred the matter of the formation of the Assessment District and the levy and collection of Assessments as security for the Bonds to the District Engineer, (the “Assessment Engineer”) and directed the Assessment Engineer to prepare and file with the District an Assessment Engineer’s Report in writing containing the matters specified in Section 10200 of the 1913 Act (the “Assessment Engineer’s Report”). Said Assessment Engineer’s Report was confirmed and approved by the District pursuant to Resolution No. 2010-49, adopted July 14, 2010. A copy of the final Assessment Engineer’s Report is attached hereto as “APPENDIX F – FINAL ASSESSMENT ENGINEER’S REPORT.”

Bond Owners’ Risks – In General

Unpaid Assessments do not constitute a personal indebtedness of the owners of the Assessment Parcels within the Assessment District. There is no assurance the owners will be able to pay the

Assessment Installments or that they will pay such Installments even though financially able to do so. See “BONDOWNERS’ RISKS – Payment of the Assessment not a Personal Obligation.

Timely payment of debt service on the Bonds depends upon the timely payment of unpaid Assessment Installments from the Assessment Parcels within the Assessment District. Should the Assessment Installments not be paid on time, the District will draw upon the Reserve Fund to cover delinquencies.

The Assessment Installments are secured by a lien on the Assessment Parcels within the Assessment District and the District has covenanted to institute foreclosure proceedings to sell parcels with delinquent Assessment Installments for amounts sufficient to cover such delinquent Assessment Installments in order to obtain funds to pay debt service on the Bonds and to replenish the Reserve Fund. Foreclosure and sale and tax collection procedures, however, may not result in the recovery of the full amount of delinquent Assessment Installments. See “BONDOWNERS’ RISKS – Foreclosure and Sale Proceedings.”

Because the District has not obligated itself to advance funds to pay Bond debt service in the event of delinquent Assessment Installments, failure by owners of the Assessment Parcels to pay Assessment Installments when due, depletion of the Reserve Fund, or the inability of the District to sell Assessment Parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Installments of Assessments levied against such parcels, may result in the inability of the District to make full or punctual payments of debt service on the Bonds, and owners of the Bonds would therefore be adversely affected. See “BONDOWNERS’ RISKS” herein.

The value of the land within the Assessment District is an important factor in determining the investment quality of the Bonds. The Assessment Parcels are subject to geological hazards, such as earthquakes, landslides, floods, fires, etc., the extent of which could be catastrophic, possibly leaving such parcels with little or no value. Furthermore, changes in general economic condition, fluctuations in the real estate market, future building restrictions imposed by either the District or the County and other factors may also adversely affect the value of land in the Assessment District. See “BONDOWNERS’ RISKS – The Progress of Land Development,” – Current Economic Downturn and Depressed Housing Market,” and – Adjustable Rate and Non-Conventional Mortgages.” herein.

Each Assessment and each Installment thereof, and any interest and penalties thereon, constitute a lien against each Assessment Parcel on which it was imposed until paid (the “Assessment Lien”). The Assessment Lien is subordinate to all fixed special assessment liens imposed upon the same property prior to the date that the respective Assessments became a lien on the Assessment Parcels, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against such Assessment Parcel(s). The Assessment Lien is co-equal to and independent of the lien for general taxes and any community facilities district special taxes. See “BONDOWNERS’ RISKS – Parity Obligations” herein.

Governmental liens may presently exist or may arise in the future with respect to an Assessment Parcel which, unless subordinate to the Assessment, may effectively reduce the realizable value of the parcel for the benefit of the Assessment. See “BONDOWNERS’ RISKS – FDIC/Federal Government Interests in Parcels” herein.

Although the unpaid Assessments constitute fixed liens on the Assessment Parcels, they do not constitute personal indebtedness of the owners of the Assessment Parcels. Furthermore, there can be no assurance as to the ability or the willingness of the owners to pay the unpaid Assessments. See “BONDOWNERS’ RISKS – Payment of the Assessment not a Personal Obligation” herein. The principal of the Bonds will not be subject to acceleration in accordance with the provisions of the Agreement. See “BONDOWNERS’ RISKS – No Acceleration Provision” herein.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA, AND NEITHER THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA NOR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT THEREOF.

As a result of above-mentioned risk factors and other factors, the Bonds, as an investment, have speculative elements. See “BONDOWNERS’ RISKS” herein for a more complete discussion of the risk factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

Limited Obligation

Except with respect to the Assessments, neither the credit nor the taxing power of the District is pledged for the payment of the Bonds or the interest thereon, and no owner of the Bonds may compel the exercise of general taxing power by the District or the forfeiture of any of its property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the District, the State of California or any of its other political subdivisions within the meaning of any constitutional statutory limitation or restriction.

The Bonds are not a legal or equitable pledge, charge, lien or encumbrance, upon any of the District’s property, or upon any of its income, receipts or revenues, except the amounts which are, under the Resolution, the Agreement and the 1913 Act, set aside for the payment of the Bonds and interest thereon. Neither the members of the Board of Directors nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Book-Entry System

A portion of the Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers under the book-entry system maintained by DTC. While a portion of the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC for such portion, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of this book-entry portion of Bonds will not receive certificates representing their interests therein, which will be held at DTC. See “APPENDIX E – INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

REDEMPTION OF BONDS

Optional Redemption

The Bonds are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole, or in part on any Interest Payment Date (pro rata by maturity and by lot within a maturity), at a redemption price equal to the principal amount of the Bonds to be prepaid, together with the interest required to be paid on such Interest Payment Date, plus a prepayment premium as follows:

<u>Prepayment Dates</u>	<u>Prepayment Premium</u>
Any Interest Payment Date through and including March 2, 2020	3.0%
September 2, 2020 and March 2, 2021	2.0%
September 2, 2021 and March 2, 2022	1.0%
September 2, 2022 and thereafter	0.0%

Mandatory Redemption from Principal Prepayments

The Bonds are subject to mandatory redemption upon prepayment of the Assessments by property owners in the Assessment District. The Fiscal Agent is obligated to apply amounts received from such prepayments (the “Principal Prepayments”) to redeem the Bonds on any Interest Payment Date at a redemption price equal to the principal amount of the Bonds to be prepaid, together with the interest required to be paid on such Interest Payment Date, plus a prepayment premium as follows:

<u>Prepayment Dates</u>	<u>Prepayment Premium</u>
Any Interest Payment Date through and including March 2, 2020	3.0%
September 2, 2020 and March 2, 2021	2.0%
September 2, 2021 and March 2, 2022	1.0%
September 2, 2022 and thereafter	0.0%

Mandatory Sinking Fund Redemption of Term Bonds

The Bonds maturing on September 2, 2012 (the “2012 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2011, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2011	\$15,000
2012*	15,000

* Maturity

The Bonds maturing on September 2, 2015 (the “2015 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2013, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2013	\$15,000
2014	15,000
2015*	20,000

* Maturity

The Bonds maturing on September 2, 2019 (the “2019 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2016, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2016	\$20,000
2017	20,000
2018	20,000
2019*	20,000

* Maturity

The Bonds maturing on September 2, 2021 (the “2021 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2020, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2020	\$20,000
2021*	25,000

* Maturity

The Bonds maturing on September 2, 2023 (the “2023 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal

amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2022, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2022	\$25,000
2023*	25,000

* Maturity

The Bonds maturing on September 2, 2025 (the “2025 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2024, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2024	\$25,000
2025*	30,000

* Maturity

The Bonds maturing on September 2, 2030 (the “2030 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2026, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2026	\$30,000
2027	30,000
2028	35,000
2029	35,000
2030*	35,000

* Maturity

The Bonds maturing on September 2, 2040 (the “2040 Term Bonds”) shall be subject to redemption in whole, or in part by lot, on September 2 in each of the years as set forth in the following table, from deposits made for such purpose pursuant to the Agreement at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on and after September 2, 2031, from sinking fund payments as follows:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount to be Redeemed</u>
2031	\$40,000
2032	40,000
2033	45,000
2034	45,000
2035	50,000
2036	55,000
2037	55,000
2038	60,000
2039	60,000
2040*	65,000

* Maturity

Notice of Redemption

Notice of redemption shall be mailed by the Fiscal Agent, not fewer than thirty (30) nor more than sixty (60) days prior to the redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register. Failure of any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Fiscal Agent to mail notice to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

If less than all the Outstanding Bonds are to be redeemed, not more than 60 days prior to the redemption date the Fiscal Agent shall select the particular Bonds to be redeemed from the Outstanding Bonds that have not previously been called for redemption, in minimum denominations of \$5,000, in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity (insofar as possible) and by lot within a maturity.

Notice of redemption having been duly given and moneys for payment of the Redemption Price of the Bonds so to be redeemed plus interest accrued to the date of redemption being held by the Fiscal Agent, on the redemption date designated in such notice (i) the Bonds so to be redeemed will become due and payable at the Redemption Price specified in such notice plus interest accrued to the date of redemption, (ii) interest on such Bonds will cease to accrue, (iii) such Bonds will cease to be entitled to any benefit or security under the Resolution and the Agreement, and (iv) the Owners of such Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

The District has declared that Assessments may be paid off under Part 11.1 of the Improvement Bond Act of 1915, which provides that the owner of Assessment Parcel, except land which has been ordered to judicial foreclosure sale, may prepay all or a portion of the Assessment.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Assessments and Funds

Subject only to the provisions of the Resolution and Agreement, all of the Assessments and all amounts (including proceeds of the Bonds) held by the Fiscal Agent and the District in any fund or account under the Agreement (except for amounts held in the Rebate Fund) are pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Agreement. This pledge will constitute a first lien on the Assessments and amounts in such funds and will be valid and binding from and after delivery by the Fiscal Agent of the Bonds, without any physical delivery thereof or further act. The pledge of Assessments made in the Agreement will be irrevocable until all of the Bonds are no longer Outstanding. See “APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT” herein.

Collection of Assessments

The District has duly levied the Assessments in accordance with the 1913 Act, pursuant to and in accordance with the Resolution and Agreement. The Resolution and Agreement have not and will not be amended, modified, or altered so long as any of the Bonds are Outstanding in any manner that would reduce the amount of or timing of receipt of Assessments. During the term of the Bonds, the District will annually cause to be determined the Installments of principal and interest on the Assessments together with the annual expenses of the District chargeable pursuant to Section 8682.1 of the California Streets and Highways Code that are to be collected for the forthcoming year.

Before the deadline established by the County Auditor, the District will cause to be prepared and will transmit to the County Auditor such data, as the County Auditor requires to include the Assessment Installments and annual expenses on the next secured tax roll.

The Assessments will be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in of the Resolution, the Agreement and in the 1915 Act, will be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as provided for ad valorem property taxes.

The failure of a property owner to pay an Assessment Installment will not result in an increase in Assessment Installments applicable to other parcels within the District.

Redemption Fund

The Fiscal Agent will establish, maintain, and hold in trust a special fund designated as the “Redemption Fund.” As long as any Bonds are Outstanding, the District has agreed to transfer all Assessments (except for any amounts allocable to annual expenses to the District) to the Fiscal Agent for deposit into the Redemption Fund. The Assessments will be received and held by the Fiscal Agent for the benefit of the Owners of the Bonds and will be disbursed, allocated, and applied solely for the uses and purposes set forth in the Agreement.

On or before each Interest Payment Date, the Fiscal Agent will withdraw from the Redemption Fund the amount necessary to pay to the Owners of the Bonds the principal, interest, and any premium then due and payable on the Bonds. The Fiscal Agent will determine if the amounts then on deposit in the Redemption Fund are sufficient to pay the debt service due on the Bonds on such Interest Payment Date. In the event that amounts in the Redemption Fund are insufficient for such purpose, the Fiscal Agent will withdraw from the Reserve Fund to the extent of any funds therein the amount of such insufficiency, and will transfer any amounts so withdrawn to the Redemption Fund. Amounts so withdrawn from the Reserve Fund and deposited in the Redemption Fund will be applied to the payment of the Bonds. If, after the foregoing transfers, there are insufficient funds in the Redemption Fund to make the payments required on the Interest Payment Date, the Fiscal Agent will apply the available funds first to the payment of interest on the Bonds. Moneys in the Redemption Fund will be invested and deposited in accordance with the Resolution and Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Redemption Fund to the extent permissible under the provisions of the Agreement.

Reserve Fund

The Fiscal Agent shall establish, maintain, and hold a special fund designated as the "Reserve Fund." The Reserve Fund will be funded in an amount of \$72,700 (the "Reserve Requirement"), to be held by the Fiscal Agent. Reserve Fund moneys will be invested by the Fiscal Agent, and any interest earnings thereon will be allowed to accrue therein up to the amount of the Reserve Requirement, which is defined in the Agreement as being an amount equal to the lesser of (i) Maximum Annual Debt Service on all Bonds then Outstanding, (ii) 125% of average Annual Debt Service on all Bonds then Outstanding, or (iii) ten percent (10%) of the principal amount of Bonds then Outstanding. No guarantee or prediction of accrued interest earnings, if any, is made by the District. As provided in the 1915 Act, amounts collected by the District from the proceeds of the redemption or sale of a parcel for which payment of delinquent Assessment Installments was made from the Reserve Fund will be identified to and transferred into the Reserve Fund to the extent of such previous payment. Moneys in the Reserve Fund will be held by the Fiscal Agent for the benefit of the Owners as a reserve for the payment of principal of and interest and any premium on the Bonds. The Fiscal Agent will cause the Reserve Fund to be administered in accordance with Sections 8880-8887 of the California Streets and Highways Code.

All money in the Reserve Fund will be paid and transferred in the following amounts and at the following times and under the following circumstances:

(1) ***Deficiencies in Redemption Fund.*** Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal of or interest on the Bonds, an amount necessary to satisfy such deficiency will be transferred by the Fiscal Agent from the Reserve Fund to the Redemption Fund. If such insufficiency was caused by delinquent payment of Assessment Installments of and deposited by the Fiscal Agent in the Reserve Fund from the proceeds of redemption or sale of the parcel in respect of which payment of Installments of Assessments was delinquent as set forth above.

(2) ***Payment of Assessments.*** In the event any unpaid Assessments are paid in cash prior to their final due date, the Fiscal Agent shall transfer from the Reserve Fund to the Redemption Fund an amount calculated by the District equal to the ratio of the amount then contained in the Reserve Fund to the total amount originally assessed in the proceedings for the Bonds multiplied by the reduction in said Assessments.

(3) ***Excess Earnings.*** Whenever, on any Interest Payment Date, or on any other date when requested by a District Officer, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will, except as otherwise provided in the Resolution or the Agreement for purposes of rebate and as evidenced by a Certificate of the District, transfer an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used by the District in accordance with the Agreement or as otherwise directed by the District in such Certificate.

(4) ***Retirement of Bonds.*** Whenever the balance in the Reserve Fund is sufficient to retire all the remaining Outstanding Bonds, the District will instruct the Fiscal Agent to transfer the balance in the Reserve Fund to the Redemption Fund and the District will cease the collection of the unpaid Assessments, and in such case, the District will credit such balance against the unpaid Assessments in the manner set forth in the Refunding Act, with the amount apportioned to each unpaid Assessment credited against the last unpaid Assessment Installment; and, if the amount apportioned to each Assessment Parcel exceeds the amount of said last installment, then such excess will be credited against the next preceding unpaid Assessment Installment or Installments until exhausted. In the event that the balance in the Reserve Fund at the time of such transfer exceeds the amount required to retire all Outstanding Bonds, then such excess will be apportioned by the District to each parcel upon which an individual Assessment remained unpaid at the time the balance in the Reserve Fund was sufficient to retire all Outstanding Bonds, and such payments will be made by the District in cash to the respective owners of the Assessment Parcels; except that, if such excess is not greater than one thousand dollars (\$1,000), such excess may be transferred to the general fund of the District.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Resolution and the Agreement. All interest earned on such investments will be credited to the Reserve Fund, so long as the amount therein does not exceed the Reserve Requirement. All Investment Securities credited to the Reserve Fund will be valued each year at their fair market value. If at any time the amount of money in the Reserve Fund accumulates to an amount that exceeds the Reserve Requirement, the excess will be applied as described in the Resolution and the Agreement.

Teeter Plan

The County has adopted a Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County intends to include the Assessments of the District in its Teeter program. However, the County reserves the option at any time to discontinue the Teeter Plan as it relates to the Assessments, in which case collections of the Assessments will reflect actual delinquencies.

Covenant to Commence Superior Court Foreclosure

The District has covenanted in certain circumstances to institute judicial foreclosure in the event of a delinquency and thereafter to prosecute diligently to completion court foreclosure proceedings upon the lien of any and all delinquent assessments and interest. Pursuant to Part 14 of Division 10 of the California Streets and Highways Code, as amended, in the event any Assessment Installment is not paid when due, the District may order the institution of a court action to foreclose the lien of the delinquent unpaid Assessment

Installments. In such an action, the property subject to the unpaid Assessment Installments may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory.

The District will review the public records of the County, in connection with the collection of the Assessment Installments not later than August 1 of each year to determine the amount of Assessment Installments collected in the prior Fiscal Year. If the District determines that any parcel or parcels are delinquent in the payment of Assessment Installments, then the District will cause judicial foreclosure proceedings to be filed in the superior court not later than December 1 of each year and will prosecute diligently such foreclosure proceedings to judgment and judicial foreclosure sale; provided, however, the commencement of any foreclosure action may be deferred in the sole discretion of the District if, and only so long as, the amount in the Reserve Fund is not less than seventy percent (70%) of the Reserve Requirement.

Judicial Foreclosure Proceedings. The 1915 Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Assessment Installments to be sold for an amount not less than all Assessment Installments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided therein (the “Minimum Price”). The court may also include subsequent delinquent Assessment Installments and all other delinquent amounts.

The District may, at its discretion but is not required to, become the purchaser of any property sold in a foreclosure proceeding. If the District becomes the purchaser, it shall pay into the Redemption Fund an amount necessary to satisfy the judgment, less any advances by the District to cover delinquent Assessment Installments, plus simple interest on such net amount at the interest rates borne by the Bonds, from the dates of delinquency. Unless such property is subsequently resold, the District must transfer to the Redemption Fund any future Assessment Installments pending redemption. The District may thereupon be reimbursed for any amount advanced from the District to the Redemption Fund to cover such future Assessment Installments with respect to the property so sold from the proceeds of such sale.

If the property is sold to a purchaser other than the District, the District shall deposit the proceeds from the sale of the property into the Redemption Fund. From such amount, the District shall reimburse the Reserve Fund the amount, if any, of funds advanced from the Reserve Fund to the Redemption Fund to cover the delinquent Assessment Installments with respect to the property which is sold. After reimbursement of the Reserve Fund, the District may be reimbursed for any other amounts advanced from it to the Redemption Fund to cover delinquent Assessment Installments and interest with respect to the property sold in such proceedings. Any funds in excess of the amount necessary to reimburse the District may be applied by the District to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sales proceeds.

If the property to be sold fails to sell for the Minimum Price, the District may petition the court to modify the judgment so that the property may be sold at a lesser price or without a Minimum Price. Notice of the hearing on such petition must be given to all Bond Owners. In certain circumstances, the court may modify the judgment after the hearing to permit the sale of the property at a price lower than the Minimum Price if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to Bond Owners or that Bond Owners of at least 75% of the principal amount of Bonds outstanding have consented to the petition and certain other circumstances

described in the statute exist. Neither the property owner nor any holder of a security interest in the property nor any defendant in the foreclosure action may purchase the property at the foreclosure sale for less than the Minimum Price.

A period of 140 days must elapse after the date notice of levy of the interest in real property is served on the judgment debtor before the sale of such lot or parcel, with not more than 4 dwelling units, can be made. However, pursuant to Streets and Highways Code Section 8832, the 140-day period may be shortened to 20 days for undeveloped property. If the judgment debtor fails to redeem, and if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the repeal of the one year redemption period has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

In the event such superior court foreclosure or foreclosures are necessary, there may be a delay in payments to Bond Owners pending prosecution of the foreclosure proceedings and receipt by the District of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See the section herein entitled “BOND OWNERS’ RISKS.”

If any landowner files bankruptcy, there could be a delay in payment of Assessment Installments, as such bankruptcy filing could delay the foreclosure proceedings. In addition, amounts received upon foreclosure sales may not be sufficient to fully repay delinquent Assessment Installments. See “BONDHOLDERS’ RISKS – Bankruptcy Proceedings” herein.

Priority of Lien

The Assessment Installments and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same is paid. Such a lien is subordinate to all fixed assessment liens previously imposed upon the same property but has priority over all private liens and over all fixed special assessment liens that may thereafter be created against the property. Such a lien is co-equal to and independent of the lien for general taxes and any community facilities district special taxes. The District reports that upon the issuance of the Bonds there will be no assessment liens prior to the lien of the Assessment securing the Bonds on the Assessment Parcels in the Assessment District.

Covenant to Maintain Tax-Exempt Status

The District covenants that it will not make any use of the proceeds of the Bonds issued under the Indenture which would cause the Bonds to become “arbitrage bonds” subject to federal income taxation pursuant to the provisions of Section 148(k) of the Code, or to become “federally-guaranteed obligations” pursuant to the provisions of Section 149(b) of the Code, or to become “private activity bonds” pursuant to the provisions of Section 141(a) of the Code. To that end, the District will comply with all applicable requirements of the Code and all regulations of the United States Department of Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. Additionally, the District agrees to implement and follow each and every recommendation provided by bond counsel and deemed to be necessary to be undertaken by the District to ensure compliance with all applicable provisions of the Code in order to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

FINANCING PLAN

Estimated Sources and Uses of Bond Proceeds

As described more completely herein, the District will receive the proceeds from the sale of the Bonds, upon delivery of the Bonds to the purchasers thereof, and will use such proceeds as set forth in the following Table 1.

Table 1
CALAVERAS COUNTY WATER DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS

ESTIMATED SOURCES AND USES OF FUNDS	
<u>Sources of Funds</u>	
Par Amount of Bonds	\$990,000.00
<i>Less:</i> Original Issue Discount	(25,081.95)
<i>Less:</i> Underwriter's Discount	(12,375.00)
Total Sources	<u>\$952,543.05</u>
<u>Uses of Funds</u>	
Deposit to the Project Fund	\$825,843.05
Deposit to the Reserve Fund ⁽¹⁾	72,700.00
Costs of Issuance ⁽²⁾	<u>54,000.00</u>
Total Uses	<u>\$952,543.05</u>

(1) Represents the Reserve Requirement with respect to the Bonds.

(2) Includes legal fees, Fiscal Agent fees, Assessment Engineer's fees, and other such related fees and expenses.

Estimated Project Costs

The data in Table 2 shown on the following page is the estimated costs of the public water facilities Project contained in the Assessment Engineer's Report prepared by the District Engineer, for which there were construction bids received May 19, 2010. The Project consists of water system improvements necessary make water service available to homes in the Assessment District. See "APPENDIX F – FINAL ENGINEER'S REPORT" herein.

Construction plans and specifications were publicly bid and opened on May 14, 2010, with the award thereof taking place on August 25, 2010. The estimated costs in the Engineers Report include the construction cost of the lowest bidder and a ten percent (10%) contingency fee. The proposed new water system improvements will be constructed to the District's standards, and the new system will be connected to the District's water system. Upon completion of construction, the District will accept the Project improvements and assume maintenance responsibility for them.

Table 2
CALAVERAS COUNTY WATER DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS

PROJECT COST ESTIMATES				
<u>DESCRIPTION</u>	<u>QUANTIT</u> <u>Y</u>	<u>UNIT</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
<u>Construction</u>				
8-in Water Main	5,325	feet	41.5	\$249,600
6-inch Water Main	4,600	feet	35.5	\$290,950
DaLee Tie-In	2	each	4,000	\$8,000
Cassidy Tie-In	1	each	4,600	\$4,600
8-in Gate Valves	6	each	1,275	\$7,650
6-inch Gate valves	6	each	955	\$5,730
Fire Hydrant assembly	15	each	4,500	\$67,500
Air Valve Assembly	7	each	3,500	\$24,500
Blow-Off Assembly	4	each	2,000	\$8,000
Service Lines with Box	56	each	975	\$54,600
Pavement Replacement	5,760	LF	13	\$74,880
Sheeting, Shoring & Bracing	1	LS	2,500	<u>\$140,000</u>
Subtotal				\$642,248
<u>Contingencies</u>				
	10%			
Construction	(rounded)			<u>\$65,000</u>
Subtotal				\$65,000
<u>Engineering & Administration</u>				
Legal				\$16,000
Environmental/CEQA				\$4,000
Engineering/Design				\$20,000
Surveying				\$10,000
Construction Management				\$20,000
Project Administration				\$10,000
County Permits & Inspection				<u>\$25,000</u>
Subtotal				<u>\$105,000</u>
Total Project Cost				<u>\$812,248</u>

Connection Fees

In addition to the Assessment for the Project, each Assessment Parcel is responsible for connecting to the District's Water System, and paying for its individual water meter and connection fees which presently amount to \$9,639. During the Assessment Proceedings, each owner of an Assessment Parcel that contained a legal single-family residence was given an opportunity to choose to finance its individual water meter and connection fees through the issuance of Bonds by opting to increase its Assessment by \$10,750 (which is the total of \$9,639 plus \$1,111 which represents the associated incremental costs of issuing the Bonds as well as the associated increase in the Reserve Fund). There were twenty-four (23) Property

Owners that elected to increase their individual Assessment by \$10,750 (for a total of \$247,250) to prepay the District for their Connection Fees. See “THE ASSESSMENT DISTRICT” herein.

Debt Service Requirements

Table 3 on the following page sets forth annual principal and interest on the Bonds (assuming no redemptions of the Bonds, other than mandatory sinking fund redemptions).

**Table 3
Calaveras County Water District
Series 2010 Limited Obligation Improvement Bonds**

ANNUAL DEBT SERVICE SCHEDULE			
Maturity Date September 2	Principal Amount	Interest Amount	Total
2011	\$15,000.00	\$53,121.60	\$68,121.60
2012	15,000.00	53,800.00	68,800.00
2013	15,000.00	53,425.00	68,425.00
2014	15,000.00	52,900.00	67,900.00
2015	20,000.00	52,375.00	72,375.00
2016	20,000.00	51,675.00	71,675.00
2017	20,000.00	50,800.00	70,800.00
2018	20,000.00	49,925.00	69,925.00
2019	20,000.00	49,050.00	69,050.00
2020	20,000.00	48,175.00	68,175.00
2021	25,000.00	47,200.00	72,200.00
2022	25,000.00	45,981.26	70,981.26
2023	25,000.00	44,731.26	69,731.26
2024	25,000.00	43,481.26	68,481.26
2025	30,000.00	42,168.76	72,168.76
2026	30,000.00	40,593.76	70,593.76
2027	30,000.00	38,831.26	68,831.26
2028	35,000.00	37,068.76	72,068.76
2029	35,000.00	35,012.50	70,012.50
2030	35,000.00	32,956.26	67,956.26
2031	40,000.00	30,900.00	70,900.00
2032	40,000.00	28,500.00	68,500.00
2033	45,000.00	26,100.00	71,100.00
2034	45,000.00	23,400.00	68,400.00
2035	50,000.00	20,700.00	70,700.00
2036	55,000.00	17,700.00	72,700.00
2037	55,000.00	14,400.00	69,400.00
2038	60,000.00	11,100.00	71,100.00
2039	60,000.00	7,500.00	67,500.00
2040	65,000.00	3,900.00	68,900.00
Total	\$990,000.00	\$1,107,471.68	\$2,097,471.68

THE ASSESSMENT DISTRICT

The information set forth herein regarding ownership of real property in the Assessment District and the property owners within the Assessment District was obtained through the District and others and has not been independently verified. Neither the District, Bond Counsel nor the Underwriter make any representation as to the accuracy or completeness of any such information. This information has been included because it is considered relevant to an informed evaluation of the Assessment District. The information should not be construed to suggest that the Bonds or the Assessments that are pledged to pay debt service on the Bonds are personal obligations of the property owners within the Assessment District. The owners of property within the Assessment District will not be personally liable for payments of the Assessments.

In General

The groundwater wells that provide drinking water to many of the Assessment Parcels have shown signs of continuous degradation as to quality and quantity, and consequently, the owners of greater than sixty percent of the Assessment Parcels petitioned District to conduct assessment district proceedings for the construction a new water delivery system necessary to make water service available to the Assessment District (the “Project”).

The intent of the Project is to install water system facilities for fire protection and residential water service to all parcels within the proposed assessment area. The water system Project will consist of pipelines, fire hydrants, and an individual service line with a concrete box for a future meter to each parcel. See “FINANCING PLAN – Estimated Project costs” herein.

Of the original 56 Assessment Parcels, a total of twelve (12) Property Owners exercised their right to pay their entire Assessment in cash during the Cash Collection Period. There are a total of Forty-Eight (48) Assessment Parcels that presently have unpaid individual Assessments that will be financed through the District’s issuance of the Bonds. Of the 48 Parcels for which the Assessments have not been prepaid, all but 15 are developed with residential homes and have a combined assessed valuation of \$7,005,906. The money received by the District during the Cash Collection Period will be combined with a designated portion of Bond proceeds and used to construct the Project.

Water Service

Although the Assessment District is primarily designed to provide financing for the Project, each Assessment Parcel is additionally responsible for connecting to the District’s Water System prior to receiving water service. It is the financial responsibility of each Assessment Parcel to pay for its individual water meter and connection fees which presently amount to \$9,639. During the Assessment Proceedings, each owner of an Assessment Parcel that contained a legal single-family residence was given an opportunity to choose to finance its water meter and connection fees through the issuance of Bonds by opting to increase its Assessment by \$10,750 (which is the total of \$9,639 plus \$1,111 which represents the associated incremental costs of issuing the Bonds as well as the associated increase in the Reserve Fund) (the “Connection Fees”).

In addition to paying their individual water meter and connection fees to the District, or electing to finance the Connection Fee through the issuance of the Bonds (it should be noted that 23 have opted to finance the Connection Fee through the issuance of the Bonds), each Assessment Parcel must also privately arranging for the construction and plumbing of individual water lines from the residence to the water meter.

Once connected to the District’s Water System, water base rates will begin to be billed to the Assessment Parcel. These rates are not included with the Assessment and are to be paid bi-monthly. Rates are subject to change. The base rate for a 5/8” meter will be \$72.00, bi-monthly, beginning on July 1, 2010 for usage up to 1,000 cubic feet (7,480 gallons). Usage above 1,000 cubic feet will be charged by a tiered rate structure. For a 5/8” meter the tiered rate structure is:

Meter Size	Tier 1 - \$1 / 100cf		Tier 2 - \$1.25 / 100cf		Tier 3 - \$1.60 / 100 cf
	Min	Max	Min	Max	
5/8”	1,001	6,000	6,001	12,000	12,000 +

Assessment Proceedings

On May 26, 2010, the Board adopted a Resolution of Intention (the “Resolution of Intention”) declaring the intention of the District to finance the cost of the construction of the Project through the levy of Assessments and referred the matter of the establishment of the Assessment District, and the levy and collection of Assessments to the District Engineer, as the qualified engineer retained by the District in the proceedings (the “Assessment Engineer”), and directed the Assessment Engineer to prepare and file with the Clerk of the Board (the “Clerk”) a report in writing containing the matters specified in Section 10204 of the 1913 Act, as amended and as supplemented by Article XIID of the California Constitution and Section 53753 of the California Government Code (the “Engineer’s Report”). See “APPENDIX F – FINAL ENGINEER’S REPORT” herein.

The Assessment Engineer prepared and filed its Engineer’s Report with the Clerk, and the Board then adopted its Resolution No. 2010-29 preliminarily approving the Engineer’s Report and setting the time and place for the required public hearing for July 14, 2010 (the “Public Hearing”), and directed the Clerk to cause a notice of the Public Hearing, together with assessment ballots, to be prepared and distributed by first class mail to the Assessment Parcel owners in the time, form and manner provided by law.

On July 14, 2010, the Board held the Public Hearing to take testimony and approve the results of the balloting regarding the formation of the Assessment District, approved a resolution adopting the final Engineer's Report and confirming the Assessments to pay for the construction of the Project, and ordered a minimum 30-day cash payment period (the “Cash Collection Period”) for Property Owners to pay all or a portion of their Assessments prior to issuance of bonds. On August 25, 2010 the Board adopted a resolution authorizing the issuance of the Bonds in the amount of the Total Unpaid Assessments (defined below).

Cash Collections and Unpaid Assessments

The Cash Collection Period ended on August 16, 2010. A total of Twelve (12) Property Owners, for a total cash collection of \$178,980, exercised their right to pay their Assessment in cash during the Cash Collection Period. There are forty-four (44) Assessment Parcels that presently have unpaid individual Assessments of \$16,950 each (for a total of \$745,800), and of these 44 Assessment Parcels, nineteen (19) elected to increase their individual Assessment by an additional \$10,750 (for a total of \$204,250) to prepay

the District for their Connection Fees, and an additional (i.e., additional to the 44 mentioned above) four (4) Property Owners that have unpaid individual Assessments of \$10,750 each (for a total of \$43,000). The remaining total of all unpaid Assessments (including the total unpaid assessments of all 23 parcels that elected to finance Connection Fees) is \$993,050 (the “Total Unpaid Assessments”).

The Project

The Project includes water pipelines that will be 8-inch and 6-inch in diameter and have a total length of 9,925 feet. There will be approximately 5,325 feet of 8-inch pipeline and 4,600 feet of 6-inch pipeline. The Project will include gate valves, air valves, fire hydrants and service lines. Also, three tie-ins will be needed to connect the new facilities to the existing water system.

A one-inch (1”) service line will be installed from the water main to the boundary line of each Assessment Parcel. The service line will terminate in a concrete box that will be plumbed for a future water meter. As discussed above, the purchase of a water meter and capacity fees are optional and can be included in the Assessment. The plumbing of the house to the meter box is the responsibility of each corresponding Property Owner. In addition to the house plumbing, the District recommends that the Property Owner install a pressure regulating valve, at the meter, to prevent damage from potential high pressures in the area.

All construction will be preformed by a licensed and bonded contractor according to the Calaveras County Water District Construction Standards. The water mains will be buried within road corridors by conventional open-cut trench and backfill methods using a backhoe, excavator or other heavy equipment. Construction along the roads will be governed by the encroachment permit issued by Calaveras County. The pipe bedding and initial backfill will be imported (non-native) aggregate base. Native soil excavated from the trench, if suitable, can be used to backfill the upper portion of the trench; otherwise, all excavated material that is excess or unsuitable will be hauled away and disposed of off site.

Damage to the road will be repaired to an as good or better condition. The existing asphalt paving above the trench will be saw cut and removed. After installation of the water main, the paving will be replaced where damaged. The new paving will be placed with a paving machine, compacted and rolled smooth to match the adjacent road surface.

A Negative Declaration document was prepared by the District in accordance with the California Environmental Quality Act (CEQA) requirements for comment from April 1 to April 30, 2010, and was adopted by the Board on May 19, 2010. Construction plans and specifications were publicly bid and opened on May 14, 2010, with the award thereof taking place on August 26, 2010. The estimated costs in the Engineers Report include the construction cost of the lowest bidder and a ten percent (10%) contingency fee. The proposed new water system improvements will be constructed to the District’s standards, and the new system will be connected to the District’s water system. Upon completion of construction, the District will accept the Project improvements and assume maintenance responsibility for them.

Annual Administrative Assessment

Pursuant to subparagraph (f) of Section 10204 of the 1913 Act, an annual administrative assessment shall be levied upon each of the several parcels of land in the district to pay costs incurred by the District and not otherwise reimbursed which result from the administration and collection of Assessments or from

the administration or registration of Bonds and Reserve Fund, Redemption Fund or other related funds. Without limiting the foregoing, such annual administrative assessment shall be in addition to any amounts collected pursuant to Sections 8682 and 8682.1 of the Streets and Highways Code.

The maximum annual administrative assessment shall be set for the first year of installment collections at \$150 per Assessment Parcel, and said maximum amount shall be increased each year thereafter at the rate of 2% per year over the maximum amount for the previous year.

ASSESSMENT PARCEL VALUATIONS

Assessed Values

In general. Assessed value is determined by the county in which an assessed parcel is located, and typically represents market value of an assessed parcel as of its most recent assessment recordation date, plus a not to exceed 2% per year inflation factor since the date of such assessment. A new assessment of an assessed parcel to its then current market value will only occur upon a change in ownership or new construction with respect to such parcel. These valuations are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the Assessment Parcels. See “BONDHOLDERS’ RISKS – Determining Property Values” herein.

Inflation Factor. Article XIII A of the California Constitution (the “Proposition 13”) provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, absent a change in ownership, not to exceed a two percent (2%) increase for any given year; or may be reduced to reflect a reduction in the California Consumer Price Index (CCPI) or deflation, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other devaluation factors. Such adjustment is computed on a calendar year basis.

The California Department of Industrial Relations calculates the CCPI using price data published by the US Bureau of Labor Statistics. If negative inflation (deflation) occurs over a specified 12-month period, then all Proposition 13 base-year values must be adjusted downward to reflect the deflation. Under Proposition 13, once such a “base year value” is established, it must be adjusted in subsequent years by an inflation factor, but any increases resulting from these annual adjustments are capped at 2 percent per year.

For the first time since Proposition 13 was approved, the State Board of Equalization has announced that there will be deflation (negative inflation) of -0.237% in Fiscal Year 2010-11.

Assessment Appeals. There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to a change in ownership or completion of new construction. If the base 30 year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value.

A number of counties in California, including Calaveras County, have processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties without prompting from individual taxpayers. These reductions have affected the 2008-09 and 2009-10 tax rolls. Typically, the properties to be reviewed for these “automatic” reductions are single family homes and condominiums which transferred ownership between 2001 and 2009. These reductions were triggered because residential property values have decreased in many areas of the State.

Parcel Valuations

The Assessed valuation to assessment lien ratios set forth in this Official Statement have been derived by dividing the County Assessor’s records of assessed valuation (land plus improvements) as of August 24, 2010 by the corresponding unpaid Assessments. According to the County Assessor’s Office, the aggregate assessed valuation of land and improvements of the 48 Assessment Parcels with unpaid assessments is \$7,005,906 and Value-to-Lien Ratios range from 0.47:1 to 23.81:1. The total lien on all aggregated Assessment Parcels is \$993,050. The aggregate Value-to-Lien Ratio is 7.05:1.

Table 4 sets forth a listing of the Value-to-Lien Ratios for each of the Assessment Parcels in the Assessment District, based on County Assessor’s records as of August 24, 2010. The debt and lien allocations of the categories of Assessment Parcels listed herein, and the resulting ratios, have been estimated utilizing assessed values. **The District has not commissioned an appraisal to determine the fair market value of land and improvements of the assessment Parcels, choosing instead to rely on assessed values, and therefore investors must recognize the inherent uncertainties and inaccuracies with respect to the assessed values of the Assessment Parcels, since the Bonds are secured solely by the Assessment Parcels. See “BONDHOLDERS’ RISKS” herein.**

**Table 4
CALAVERAS COUNTY WATER DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS**

PARCEL VALUATIONS AND VALUE-TO-LIEN RATIOS						
Assess- ment No.	APN	Assessed Land Value	Assessed Structure Value	Total Assessed Value	Confirmed Unpaid Assessments	Value-to-Lien Ratios
1	070-022-001	\$55,000	\$99,000	\$154,000	\$16,950	9.09 : 1
2	070-022-002	9,633	100,405	110,038	27,700	3.97 : 1
3	070-022-003	55,000	170,000	225,000	16,950	13.27 : 1
4	070-022-004	47,941	198,633	246,574	27,700	8.90 : 1
5	070-022-005	55,000	174,000	229,000	27,700	8.27 : 1
6	070-022-006	55,000	138,000	193,000	10,750	17.95 : 1
7	070-022-007	55,000	-	55,000	16,950	3.24 : 1
8	070-022-008	55,000	158,000	213,000	27,700	7.69 : 1
9	070-022-009	35,718	178,602	214,320	27,700	7.74 : 1
10	070-022-010	26,683	240,303	266,986	27,700	9.64 : 1
11	073-021-008	41,671	150,024	191,695	27,700	6.92 : 1
12	073-021-007	66,086	-	66,086	16,950	3.90 : 1
13	073-023-003	55,000	183,000	238,000	27,700	8.59 : 1
14	073-023-002	38,653	165,606	204,259	16,950	12.05 : 1

15	073-023-001	28,497	148,411	176,908	27,700	6.39 : 1
16	070-021-011	47,941	192,645	240,586	16,950	14.19 : 1
19	070-023-041	55,000	-	55,000	16,950	3.24 : 1
20	070-022-014	55,000	101,000	156,000	16,950	9.20 : 1
21	070-022-013	55,000	201,000	256,000	10,750	23.81 : 1
22	070-022-012	22,019	121,087	143,106	10,750	13.31 : 1
24	070-022-017	46,836	113,551	160,387	10,750	14.92 : 1
25	070-022-016	30,000	201,000	231,000	27,700	8.34 : 1
27	070-023-043	7,983	-	7,983	16,950	.47 : 1
28	070-023-032	15,000	132,000	147,000	27,700	5.31 : 1
29	070-023-033	15,000	167,000	182,000	27,700	6.57 : 1
30	070-023-034	38,472	142,332	180,804	27,700	6.53 : 1
31	070-023-035	55,000	119,000	174,000	27,700	6.28 : 1
32	070-024-033	29,921	253,605	283,526	16,950	16.73 : 1
33	070-024-034	13,892	-	13,892	16,950	.82 : 1
35	070-024-032	34,239	-	34,239	16,950	2.02 : 1
36	070-023-023	31,413	-	31,413	16,950	1.85 : 1
37	070-023-024	22,346	-	22,346	16,950	1.32 : 1
38	070-023-025	55,000	-	55,000	16,950	3.24 : 1
40	070-023-029	55,000	162,000	217,000	27,700	7.83 : 1
41	070-023-030	55,000	131,000	186,000	27,700	6.71 : 1
43	070-023-027	31,537	89,578	121,115	16,950	7.15 : 1
44	070-023-020	30,296	-	30,296	16,950	1.79 : 1
45	070-023-018	16,647	-	16,647	16,950	.98 : 1
46	070-023-017	55,000	-	55,000	16,950	3.24 : 1
47	070-023-016	55,000	188,000	243,000	27,700	8.77 : 1
48	070-022-023	40,852	143,582	184,434	16,950	10.88 : 1
49	070-022-024	55,000	115,000	170,000	16,950	10.03 : 1
50	070-022-026	55,000	186,000	241,000	27,700	8.70 : 1
51	070-022-025	55,000	-	55,000	16,950	3.24 : 1
52	070-022-018	55,000	101,000	156,000	27,700	5.63 : 1
53	070-022-019	9,633	-	9,633	16,950	.57 : 1
54	070-022-020	9,633	-	9,633	16,950	.57 : 1
56	070-022-022	55,000	98,000	153,000	16,950	9.03 : 1
	TOTALS	<u>\$1,943,542</u>	<u>\$5,062,364</u>	<u>\$7,005,906</u>	<u>\$993,050</u>	<u>7.05 : 1</u>

Source: The District.

Delinquencies

The County intends to include the assessments which secure the Bonds in the “Teeter Plan” (which is the County’s Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. However, the County reserves the option at any time to discontinue the Teeter Plan as it relates to the Assessments, in which case collections of the Assessments will reflect actual delinquencies. See “BONDHOLDERS’ RISKS – Foreclosure and Sale Proceedings” for a further discussion with respect to delinquent assessment payments. To date there have been very few delinquencies within the Assessment District. As of August 24, 2010 there are two (2) Assessment Parcels totaling \$2,895 which are delinquent on their property taxes.

THE DISTRICT

General

The District was formed on November 5, 1946 and operates under provisions of the County Water District Law, Division 12, Section 30000 et.seq. of the California Water Code. The Board of Directors of the District consists of five members elected by geographic division for four-year overlapping terms. The President of the Board and other officers are selected by a vote of the members of the Board. A General Manager, who serves at the pleasure of the Board, is responsible for implementing Board policy and administering District operations.

The District has operated continuously since 1947 under the laws of the State as a county water district for the primary purpose of providing water and sewer service to the residents of Calaveras County. The District is a political subdivision of the State of California and is not a part of, or under the control of, Calaveras County; however, the District includes all of Calaveras County, which is located in the central Sierra Nevada foothills, in the northeastern part of California. The District boundaries encompass approximately 640,000 acres of land ranging from the San Joaquin Valley to the Sierra Nevada Mountains. See “APPENDIX A – GENERAL INFORMATION REGARDING THE DISTRICT, THE COUNTY AND SURROUNDING AREA.”

Economy

San Andreas (location of District office), the County seat, is located approximately 130 miles east of San Francisco and 60 miles southeast of Sacramento. The local economy is shallow, with most of the resident population located in unincorporated portions of the County without a nearby population center. The nearest significant city is Stockton (pop. 245,000), in the Central Valley, approximately 40 miles to the west.

Much of the resident economy revolves around tourism and recreation related to the gold country appeal of the lower Sierra foothills, and just over 28% of the resident population generates a retirement income (according to 2000 census data). Wealth levels are generally low, with both per capita and median household income 25% below national averages.

Relatively vigorous residential growth and growth in water and sewer connections continue in the western portions of the County and District, in particular the Copper Cove and Jenny Lind areas along Highways 4 and 12. See “APPENDIX A – GENERAL INFORMATION REGARDING THE DISTRICT, THE COUNTY AND SURROUNDING AREA.”

Operations

The District's water supply is ample, with water supplied and rights secured from three watersheds (Stanislaus River, Mokelumne River, and Calaveras River) without any transfers required, or provided by the current infrastructure, across these sources. Treated water is supplied by five plants, with a total 12.9 million gallon per day (mgd) capacity and average daily demand of 5 mgd, with peaks between 8 mgd and 9 mgd in a typical year. Both the Copper Cove and Jenny Lind plants, the two largest, apply an ozone treatment process, a relatively sophisticated technology.

In 2003, the District completed a 20-year urban water management plan that found that the water supply was sufficient for that time frame at the current pace of population growth. Wastewater treatment is provided by twelve permitted systems in six individual improvement districts; and the infrastructure itself is relatively recent, with the first sewer service provided to portions of the county in the early 1970s.

District Powers

Under the Law, the District has broad powers over the use of water within its boundaries, including the right of eminent domain, authority to acquire, control, distribute, store, sink, spread, treat, purify, reclaim, process and salvage any water for beneficial use, to provide sewer, to sell treated or untreated water, to acquire or construct hydroelectric facilities and sell the power and energy produced to public agencies or public utilities engaged in the distribution of power, to contract the United States, other political subdivisions, public utilities, or other persons, and, subject to Article XIII A of the State constitution, to levy taxes and improvements.

Land and Land Use

With elevations starting at 200 feet, the western portion of the County is also the site of numerous water and hydroelectric projects. The eastern portions of the County range to over 7,000 feet and host mining, timber and tourism industries. Relatively vigorous residential growth and growth in water and sewer connections continue in the western portions of the County and District, in particular the Copper Cove (which is the area of the County where the Saddle Creek Resort is located) and Jenny Lind areas along Highways 4 and 12. Recent population growth in the County has averaged approximately 2.0 % per annum over the last 10 years.

The County has a varied climate with average rainfall of 20 inches a year in the western portion of the County and up to 60 inches in the Mountains in the eastern portion of the County. For more demographical information on the District and the surrounding area, see “APPENDIX A – GENERAL INFORMATION REGARDING THE DISTRICT, THE COUNTY AND SURROUNDING AREA.”

Employees

The District currently employs approximately 67 persons, of whom 36 work in the water department, 12 in the sanitary sewer department, and 19 in accounting, engineering or administration. Non-management employees are represented by the Service Employees International Union.

Budget Process

Prior to June 1 of each year, the General Manager of the District submits a proposed budget for the District for the Fiscal Year commencing the following July 1 to the Board of the District. The Board generally conducts public workshops to obtain comments from residents and ratepayers. Subsequent to the public workshops, the Board approves the budget on or about to July 1.

Water Quality

The Environmental Protection Agency (EPA) and the California Department of Public Health (CDPH) are the agencies responsible for establishing drinking water quality standards. To ensure that tap water is safe to drink, EPA and CDPH prescribe regulations that limit the amount of certain contaminants in water provided by public water systems. The District vigilantly safeguards its water supply and the water delivered to its customers meets the standards required by the state and federal regulatory agencies. In some cases, the District goes beyond what is required to monitor for additional contaminants that have known health risks.

Water Security

As part of its normal operating procedures, the District has routinely monitored its reservoirs and sample stations and has conducted frequent water sampling and quality testing. In the aftermath of the September 11th terrorist attack and the growing concerns regarding security and the potential threat of contamination, the District has added additional security measures to those already in existence. These include the coordination with local law enforcement for the increased monitoring of District facilities and the coordination of emergency procedures with other regional water agencies.

BONDOWNERS' RISKS

This Bondowners' Risks section of this Official Statement does not summarize this Official Statement but supplements it with other sections in order to provide the Bondowners' with a practical perspective on the material risks of the investment. Necessarily, the listing and discussion of risks is neither comprehensive nor definitive. It is based largely upon typical experience with special limited obligation improvement bonds in other situations. Even the discussion of legal matters is subordinate to the purpose of conveying a practical perspective based on such experience.

Introduction

Debt service on the Bonds is payable from Assessment Installments (of principal and interest) levied against the Assessment Parcels. The principal of the Assessment is the aggregate of the amounts of the individual Assessments levied against the Assessment Parcels. The individual Assessment on each Assessment Parcel will be paid in annual installments, together with interest on the unpaid balance, unless the unpaid balance is subsequently prepaid. The annual installments of principal and interest with respect to an Assessment Parcel will be collected on the County tax roll at the same time and in the same manner as general real property taxes are collected. The annual installments of principal and interest with respect to all Assessment Parcels is estimated to be equal in the aggregate to the annual debt service on the Bonds.

Payment of the Assessment Installments is secured by the lien of Assessment recorded against each Assessment Parcel. In the event an Assessment Installment is not paid when due, the District may institute foreclosure proceedings in the Superior Court of Calaveras County to cause the parcel to be sold in order to recover the delinquent amount from the proceeds of the sale of the parcel. The foreclosure remedy is alternative to the usual property tax collection procedures which will be used unless foreclosure proceedings are instituted. Foreclosure and sale and tax collection procedures, however, may not result in the recovery

of the full amount of delinquent Assessment Installments. See the discussion below under the caption “Foreclosure and Sale Proceedings.”

The sufficiency of tax or foreclosure sale proceeds to cover delinquent amounts depends in part on the market for and the value of the Assessment Parcel at the time of the tax or foreclosure sale. The present assessed value and the relationship of that value to the principal amount of the unpaid Assessment on the Assessment Parcel are based upon present facts and circumstances. These facts and circumstances include date of last transfer of real property, contemplated land ownership, development plans and other factors affecting the progress of land development, economic conditions affecting real estate values and natural conditions affecting the use of the Assessment Parcels, as well as a number of additional factors many of which are discussed or referred to herein. Future substantial adverse changes may result in future values and value relationships that differ significantly from the present assessed value and value relationships.

The sufficiency of tax or foreclosure sale proceeds to cover delinquent amounts may also depend on the value of any prior or parity liens and similar claims.

Governmental liens may presently exist or may arise in the future with respect to an Assessment Parcel which, unless subordinate to the Assessment, may effectively reduce the realizable value of the parcel for the benefit of the Assessment. See the discussion below under the caption “FDIC/Federal Government Interests in Parcels.”

Other claims, such as hazardous substance claims, may also affect the realizable value even though such claims may not rise to the status of liens.

Timely foreclosure and sale proceedings with respect to an Assessment Parcel may be forestalled or delayed in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Not only may foreclosure and sale proceedings be forestalled and delayed, but sale of an Assessment Parcel by the Calaveras County tax collector may be similarly affected by bankruptcy. Further, payment of Assessment Installments may be subordinated to bankruptcy law priorities. See the discussion below under the caption “Bankruptcy Proceedings”.

Although bankruptcy proceedings may forestall or delay a foreclosure and sale or a tax sale of a delinquent Assessment Parcel, the Assessment is secured by a lien which, assuming proper procedures are followed, may be enforced against such Assessment Parcel. The owner of an Assessment Parcel, however, is not personally obligated to pay the Assessment Installment. See the discussion below under the caption “Payment of the Assessment not a Personal Obligation.”

Further, the District is not obligated to pay debt service on the Bonds in the event Assessment Installment collections are delinquent, nor is the District obligated to advance funds to pay debt service. See the discussion below under the caption “Limited Obligation of District to Pay Debt Service.”

Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and may remain outstanding. See the discussion below under the caption “Loss of Tax Exemption.”

A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay Assessments Installments when due. Similarly, an economic decline resulting in a stagnant housing market, which in turn may cause land values to decrease, may affect the ability or desire of property owners to pay Assessments Installments when due. In either of these events, there could be a default in the payment of the principal of, and interest on, the Bonds. See the discussion below under the caption “The Progress of Land Development,” “Current Economic Downturn and Depressed Housing Market,” and “Adjustable Rate and Non-Conventional Mortgages.”

Delinquencies

The owners of Assessment Parcels are not personally obligated to pay the Assessment or the Assessment Installments; the Assessments are obligations only of the Assessment Parcels. As a result, delinquencies are likely to occur. No assurances are given that additional delinquencies will not occur in the future. In fact, the District expects that delinquencies will occur in the future.

Determining Property Values

The value of the property within the Assessment District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Assessment Installments, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Assessment Installments. Reductions in property values due to a downturn in the economy, physical events, such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the assessments. See “ASSESSMENT PARCEL VALUATIONS” herein.

The District has relied on the assessed valuations of the most recent County Assessor’s rolls for the valuations for all of the property within the District presented in this Official Statement. Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value-to-lien ratio should not, however, be viewed as a guarantee of credit-worthiness. Land values are more volatile in the early stages of a development, and are especially sensitive to economic cycles. A downturn of the economy, such as the current economic crisis, may depress land values and hence the value-to-lien ratios, thereby increasing risk to investors and lenders. Further, the value-to-lien ratio cited for a bond issue is based on the aggregate value of all parcels in the District. Individual parcels in an assessment district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the land is worth less than the debt on it.) See “ASSESSMENT PARCEL VALUATIONS” for information on individual parcels values. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. Finally, local agencies may form overlapping community facilities districts or assessment districts. Debt issuance by another entity can dilute value-to-lien ratios. See the discussion below under the caption “Future Overlapping Indebtedness.”

The assessed values of the property within the District contained herein do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the County Assessor not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value. No assurance can be given that the values of the property within the District will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur. See “ASSESSMENT PARCEL VALUATIONS” herein.

No assurance can be given that any bid will be received for a parcel with delinquent Assessment Installments offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Assessment Installments. See “SECURITY FOR THE BONDS – Covenant to Commence Superior Court Foreclosure.”

Foreclosure and Sale Proceedings

The District is obligated under certain conditions to institute foreclosure and sale proceedings against parcels the Assessment Installments of which are delinquent, and may do so in other circumstances even if not so obligated. **So long as the Assessments are included in the County’s Teeter Plan, the County may initiate foreclosure proceedings under their customary practice for delinquent property taxes (5 years) rather than by December 1 each year.** Foreclosure proceedings are instituted by the bringing of an action in the superior court of the County in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. Upon judgment of foreclosure the parcel may be offered for sale at a minimum price. The established minimum price will be sufficient to cover the amount of the delinquent Assessment Installments and unpaid interest together with penalties, costs, fees and charges and the costs of execution and sale.

However, in the event an Assessment Parcel does not sell for the minimum price the court may modify its judgment and reduce or eliminate the minimum price. In order to do so, however, written notice of a hearing on the matter of reducing or eliminating the minimum price is required to be given all registered owners of the Bonds.

If at the hearing the court determines that such a sale will not result in an ultimate loss to the Bondowners, or if the owners of seventy-five percent (75.00%) of the outstanding Bonds by principal amount consent and the sale will not result in an ultimate loss to the nonconsenting owners of the Bonds, the court may reduce or eliminate the minimum price at which a Assessment Parcel may be sold.

Further, if the owners of seventy-five percent (75.00%) of the outstanding Bonds by principal amount consent, the court may reduce or eliminate the minimum price at which a Assessment Parcel may be sold even if sale below the minimum price will result in an ultimate loss to nonconsenting owners of the Bonds, provided that the court makes certain additional determinations specified by statute including the reasonable unavailability of any other remedy acceptable to the owners of seventy-five percent (75.00%) or more of the outstanding Bonds by principal amount. Upon sale of the Assessment Parcel for less than the minimum price, the remaining unpaid balance of the Assessment of the Assessment Parcel will be reduced by the difference between the minimum price and the sale price. By such a reduction the aggregate principal amount of the outstanding Bonds will exceed the aggregate principal amount of the unpaid Assessment.

Under such circumstances, unless other funds are available or unless consenting owners of Bonds agree to the protection from ultimate loss of nonconsenting owners of the Bonds, proportionate payments are to be made, periodically, of the unpaid principal and interest of the Bonds without priority or preference between Bondowners as funds become available from collection of the Assessment Installments. Maturity dates of the Bonds are to be disregarded and no redemption premiums are to be payable on payments of the principal of Bonds the maturity dates of which are subsequent to the date of any such payments. The Bondowners may be required to surrender the Bonds for cancellation in order to participate in such proportionate payments.

The Progress of Land Development

The basis for value of the Assessment Parcels and the property owners' willingness to pay the Assessments may also depend on the timely development of parcels that presently do not have homes built thereon. Risk factors include, without limitation: (i) general or local economic conditions; (ii) local real estate market conditions; (iii) governmental regulation and approval requirements, particularly environmental quality, land use, zoning and rebuilding requirements; (iv) dilapidation of Assessment District improvements, as well as other infrastructure improvements; and (v) construction and financing abilities of the various landowners.

The District has not independently evaluated these risks. These risks may be serious and may ultimately halt or slow the progress of homes being built and forestall the realization of the values. Diminished values may lessen the effectiveness of foreclosure proceedings as a remedy.

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

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

Assessed values are one indication of value, but do not always represent the market value of a parcel. Assessed values are determined by the County as of its most recent assessment recordation date, plus a 2% annual inflation factor initiated from such assessment recordation date. A new assessment of an assessed parcel to its then current updated "value" will only occur upon either a change in ownership or new construction with respect to such parcel. The Assessment District's records of assessed values are stated throughout this Official Statement. These valuations are inexact predictions of value at best, and do not take into account the myriad social, economical, political, geological and environmental factors that can result in a reduction of marketability and value of the Assessment Parcels.

The District has not sought the present opinion of an appraiser.

Current Economic Downturn and Depressed Housing Market

Since August 2007, sales of new homes and resales of homes throughout California have weakened dramatically. In the opinion of some economists, the significant increase in home prices from 2003 to 2006 were driven, in part, by the ability of home purchasers to obtain so-called “creative financing” that included adjustable rate loans and loans up to the full value of the home, in some cases with minimal documentation of purchaser income qualifications. However, since August 2007 the ability of home buyers to obtain creative financing has been reduced as lenders adopted more stringent lending criteria for home buyers. In addition, interest rates on conventional loans have increased, and interest rates on adjustable rate loans have reset at higher rates (causing increased payments). As a consequence, housing prices have declined significantly, and this, in turn, has caused land values to decrease substantially as well.

Fallout from the subprime mortgage crisis has resulted in tightening credit markets, bank collapses, higher interest rates, increased foreclosure activity and major reductions in home prices throughout California. In particular, the availability of credit could affect the ability of current homeowners or future homebuyers in the District to obtain financing or refinancing.

Adjustable Rate and Non-Conventional Mortgages

Since the end of 2002, many persons have financed the purchase of new homes using loans with little or no downpayment and with adjustable interest rates that start low and are subject to being reset at higher rates on a specified date or upon the occurrence of specified conditions. Many of these loans allow the borrower to pay interest only for an initial period, in some cases up to 10 years. Homeowners in the District who purchased their homes with adjustable rate and non-conventional loans with no or low downpayments may experience difficulty in making their loan payments due to automatic mortgage rate increases and rising interest rates. This could result in an increase in the Assessments delinquency rate in the District and draws on the Reserve Fund. If there were significant delinquencies in Assessment collections in the District, and the County no longer included the Assessments in its Teeter program, and the Reserve Fund was fully depleted, there could be a default in the payment of principal of and interest on the Bonds.

As mortgage loan defaults increase, bankruptcy filing by such homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent Assessments would delay the commencement and completion of foreclosure proceedings to collect delinquent Assessments. See “Bankruptcy Proceedings” below. The District cannot provide any assurance as to the number of homes in foreclosure or that have been foreclosed on in the District.

FDIC/Federal Government Interests in Parcels

The ability of the District to collect interest and penalties specified by the 1915 Act and to foreclose the lien of delinquent Assessment Installments may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), the Internal Revenue Service, the Drug Enforcement Agency or other similar federal government agencies has or obtains an interest. Specifically, with respect to the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Assessment Installment is not paid, the remedies available to the District may be constrained. The FDIC’s policy statement regarding the payment of state

and local real property taxes (the “Policy Statement”) provides that taxes other than ad valorem taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-ad valorem taxes, such as the Assessment Installments, which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a portion of the parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would prevent or delay the foreclosure sale. The District has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the Assessment Parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Assessment Prepayment

The District does not have any policy regarding the prepayment of assessments levied on residential property. It should be noted that the Assessments can be prepaid at any time, along with the appropriate premium. Such prepayments result in a corresponding redemption of Bonds (see “REDEMPTION OF BONDS” herein). There can be no way of predicting if and when property owners will prepay Assessments. However, individual home or lot buyers may choose to or may be required by mortgage lenders to prepay assessments apportioned to their properties. The result may be that remaining Bonds will be secured by remaining Assessments which may continue to be primarily obligations of undeveloped lots.

Hazardous Substances

While governmental taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Assessments is a claim with regard to a hazardous substance. In general, the owners of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as Superfund, and California laws with regard to hazardous substances are also stringent and similar.

Under many of these laws, the owner(or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating handling the hazardous substance. The effect therefore, should any of the parcels within the Assessment District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of

these possibilities could significantly affect the value of a property that is realizable upon a delinquency and foreclosure.

The District is not aware that the owner (or operator) of any of the land within the District has such a current liability with respect to such land. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Endangered Species

In recent years, there has been an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in Northern California area as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. At present, the property within the Assessment District is not known to be inhabited by any plant or animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Services has proposed for addition to the endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected list on a regular basis.

Any action by the State and federal governments to protect species located on or adjacent to the property within the Assessment District could negatively affect the property owners' ability to develop the property within the Assessment District. This, in turn, could reduce the ability or willingness of the property owners to pay the Assessments when due and would likely reduce the value of the land, and the potential revenues available at a foreclosure sale for delinquent Assessments.

Archeological Historical Site

Although there is no known archeological or historically significant site in the Assessment District, no assurance can be given that such a site will not be discovered in the course of developing the site. In such event, it is possible that Federal State and Local regulations may apply and such regulations may adversely impact the ability to develop all or a portion of the Project.

Future Overlapping Indebtedness

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

No Acceleration Provision

The Agreement does not contain a provision allowing for the acceleration of the principal of the Bonds in the event of a debt service payment default or other default under the terms of the Bonds or the Agreement.

Absence of Market for the Bonds

No application has been made for a credit rating for the Bonds, and it is not known whether a credit rating could be secured either now or in the future for the Bonds. There can be no assurance that there will ever be a secondary market for the purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the development of the Assessment Parcels within the Assessment District.

Geologic, Topographic and Climate Conditions

Once values have been established for Assessment Parcels, the values can be adversely affected by a variety of natural events and conditions. These include, without limitations:

- geologic conditions such as earthquakes;
- topographic conditions such as earth movements, floods and fires; and
- climatic conditions such as droughts.

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

The Project has been designed to District, State and industry standards for local conditions. However, there remains the possibility that some of these conditions, even though the Project may be properly designed, may occur and nevertheless cause substantial damage.

In fact, the District expects that one or more of these conditions will occur from time to time, and, even if design criteria have been implemented to mitigate certain geologic events, such conditions may result in damage to property improvements. That damage may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value of the Assessment Parcels could depreciate substantially or completely, notwithstanding the establishment of design criteria.

Legal Requirements

Other events, which may affect the value of a Assessment Parcel, include changes in the law or application of the law. Such changes may include, without limitation, the following:

- local growth control initiatives;
- local utility connection moratoriums;
- local application of statewide tax and governmental spending limitation measures.

Disclosure to Future Landbuyers

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

Bankruptcy Proceedings

Regardless of the priority of the special Assessment securing the Bonds over non-governmental liens, the exercise by the District of the foreclosure and sale remedy or by the District of the tax sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner of a Assessment Parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale or tax sale proceedings thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owner owns Assessment Parcels the special Assessment of which is significant, or if bankruptcy proceedings are instituted with respect to a number of owners owning Assessment Parcels the special Assessments of which are significant, may result in periodic Assessment Installment collections which, may be insufficient to pay the debt service on the Bonds as it comes due. Further, should remedies be exercised under the bankruptcy law against the Assessment Parcels, payment of Assessment Installments may be subordinated to bankruptcy law priorities. Therefore, certain claims may have priority over the special Assessment Lien, even though they would not were the bankruptcy law not applicable.

Payment of the Assessment not a Personal Obligation

The owners of Assessment Parcels are not personally liable for the payment of the Assessment or the Assessment Installments. Rather, the Assessment is an obligation only of the Assessment Parcels.

If the value of an Assessment Parcel is not sufficient to fully secure the corresponding Assessment, the District has no recourse against the owner under the laws by which the special Assessment has been levied and the Bonds have been issued.

Proposition 218

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Over past years, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including the approval of Proposition 218 in the general election held on November 5, 1996.

Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes.

No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-third vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership.

Proposition 218 also removed any constitutional or other limitation on the exercise of the initiative power to reduce or repeal any local taxes, assessments, fees and charges. This provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

The interpretation and application of Proposition 218 may ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Limited District Obligation to Pay Debt Service

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT AND THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE ASSESSMENTS (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE AGREEMENT FOR THE DELINQUENCY OF THE ASSESSMENTS) AS PROVIDED IN THE AGREEMENT. NEITHER THE GENERAL FUND NOR THE FULL FAITH AND CREDIT OF THE DISTRICT IS PLEDGED FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Notwithstanding the limited nature of the District's obligation, the District may, at its option and in its sole discretion, elect to advance available funds of the District in the amount of any delinquent

Assessment Installments to pay debt service on the Bonds. Should the District do so it is entitled to reimbursement from the first proceeds of any payments of delinquent Assessment Installments or the redemption or sale of delinquent parcels. Owners of Bonds may not rely upon the District to advance funds to pay debt service on the Bonds even if the District may have previously done so or may do so contemporaneously with respect to other bonds or obligations.

Loss of Tax Exemption

As discussed in the section herein entitled “TAX MATTERS,” interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of issuance, as a result of acts or omissions of the District subsequent to issuance in violation of the District's covenants applicable to the Bonds. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and may remain outstanding. Furthermore, parties other than the District and its appointed counsel, including the Bond Owners, would have little, if any, right to participate in an audit examination process.

Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Bond Owners to incur significant expense.

Enforceability of Remedies

The remedies available to the District or the Bondowners upon default under the Resolution or Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code) and relevant banking and insurance law, the remedies provided by the Refunding Act may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

TAX MATTERS

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

In the opinion of The Weist Law Firm, Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions, and in reliance on certain certificates, opinions and other things, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A complete copy of the proposed opinion of Bond Counsel is set forth in APPENDIX D hereto and will be delivered to The Depository Trust Company with the Bonds.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel has not undertaken to determine, or to inform any person, whether any actions taken or not taken, or events occurring or not occurring, after the date of issuance of the Bonds may adversely

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

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from California personal income taxes, the ownership or disposition of the Bonds or the accrual or receipt of interest on the Bonds may otherwise affect the owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS").

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance and delivery of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds to audit, or the course or result of such audit, or the audit of bonds representing similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the beneficial owners to incur significant expense.

ABSENCE OF LITIGATION

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

APPROVAL OF LEGALITY

Legal matters incident to the issuance of the Bonds are subject to the approving opinion of The Weist Law Firm, Scotts Valley, California, Bond Counsel. A copy of the proposed form of the Opinion of Bond Counsel for the Bonds is attached as “APPENDIX D – FORM OF BOND COUNSEL OPINION” hereto and will be delivered to the Depository Trust Company. Fees payable to Bond Counsel are contingent on the successful sale and delivery of the Bonds. Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Bond Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Certain legal matters relating to the disclosure of the transaction will also be passed upon by Bond Counsel. Certain legal matters will be passed upon for the District by its District Counsel.

BANK QUALIFIED

The District has designated the Bonds “qualified tax-exempt obligations” within the meaning of Section 205(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(3) of the Code), a deduction is allowed for 80% of that portion of such financial institutions’ interest expense allocated to interest on the Bonds.

CONTINUING DISCLOSURE

The District has agreed to execute a Continuing Disclosure Certificate (the “Disclosure Certificate”) prior to delivery of the Bonds for the benefit of the Underwriter, holders and beneficial owners of the Bonds to provide certain financial information and operating data relating the District and the Assessment District not later than March 31 after the end of the District’s fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). Each Annual Report will be filed on behalf of the District by the Dissemination Agent with the Municipal Securities Rulemaking Board (the “MSRB”) through the Electronic Municipal Market Access system (the “EMMA System”) in an electronic format and accompanied by identifying information as prescribed by the MSRB. Any Notice Event (as defined in the Disclosure Certificate) will be filed by the District or the Dissemination Agent on behalf of the District, with the MSRB through the EMMA System.

The specific nature of the information to be included in the Annual Report and the notices of Notice Events is set forth in APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The District has agreed to execute the Disclosure Certificate in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

It should be noted that the District is required to file certain financial statements with the Annual Report. This requirement has been included in the Disclosure Certificate solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the District other than as described hereinabove. See “BONDOWNERS’ RISKS – Limited District Obligation to Pay Debt Service.”

It should also be noted that the list of significant events which the District has agreed to report includes items which have absolutely no application to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Any implication from the inclusion of these items in the list, to the contrary notwithstanding, the Bonds have not been assigned a credit rating. The District has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

UNDERWRITING

Nollenberger Capital Partners Inc. (the "Underwriter") has agreed to purchase the Bonds (if and when issued) under at a purchase price of \$952,543.05 (representing the aggregate principal amount of the Bonds, less an underwriter's discount of \$12,375.00, and less an original issue discount of \$25,081.95). The purchase contract under which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

NO RATING

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

EXECUTION

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

CALAVERAS COUNTY WATER DISTRICT

By: /s/ Jeffrey L. Meyer
Finance Director

APPENDIX A

GENERAL INFORMATION ON THE DISTRICT THE COUNTY AND SURROUNDING AREA

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

Overview of the District

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

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

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain, authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, process and salvage any water for beneficial use, to provide sewer service, to sell treated or untreated water, to acquire or construct hydroelectric facilities and sell the power and energy produced to public agencies or public utilities engaged in the distribution of power, to contract with the United States, other political subdivisions, public utilities, or other persons, and, subject to Article XIII A of the California State Constitution, to levy taxes for improvements.

The Water System

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

The Water System includes approximately 287 total miles of transmission and distribution pipelines ranging in size from 1 inch to 20 inches in diameter. The System also includes 31 storage tanks with a capacity of approximately 15 million gallons.

West Point Water: Serves approximately 560 connections in the areas of West Point, West Point Acres, Bummerville and Wilseyville. Contains 15.3 miles of pipelines and 2 storage tanks with a capacity of 0.5 million gallons. Quality issues and limited capacity have created a need for a new plant now under design.

Ebbetts Pass Water: Serves 5,400 connections in the areas of Big Trees Village, Camp Connell, Dorrington, White Pines, Arnold, Lilac Park, Lakemont, Meadowmont, Rancho Paradiso, Avery, Ebbetts Pass Highlands, Hathaway Pines, Canyon View, Sunrise Point, Indian Hills, Wylderidge, Forest Meadows and parts of Blue Lakes Springs and Fly-in-Acres. Contains approximately 132 miles of pipelines and 16 storage tanks with a capacity of 7.5 million gallons.

Jenny Lind Water: Serves approximately 2,600 connections in the areas of Rancho Calaveras, Mother Lode Acres, Jenny Lind and La Contenta. Contains approximately 90 miles of pipelines and 7 storage tanks with a capacity of 5.3 million gallons.

Copper Cove Water: Serves approximately 1,600 connections of the areas of Copper Cove, Copperopolis, Lake Tulloch Shores, Connor Estates, Saddle Creek and Copper Meadows. Contains 45 miles of pipelines and 4 storage tanks with a capacity of 1.6 million gallons.

The Sanitary Sewer System

The District's first sewer systems were constructed to accommodate the residential subdivision activity that began in portions of the District in the early 1970's. During the 1980's the District's sewer activities expanded to provide service to existing communities through State and Federal Clean Water grant programs.

Six sewer improvement districts provided wastewater service to customers in 12 communities and two homeowners associations located throughout Calaveras County. The sewer systems serve varying numbers of connections ranging from 4 to 1,004. The smaller systems were designed to serve limited and defined geographical areas and thus little future expansion is expected. The larger systems generally re intended to serve larger populations and are designed for expansion with planned system improvements.

The District is responsible for 556 individual septic tank maintenance programs in the following communities: West Point, Vallecito, Millwoods, 6-Mile Village, Southworth Ranch and Indian Rock.

The District operates six major treatment facilities; two are aerated lagoons, three are extended-air type facilities and one is a re-circulating bed filter system. The collection and transportation systems consist of about 125 miles of 6 to 10 inch lines, 44 pump stations, and facilities for emergency power and odor control. The oldest system was constructed in 1972-73. The effluent produced by the treatment facilities is disposed on-site by two principal means – subsurface infiltration galleries (leach field) and spray disposal. Currently, reclamation of treated effluent supplies water to two golf courses and is expected to serve one other golf course.

The six main treatment facilities are:

Forest Meadows Sewer: Serves 509 connections in the community of Forest Meadows. Contains 11.3 miles of pipeline and is served by aerated lagoon type of treatment. Effluent disposal is currently via a leach field.

Vallecito Sewer: Serves 347 connections in the communities of Douglas Flat and Vallecito. Contains 10.6 miles of pipeline and is served by extended aeration type of treatment. Effluent disposal is via on-site spray irrigation. There are 260 septic tanks serviced in this area.

Arnold Sewer: Serves 698 connections in the communities of white Pines, Arnold and parts of Lilac Park, Meadowmount and a school in Avery. Contains 16 miles of pipeline and is served by extended aeration type of treatment. Effluent disposal is on-site via leach field or spray irrigation. There are 155 septic tanks serviced in this area.

La Contenta Sewer: Serves approximately 558 connections in the communities of La Contenta and the Highway 26 corridor towards Valley Springs. Contains 25 miles of pipeline and is served by extended aeration type of treatment. Effluent disposal is off-site at the La Contenta Golf Course. There are 16 septic tanks serviced in this area.

Copper Cove Sewer: Serves approximately 1,200 connections in the communities of Saddle Creek, Copper Cove, Lake Tulloch Shores, Connor Estates and Copper Meadows. Contains 20 miles of pipeline and is served by aerated lagoon type of treatment. Effluent disposal is currently off-site to Saddle Creek Golf Course.

West Point Sewer: Serves approximately 208 connections in the community of West Point. Contains 13 miles of pipeline and is served by re-circulating filter type of treatment. Effluent disposal is on-site spray irrigation. There are 165 septic tanks service in this area.

An Overview of the County

The County of Calaveras is one of the original 27 California counties. The County was created on February 18, 1850, with the county seat originally being Mokelumne Hill. The County seat was moved to San Andreas in 1866. The County spans 1,080 square miles (645,210 acres) and is located in the central portion of the Sierra Nevada foothills. The County's geography is extremely varied, ranging in elevation from near sea level in the western part of the County to over 8,000 feet in the east. The County is home to a wide variety of distinct communities wherein approximately 47,000 (according to the 2005 estimate of the U.S. Census Bureau) people reside. The City of Angels Camp is the only incorporated community in the County. San Andreas has been the County seat since 1866. This is primarily a rural area where agriculture has long been the most important economical factor, but this is gradually changing to include tourism. The County is also dependent upon recreation, ranching, service employment (governmental, schools), and some mineral extraction and timber harvesting.

The meaning of the word Calaveras comes from the Spanish word for “skulls.” The County takes its name from the Calaveras River which was reportedly so designated by an explorer in 1808 when he

found, on the banks of the Calaveras River, many skulls of Indians who had either died of famine or had been killed in tribal conflicts over hunting and fishing grounds. In 1854 a portion of Calaveras County was incorporated as Amador County.

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

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

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

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

Government and education are presently the County's largest employers. The government sector accounted for approximately 29 percent of the employment in the County in 2000. The government sector is expected to increase almost 23 percent in the next 7 years, with that growth primarily concentrated in local government.

The services sector is expected to be an important economic factor for Calaveras County due to its seven-year projected growth rate of 37%. Retail trade is projected to increase by over 19%.

Location

The County's geographic boundary originates along the western portion of the lower foothills beginning at the eastern edge of the San Joaquin Valley and extends easterly through the rolling foothills and historic Mother Lode communities, up into the great pine forest, and to the crest of the Sierra Nevada mountains. Midway along State Highway 49, which links many of the towns found within the Gold Country, Calaveras County is filled with natural and historic diversity.

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



Population

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

As shown on the chart, the County is projected (by the California department of Finance) to grow at similar rates during the next years. These population projections depict a possible course of future population change reflecting recent trends in fertility, mortality and migration. These projections show what can be reasonable expected if current trends continue.

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

CALAVERAS COUNTY POPULATION PROJECTIONS (2000 to 2010)

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

Source: State of California, Department of Finance, County Population Projections with Race/Ethnic Detail.

Housing

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

**CALAVERAS COUNTY
SELECTED HOUSING CHARACTERISTICS
(2000 Census Summary)**

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

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

Building Permits

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

CALAVERAS COUNTY BUILDING PERMIT STATISTICS

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

Source: U.S. Census Bureau

Major Employers

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

COUNTY OF CALAVERAS TOP TEN MAJOR EMPLOYERS

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

Source: The area Chamber of Commerce

Economic Characteristics

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

CALAVERAS COUNTY SELECTED ECONOMIC CHARACTERISTICS

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

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

Industry and Occupation

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

CALAVERAS COUNTY SELECTED OCCUPATIONAL CHARACTERISTICS

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

Source: U.S. Census Bureau

(x) Not Applicable

Education

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

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

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

**CALAVERAS COUNTY
SELECTED EDUCATIONAL CHARACTERISTICS**

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

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

Land Use Plans

The original Calaveras County General Plan was adopted in 1967. The latest version of the Plan reflects text amendments approved by the Board of Supervisors through December 9, 1996. The General Plan attempts to preserve individual property rights, while attempting to balance other competing interests. In areas where the County's most valuable resources exist, the Plan established more restrictive land use policies. Calaveras County has developed area plans for many of the major towns in the County. The majority of the County's population, small lots, industrial, commercial and multiple family residential development, is found within these areas. Area plans afford communities the ability to address local issues with great detail. Area plans adopted by the County are incorporated into the General Plan. Calaveras

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

County Agencies

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

Health Care Providers

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

Primary Market Areas

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

Climate

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

Tourism

In the spring, summer, and fall, visitors enjoy bicycling and hiking trails that criss-cross through the giant Sequoias at Calaveras Big Trees State Park and the Stanislaus National forest. Whitewater rafting tours of the famous Stanislaus River beckon the adventuresome, while fishing, water skiing, houseboat weekends, camping and horseback riding keep the entire family busy. Other attractions of winter include first class downhill skiing at Bear Valley ski area. Tourists can also discover unique, year round adventures including historic picturesque gold rush towns, award winning foothill vineyards and tasting rooms, micro-breweries and pubs, eclectic art galleries, antique shops and gold rush museums. Visitors can learn the art of gold panning, or caving in the variety of natural limestone and crystalline-filled caverns open to the public. Enjoy a round of golf on professional courses laid out along canyon ridges in pines or among 200-year-old oaks in rolling terrain.

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APPENDIX B

SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a brief summary of certain provisions of the Fiscal Agent Agreement (the "Agreement"). This Summary is not intended to be definitive. Reference is made to the actual document (a copy of which is available from the District) for the complete terms thereof.

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary or previously defined in this Official Statement have the respective meanings previously given. The following are not all of the terms defined in the Agreement.

1913 Act: means the Municipal Improvement Act of 1913, as amended, being Division 12 of the California Streets and Highways Code.

1915 Act: means the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code.

Administrative Expense Requirement: means an amount, not in excess of the aggregate maximum annual assessment for Administrative Expenses permitted to be levied within the Assessment District as set forth in the Engineer's Report, to be specified each year by the District to be used for Administrative Expenses.

Administrative Expenses: means the ordinary and necessary fees and expenses for determination of the Assessment and administering the levy and collection of the Assessment and servicing, calling and redeeming the Bonds, including any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the District in carrying out its duties under the Agreement (including, but not limited to, annual audits and costs incurred in the levying and collection of the Assessment) including the fees and expenses of its counsel and all other costs and expenses of the District or the Fiscal Agent incurred in connection with the discharge of their respective duties under the Agreement and, in the case of the District, in any way related to the administration of the Assessment District.

Agreement: means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement executed under the provisions hereof.

Annual Debt Service: means for each Fiscal Year (or other designated 12-month period of time) the aggregate amount (without duplication) of principal of and interest on all Bonds to which reference is made becoming due and payable.

Assessment or Assessments: means the unpaid assessments levied within the Assessment District by the Board under the proceedings taken under the 1913 Act and Resolution of Intention for the purpose of paying Debt Service on the Bonds.

Assessment District: means the area within the District designated as the DaLee / Cassidy Water System Assessment District.

Assessment Fund: means the Assessment Fund established with the District pursuant to Section 6.01(a) hereof.

Assessment Installment: means the annual portion of the Assessment levied to pay the principal of and interest on the Bonds which does not include assessments levied by the District to pay Administrative Expenses.

Auditor: means the auditor/controller of the County, or such other officer of the County who is responsible for the preparing of property tax bills.

Board or Board of Directors: means the Board of Directors of the Calaveras County Water District.

Bond Counsel: means The Weist Law Firm, or any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

Bond Date: means the dated date of the Bonds, which is the Closing Date.

Bonds: means the \$[Par Amount] Calaveras County Water District, DaLee / Cassidy Water System Assessment District, Series 2010 Limited Obligation Improvement Bonds, authorized by, and at any time Outstanding pursuant to the Agreement.

Bond Purchase Contract: means the contract dated August 26, 2010, pursuant to which the District sold the Bonds to Nollenberger Capital Partners Inc., San Francisco, California, as Underwriter of the Bonds.

Bond Register: has the meaning stated in Section 2.8 (Registration, Transfer, and Exchange).

Bond Year: means the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that (i) the first Bond Year will begin on the Closing Date and end on the next September 2, and (ii) the last Bond Year may end on a prior redemption date.

Business Day: means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in California or in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

Certificate, Statement, Request, Requisition, and Order of the District: means, respectively, a written certificate, statement, request, requisition, or order signed in the name of the District by its President, General Manager, Finance Director, or any other person authorized by the President, Vice President, General Manager or Finance Director, to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with

any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument.

Clerk: means the Clerk of the Board of the District.

Closing Date: means September 9, 2010, the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

Code: means the Internal Revenue Code of 1986 and the regulations applicable thereto or issued thereunder.

Corporate Office: means San Francisco, California

Costs of Issuance: means all items of expense payable or reimbursable directly or indirectly by the District and related to the authorization, sale and issuance of the Bonds, which includes, without limitation, printing costs for the Bonds and the Official Statement, costs of reproducing and binding documents, closing costs, filing and recording fees, fees and expenses of the District, the Fiscal Agent, initial fees and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the District in connection with the formation of the Assessment District and the issuance of the Bonds, underwriter's discount, legal fees and charges, including bond counsel, disclosure counsel and General Counsel, charges for execution, transportation and safekeeping of the Bonds, and other costs, charges and fees in connection with the foregoing.

Costs of Issuance Fund: means the fund by that name established pursuant to Section 6.3 of the Agreement.

County: means the County of Calaveras, being a legally recognized and validly existing county within the State of California.

District: means the Calaveras County Water District, a county water district duly organized and existing under the Constitution and laws of the State.

District Secretary or Secretary: means the Secretary of the District.

Debt Service: means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds and the Sinking Fund Payments due in such Bond Year.

DTC: means The Depository Trust Company, a New York Corporation and its successors and assigns.

Event of Default: means any of the events specified in Section 8.1 of the Agreement.

Fair Market Value: means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within

the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security -- State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

Finance Director: means the Finance Director of the District.

Fiscal Agent: means Deutsche Bank National Trust Company, a national banking association organized and existing under the laws of the United States of America, or its successor as Fiscal Agent as provided in either Section 9.02 or 9.03, as the case may be, of the Agreement.

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

General Manager: means the General Manager of the District.

Information Services: means (i) Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; (ii) Financial Information, Inc.'s "Daily Called Bond," 30 Montgomery Street, Jersey City, New Jersey 07302, Attention: Editor; (iii) FIS/Mergent "Call Notification," 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attn: Called Bond Dept."; (iv) FT Interactive Data, 100 William Street, 15th Floor, New York, New York 10038; (v) Standard & Poor's Securities Evaluations, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and (vi) Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressee and/or such other Services providing information with respect to called Bonds as the District may designate in a Written Request of the District filed with the Fiscal Agent.

Interest Payment Date: means March 2 and September 2 of each year during the term of the Bonds, commencing March 2, 2007.

Investment Securities: means the following, but only to the extent permitted by law:

- A. The following obligations are Investment Securities for all purposes, including defeasance investments in refunding escrow accounts:
 - (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

- (2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, including State and Local Government Series.

B. The following obligations to are Investment Securities for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies
- Student Loan Marketing Association (SLMA)
- Tennessee Valley Authority (TVA);

- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);

- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by S&P or "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

- (5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including any such funds for which the Fiscal Agent or an affiliate provides investment advice or other services;
- (6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
 - (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto; or
 - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may not be used as Investment Securities for annual appropriation lease transactions without the prior written approval of S&P);
- (7) General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;
- (8) Investment agreements approved in writing by the District and supported by appropriate opinions of counsel, with notice to S&P; and
- (9) Repurchase agreements with any commercial bank, which has a long-term, unsecured rating of “A” or better by S&P and A2 or better by Moody’s, provided that (i) the term of such repurchase agreement is not greater than thirty years, (ii) the Fiscal Agent or third party acting solely as agent for the Fiscal Agent has possession of the collateral, (iii) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 103% for those securities defined in paragraphs (A) and (B)(1) above and 104% for those securities defined in paragraph (B)(2) above of the amount of cash transferred by the Fiscal Agent to the commercial bank under the repurchase agreement plus interest, (iv) failure to maintain the requisite collateral levels will permit the Fiscal Agent to liquidate the collateral immediately, (v) the repurchase securities are free and clear of any third-party lien or claim; and (vi) in the case of PSA Master Repurchase Agreements, there will have been delivered to the Fiscal Agent and the District an opinion

of counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of the funds to be invested.

- (10) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the District is statutorily permitted or required to invest will be deemed a Investment Securities.

C. The value of the above investments will be determined as follows:

“Value”, which will be determined as of the end of each month, means that the value of any investments will be calculated as follows:

(a) For securities:

- (1) the closing bid price quoted by Interactive Data Systems, Inc.; or
- (2) a valuation performed by a nationally recognized and accepted pricing service acceptable to the District whose valuation method consists of the composite average of various bid price quotes on the valuation date; or
- (3) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody’s and S&P and must be market makers in the securities being valued.

(b) As to certificates of deposits and bankers acceptances: the face amount thereof, plus accrued interest; and

(c) As to any investment not specified above: the value thereof established at Fair Market Value.

Maximum Annual Debt Service: means the largest Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

National Repository: means any National Recognized Municipal Securities Information Repository for purposes of the Rule.

Officer: means the President, Vice President, General Manager, or Finance Director of the District, or any other person authorized by resolution of the Board to act on behalf of the District under or with respect to the Agreement.

Opinion of Bond Counsel: means a written opinion of The Weist Law Firm, or other law firm experienced in matters relating to obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the District.

Original Purchaser: means Nollenberger Capital Partners Inc., the first purchaser of the Bonds from the District.

Outstanding: when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent under the Agreement except (1) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (2) Bonds with respect to which all liability of the District will have been discharged in accordance with Section 5.2 of the Agreement, including Bonds (or portions of Bonds) referred to in Section 6.7 of the Agreement; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Fiscal Agent pursuant to the Agreement.

Owner, Bondholder, or Bondowner: whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

Person: means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Project: means the acquisitions and improvements described in the Resolution of Intention.

Record Date: means the 15th day of the calendar month immediately preceding the applicable Interest Payment Date.

Redemption Fund: means the fund by that name established pursuant to Section 6.1 of the Agreement.

Redemption Price: means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Agreement.

Regular Record Date For Interest Payable On Any Interest Payment Date: means the date specified in Section 2.3 of the Agreement.

Repository: means each National Repository and each State Repository.

Reserve Fund: means the fund by that name established pursuant to Section 6.2 of the Agreement.

Reserve Requirement: means an amount equal to the lesser of (i) Maximum Annual Debt Service on all Bonds then Outstanding, (ii) 125% of average Annual Debt Service on all Bonds then Outstanding, or (iii) ten percent (10%) of the principal amount of Bonds then Outstanding.

Responsible Officer: means any officer within the corporate trust department (or any successor group or department of the Fiscal Agent) including any vice-president, assistant vice-president, assistant secretary or any other officer or assistant officer of the Fiscal Agent customarily performing functions similar to those performed by the persons who at the time will be such officers, respectively, and also means, with respect to a particular matter, any other officer of the Fiscal Agent to whom such matter is referred by the Fiscal Agent because of such person's knowledge of and familiarity with the particular subject.

Securities Depositories: means The Depository Trust Company; and, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories as the District may designate in a Request of the District delivered to the Fiscal Agent.

Special Record Date For The Payment Of Any Defaulted Interest On Bonds: means a date fixed by the Fiscal Agent pursuant to Section 2.10 of the Agreement.

State: means the State of California.

Supplemental Agreement: means any amendment to the Agreement hereafter duly executed and delivered, supplementing, modifying, or amending the Agreement, but only if and to the extent that such supplemental Agreement is specifically authorized under the Agreement.

Tax Certificate: means the tax certificate delivered by the District at the time of the issuance and delivery of the Bonds, as the same may be further amended or supplemented in accordance with its terms.

THE BONDS AND SECURITY FOR THE BONDS

Temporary Bonds

Pending the preparation of definitive Bonds, the District may execute, and upon District request, the Fiscal Agent will authenticate and deliver temporary Bonds that are printed, lithographed, typewritten, or otherwise produced, in any denomination, substantially of the tenor of the definitive bonds in lieu of which they are issued, in registered form, and containing such references to any of the provisions of the Agreement as the officers of the District may determine. A temporary Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date.

If the District issues temporary Bonds, it will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds will be exchangeable for definitive Bonds upon surrender of the temporary Bonds at the Corporate Office of the Fiscal Agent, without charge to the Owner. Upon surrender for cancellation of any one or more temporary Bonds, the District will execute and the Fiscal Agent will authenticate and deliver in exchange therefor an equal aggregate principal amount of definitive Bonds of authorized denominations of the same tenor and maturity or maturities. Until so exchanged, the temporary Bonds will be entitled to the same benefits under the Agreement as definitive Bonds authenticated and delivered under the Agreement.

Registration, Transfer, and Exchange

The Fiscal Agent will keep or cause to be kept, at its Corporate Office, a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Fiscal Agent will provide for the registration and transfer of Bonds. The Bond Register will be open to inspection upon reasonable notice and during normal business hours by the District.

Upon surrender of a Bond for transfer at the Corporate Office of the Fiscal Agent, the District will execute and the Fiscal Agent will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same tenor and maturity and for an equivalent aggregate principal amount.

Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same tenor and maturity, upon surrender of the Bonds for exchange at the Corporate Office of the Fiscal Agent. Upon surrender of Bonds for exchange, the District will execute and the Fiscal Agent will authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in the Agreement will be promptly canceled by the Fiscal Agent and thereafter disposed of as provided for in Section 2.12 of the Agreement.

All Bonds issued upon any transfer or exchange of Bonds will be the valid obligations of the District, evidencing the same debt, and entitled to the same security and benefits under the Agreement, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange will be accompanied by a written instrument of transfer, in a form approved by the Fiscal Agent, that is duly executed by the Owner or by his attorney duly authorized in writing.

No service charge will be made for any transfer or exchange of Bonds, but the Fiscal Agent will require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Fiscal Agent will not be required to transfer or exchange (i) Bonds during the period established by the Fiscal Agent for the selection of Bonds for redemption or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

Mutilated, Destroyed, Lost, or Stolen Bonds

If (i) any mutilated Bond is surrendered to the Fiscal Agent, or the District and the Fiscal Agent receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the District and the Fiscal Agent such security or indemnity as may be required by them to save each of them harmless, then the District will execute, and upon its request the Fiscal Agent will authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of like tenor and the same principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Bond, the District may require payment of a sum sufficient to pay the cost of preparing such Bond, any tax or other governmental charge that may be imposed in relation thereto, and any other expenses connected therewith.

Every new Bond issued in lieu of any destroyed, lost, or stolen Bond will constitute an original additional contractual obligation of the District, whether or not the destroyed, lost, or stolen Bond will be at any time enforceable by anyone, and will be entitled to all the security and benefits of the Agreement equally and ratably with all other Outstanding Bonds secured by the Agreement. Neither the District nor the Fiscal Agent will be required to treat both the new Bond and the Bond it replaces as being Outstanding for the purpose of determining the principal amount of Bonds that may be issued under the Agreement, but both the new Bond and the Bond it replaces will be treated as one and the same.

Payment of Interest on Bonds; Interest Rights Preserved

Interest on any Bond that is payable, and is punctually paid or duly provided for, on any Interest Payment Date will be paid to the Owner thereof as of the close of business on the Regular Record Date for such interest specified in the provisions of the Agreement.

Any interest on any Bond that is payable but is not punctually paid or duly provided for on any Interest Payment Date will forthwith cease to be payable to the Owner on the relevant Regular Record Date. Such defaulted interest will be paid to the Person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Fiscal Agent. In the name and at the expense of the District, the Fiscal Agent will cause notice of the payment of such defaulted interest and the Special Record Date to be mailed, first-class postage prepaid, to each Owner of a Bond at his address as it appears in the Bond Register not fewer than ten (10) days prior to such Special Record Date.

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

Persons Deemed Owners

The District and the Fiscal Agent will be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Fiscal Agent or the District. The ownership of Bonds will be proved by the Bond Register. The Fiscal Agent may establish a record date as of which to measure consent of the Bondowners in order to determine whether the requisite consents are received.

Cancellation

All Bonds surrendered for payment, redemption, transfer, or exchange, if surrendered to the Fiscal Agent, will be promptly canceled by the Fiscal Agent and, if surrendered to any person other than the Fiscal Agent, will be delivered to the Fiscal Agent and, if not already canceled, will be promptly canceled by the Fiscal Agent.

The District will deliver to the Fiscal Agent for cancellation any Bonds acquired in any manner by the District, and the Fiscal Agent will promptly cancel such Bonds.

No Bond will be authenticated in lieu of or in exchange for any Bond canceled as provided in the Agreement, except as expressly provided by the Agreement. The Fiscal Agent will file all canceled Bonds and retain them for five years. Thereafter, the Fiscal Agent will destroy all canceled Bonds (in the presence of an officer of the District, if the District will so require) and, upon written request of the District, deliver a certificate of such destruction to the District.

Validity of Bonds

The recital in the Bonds that they are issued pursuant to the Constitution and statutes of the State will be conclusive evidence of their validity and of compliance with provisions of law in their issuance.

Redemption Fund

Establishment of Redemption Fund. The Fiscal Agent will establish, maintain, and hold a special fund designated as the “CCWD DaLee / Cassidy Assessment District Redemption Fund,” in which there will be established and created a Principal Account, an Interest Account and a Prepayment Account.

Upon receipt of Assessment Installments, the District will transfer the Assessment Installments to the Fiscal Agent for deposit to the Redemption Fund. The Assessment Installments will be received and held by the Fiscal Agent for the benefit of the Owners of the Bonds and will be disbursed, allocated, and applied solely for the uses and purposes set forth in the Agreement.

Application of Redemption Fund. On or prior to the first day of March and September of each year commencing March 2, 2011, the Fiscal Agent is to then transfer moneys (other than moneys designated by the District as prepayment of Assessments for deposit to the Prepayment Account) on deposit in the Redemption Fund in the amounts set forth in the following clauses, in the following order of priority, to:

(a) On or prior to the first day of March or September of each year, commencing September 1, 2011, the Fiscal Agent will transfer to the Interest Account of the Redemption Fund an amount such that the balance in the Interest Account one day prior to each Interest Payment Date will be equal to the installment of interest due on the Bonds on said Interest Payment Date. Moneys in the Interest Account will be used for the payment of interest on the Bonds as the same becomes due;

(b) On or prior to the first day of September of each year, commencing September 1, 2011, the Fiscal Agent will transfer to the Principal Account of the Redemption Fund an amount up to the principal payment due on the Bonds on the following September 2. Moneys in the Principal Account will be used to pay the principal of the Bonds as the same become due at maturity;

(c) The Reserve Fund, the amount needed to restore the Reserve Fund to the Reserve Requirement;
and

(d) The Rebate Fund, the amount, if any, as specified in a written direction of the District.

Any moneys remaining in the Redemption Fund after the deposits described above will be transferred by the Fiscal Agent, at the written direction of an Authorized Representative of the District, and

to the extent that there are sufficient moneys on deposit therein, to the Prepayment Account of the Redemption Fund with amounts deposited to the Prepayment Account being used to redeem Bonds as provided herein. To the extent that the amounts in the Assessment Fund are insufficient moneys to redeem Bonds in an authorized denomination, such moneys will be used by the Fiscal Agent, at the written direction of an Authorized Representative of the District, as a credit against each of the unpaid Assessments in amounts equal to each parcel's share or portion thereof, of the total amount of Assessment.

Upon provision for payment or redemption of all Bonds and after payment of any amounts due to the Fiscal Agent, all moneys remaining in the Redemption Fund will be paid to the District.

Application of Prepayment Account. Moneys set aside in the Prepayment Account of the Redemption Fund will be used solely for the purpose of redeeming Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds.

Upon receiving any prepayment of an Assessment, the District will transfer such prepayment to the Fiscal Agent for deposit in the Prepayment Account, which when coupled with the moneys transferred from the Reserve Fund pursuant to Section 6.2 of the Agreement to the Prepayment Account, will be used to redeem Bonds pursuant to Section 4.1 of the Agreement on the next Interest Payment Date for which proper notice pursuant to Section 4.4 of the Agreement can be given by the Fiscal Agent. Upon receipt of written instructions from the District, the Fiscal Agent will transfer that portion, if any, of the prepayment representing accrued interest owing on the Bonds to the Interest Account of the Redemption Fund and that portion representing principal and premium due on the Bonds on the next principal payment date to the Principal Account of the Redemption Fund. If less than all of the prepayment of an Assessment, together with the money transferred from the Reserve Fund, can be used to redeem Bonds in increments of \$5,000, the remaining portion of the prepayment is to be retained in the Prepayment Account and, when at the written direction of an Authorized Representative of the District there is sufficient money to redeem Bonds, will be used to redeem Bonds as herein provided.

Money received from the District from funds other than the prepayment of Assessments, including any surplus amount in the Improvement Fund transferred to the Fiscal Agent in accordance with Section 10427(d) of the 1913 Act, will be deposited in the Prepayment Account and used to redeem Bonds as provided in Section 4.1 of the Agreement.

Investment. Moneys in the Redemption Fund will be invested and deposited in accordance with Section 6.5 of the Agreement. Interest earnings and profits resulting from such investment and deposit will be retained in the Redemption Fund.

Establishment and Application of Reserve Fund

Establishment and Funding of Reserve Fund. The Fiscal Agent will establish, maintain, and hold a special fund designated as the "Reserve Fund." As provided in the Act, amounts collected by the District from the proceeds of the redemption or sale of a parcel for which payment of delinquent Assessment installments was made from the Reserve Fund will be identified to and transferred for deposit into the Reserve Fund to the extent of such previous payment. Moneys in the Reserve Fund will be held by the Fiscal Agent for the benefit of the Owners as a reserve for the payment of principal of and interest and any

premium on the Bonds. The Fiscal Agent will cause the Reserve Fund to be administered in accordance with Sections 8880-8887 of the California Streets and Highways.

Application of Reserve Fund. All money in the Reserve Fund will be paid and transferred in the following amounts and at the following times and under the following circumstances:

(1) *Deficiencies in Redemption Fund.* Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal or interest on the Bonds, an amount necessary to satisfy such deficiency will be transferred by the Fiscal Agent from the Reserve Fund to the Redemption Fund. If such insufficiency was caused by delinquent payment of installments of Assessments, then an amount equal to the amount so transferred will be reimbursed from the proceeds of redemption or sale of the parcel in respect of which payment of installments of Assessments was delinquent as set forth above.

(2) *Payment of Assessments.* In the event any unpaid Assessments are paid in cash prior to their final due date, the Fiscal Agent will transfer from the Reserve Fund to the Redemption Fund an amount calculated by the District equal to the ratio of the amount then contained in the Reserve Fund to the total amount originally reassessed in the proceedings for the multiplied by the reduction in said Assessments.

(3) *Excess Earnings.* Whenever, on any Interest Payment Date, or on any other date when requested by Certificate of the General Manager or Finance Director, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used in accordance with the Agreement or as otherwise directed by the District in such Certificate.

(4) *Retirement of Bonds.* Whenever the balance in the Reserve Fund is sufficient to retire all the remaining Outstanding Bonds, the District will cause the Fiscal Agent to transfer the balance in the Reserve Fund to the Redemption Fund and the District will cease the collection of the unpaid Assessments, and in such case, the District will credit such balance against the unpaid Assessments in the manner set forth in the Act, with the amount apportioned to each unpaid Assessment credited against the last unpaid Assessment installment; and if the amount apportioned to each parcel exceeds the amount of said last installment, then such excess will be credited against the next preceding unpaid Assessment installment or installments until exhausted. In the event that the balance in the Reserve Fund at the time of such transfer exceeds the amount required to retire all Outstanding Bonds, then such excess will be apportioned by the District to each parcel upon which an individual Assessment remained unpaid at the time the balance in the Reserve Fund was sufficient to retire all Outstanding Bonds, and such payments will be made by the District in cash to the respective owners of the parcels; except that, if such excess is not greater than one thousand dollars (\$1,000), such excess may be transferred to the general fund of the District.

Investment. Moneys in the Reserve Fund will be invested and deposited in accordance with Section 6.5 of the Agreement. All money in the Reserve Fund will be invested in Investment Securities that mature not later than five (5) years from the date of purchase. All interest earned on such investments will be credited to the Reserve Fund, so long as the amount therein does not exceed the Reserve Requirement. All Investment Securities credited to the Reserve Fund will be valued as of August 31 of each year at their Fair Market Value. If at any time the amount of money in the Reserve Fund accumulates to an amount that

exceeds the Bond Reserve Requirement, the excess will be applied as described in Section 6.2(B)(3) of the Agreement.

Establishment and Application of Costs of Issuance Fund

The Fiscal Agent will establish, maintain, and hold a fund separate from all other funds of the District designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund will be used and withdrawn as directed by the District, upon each written request of the District, to pay the Costs of Issuance of the Bonds. All interest, profits, and other income received from the investment of moneys in the Costs of Issuance Fund will be deposited therein. The Fiscal Agent will maintain the Costs of Issuance Fund for a period of 90 days after the Closing Date or until the last known Costs of Issuance have been paid, whichever is earlier, and then will transfer any moneys remaining therein, including any investment earnings thereon, to the District for deposit to the Improvement Fund.

Establishment and Application of Improvement Fund

Establishment of Improvement Fund. The Improvement Fund is established as a separate fund to be held by the District for the benefit of the District. Moneys in the Improvement Fund will be disbursed, except as otherwise provided in the Agreement, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund will be made by the Finance Director upon receipt of an Officer's Certificate which will:

- (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made, the person to which the disbursement is to be paid and state that such disbursement is for a Project cost; and
- (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed requesting disbursement.

(C) Investment. Moneys in the Improvement Fund will be invested and deposited in accordance with Section 6.5 of the Agreement. Interest earnings and profits from such investment and deposit will be retained in the Improvement Fund to be used for the purposes of that fund.

Closing of Fund. Upon the completion of the Project, and after all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Finance Director will apply the amount, if any, remaining in the Improvement Fund to the purposes authorized by the Resolution of Intention and Section 10427 of the Act (which may include without limitation the transfer of surplus funds to the Fiscal Agent for credit to the Redemption Fund for use as described in Section 6.1 of the Agreement), and the Improvement Fund will be closed.

Investment of Moneys in Funds and Accounts

Investment in Investment Securities. All moneys in any of the funds and accounts held by either the District or the Fiscal Agent and established pursuant to the Agreement will be invested solely in Investment Securities. The District will provide investment direction in writing or by telephone, promptly

confirmed in writing. In the absence of such written direction from the District, the Fiscal Agent will invest any such moneys in Investment Securities described in clause (5) the definition thereof. The District will be subject to the limitations set forth in Section 7.10 of the Agreement.

Accrued Interest on Investments. Notwithstanding anything to the contrary contained in this Article, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

Investment Recordkeeping. Information to Establish Yield on Investments. The District and the Fiscal Agent will keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to, or to be used to make payments on the Bonds. Such records will specify the account or fund to which each investment (or portion thereof) is to be allocated and will set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity. The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmation of security transactions as they occur, The District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Agreement. The Fiscal Agent may make any investments under the Agreement through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

Funds and Accounts

Any fund required by the Agreement to be established and maintained by either the District or Fiscal Agent may be established and maintained in the accounting records either as a fund or an account and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds will at all times be maintained in accordance with customary standards of the industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Money Held for Particular Bonds

The money held by the Fiscal Agent for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 5.4 of the Agreement.

Discharge of Agreement

Bonds may be paid by the District in any of the following ways:

- (A) Payment When Due: by Fiscal or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable;
- (B) Deposit of Money or Securities: by depositing with the Fiscal Agent, an escrow agent or a fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 5.3 of the Agreement) to pay or redeem all Bonds Outstanding; or
- (C) Delivery of Bonds for Cancellation: by delivering to the Fiscal Agent, for cancellation by it, all Bonds then Outstanding.

If the District will pay all Bonds Outstanding and also pay or cause to be paid all other sums payable under the Agreement by the District, then and in that case, at the election of the District, evidenced by a Certificate of the District filed with the Fiscal Agent signifying the intention of the District to discharge all such indebtedness and the Agreement, and notwithstanding that any Bonds will not have been surrendered for payment, the Agreement, the pledge of Assessments and other assets made under the Agreement, all covenants and agreements and other obligations of the District under the Agreement, and the rights and interests created by the Agreement (except as to any surviving rights of transfer or exchange of Bonds as provided in Section 2.8 of the Agreement and rights to payment from moneys deposited with the Fiscal Agent as provided in Section 5.2 of the Agreement) will cease, terminate, become void, and be completely discharged and satisfied. Notwithstanding the satisfaction and discharge of the Agreement, the obligations of the District to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes contained in Section 7.10 of the Agreement will survive.

In such event, upon Request of the District, the Fiscal Agent will cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and will execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Fiscal Agent will pay over, transfer, assign, or deliver to the District all moneys or securities or other property held by it pursuant to the Agreement that, as evidenced by a verification report (upon which the Fiscal Agent may conclusively rely) from a firm of certified public accountants, or other firm acceptable to the Fiscal Agent, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; subject to the provisions of Section 7.10 of the Agreement and the Tax Certificate with respect to moneys in the Rebate Fund.

Discharge of Liability on Bonds

Upon the deposit with the Fiscal Agent, escrow agent or a fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 5.3 of the Agreement) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption will have been given as in Article 4 (Redemption of Bonds) provided or provision satisfactory to the Fiscal Agent will have been made for the giving of such notice, then all liability of the District in respect of such Bond will cease, terminate, and be completely discharged, except that thereafter (i) the Owner thereof will be entitled to payment of the principal of and premium, if any, and interest on such Bond by the District and the District will remain liable for such payment, but only out of such money or securities deposited with the Fiscal Agent as aforesaid for their payment, subject, however, to the provisions of Section 5.4 of the Agreement

and (ii) the Owner thereof will retain its rights of transfer or exchange of Bonds as provided in Section 2.8 of the Agreement.

The District may at any time surrender to the Fiscal Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Fiscal Agent

Whenever in the Agreement it is provided or permitted that there be deposited with or held by the Fiscal Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Fiscal Agent in the funds and accounts established pursuant to the Agreement and will be:

(A) Cash: lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as in Article 4 (Redemption of Bonds) provided or provision satisfactory to the Fiscal Agent will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Securities: United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, the amount to be deposited or held will be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date.

Moneys Unclaimed After Payment of Bonds

All moneys held by or on behalf of the Fiscal Agent for the payment of principal of or interest or premium on Bonds, whether at redemption or maturity, will be held uninvested for the account of the Owners thereof in accordance with applicable law.

COVENANTS OF THE DISTRICT

Pledge of Assessments and Funds

Subject only to the provisions of the Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Agreement, all of the Assessments and all amounts (including proceeds of the Bonds) held by either the District or the Fiscal Agent in any fund or account established under the Agreement have been pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Agreement. This pledge will constitute a first lien on the Assessments and amounts in such funds and will be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act. The pledge of Assessments herein made will be irrevocable until all of the Bonds are no longer Outstanding. In accordance with and consistent with Section 9542 of the California Streets and Highways Code, the Assessments, together with

interest thereon computed at the rate specified in the Bonds, will remain and constitute a trust fund for the redemption and payment of the principal of and interest on the Bonds.

Collection of Assessments

The District covenants and agrees that it has duly levied the Assessments in accordance with the Act and Resolution No. 2010-49 duly passed and adopted by the District on July 14, 2010. Said resolution has not and will not be amended, modified, or altered so long as any of the Bonds are Outstanding in any manner that would reduce the amount of or timing of receipt of Assessments. During the term of the Bonds, the General Manager or the Finance Director will annually determine, or cause to be determined, the installments of principal and interest on the Assessments together with the annual expenses of the District chargeable pursuant to Section 8682.1 of the California Streets and Highways Code that are to be collected for the forthcoming year. Before the deadline established by the Auditor, the General Manager or the Finance Director will prepare or cause to be prepared and will transmit to the Auditor such data as the Auditor requires to include the installments and annual expenses on the next secured tax roll.

The Assessments will be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in Section 7.3 of the Agreement and in the Act, will be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

Power to Issue Bonds and Make Pledge

The District is duly authorized pursuant to the law to issue the Bonds and to enter into the Agreement and to pledge and assign the Assessments and other assets purported to be pledged and assigned, respectively, under the Agreement in the manner and to the extent provided in the Agreement. The Bonds and the provisions of the Agreement are and will be the valid and binding limited obligations of the District in accordance with their terms.

Limitations on Liens

The District will not create any pledge, lien or charge upon any of the Assessments having priority over the lien of the Bonds while any of the Bonds are Outstanding.

Punctual Payment

The District will punctually pay or cause to be paid the principal or Redemption Price (whether at maturity or upon mandatory or optional redemption) and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Agreement, according to the true intent and meaning thereof.

Extension of Time for Payment of Bonds

The District will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of

payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that will not have been so extended. Nothing in the Agreement will be deemed to limit the right of the District to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of Bonds.

Preservation of Rights of Owners

The District will at all times, to the extent permitted by law, defend, preserve, and protect the pledge and assignment of Assessments and other assets and all the rights of the Bondholders under the Agreement against all claims and demands of all persons whomsoever.

Waiver of Laws

The District will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Agreement or in the Bonds, and all benefit or advantage of any such law or laws is have been expressly waived by the District to the extent permitted by law.

Federal Income Tax Covenants

The District will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the District will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code. To that end, and in accordance with the Tax Certificate, the District, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect; provided, that if the District will obtain an opinion of nationally recognized bond counsel to the effect that any action required under the Agreement is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the District may rely conclusively on such opinion in complying with the provisions of the Agreement. In the event that at any time the District is of the opinion that it is necessary to restrict or limit the yield on the investment of any money held by the Fiscal Agent under the Agreement, the District will so instruct the Fiscal Agent, in writing, and the Fiscal Agent, will take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the District will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation will survive payment in full or

defeasance of the Bonds, and to that end, there is established a fund to be known as the “Saddle Creek Assessment District Rebate Fund” (the “Rebate Fund”) to be held in trust and administered by the Fiscal Agent. The District will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided in the Agreement and in the Tax Certificate and no other person will have claim to such money except as provided in the Tax Certificate.

This covenant will survive the defeasance or payment in full of the Bonds.

Further Assurances

The District will make, execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Agreement.

Continuing Disclosure

The District covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate relating to the Bonds.

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Events of Default

The following events will be Events of Default:

(A) Principal Payment Default: default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by mandatory redemption, by proceedings for optional redemption, or otherwise; and

(B) Interest Payment Default: default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable; and

(C) Covenant Default: if the District will fail to observe or perform any covenant, condition, agreement or provision in the Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of Section 8.1 of the Agreement, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the District; except that, if such failure can be remedied but not within such sixty (60) day period and if the District has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure will not become an Event of Default for so long as the District will diligently proceed to remedy same.

Remedies of Bondholders

Upon the occurrence and continuance of an Event of Default, any Owner will have the right for the equal benefit and protection of all Owners similarly situated:

(A) by mandamus or other action, suit, or proceeding at law or in equity to enforce the Owners' rights against the Board or the District or any of the officers or employees of the District, and to compel the Board or the District or any such officers or employees to perform and carry out their duties under the Act and the agreements and covenants with the Owners contained herein;

(B) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Owners; or

(C) by suit in equity upon the nonpayment of the Bonds to require the Board or the District or its officers and employees to account as the trustee of an express trust.

Restoration of Positions

In case any proceedings taken by any one or more Bondholders on account of any Event of Default will have been discontinued or abandoned for any reason or will have been determined adversely to the Bondholders, then in every such case the District and the Bondholders, subject to any determination in such proceedings, will be restored to their former positions and rights under the Agreement, severally and respectively, and all rights, remedies, powers, and duties of the District and the Bondholders will continue as though no such proceedings had been taken.

Rights and Remedies Cumulative

No right or remedy herein conferred upon or reserved to the Owners of the Bonds is intended to be exclusive of any other right or remedy, and every right and remedy will, to the extent permitted by law, be cumulative and in addition to every other right or remedy given under the Agreement or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the Agreement, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver

No delay or omission of any Owner of the Bonds to exercise any right or remedy accruing upon an Event of Default will impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by the Agreement or by law to the Owners of the Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Owners.

No Acceleration

The Owners of the Bonds have no right to declare the principal of the Bonds immediately due and payable.

MODIFICATION OR AMENDMENT OF THE AGREEMENT

Supplemental Agreements without Consent of Bondholders

The Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended from time to time and at any time by a Supplemental Agreement, which the District may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

(A) Additional Security: to add to the covenants and agreements of the District contained in the Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

(B) Curative Provisions: to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Agreement, or in regard to matters or questions arising under the Agreement, as the District may deem necessary or desirable, and that will not materially and adversely affect the interests of the Owners of the Bonds;

(C) Trust Indenture Act Qualification: to modify, amend, or Agreement the Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute, and that will not materially and adversely affect the interests of the Owners of the Bonds;

(D) Credit Enhancement: to make modifications or adjustments necessary, appropriate, or desirable to accommodate credit enhancements;

(E) Preservation of Tax Exemption: to make such provisions as are necessary or appropriate to ensure the exclusion of interest on the Bonds from gross income for federal income tax purposes; and

(F) No Material Effect: for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Supplemental Agreements with Consent of Bondholders

(A) Majority Consent. The Agreement and the rights and obligations of the District and the Owners of the Bonds may be modified or amended from time to time and at any time by a Supplemental Agreement, which the District may enter into with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding will have been filed with the District; provided that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding.

(B) Limitations on Amendments. No such modification or amendment will (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or reduce the rate of interest thereon,

or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Assessments and other assets pledged under the Agreement prior to or on a parity with the lien created by the Agreement, or deprive the Owners of the Bonds of the lien created by the Agreement on such Assessments and other assets (in each case, except as expressly provided in the Agreement), without the consent of the Owners of all of the Bonds then Outstanding. No such modification or amendment shall modify the rights or duties of the Fiscal Agent without its written consent.

(C) Manner of Consent. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Agreement, but it will be sufficient if such consent will approve the substance thereof.

(D) Notice of Amendments. Promptly after the execution and delivery by the District of any Supplemental Agreement, the District will mail a notice setting forth in general terms the substance of such Supplemental Agreement or attaching a copy thereof, to the Owners of the Bonds at the addresses shown on the Bond Register. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Agreement.

Execution of Supplemental Agreements

In executing, or accepting the additional duties created by, any Supplemental Agreement permitted by the Agreement or the modification thereby of the duties created by the Agreement, the District will be entitled to receive, and, subject to Section 9.2 of the Agreement, will be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Agreement is authorized or permitted by the Agreement.

Effect of Supplemental Agreements

From and after the time any Supplemental Agreement becomes effective pursuant to this Article, the Agreement will be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Agreement of the District and all Owners of Bonds Outstanding will thereafter be determined, exercised, and enforced under the Agreement subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Agreement will be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds

Bonds delivered after any Supplemental Agreement becomes effective pursuant to this Article may, and if the District so determines will, bear a notation by endorsement or otherwise in form approved by the District as to any modification or amendment provided for in such Supplemental Agreement, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Office or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation will be made on such Bond. If the Supplemental Agreement will so provide, new Bonds so modified as to conform, in the opinion of the District to any modification or amendment contained in such Supplemental Agreement, will be prepared and executed by

the District and authenticated by the Fiscal Agent and, upon demand of the Owners of any Bonds then Outstanding and upon surrender for cancellation of such Bonds, will be exchanged at the Corporate Office, without cost to any Bondholder, for Bonds then Outstanding in equal aggregate principal amounts of the same tenor and maturity.

Amendment of Particular Bonds

The provisions of this Article will not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Calaveras County Water District (the “District”) and Deutsche Bank National Trust Company, as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of Calaveras County Water District, DaLee / Cassidy Water System Assessment District, Series 2010 Limited Obligation Improvement Bonds in the aggregate principal amount of \$990,000 (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Directors of the District (the “Board”) on August 25, 2010 and a Fiscal Agent Agreement dated as of September 1, 2010 (the “Agreement”) by and between the Issuer and Deutsche Bank National Trust Company, as fiscal agent (the “Fiscal Agent”). The District and Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Dissemination Agent*” shall mean Deutsche Bank National Trust Company, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“*Official Statement*” shall mean the Official Statement, dated August 26, 2010, relating to the Bonds.

“*Participating Underwriter*” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Repository*” shall mean each National Repository and each State Repository.

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

“*SEC*” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District's Fiscal Year, commencing with the report for the 2009-10 Fiscal Year (each a "Filing Date"), provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Not later than fifteen (15) Business Days prior each Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB in substantially the form attached as Exhibit A. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) file the Annual Report with MSRB; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided to MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain the following information:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information regarding the Bonds:

(i) Principal amount of Bonds outstanding;

(ii) Balance in the Prepayment Account of Redemption Fund;

(iii) Balance in the Improvement Fund and a description of status of construction of the improvements being constructed until complete;

(iv) Balance in the Redemption Fund;

(v) Balance in the Reserve Fund and a statement of the Reserve Requirement;

(vi) An update of Table 4;

(vii) Information regarding the annual special assessment installments, amount collected, delinquent amount and percent delinquent for the most recent fiscal year and the amount and percent remaining delinquent for any prior fiscal year; and

(viii) If the County discontinues the Teeter Plan or determines that the Assessments will no longer be paid in full through the Teeter Plan, the following information concerning delinquent parcels:

(A) number of parcels delinquent in payment of Assessments;

(B) amount of total delinquency;

(C) whether the County has fulfilled its covenants to pursue foreclosure proceedings upon delinquent properties and a summary of results of foreclosure sales, if available; and

(D) the identity of any delinquent taxpayer obligated for more than 3% of the total annual Assessment levy and the assessed value of applicable properties.

(c) In addition to any of the information specifically required to be provided under provisions of this Section, the District shall provide such further information, if any, as may be necessary to make the statements of specifically required information, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, that are available to the public on the MSRB's Internet web site or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

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

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

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

- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of the owners of the Bonds;
- (viii) Contingent or unscheduled Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; and
- (xi) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (iv) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

(d) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the MSRB with a copy to the District. Such notice must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Deutsche Bank National Trust Company.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the

primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or

willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the District to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the District to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the District pursuant to Section 4 and Section 5 hereof.

Date: August __, 2010

CALAVERAS COUNTY WATER DISTRICT

By: _____

Accepted and Acknowledged:

Deutsche Bank National Trust Company,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Calaveras County Water District

Name of Bond Issue: Calaveras County Water District
DaLee / Cassidy Water System Assessment District
Series 2010 Limited Obligation Improvement Bonds

Date of Issuance: September 9, 2010

NOTICE IS HEREBY GIVEN that the Calaveras County Water District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of September 1, 2010, by and between the Issuer and Deutsche Bank National Trust Company, as Fiscal Agent. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

CALAVERAS COUNTY WATER DISTRICT

By _____

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APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

Calaveras County Water District
423 E. St. Charles Street
San Andreas, Ca 95249

[\$[Par Amount]
CALAVERAS COUNTY WATER DISTRICT
DALEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT
SERIES 2010 LIMITED OBLIGATION IMPROVEMENT BONDS
BANK QUALIFIED
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Calaveras County Water District (the "District") of its limited obligation improvement bonds captioned above, dated September 9, 2010 (the "Bonds"), pursuant to the Improvement Bond Act of 1915, Division 10 of the California Streets and Highways Code, (the "Bond Law") and Resolution No. 2010-60 of the District adopted on August 25, 2010 (the "Resolution"), and a Fiscal Agent Agreement dated as of September 1, 2010 (the "Fiscal Agent Agreement"), by and between the District and District and Deutsche Bank National Trust Company, as fiscal agent.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Fiscal Agent Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a political subdivision of the State of California, with power to adopt the Resolution, enter into the Fiscal Agent Agreement, perform the agreements on its part contained therein, and issue the Bonds.
2. The Fiscal Agent Agreement has been duly approved by the District and constitutes a valid, legal and binding obligation of the District enforceable upon the District in accordance with its terms.
3. Pursuant to the Bond Law, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds, subject to any existing prior liens granted under the Bond Law.

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

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX E

INFORMATION REGARDING THE BOOK-ENTRY ONLY SYSTEM

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the District, and the District shall not have any liability with respect thereto. The District shall not have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of 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 is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, 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, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX F
FINAL ENGINEER'S REPORT

CALAVERAS COUNTY WATER DISTRICT
DA LEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT

FINAL
ASSESSMENT ENGINEER'S REPORT

May 21, 2010

Prepared by:

Calaveras County Water District
P.O. Box 846
423 E. St. Charles Street
San Andreas, CA 95249
Phone: 209-754-3543
Fax: 209-754-1069

INTRODUCTION

Pursuant to the provisions of Part 7.5 of the “Special Assessment Investigation, Limitation and Majority Protest Act of 1931,” being Division 4 of the Streets and Highways Code of the State of California, the “Municipal Improvement Act of 1913”, being Division 12 of said Code (the “Improvement Act”), Article XIID of the State of California Constitution (“Article XIID”) and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code), and in accordance with Resolution of Intention (Resolution No. 2010-28) adopted by the Board of Directors of the Calaveras County Water District (the “District”), Calaveras County, State of California, in connection with the proceedings for the DA LEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT (hereinafter referred to as the “Assessment District”), the undersigned herewith submits the Engineer’s Report for the Assessment District, consisting of seven (7) parts as follows:

PART A

Part A contains the general description of the proposed improvements to be constructed. Plans and specifications sufficient to describe the general nature, location and extent of the improvements are set forth in separate reports on file in the Office of the District Engineer and are herewith made a part of this report.

PART B

Part B contains a boundary map and a diagram showing the District, the boundaries and the dimensions of the subdivisions of land within said District, as the same existing at the time of the passage of the Resolution of Intention, is filed herewith and made a part hereof, and part of the assessment.

PART C

Part C contains an estimate of the cost of the proposed improvements, including incidental costs and expenses in connection therewith, is as set forth on the lists thereof, contained in Part B, and is on file in the Office of the District Engineer and made a part hereto.

PART D

This part shall consist of the following information:

A. A proposed assessment of the total amount of the costs and expenses of the proposed improvements upon the several subdivisions of land within the District, in proportion to the estimated special benefits to be received by such subdivisions, from said improvements, is set forth upon the assessment roll filed herewith and made a part hereof.

B. The total amount, as near as may be determined, of the total principal sum of all unpaid special assessments and special assessments required or proposed to be levied under any completed or pending assessment proceedings, other than that contemplated for the District, which would require an investigation and report under the Investigations Act against the total area proposed to be assessed.

C. The total true value, as near as may be determined, of the parcels of land and improvements which are proposed to be assessed.

PART E

Part E contains the proposed maximum annual assessment to be levied upon any subdivision or parcel of land within the Assessment District to pay the costs incurred, and not otherwise reimbursed, resulting from the administration and collection of assessments and/or administration and registration of bonds and other funds.

PART F

Part F contains the information called for by Part 7.5 of the "Special Assessment Investigation, Limitation and Majority Protest Act of 1931," being Division 4 of the Streets and Highways Code of the State of California.

PART G

Part G contains the proposed assessment roll filed herewith and made a part hereof, with each proposed record representing the proposed assessment of a portion of the costs and expenses of the proposed project improvements in proportion to the estimated special benefits to be received by properties within the Assessment District, respectively, from said improvements. The assessment roll also includes the "Assessor APN" for each parcel which is the Assessor's Parcel Number corresponding to each property within the Assessment District as recorded in the Calaveras County Assessor's Office.

PART H

Part H contains the Certifications pertaining to the proper filings made by the District.

The undersigned, as Assessment Engineer, respectively submits the enclosed Assessment Engineer's Report as directed by the Board of Directors of the District.

DATED: July 14, 2010

ASSESSMENT ENGINEER

By: _____
Steve Hutchings, P.E.

PART A: GENERAL DESCRIPTION OF PROPOSED IMPROVEMENTS

Introduction

The Calaveras County Water District proposes to form an assessment district to finance treated water distribution system improvements in an area south of Valley Springs along Da Lee Road, Cassidy Road, Da Lee Court and Ricky Court (the “Project”). Property owners – some with failing groundwater wells and others with vacant lots – have petitioned the District to extend the existing water system to make water service available to the proposed Assessment District. The intent of the Project is to install water system facilities for fire protection and residential water service to all parcels within the proposed assessment area. The water system will consist of pipelines, fire hydrants, and an individual service line with a concrete box for a future meter to each parcel.

A Negative Declaration for the construction of the project was adopted by the Board at a public hearing held on May 19, 2010.

Pipelines

Water pipelines will be 8-inch and 6-inch in diameter and have a total length of 9,925 feet. There will be approximately 5,325 feet of 8-inch pipeline and 4,600 feet of 6-inch pipeline. The system will include gate valves, air valves, fire hydrants and service lines. Also, three tie-ins will be needed to connect the new facilities to the existing water system. A schematic of the proposed system is shown in Figure 1.

All construction will be preformed by a licensed and bonded contractor according to the Calaveras County Water District Construction Standards. The water mains will be buried within road corridors by conventional open-cut trench and backfill methods using a backhoe, excavator or other heavy equipment. Construction along the roads will be governed by the encroachment permit issued by Calaveras County. The pipe bedding and backfill will be imported (non-native) aggregate base. All excavated material will be hauled away and disposed of off site.

Damage to the road will be repaired to an as good or better condition. The existing asphalt paving above the trench will be saw cut and removed. After installation of the water main, the paving will be replaced where damaged. The new paving will be placed with a paving machine, compacted and rolled smooth to match the adjacent road surface.

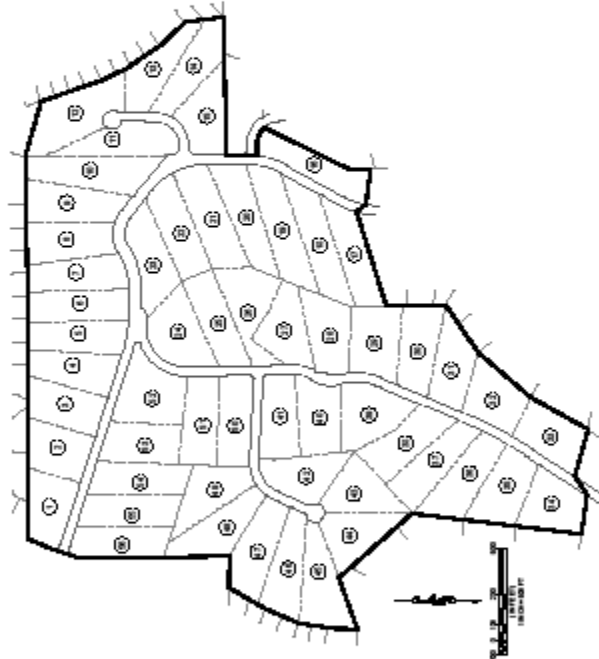
PART B: BOUNDARY MAP AND ASSESSMENT DIAGRAM

The following boundary map and diagram map show the boundaries and the dimensions of the subdivisions of land within the District and each parcel to be assessed.

**MAP OF PROPOSED BOUNDARIES OF
CALAVERAS COUNTY WATER DISTRICT
DA LEE / CASSIDY WATER SYSTEM
ASSESSMENT DISTRICT**

CALAVERAS COUNTY WATER DISTRICT
COUNTY OF CALAVERAS
STATE OF CALIFORNIA

ASSESSMENT DISTRICT	APN
1	07A022.000
2	07A022.002
3	07A022.003
4	07A022.004
5	07A022.005
6	07A022.006
7	07A022.007
8	07A022.008
9	07A022.009
10	07A022.010
11	07A022.011
12	07A022.012
13	07A022.013
14	07A022.014
15	07A022.015
16	07A022.016
17	07A022.017
18	07A022.018
19	07A022.019
20	07A022.020
21	07A022.021
22	07A022.022
23	07A022.023
24	07A022.024
25	07A022.025
26	07A022.026
27	07A022.027
28	07A022.028
29	07A022.029
30	07A022.030
31	07A022.031
32	07A022.032
33	07A022.033
34	07A022.034
35	07A022.035
36	07A022.036
37	07A022.037
38	07A022.038
39	07A022.039
40	07A022.040
41	07A022.041
42	07A022.042
43	07A022.043
44	07A022.044
45	07A022.045
46	07A022.046
47	07A022.047
48	07A022.048
49	07A022.049
50	07A022.050
51	07A022.051
52	07A022.052
53	07A022.053
54	07A022.054
55	07A022.055
56	07A022.056
57	07A022.057
58	07A022.058
59	07A022.059
60	07A022.060
61	07A022.061
62	07A022.062
63	07A022.063
64	07A022.064
65	07A022.065
66	07A022.066
67	07A022.067
68	07A022.068
69	07A022.069
70	07A022.070
71	07A022.071
72	07A022.072
73	07A022.073
74	07A022.074
75	07A022.075
76	07A022.076
77	07A022.077
78	07A022.078
79	07A022.079
80	07A022.080
81	07A022.081
82	07A022.082
83	07A022.083
84	07A022.084
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86	07A022.086
87	07A022.087
88	07A022.088
89	07A022.089
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91	07A022.091
92	07A022.092
93	07A022.093
94	07A022.094
95	07A022.095
96	07A022.096
97	07A022.097
98	07A022.098
99	07A022.099
100	07A022.100



LEGEND
 — PROPOSED ASSESSMENT DISTRICT BOUNDARY
 - - - - - PARCEL LINES

FILED IN THE OFFICE OF THE SECRETARY OF THE BOARD OF CALAVERAS COUNTY WATER DISTRICT THIS _____ DAY OF _____, 20____.

SECRETARY OF THE BOARD
 CALAVERAS COUNTY WATER DISTRICT
 CALAVERAS COUNTY, CALIFORNIA

WHEREBY I CERTIFY THAT THE WITHIN MAP SHOWING THE PROPOSED BOUNDARIES OF THE DA LEE / CASSIDY WATER SYSTEM ASSESSMENT DISTRICT, COUNTY OF CALAVERAS, STATE OF CALIFORNIA, WAS APPROVED BY THE BOARD OF DIRECTORS OF CALAVERAS COUNTY WATER DISTRICT, AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 20____, BY THE RESOLUTION NO. _____.

SECRETARY OF THE BOARD
 CALAVERAS COUNTY WATER DISTRICT
 CALAVERAS COUNTY, CALIFORNIA

FILED THIS _____ DAY OF _____, 20____, AT THE HOUR OF _____ O'CLOCK _____, IN BOOK _____ MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF CALAVERAS, STATE OF CALIFORNIA.

COUNTY RECORDER
 CALAVERAS COUNTY, CALIFORNIA

NOTE: FOR THE DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF EACH PARCEL, WITHIN THE DISTRICT REFER TO THE 2008 COUNTY OF CALAVERAS ASSESSORS MAPS.



435 E. ST. CHARLES ST.
 SAN ANTONIO, CA 95268

PART C: COST ESTIMATES

The following costs are estimates and will be adjusted when actual costs are finalized.

PROJECT COST ESTIMATES

DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL COST
<u>Construction</u>				
8-in Water Main	5,325	feet	41.5	\$220,988
6-inch Water Main	4,600	feet	35.5	\$163,300
DaLee Tie-in's	2	each	4,000	\$8,000
Cassidy Tie-in	1	each	4,600	\$4,600
8-in Gate Valves	6	each	1,275	\$7,650
6-inch Gate valves	6	each	955	\$5,730
Fire Hydrant assembly	15	each	4,500	\$67,500
Air Valve Assembly	7	each	3,500	\$24,500
Blow-Off Assembly	4	each	2,000	\$8,000
Service Lines with Box	56	each	975	\$54,600
Pavement Replacement	5,760	LF	13	\$74,880
Sheeting, Shoring & Bracing	1	LS	2500	<u>\$2,500</u>
Subtotal				\$642,248
<u>Contingencies</u>				
Construction		10% (rounded)		<u>\$65,000</u>
Subtotal				\$65,000
<u>Engineering & Administration</u>				
Legal				\$39,000
Environmental/CEQA				\$4,000
Engineering/Design				\$20,000
Surveying				\$10,000
Construction Management				\$20,000
Project Administration				\$10,000
County Permits & Inspection				<u>\$25,000</u>
Subtotal				\$128,000
			Total Project Cost	\$835,248
<u>Financing Costs</u>				
Cost of Issuance				\$31,000
<u>Meter & Connection Fees (optional)</u>				
Capacity Fee (Standard Residential 5/8" meter) ¹	1	each		\$9,139
Materials & Account set up	1	each		<u>\$500</u>
			Total	\$9,639

¹ Capacity fees increase on July 1 of each year based on the construction cost index.

Water Service

A 1” service line will be installed from the water main to each parcel. The service line will terminate in a concrete box that will be plumbed for a future 5/8” water meter. The purchase of a water meter and capacity fees are optional and can be included in the assessment. The plumbing of the house to the meter box is the responsibility of the property owner. In addition to the house plumbing, the District recommends that the property owner install a pressure regulating valve, at the meter, to prevent damage from potential high pressures in the area.

PART D: METHOD OF ASSESSMENT

Background

Proposition 218, the “Right to Vote on Taxes Act” was approved by California voters in 1996. It added Articles XIII C and XIII D to the California State Constitution. The primary results of Proposition 218 were stricter definitions of assessments, special taxes, fees, and charges, and a general mandate for some type of voter approval for any new or increased tax, assessment, or property-related fee. The Proposition 218 Omnibus Implementation Act was approved July 1, 1997, and provides procedures throughout the notice, protest and hearing process.

The Assessment District is formed under the authority of the Municipal Improvement Act of 1913. The assessment of parcels within the Assessment District is also subject to the provisions of Article XIII D of the California Constitution (“Article XIII D”), which requires that local agencies levy assessments according to the special benefits conferred. Section 4 of Article XIII D requires that a parcel’s assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. Section 4 provides that only special benefits are assessable and that the local agency levying the assessment must separate the general benefit from the special benefit. It also precludes exempting from the assessment publicly owned property that receives special benefit from the improvements.

The responsibility for determining the apportionment of costs to properties which specially benefit from the improvements rests with the Assessment Engineer. The Assessment Engineer is appointed for the purpose of making an analysis of facts and determining the correct apportionment of assessment obligations. Therefore, the costs and expenses of improvements will be apportioned against the properties by a formula or method that distributes the costs in direct proportion to the estimated special benefits these parcels receive from the improvements. The Calaveras County Water District’s Board of Directors has directed the District Engineer to serve as Assessment Engineer, for purposes of preparing this Assessment Engineer’s Report.

Assessment ballots are mailed to all record owners of property within the Assessment District at least 45 days prior to the public hearing. Only ballots delivered to the Board Secretary prior to the close of the public hearing are tabulated. A majority protest results if the assessment ballots submitted in opposition exceed those assessment ballots submitted in favor of the assessment. The assessment ballots are weighted by the amount of the proposed special assessment to be imposed upon the parcel.

The approval of the assessments rests with the Board of Directors that renders its decision after hearing testimony and evidence presented at a public hearing and tabulating the assessment ballots upon conclusion

of the hearing. The Board of Directors' findings must include whether or not the assessment spread has been made in direct proportion to the estimated special benefits received by each parcel.

Special Benefit

Per Proposition 218, or more specifically Section 2 of Article XIID, "special benefit" means a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute "special benefit."

The Assessment Engineer makes the analysis and recommendation of the application of special benefit to the parcels within the Assessment District based on the following process: 1) defining the proposed improvements; 2) identifying the special benefit from the proposed improvements and the amount of the special benefit each parcel receives; 3) apportioning the cost of the proposed improvements to each parcel based on the special benefit that each parcel receives.

The purpose of this Assessment District is to fund construction of water pipelines and appurtenances for conveyance of treated water to the properties being assessed. Upon completion of the proposed improvements, the new water system will have capacity to provide fire flows and serve treated water to all parcels within the Assessment District.

None of the parcels within the Assessment District have treated water available to them nor is there a system that delivers water for fire protection. The special benefit that accrues to each parcel in the Assessment District is fire protection and the availability of treated water for domestic use.

The total project cost of the water system is included in the proposed assessment. Property owners are not required to connect to the system for domestic use. As an option, the property owner can include the cost for the meter and the capacity connection fees in the assessment as an additional special benefit. Only those properties that have an existing residence or a valid building permit are eligible for a connection. All District policies and ordinances regarding the furnishing of a water service will be in effect within the Assessment District.

Method of Apportionment of Assessment

The new treated water system will be available to all 56 parcels in the Assessment District. All parcels will have frontage on one of the water mains that will be installed, and all will have the opportunity to connect to the main. Residential water service will be available to each parcel within the Assessment District boundaries.

The basis for apportioning the assessment to each parcel within the Assessment District is based upon each parcel's water needs, required fire flow rates and distances to fire hydrants as it relates to each parcel's individual land use. The current land use classification for all of the 56 parcels within the Assessment District is residential. Since the new water system will deliver to every parcel, at a minimum, water for a single residential service, and will provide the fire flow rate and the fire hydrant spacing as required by the local fire district for protection to every parcel, the special benefit conferred to each parcel is determined to be equal. Therefore, the total project costs of the special benefits to each parcel in the Assessment District are apportioned equally to each parcel.

Payment Options for the Assessment

Once the Board approves the final assessment, a notice will be mailed to every property owner informing them of the assessment amount. The property owner will have 30 days to pay the assessment with the following options:

- Direct cash payment of the total assessment. Payment can also be provided by using the property owners own private financing.
- Payment over time through the Assessment District finance plan.

Calculation of Direct Cash Payment

A direct payment in cash will permanently satisfy the assessment obligation. During the cash payment period the parcel's assessment is discounted (without reserve fund and some of the financing costs associated with the issuance of debt) and the payment amount will include only the parcel's portion of the construction costs from Table 1.

Table 2
Discounted Assessment for Cash Prepayment

Total Project Costs	\$835,248
Number of Parcels to be Equally Assessed	56
Assessment Cash Prepayment Amount per Parcel	\$ 14,915

Calculation of Assessment Payment with Financing Costs

If a property owner chooses not to satisfy their assessment with cash, a lien against the property for unpaid assessments will be recorded with the County's tax roles. The assessment will be financed and an amount will be placed on the County secured property tax bill each year until paid in full. CCWD is evaluating options for financing. The amount of the yearly assessment will depend of the terms of the financing. The assessment calculated in this report is currently modeled to be amortized over a period of 25 years at an interest rate of 6%.

A reserve fund for the Assessment District and an amount to pay the financing costs associated with the issuance of debt will be added to the construction amount. This total is the maximum assessment amount. The reserve fund is an account established for the security of the Assessment District and used if assessment collections from property owners are not sufficient to make scheduled debt service payments. The financing costs are necessary to issue debt. The assessment amount including the construction cost, reserve fund and financing costs is shown in Table 3.

The annual assessment amount will be comprised of the parcel's annual principal and interest amount as well as an amount for administrative costs (\$150). For the 25-year loan, this totals approximately \$1,460 annually. The administrative costs are those costs related to the ongoing administration of the Assessment

District which can include county collection fees for placing the annual assessment on the tax roll, CCWD related expenses and any other costs authorized by law.

**Table 3
Assessment with Reserve Fund & Financing Costs**

Total Project Costs	\$835,248
Reserve Fund (~10%)	\$83,000
Financing Costs	\$31,000
Total Costs to be Assessed	\$949,248
Number of Parcels to be Assessed	56
Assessment with Reserve Fund & Financing Costs (per parcel)	\$16,950
25-year Financing Estimated Annual Assessment to be applied to each parcel on the Calaveras County secured property tax role, including annual administrative cost (\$150)	\$1,460

The Assessment Roll, found at the end of this report, will have the maximum amount the assessment may be and assumes the inclusion of financing costs. This amount will be shown in the ‘Assessments Preliminarily Approved’ column once the Board adopts the draft report. Assessments that will be paid in full will be deducted from the total project cost to be financed.

Optional Increase in Assessments to Finance Capacity Charges

During the 30 day period allowed for the cash payment and prior to the issuance of any debt, property owners will have the opportunity to choose to finance the CCWD capacity charges and connection fees. The capacity charges are for the treatment plants, storage tanks, and pump stations that deliver water to the system. The connection fees are for the purchase and installation of the meter, and account set up costs. Property owners who choose this option will have these costs added to the assessment roll thereby increasing the assessment amount, as indicated in Table 4. A financing and reserve fund cost item for the meter and connection costs are also added. This increase shall apply solely to the respective parcel whose owner chooses this financing option.

Table 4 Assessment with capacity fees included	
Assessment with Reserve Fund & Financing Costs (per parcel)	\$16,950
Meter Cost & Connection Fees	\$9,639
Reserve Fund & Financing Cost	\$1,111
Total	\$27,700
Estimated Annual Assessment to be applied to each parcel on the Calaveras County secured property tax role, including \$150 for annual administrative cost	\$2,291

Method Of Future Apportionment Of Assessment

The proportional special benefit to each residential parcel is found to be equal, with the exception of those property owners choosing to include the capacity connection fees in the assessment. Future splitting of the parcels in the Assessment District is not anticipated to occur given existing zoning and land development potential. However, there may be parcel splits or other changes which will necessitate the apportionment of the assessment.

In the event that parcel changes occur, the assessment will be redistributed in accordance with District Policy.

PART E: MAXIMUM ANNUAL ADMINISTRATIVE ASSESSMENT

Pursuant to subparagraph (f) of Section 10204 of the Improvement Act, an annual administrative assessment shall be levied upon each of the several parcels of land in the district to pay costs incurred by CCWD and not otherwise reimbursed which result from the administration and collection of assessments or from the administration or registration of any associated bonds and reserve or other related funds. Without limiting the foregoing, such annual administrative assessment shall be in addition to any amounts collected pursuant to Sections 8682 and 8682.1 of the Streets and Highways Code.

The maximum annual administrative assessment shall be set for the first year of installment collections at \$150 per parcel, and said maximum amount shall be increased each year thereafter at the rate of 2% per year over the maximum amount for the previous year.

PART F: VALUATION REPORT CERTIFICATION

Pursuant to Section 2960 and 2961 of the Streets and Highways Code, the County Assessor has stated that the assessed value of land plus improvements for all parcels being assessed within the assessment district, as shown on the last equalized tax roll of the County of Calaveras, is \$10,038,518. Furthermore, there are no existing unpaid assessments against any of the parcels being assessed within the assessment district. On this basis, the condition specified by Section 2961, which is that the sum of (a) the principal amount of all existing unpaid assessments, and (b) the principal amount of the proposed assessments of this assessment district shall not exceed one-half of the total true value of the parcels proposed to be assessed in this assessment district, is satisfied.

CERTIFICATION OF ASSESSMENT ENGINEER

I, the undersigned Assessment Engineer, by signing this Report, do hereby certify that the total amount of the principal sum of the assessments proposed to be levied for the Assessment District, together with the principal amount of all other assessments levied or proposed to be levied on the properties within the Assessment District, as set forth above, does not exceed one-half of the total true value of the parcels proposed to be assessed for the Assessment District.

WATER USAGE RATES

CCWD water rates are presented here as information and not to be part of the assessment. Upon installation of a meter, water base rates will begin to be billed to the property. These rates **are not** included with the assessment and are to be paid bi-monthly. Rates are subject to change. The base rate for a 5/8” meter will be \$72.00, bi-monthly, beginning on July 1, 2010 for usage up to 1,000 cubic feet (7,480 gallons). Usage above 1,000 cubic feet will be charged by a tiered rate structure. For a 5/8” meter the tiered rate structure is:

Meter Size	Tier 1 - \$1 / 100cf		Tier 2 - \$1.25 / 100cf		Tier 3 - \$1.60 / 100 cf
	Min	Max	Min	Max	
5/8”	1,001	6,000	6,001	12,000	12,000 +

PART G: ASSESSMENT ROLL

The following is a list of names and addresses of the owners of all parcels, and the description of each lot or parcel within the Assessment District as shown on the last equalized Property Tax Roll of the Calaveras County Assessor, which by reference is hereby made part of this report. Each parcel of land assessed is described in the within Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of Calaveras for the fiscal year 2009-10 and includes all of such parcel excepting those portions thereof within existing public roads. This list is keyed to the Assessor's Parcel Numbers as shown on the Assessment Roll, which includes the proposed amount of assessment apportioned to each lot or parcel and the parcel's assessment number

For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

**Calaveras County Water District
Final Engineer's Report
Da Lee / Cassidy Assessment District
Names and Addresses of Property Owners**

Assessment I.D.	APN	Owner	Mailing Address	Mailing City	Mailing State	Mailing Zip
1	070-02-2-001	Xiong You	6463 Da Lee Road	Valley Springs	California	95252
2	070-02-2-002	Mattiscal Frank R and Mercedes L	6533 Da Lee Road	Valley Springs	California	95252
3	070-02-2-003	Fugit Michael	6585 Da Lee Road	Valley Springs	California	95252
4	070-02-2-004	Domondon Luis E Jr and Toni M Trustees	6631 Da Lee Road	Valley Springs	California	95252
5	070-02-2-005	Kane Christine	6671 Da Lee Road	Valley Springs	California	95252
6	070-02-2-006	Tracy Colleen	6687 Da Lee Road	Valley Springs	California	95252
7	070-02-2-007	Welsh Michael ETAL	6687 Da Lee Road	Valley Springs	California	95252
8	070-02-2-008	BeeKhuizen Steven	1834 W Cape Cod Way	Littleton	Colorado	80120
9	070-02-2-009	Weathers Dai and Karen R	6797 Da Lee Road	Valley Springs	California	95252
10	070-02-2-010	Murillo Benjamin Jr and Deborah E	6863 Da Lee Road	Valley Springs	California	95252
11	073-02-1-008	Gaspers Gerald M and Dana M	6828 Da Lee Road	Valley Springs	California	95252
12	073-02-1-007	Gaspers Gerald M and Dana M	6828 Da Lee Road	Valley Springs	California	95252
13	073-02-3-003	Sadowski David	6851 Da Lee Court	Valley Springs	California	95252
14	073-02-3-002	Korekbaas Tom C and Vivian C	1325 W "T" Street	Wilmington	California	90744
15	073-02-3-001	Kiby Bernie J ETAL	6903 Da Lee Road	Valley Springs	California	95252
16	070-02-1-011	Hasbrock William B and Linda	7043 Da Lee Road	Valley Springs	California	95252
17	070-02-3-039	Chapple Lee M and Marlene F	8581 Siegel Street	Valley Springs	California	95252
18	070-02-3-040	Chapple Lee M and Marlene F	8581 Siegel Street	Valley Springs	California	95252
19	070-02-3-041	Perez Laurent E Jr ETAL	3038 Dunn Road	Valley Springs	California	95252
20	070-02-2-014	Moore Larry	6954 Da Lee Road	Valley Springs	California	95252
21	070-02-2-013	Ortopp Kevin K and Katherine W Trustees	6904 Da Lee Road	Valley Springs	California	95252
22	070-02-2-012	Cardenas Salvador and Alma	6862 Da Lee Road	Valley Springs	California	95252
23	070-02-2-011	Johnson Robert A Jr and Theresa	Po Box 366	Linden	California	95236
24	070-02-2-017	Matsuoka Edward and Laurie	6753 Cassidy Road	Valley Springs	California	95252
25	070-02-2-016	Bar Leslie	6837 Cassidy Road	Valley Springs	California	95252
26	070-02-2-028	Gimble Dale	6873 Cassidy Road	Valley Springs	California	95252
27	070-02-3-043	Baptista Christine C Trustee	3836 Garner Ferry Road APT 24	Corning	California	96021
28	070-02-3-032	Remus Ross and Monica	6935 Cassidy Road	Valley Springs	California	95252
29	070-02-3-033	Cracon Keith ETAL	6977 Cassidy Road	Valley Springs	California	95252
30	070-02-3-034	Brown Richard L and Debra S	7023 Cassidy Road	Valley Springs	California	95252
31	070-02-3-035	Weber Steven Allen and Robbie Ann	Po Box 1579	Montebello	California	90840
32	070-02-4-033	Rose Donna	2828 Tepeee Drive	Stockton	California	95205
33	070-02-4-034	Yip Doreen ETAL	3601 Lawton Street	San Francisco	California	94122
34	070-02-4-031	Iseiyama Aiko TR	7208 Cutting Boulevard	El Cerrito	California	94530
35	070-02-4-032	Murillo Benjamin and Deborah	6963 Da Lee Road	Valley Springs	California	95252
36	070-02-3-023	Ellis James L and Dorey Trustees	3062 Ross Drive	Valley Springs	California	95252
37	070-02-3-024	Hill Paul P and Sohyia	4 Bellflower Lane	San Carlos	California	94070
38	070-02-3-025	Beall Edwin S and Lorraine	66 College Road	Watsonville	California	95076
39	070-02-3-026	Powlesland Don A and Dixie L Trustees	Po Box 1676	Valley Springs	California	95252
40	070-02-3-029	Lamson Thomas D and Sonny Trustees	1723 Tahoe Drive	Milpitas	California	95035

**Calaveras County Water District
Final Engineer's Report
Da Lee / Cassidy Assessment District
Names and Addresses of Property Owners**

Assessment I.D.	APN	Owner	Mailing Address	Mailing City	Mailing State	Mailing Zip
41	070-02-3-020	McGary Michael	6901 Ricky Court	Valley Springs	California	95252
42	070-02-3-028	Nakano Sam S and Eva M	1468 Arroyo Road	Livermore	California	94550
43	070-02-3-027	LGC Properties 2 LLC	8286 W Zayante Road	Felton	California	95018
44	070-02-3-020	Taylor Clyde	7060 Ricky Court	Valley Springs	California	95252
45	070-02-3-018	Bullington Elvira A	415 Dorner Road	Lodi	California	95240
46	070-02-3-017	Grohe Family Trust	5780 Tamarac Way	Clayton	California	94517
47	070-02-3-016	Hammon Patrick and Kathy	7008 Ricky Court	Valley Springs	California	95252
48	070-02-2-023	Breneman Dale Robert and Zenaida Z	6986 Ricky Court	Valley Springs	California	95252
49	070-02-2-024	Armstrong John	6968 Ricky Court	Valley Springs	California	95252
50	070-02-2-026	Sul David and Charlene	5633rd Avenue S	Saint Cloud	Minnesota	56301
51	070-02-2-025	Lillie Jerry P and Carol	8849 Shady Oaks Drive	Stockton	California	95209
52	070-02-2-018	Ramirez Salvador Jr ETAL	6632 Da Lee Road	Valley Springs	California	95252
53	070-02-2-019	Soo Hoo Mae Leun Fong Trustee	183 10th Street	Oakland	California	94607
54	070-02-2-020	Soo Hoo Mae Leun Fong Trustee	183 10th Street	Oakland	California	94607
55	070-02-2-021	R & M Jones Revocable	6490 Da Lee Road	Valley Springs	California	95252
56	070-02-2-022	Sanchez Mollie Lamas	6410 Da Lee Road	Valley Springs	California	95252

Calaveras County Water District
 Final Engineer's Report
 Da Lee / Cassidy Assessment District
 Assessment Roll

Assessment I.D.	APN	Site Address	Assessments Preliminarily Approved	Assessment as Confirmed and Recorded	Assessment as Modified After Recordation
1	070-022-001	6463 Da Lee Road			
2	070-022-002	6533 Da Lee Road			
3	070-022-003	6585 Da Lee Road			
4	070-022-004	6631 Da Lee Road			
5	070-022-005	6671 Da Lee Road			
6	070-022-006	6687 Da Lee Road			
7	070-022-007	6723 Da Lee Road			
8	070-022-008	6763 Da Lee Road			
9	070-022-009	6797 Da Lee Road			
10	070-022-010	6863 Da Lee Road			
11	073-021-008	6828 Da Lee Court			
12	073-021-007	6797 Da Lee Court			
13	073-023-003	6815 Da Lee Court			
14	073-023-002	6841 Da Lee Court			
15	073-023-001	6903 Da Lee Road			
16	070-021-011	7043 Da Lee Road			
17	070-023-039	7090 Da Lee Road			
18	070-023-040	7042 Da Lee Road			
19	070-023-041	6996 Da Lee Road			
20	070-022-014	6954 Da Lee Road			
21	070-022-013	6904 Da Lee Road			
22	070-022-012	6862 Da Lee Road			
23	070-022-011	6738 Da Lee Road			
24	070-022-017	6753 Cassidy Road			
25	070-022-016	6837 Cassidy Road			
26	070-022-028	6873 Cassidy Road			
27	070-023-043	6887 Cassidy Road			
28	070-023-032	6895 Cassidy Road			
29	070-023-033	6977 Cassidy Road			
30	070-023-034	7023 Cassidy Road			
31	070-023-035	7085 Cassidy Road			
32	070-024-033	7115 Cassidy Road			
33	070-024-034	7189 Cassidy Road			
34	070-024-031	7220 Cassidy Road			
35	070-024-032	7170 Cassidy Road			
36	070-023-023	7136 Cassidy Road			
37	070-023-024	7100 Cassidy Road			
38	070-023-025	7060 Cassidy Road			
39	070-023-026	6992 Cassidy Road			
40	070-023-029	6920 Cassidy Road			
41	070-023-030	6901 Ricky Court			

Calaveras County Water District
Final Engineer's Report
Da Lee / Cassidy Assessment District
Assessment Roll

Assessment I.D.	APN	Site Address	Assessments Preliminarily Approved	Assessment as confirmed and Recorded	Assessment as Modified After Recordation
42	070-023-028	7005 Ricky Court			
43	070-023-027	7053 Ricky Court			
44	070-023-020	7060 Ricky Court			
45	070-023-018	7050 Ricky Court			
46	070-023-017	7034 Ricky Court			
47	070-023-016	7008 Ricky Court			
48	070-022-023	6986 Ricky Court			
49	070-022-024	6968 Ricky Court			
50	070-022-026	6708 Ricky Court			
51	070-022-025	6906 Cassidy Road			
52	070-022-018	6632 Da Lee Road			
53	070-022-019	6556 Da Lee Road			
54	070-022-020	6516 Da Lee Road			
55	070-022-021	6480 Da Lee Road			
56	070-022-022	6410 Da Lee Road			

PART H: CERTIFICATIONS

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, was filed with me on the __day of _____, 2010.

_____, Clerk of the Board,
Calaveras County Water District

By:_____

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, received Preliminary approval by the Board of Directors of the Calaveras County Water District, California, on the __day of _____, 2010.

_____, Clerk of the Board,
Calaveras County Water District

By:_____

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, received Final approval and confirmation by the Board of Directors of the Calaveras County Water District, California, on the __day of _____, 2010.

_____, Clerk of the Board,
Calaveras County Water District

By:_____

I HEREBY CERTIFY that the enclosed Engineer's Report, together with Assessment and Assessment Diagram thereto attached, was filed in my office on the _____day of _____, 2010.

Steve Hutchings, P.E., District Engineer,
Calaveras County Water District

By:_____