



# SERRANO

December 29, 2010

Honorable Members of the Board of Supervisors  
El Dorado County  
C/O Clerk of the Board  
330 Fair Lane  
Placerville, CA 95667

Louis B. Green  
County Counsel  
El Dorado County  
330 Fair Lane  
Placerville, CA 95667

Gentle Persons:

Attached please find our Verified Claim for Refund of Real Property Taxes. If you have any questions, please call either Mike Cook (916-925-6620) or John Murphy (949-725-4000).

Sincerely,

SERRANO ASSOCIATES, LLC  
A Delaware limited liability company

By: Parker Development Company  
Managing Member

By: 

L. Clark Winn,  
Chief Financial Officer

Enclosure

Cc: Kirk Bone  
Mike Cook  
John Murphy

RECEIVED  
BOARD OF SUPERVISORS  
EL DORADO COUNTY  
2011 JAN -4 PM 12: 28

## VERIFIED CLAIM FOR REFUND OF REAL PROPERTY TAXES

I, L. CLARK WINN, hereby declare or certify under penalty of perjury that the following is true and correct:

1. I am the Chief Financial Officer of Parker Development Company, managing member of Serrano Associates, LLC, a Delaware limited liability company ("Serrano"), on whose behalf I am filing this claim.

2. This claim is filed pursuant to the provisions of Section 5096 *et seq.* of the Revenue and Taxation Code of the State of California, seeking a refund of a portion of the special taxes paid by Serrano that were levied by the County of El Dorado (the "County") on behalf of Community Facilities District No. 1992-1 (El Dorado Hills Development), County of El Dorado, State of California (the "CFD") for fiscal year 2009/10.

3. Serrano has previously filed a verified claim for the refund of a portion of the special taxes paid by it that were levied by the County on behalf of CFD for fiscal years 2000/01 through 2008/09; and it hereby incorporates by reference as though set forth at length herein all of the reasons and all of the written and oral materials that it submitted to the County in support of that claim as the reasons for and evidence in support of the current claim. In particular, Serrano provided an extensive legal analysis as well as the testimony of Bill Parker and Tim Youmans and the hearing report that was considered by the County's Board of Supervisors in connection with the formation of the CFD and the approval of the rate and method of apportionment of special tax for the CFD (the "RMA"), all to the effect that the RMA was being misinterpreted with the result that property in the CFD owned by Serrano was substantially overtaxed. Serrano is informed and believes that the amount of the erroneous excess taxation of its property in fiscal year 2009/10 attributable to the same misinterpretation of the RMA is \$231,283. Accordingly, Serrano requests a refund in that amount together with interest thereon at the statutory rate.

4. In addition to the amount set forth in paragraph 3 above, Serrano believes that the special tax that was levied by the County on behalf of the CFD in fiscal year 2009/10 was erroneous and excessive by another \$283,643.25 as a result of a failure to timely correct the overfunding of the reserve account (the "Reserve Account") for the bonds issued on behalf of the CFD (the "Bonds"). The County has previously agreed with Serrano that the Reserve Account was in fact erroneously overfunded. Serrano believes that the actual over-funding occurred on March 4, 2009, as shown on the excerpt from the "Statement Period 03/1//2009 through 03/31/2009, Account 405132, Co. of El Dorado Special Tax Fd" that is attached hereto. It shows that on March 4, 2009 the Fiscal Agent for the bonds moved the sum of \$283,643.25 from the Special Tax Fund to the Reserve Account "to replenish the Reserve Account to the Reserve Requirement." Under these circumstances, Serrano believes that there are two ways that the erroneous transfer and the resulting over-funding of the Reserve Account should have been corrected and that both of them would have resulted in a reduction in the special tax levy for fiscal year 2009/10 in an amount equal to the erroneous transfer:

a. The first such method would have been to simply treat the transfer as an event that never should have occurred by unwinding it and deeming the \$283,643.25 as never having been removed from the Special Tax Fund; or

b. The second such method would have been to implement the provision of Section 3.6 of the indenture pursuant to which the Bonds were issued (the "Indenture") which provision states that, ". . . on the last

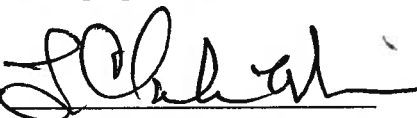
business day of March, amounts in the Reserve Account, if any, that exceed the Reserve Requirement shall be deposited into the Special Tax Fund." Pursuant to that language, the \$283,643.25 that had been transferred into the Reserve Account on March 4, 2009 should have been transferred out of the Reserve Account back into the Special Tax Fund on March 31, 2009.

5. Under either approach the balance on deposit in the Special Tax Fund as of March 31, 2009 should have been \$283,643.25 higher than it actually was, and this excess amount would have been available to pay the debt service coming due on the Bonds on September 1, 2009. Under Section 3.8 of the Indenture, the County is to transfer from the CFD Fund "to the Fiscal Agent for deposit in the Special Tax Fund to be administered in accordance with Section 3.4" "moneys as received *and as needed*." [Emphasis supplied.] Under Section 3.4 of the Indenture, the Fiscal Agent is to disburse moneys in the Special Tax Fund first to the Redemption Account (where it is to be used to pay debt service coming due on the Bonds through the next succeeding September 1) and then to the Reserve Account "as received *and as needed*." [Emphasis supplied.] In other words, if the Fiscal Agent doesn't need additional funds for the payment of debt service or for the replenishment of the Reserve Account, the County should not transfer money to the Fiscal Agent for such purposes; the County should pay to the Fiscal Agent only the amount required by the Fiscal Agent to satisfy these obligations. Thus, recognizing that the balance held by the Fiscal Agent in the Special Tax Fund at March 31, 2009 should have been higher than it was shown to be by \$283,643.25 and that said amount would be available to pay debt service on September 1, 2009, the County should have retained at least that amount in the CFD Fund and not have transferred it to the Fiscal Agent. As noted above, money on deposit in the CFD Fund is available to be paid to the Fiscal Agent to be applied to the payment of debt service. Thus, in calculating Annual Costs (as defined in the "RMA") and the levy of the special tax for fiscal year 2009/10, the availability of the \$283,643.25 in the CFD Fund would mean that a credit against debt service could be given for that amount and that the levy for Fiscal Year 2009/10 should therefore have been reduced by that amount. Serrano believes that the failure to have done so resulted in an erroneous levy of its special taxes for Fiscal Year 2009/10 and that it should be refunded its share of that amount together with interest thereon at the statutory rate.


Dated: December 29, 2010

SERRANO ASSOCIATES, LLC,  
a Delaware limited liability company

By: Parker Development Company,  
Managing Member

By:   
L. Clark Winn,  
Chief Financial Officer

I declare under penalty of perjury that the foregoing is true and correct and that I could competently so testify if called to do so. Executed this 29<sup>th</sup> day of December, 2010, at El Dorado Hills, California.

  
L. Clark Winn

THE BANK OF NEW YORK MELLON  
The Bank of New York Mellon Trust Company, N.A.

Statement Period 03/01/2009 Through 03/31/2009  
Account 405132  
CO. OF EL DORADO 89 SPECIAL TAX FD

**Statement of Assets Held**

Shares / Per Value	Asset Description	Market Price Average Cost	Market Value Cost	Accrued Income Est Annual Income	Market Yield
	<b>CASH AND SHORT TERM</b>				
714,784.040	JP MORGAN US TRSRY PLUS INSTL #3918	1.00000	714,784.04	0.00	0.19%
	CUSIP: 699890310	1.00000	714,784.04	1,358.09	0.19%
	<b>Total CASH AND SHORT TERM</b>		<b>714,784.04</b>	<b>1,358.09</b>	
	<b>ACCOUNT TOTALS</b>		<b>714,784.04</b>	<b>0.00</b>	<b>0.19%</b>
	Total Market Value Plus Total Accrued Income 714,784.04				

**Statement of Transactions**

Transaction Date	Transaction Description	Income	Principal	Cost	Realized Gain/Losses
03/01/09	OPENING BALANCE	0.00	0.00	698,427.29	
03/03/09	Dividend JP MORGAN US TRSRY PLUS INSTL #3918	308.99	0.00	0.00	0.00
03/03/09	Dividend JP MORGAN US TRSRY PLUS INSTL #3918	308.99	0.00	0.00	0.00
03/03/09	Cash Debit INVESTMENT MAINTENANCE FEE	0.00	0.00	698,427.29	0.00
03/03/09	DAILY ENDING BALANCE	0.00	283,643.25	283,643.25	0.00
03/04/09	Sale JP MORGAN US TRSRY PLUS INSTL #3918	0.00	283,643.25	0.00	
03/04/09	Cash Debit TRF FR 405132 TO 406104 TO REDEEM THE RESERVE ACCOUNT TO THE RESERVE REQUIREMENT FOR INDENTURE SEC.	0.00	0.00	714,784.04	0.00
03/04/09	DAILY ENDING BALANCE	0.00	0.00	714,784.04	0.00
03/31/09	CLOSING BALANCE	0.00	0.00	714,784.04	0.00

Cumulative realized capital gain and loss position from 12/31/2008 for securities held in principal of account  
Short Term: 0.00 \* Long Term: 0.00 \*  
\* The above gain and loss position does not include transactions where tax cost information is incomplete or unavailable.

Cash and securities set forth on this Account Statement are held by The Bank of New York Mellon, an affiliate of The Bank of New York Mellon Trust Company, N.A. In addition, The Bank of New York Mellon Trust Company, N.A. may utilize subsidiaries and affiliates to provide services and certain products to the Account. Subsidiaries and affiliates may be compensated for their services and products.

The value of securities set forth on this Account Statement are obtained by The Bank of New York Mellon Trust Company, N.A. from its affiliate, The Bank of New York Mellon which determines such value for Global Corporate Trust on the basis of market prices and information obtained by The Bank of New York Mellon from unaffiliated third parties (including independent pricing vendors) ("third party pricing services"). The Bank of New York Mellon has not verified such market values or information and makes no assurance as to the accuracy or correctness of such market values or information or that the market values set forth on this Account Statement may differ from the market prices and information for the securities upon the sale of such securities. In addition, the market values for the securities set forth in this Account Statement may differ from the market values and information for the securities used by other business units of The Bank of New York Mellon Trust Company, N.A., The Bank of New York Mellon or their respective subsidiaries or affiliates based upon market prices and information received from other third party pricing services utilized by such other business units. Global Corporate Trust does not compare its market values with those used by, or reconcile different market values used by, other business units of The Bank of New York Mellon Trust Company, N.A., The Bank of New York Mellon or their respective subsidiaries or affiliates. Neither The Bank of New York Mellon Trust Company, N.A. nor The Bank of New York Mellon shall be liable for any loss, damage or expense incurred as a result of or arising from or related to the market values or information provided by third party pricing services or the differences in market prices or information provided by other third party pricing services.

Exhibit 3-2