

**LAW OFFICES OF
SANDBERG, LO DUCA & ALAND, LLP**

**CRAIG M. SANDBERG
MARCUS J. LO DUCA
SHERRIE R. ALAND**

July 8, 2004

**Randy Pesses
Assistant Director
Department of Transportation
El Dorado County
2850 Fairlane Court
Placerville, CA 95667**

Re: Silver Springs/Bass Lake Road Financing and Construction

Dear Randy:

We have had a number of discussions regarding the construction of the northern reach of the new Bass Lake Road alignment in conjunction with the Silver Springs residential project. As you know Sorrento, Inc. the current owner of the Silver Springs project is prepared to commit to the construction of Bass Lake Road from the intersection of Green Valley Road south to the intersection with the old Bass Lake Road alignment adjacent to the County park property. We have discussed a number of approaches to the ultimate financing of the roadway, including design, engineering, environmental review and actual construction. We felt it is important to set out in writing the proposal which has formed through these discussions, a summary of which follows.

The conditions of approval for Silver Springs provide for the construction of the onsite portion of the new Bass Lake alignment in phases and an election on the part of the subdivider to finance the County's construction of the offsite portion, subject to reimbursement and credits against the RIF and TIM Fee programs. Subject to our agreement on the terms of reimbursement and financing, Sorrento is prepared to make the election to construct the offsite portion of the roadway. However, rather than strict adherence to the conditions on the tentative map, Sorrento proposes the following:

*** Sorrento will finance and construct all the onsite portion of the roadway as a Phase 1 improvement, rather than in stages as provided in the conditions.**

Randy Pesses

July 8, 2004

Page 2

* The County will provide the funding for the design, engineering, regulatory permits and right of way acquisition for the offsite portion of the roadway from funds already earmarked in the TIM five year CIP. The design of the offsite roadway is currently underway (Mackay & Soms) as is the wetlands permitting (Gibson & Skordahl). The cost of the design and permitting will be reimbursed to Sorrento from the TIM Fee account at such time as those elements of the project have been successfully completed. The County shall initiate the process of obtaining any necessary rights of way once the ultimate requirements have been established through road design. This may be accomplished through the use of a right of way agent or consultant with the cost, once again, being covered through available funds in the TIM Fee account.


* Once the County tasks outlined above are complete, Sorrento will undertake the financing and construction of the physical improvements in the roadway, in accordance with County standards.

* Sorrento may utilize Mello-Roos financing, or other public assessment financing, with the County's cooperation, to initially finance the improvements. Sorrento shall be entitled to reimbursement through the TIM Fee program, to the extent that Bass Lake Road is included in the TIM in accordance with a reimbursement agreement between Sorrento and the County. Sorrento is prepared to waive any reimbursement rights against the RIF program in consideration for the County's funding of the pre-construction costs, as outlined above.

The general terms as outlined above would be embodied in either one or two agreements. We proposed that it be accomplished with two agreements, one for onsite and one for offsite due to the difference in issues between the two.

We appreciate your help and that of Jim Ware in meeting with us and keeping the process moving on this important project. I will look forward to working with you towards the goal of finalizing a reimbursement agreement.

Very truly yours,


Craig M. Sandberg

CMS/tb

cc: Bill Scott
Jim Ware
Terry Teeple