



**NOTICE OF DEFEASANCE OF BONDS OF
COMMUNITY FACILITIES DISTRICT NO. 2 (SANTALUZ)
IMPROVEMENT AREA NO. 1
Special Tax Bonds, Series A of 2000 and Series A of 2004**

Series A of 2000

<i>Maturity Date (September 1)</i>	<i>Interest Rate</i>	<i>Par Amount</i>	<i>Call Date</i>	<i>Call Price</i>	<i>CUSIP</i>
2012	5.700%	\$640,000	03/01/2012	100.000	802808 AK1
2015	6.000	2,160,000	03/01/2012	100.000	802808 AL9
2021	6.250	5,645,000	03/01/2012	100.000	802808 AM7
2030	6.375	38,735,000	03/01/2012	100.000	802808 AN5,BE4

Series A of 2004

<i>Maturity Date (September 1)</i>	<i>Interest Rate</i>	<i>Par Amount</i>	<i>Call Date</i>	<i>Call Price</i>	<i>CUSIP</i>
2012	4.100%	\$135,000	03/01/2012	103.000	802808 BN4
2013	4.250	145,000	03/01/2012	103.000	802808 BP9
2014	4.400	150,000	03/01/2012	103.000	802808 BQ7
2015	4.500	155,000	03/01/2012	103.000	802808 BR5
2016	4.700	160,000	03/01/2012	103.000	802808 BS3
2017	4.750	170,000	03/01/2012	103.000	802808 BT1
2018	4.900	180,000	03/01/2012	103.000	802808 BU8
2024	5.500	1,285,000	03/01/2012	103.000	802808 BV6
2030	5.500	1,590,000	03/01/2012	103.000	802808 BW4

Notice is hereby given to the owners of the outstanding Community Facilities District No. 2 (Santaluz) Improvement Area No. 1 Special Tax Bonds, Series A of 2000 and Series A of 2004 listed above (collectively, the "Refunded Bonds") that:

(i) There has been deposited in an Escrow Fund with Union Bank, N.A., as Escrow Bank, certain monies and investment securities as permitted by the Bond Indenture pursuant to which the Refunded Bonds were issued (the "Indenture") for the purpose of defeasing the Refunded Bonds. The Escrow Bank has received a verification report of an independent accounting firm evidencing that the moneys deposited with the Escrow Bank are sufficient to redeem the Refunded Bonds on March 1, 2012 at the applicable redemption prices stated above.

(ii) The Escrow Bank has been irrevocably instructed by Community Facilities District No. 2 (Santaluz) (the “District”) to redeem the Refunded Bonds on March 1, 2012 at the applicable redemption prices stated above.

(iii) The Refunded Bonds are deemed to be paid in accordance with the Bond Indenture and all obligations of the District and the Trustee under the Bond Indenture have ceased and terminated except for the obligation of the Trustee to pay the owners of the Refunded Bonds from amounts on deposit in the Escrow Fund and the obligations of the District with respect to the Rebate Fund.

Dated: December 20, 2011

Union Bank, N.A.,
as Trustee