

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject to certain qualifications described in the Official Statement, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described in the Official Statement, 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$55,490,000

**COMMUNITY FACILITIES DISTRICT NO. 2006-1 (MARBLEHEAD COASTAL)
OF THE CITY OF SAN CLEMENTE
2015 SPECIAL TAX BONDS**

Dated: Delivery Date

Due: September 1, as shown on the inside cover page

This Official Statement describes bonds that are being issued by Community Facilities District No. 2006-1 of the City of San Clemente (the "District"), also known as Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente. The Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds (the "Bonds") are being issued by the District to: (a) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (b) fund a reserve fund securing the Bonds; (c) pay costs relating to formation of the District and the issuance of the Bonds; (d) fund a portion of the interest due on the Bonds on each interest payment date through and including September 1, 2016; and (e) fund an initial deposit to the Administrative Fund.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the "Act"), and pursuant to Resolution No. 15-50 adopted by the City Council of the City of San Clemente (the "City") on behalf of the District on November 3, 2015, and that certain Fiscal Agent Agreement with respect to the Bonds to be entered into by and between the District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent for the Bonds (the "Fiscal Agent"), dated as of December 1, 2015 (the "Fiscal Agent Agreement").

The Bonds are secured under the Fiscal Agent Agreement and are payable from Special Tax Revenues (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable property and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to the Amended and Restated Rate and Method of Apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS" and APPENDIX A – "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" herein.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable commencing March 1, 2016, and semiannually thereafter on each September 1 and March 1. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – General Provisions" and APPENDIX H – "BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAX REVENUES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE BONDS – Redemption" herein.

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR CERTAIN INVESTORS. CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Best Best & Krieger LLP, San Diego, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the City and the District by Best Best & Krieger LLP, Irvine, California, as City Attorney to the City, for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter, and for the Developer by its counsel Goodwin Procter LLP, Los Angeles, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 3, 2015.

STIFEL

\$55,490,000
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (MARBLEHEAD COASTAL)
OF THE CITY OF SAN CLEMENTE
2015 SPECIAL TAX BONDS

MATURITY SCHEDULE

(Base CUSIP[†]: 797214)

Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2017	\$ 155,000	2.000%	1.300%	101.202	BL6
2018	220,000	2.000	1.700	100.800	BM4
2019	285,000	3.000	2.010	103.551	BN2
2020	355,000	3.000	2.320	103.036	BP7
2021	430,000	4.000	2.580	107.533	BQ5
2022	515,000	4.000	2.830	107.134	BR3
2023	605,000	4.000	3.020	106.718	BS1
2024	695,000	5.000	3.160	113.957	BT9
2025	800,000	5.000	3.270	114.331	BU6
2026	910,000	5.000	3.450	112.729 ^c	BV4
2027	1,030,000	5.000	3.550	111.851 ^c	BW2
2028	1,155,000	5.000	3.650	110.981 ^c	BX0
2029	1,290,000	5.000	3.740	110.204 ^c	BY8
2030	1,430,000	5.000	3.820	109.520 ^c	BZ5
2031	1,580,000	5.000	3.890	108.925 ^c	CA9
2032	1,740,000	5.000	3.940	108.502 ^c	CB7
2033	1,910,000	4.000	4.040	99.491	CC5
2034	2,070,000	4.000	4.090	98.824	CD3
2035	2,240,000	4.000	4.140	98.118	CE1

Term Bonds

\$12,990,000 5.00% Term Bonds due September 1, 2040, Yield: 4.140% Price: 106.832^c CUSIP[†] No. CF8
 \$23,085,000 5.00% Term Bonds due September 1, 2046, Yield: 4.190% Price: 106.419^c CUSIP[†] No. CG6

^c Priced to call on the first optional redemption date of September 1, 2025 at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of American Bankers Association by S&P Capital IQ. Copyright© 2015 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. The City of San Clemente and the Underwriter do not take any responsibility for the accuracy of the CUSIP® numbers.

**CITY OF SAN CLEMENTE
COUNTY OF ORANGE
STATE OF CALIFORNIA**

CITY COUNCIL

Chris Hamm, Mayor
Bob Baker, Mayor Pro Tempore
Tim Brown, Councilmember
Lori Donchak, Councilmember
Kathleen Ward, Councilmember

CITY STAFF

James Makshanoff, City Manager
Erik Sund, Assistant City Manager
Jake Rahn, Financial Services Officer
William Cameron, Public Works Director/City Engineer
Tom Bonigut, Deputy Public Works Director

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Market Absorption Consultant

Empire Economics
Capistrano Beach, California

Real Estate Appraiser

Harris Realty Appraisal
Newport Beach, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Fiscal Agent or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Fiscal Agent or the Underwriter. 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 or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the City or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE COMMUNITY FACILITIES DISTRICT" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE 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. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 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 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.

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Regional Map



City of San Clemente
Community Facilities District No 2006-1
Sea Summit at Marblehead

5 Freeway

Av Vista Hermosa

Pacific Coast Hwy **1** El Camino Real

Av Pico

Boundaries Approximate

1295 09 17 16

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OFFICIAL STATEMENT

\$55,490,000

COMMUNITY FACILITIES DISTRICT NO. 2006-1 (MARBLEHEAD COASTAL) OF THE CITY OF SAN CLEMENTE 2015 SPECIAL TAX BONDS

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices, is to provide certain information concerning the issuance by Community Facilities District No. 2006-1 of the City of San Clemente (the “District”), also known as Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente, of its Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$55,490,000. The proceeds of the Bonds will be used to: (a) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (b) fund a reserve fund securing the Bonds; (c) pay costs relating to the formation of the District and the issuance of the Bonds; (d) fund a portion of the interest due on the Bonds on each interest payment date through and including September 1, 2016; and (e) fund an initial deposit to the Administrative Fund. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to Resolution No. 15-50 adopted by the City Council (the “City Council”) of the City of San Clemente (the “City”) on behalf of the District on November 3, 2015, and that certain Fiscal Agent Agreement to be entered into by and between the District and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the “Fiscal Agent”), dated as of December 1, 2015 (the “Fiscal Agent Agreement”).

The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Special Tax Revenues (as defined herein) levied on parcels within the District and all moneys in the Special Tax Fund as described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS.”

This 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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meanings set forth in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” herein.

Changes Since the Initial Offering of the Bonds

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Fiscal Agent Agreement. The Bonds are being sold pursuant to a Bond Purchase Agreement, dated November 18, 2015, as amended by a First Amendment to Bond Purchase Agreement, accepted on December 2, 2015 (the “Bond Purchase Agreement”), between the Underwriter and the District. Since the original offering of the Bonds, the District was made aware that one or more of the Facilities (defined herein) anticipated to be funded by Bond proceeds cost substantially less than described in the Preliminary Official Statement, dated November 5, 2015. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT – Development Plan” and Table 8 “STATUS OF IMPROVEMENTS” herein for current cost information. The aggregate principal amount of the Bonds has

been downsized since the original offering to adjust for this change. For more complete information on the Bonds, see “THE BONDS – General Provisions” herein.

The District

General. The District is located on coastal bluffs located in the northwesterly portion of the City and is bordered by Avenida Vista Hermosa to the northeast, Avenida Pico to the southeast and El Camino Real to the west. The District consists of approximately 164 gross acres of land in the City within the Marblehead Coastal Specific Plan. Approximately 44 acres of property in the District are expected to be developed for residential uses and subject to the Special Tax. The District includes over 100 acres of protected mesa and canyon habitat as well as parks, walking, biking and jogging trails, the Recreation Center, streets and public property. Set on elevated mesas, the residential dwelling units are designed for maximum enjoyment of the oceanfront. Many will have unobstructed views of the Pacific Ocean and all will offer walkability to community amenities, shopping and dining, and the coastal trails. Marblehead Development Partners LLC (the “Developer”) is the developer of property in the District. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Formation Proceedings. The District was formed by the City pursuant to the Act and constitutes a governmental entity separate and apart from the City.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on November 21, 2006, the City Council adopted Resolution No. 06-78 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District. On November 21, 2006, the City Council also adopted Resolution No. 06-79, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$60,000,000 for the purpose of financing the acquisition and/or construction of certain public improvements and fees (the “Facilities”) to serve the area within the District and its neighboring areas. See “THE COMMUNITY FACILITIES DISTRICT – Description of Authorized Facilities.”

Subsequent to a noticed public hearing, the City Council adopted Resolution No. 07-03 on January 9, 2007 (the “Resolution of Formation”), and Resolution No. 07-04 which established the District, authorized the levy of a special tax within the District, determined the necessity to incur bonded indebtedness within the District, and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit within the District.

On January 9, 2007, an election was held within the District at which the landowners eligible to vote in the election approved the issuance of bonds for the District in an amount not to exceed \$60,000,000. A Notice of Special Tax Lien was recorded in the office of the County Recorder on January 22, 2007, as Document No. 2007000041489 (the “Original Notice of Special Tax Lien”). On January 23, 2007, the City Council, acting as the legislative body of the District, adopted Ordinance No. 1327 (the “Ordinance”) which authorized the levy of a special tax pursuant to the rate and method of apportionment set forth in the Resolution of Formation (the “Initial Rate and Method”).

On July 1, 2014, pursuant to the Act, the City Council adopted Resolution No. 14-25 declaring its intention to consider altering the Initial Rate and Method. Subsequent to a noticed public hearing, on November 18, 2014, a special election was held within the District at which the landowners eligible to vote approved

adoption of the revised amended and restated rate and method of apportionment (the “Amended and Restated Rate and Method”). An Amended and Restated Notice of Special Tax Lien was recorded in the office of the County Recorder on November 25, 2014 as Document No. 2014000507415 (the “Amended Notice of Special Tax Lien”). A copy of the Amended and Restated Rate and Method is attached hereto as APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT.”

Property Ownership and Development Status

The District encompasses the planned community called “Sea Summit at Marblehead” and is proposed to be improved with 309 single-family detached dwelling units, all of which are taxable pursuant to the Amended and Restated Rate and Method. Residents of Sea Summit at Marblehead will have access to a private resort club, and community features are expected to include walking, biking and jogging trails as well as four new neighborhood parks, the Jim Johnson Sports Park and over 100 acres of habitat restoration. As of November 1, 2015, the Developer owns all 309 lots, on which it expects to build single-family homes. The Developer does not anticipate any future sales to merchant builders. The current development plan includes four product lines ranging from 2,212 square feet to 5,553 square feet. The four products include Aqua, with an average dwelling size of 2,378 square feet on courtyard lots with an average size of 4,384 square feet; Sapphire, with an average dwelling size of 3,633 square feet on lots with an average size of 6,916 square feet; Azure, with an average dwelling size of 3,905 square feet on lots with an average size of 7,472 square feet; and Indigo, with an average dwelling size of 4,965 square feet on lots with an average size of 10,221 square feet.

The land within the District is currently in a near physically finished lot condition. Grading began in late 2014 and is complete. Construction of the sewer, storm drain and water improvements are substantially complete. Dry utilities are scheduled for completion in February 2016. In addition to the completion of the on-site improvements, significant off-site improvements and improvements to parks, off-site streets, trails, open space, bridges, run-off and open space mitigation are required. The Jim Johnson Sports Park is scheduled to begin construction in January 2016. As of November 1, 2015, 51 building permits were pulled, and 12 model homes and 39 production dwelling units are in various phases of construction. Production homes are anticipated to be released in phases of generally 3 to 8 units for the three larger products and 5 to 15 units for the courtyard product. The District is scheduled to be improved to physically finished lot condition by February 2016. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” in this Official Statement.

On August 28, 2015, the Developer began pre-sales for the Aqua, Sapphire and Azure products. According to the Developer, as of November 1, 2015, 15 homes have been sold (but not closed).

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 a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “THE COMMUNITY FACILITIES DISTRICT,” “PROPERTY OWNERSHIP AND THE DEVELOPMENT” and APPENDIX B – “APPRAISAL REPORT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE 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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES

OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Sources of Payment for the Bonds

Special Tax. As used in this Official Statement, the term “Special Tax” is the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the District to fund the Special Tax Requirement pursuant to the Act and in accordance with the Amended and Restated Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes” and APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Fiscal Agent Agreement, the District has pledged to repay Bonds from the proceeds of the Special Taxes received by the District beginning in Fiscal Year 2016-17 (the “Special Tax Revenues”) and from certain moneys in the funds and accounts established under the Fiscal Agent Agreement, with the exception of the Improvement Fund, the Rebate Fund, and the Administrative Expense Fund.

The Special Tax Revenues are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are certain amounts held by the Fiscal Agent in the funds and accounts established under the Fiscal Agent Agreement, with the exception of the Improvement Fund, the Rebate Fund and the Administrative Expense Fund, including amounts held in the Reserve Fund, to the limited extent described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund” herein.

Foreclosure Proceeds. The City has covenanted for the benefit of the owners of the Bonds that: (i) if the District determines that any parcel subject to the Special Tax is delinquent in the payment of two or more installments of the Special Tax, the District shall, not later than forty-five (45) days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner. The District shall cause a judicial foreclosure proceeding to be commenced not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to this section and for which the Special Tax remains delinquent; and (ii) it will commence judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings; provided, however, the District shall not be required to order, and cause judicial foreclosure proceedings to be commenced against delinquent properties as long as no deficiency in the Reserve Fund exists (or is projected to exist in order to meet the next upcoming debt service payment) and the District determines that the cost of pursuing such foreclosure is greater than the outstanding delinquency. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Proceeds of Foreclosure Sales” herein and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.” There is no assurance that the property within the District can be sold for the appraised value described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowner or future landowners within the District. See “SPECIAL RISK FACTORS – Land Values” and APPENDIX B – “APPRAISAL REPORT” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF ORANGE, STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAX REVENUES AND CERTAIN AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Parity Bonds and Liens. Under the terms of the Fiscal Agent Agreement, the District may not issue additional bonds secured by the Special Tax Revenues on a parity with the Bonds (“Parity Bonds”) for any purpose other than the defeasance and redemption of all or a portion of the Outstanding Bonds or Parity Bonds, where the issuance of such Parity Bonds will result in a reduction of Annual Debt Service in each Bond Year on all Bonds to be Outstanding following the issuance of such Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS – Issuance of Parity Bonds.” See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS – Parity Taxes, Special Assessments” herein.

Appraisal Report

An MAI appraisal of the land and existing improvements within the District was prepared by Harris Realty Appraisal, Newport Beach, California (the “Appraiser”). The appraisal has a date of value of September 15, 2015, and is entitled “Appraisal Report City of San Clemente Community Facilities District No. 2006-1 Sea Summit at Marblehead” (the “Appraisal Report”). See APPENDIX B – “APPRAISAL REPORT.” The Appraisal Report provides an estimate of the market value for properties in the District that would be subject to the Special Tax. Specifically, the appraised property in the District consists of 309 residential lots and associated improvements. As of September 15, 2015, the Appraiser estimates that the market value of all of the property within the District subject to the Special Tax was \$219,000,000. The value estimate is based on the hypothetical condition that Bonds for the District have been sold and offset infrastructure improvement costs of approximately \$51,000,000.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The City and the District make no representations as to the accuracy of the Appraisal Report. See “THE COMMUNITY FACILITIES DISTRICT – Appraisal Report” and “– Appraised Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in the payment of Special Taxes by the land owner. See “THE COMMUNITY FACILITIES DISTRICT,” “SPECIAL RISK FACTORS – Land Values” and APPENDIX B – “APPRAISAL REPORT” herein.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption.” For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS”

and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” herein.

Tax Exemption

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with certain covenants described in the Official Statement, is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. Set forth in APPENDIX C – “FORM OF OPINION OF BOND COUNSEL” is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS.”

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement. Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Best Best & Krieger LLP, San Diego, California, Bond Counsel. Best Best & Krieger, San Diego, California, has also acted as Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the City by Best Best & Krieger LLP, Irvine, California, as City Attorney and for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, as counsel to the Underwriter. Goodwin Procter LLP, Los Angeles, California, is serving as counsel to the Developer. Other professional services have been performed by Empire Economics, Capistrano Beach, California, as Market Absorption Consultant, Harris Realty Appraisal, Newport Beach, California, as the Appraiser, Fieldman, Rolapp & Associates, Irvine, California as financial advisor to the City, Koppel & Gruber Public Finance, San Marcos, California, as Special Tax Consultant and as initial dissemination agent under the District Continuing Disclosure Agreement, dated as of the Closing Date, by and between Koppel & Gruber Public Finance and the District (the “District Continuing Disclosure Agreement”), and Koppel & Gruber Public Finance, as initial dissemination agent under the Developer Continuing Disclosure Agreement, dated as of the Closing Date, by and between Koppel & Gruber Public Finance and the Developer (the “Developer Continuing Disclosure Agreement”). See APPENDIX F – FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT” and APPENDIX G – “FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT.”

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants that may have a financial or other interest in the offering of the Bonds, see “FINANCIAL INTERESTS” herein.

Continuing Disclosure

The District has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”), certain financial information and operating data on an annual basis (the “District Reports”). The District has further agreed to provide, in a timely manner, notice of certain material events (the “Listed Events”). These covenants have been made in order to assist the Underwriter in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. The District has not entered into any prior continuing disclosure obligations. The City will assist the District in preparing the District Reports.

Although the City is not an obligated person under the District Continuing Disclosure Agreement, the City and certain entities related to the City have entered into previous undertakings pursuant to the Rule. A review of compliance with disclosure undertakings for filings required by the City within the last five years indicates that the City may not have fully complied with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the City that the late filings were material. For example, audited financial statements with respect to various financings by the City were filed after the filing due date and in some cases specific information to be included in an annual report was not included in the annual report filed. The City believes that it is currently in compliance with its undertakings.

The Underwriter does not consider the Developer to be an “obligated person” with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, the Developer has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within the District (the “Developer Reports” and together with the District Report, the “Reports”), on a semiannual basis during the development period, and notices of certain events. This is the first disclosure undertaking for the Developer.

See “CONTINUING DISCLOSURE” herein and APPENDIX F – “FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT” and APPENDIX G – “FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT” hereto for a description of the specific nature of the annual reports to be filed by the District and the Developer and notices of Listed Events and a copy of the continuing disclosure agreements pursuant to which such Reports are to be made. See “CONTINUING DISCLOSURE” herein for a discussion of the City’s compliance with its continuing disclosure obligations.

Bond Owners’ Risks

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves significant risks, and the Bonds may not be appropriate investments for certain investors. See “SPECIAL RISK FACTORS” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the Appraisal Report and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the City at 100 Avenida Presidio, San Clemente, California 92672.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:

Principal Amount of Bonds	\$55,490,000.00
Plus Net Original Issue Premium	<u>3,560,474.50</u>
Total Sources	\$59,050,474.50

Uses of Funds:

Improvement Fund	\$51,600,000.00
Bond Fund ⁽¹⁾	1,989,713.89
Costs of Issuance ⁽²⁾	732,809.65
Reserve Fund	4,697,950.96
Administrative Expense Fund	<u>30,000.00</u>
Total Uses	\$59,050,474.50

⁽¹⁾ Funds interest due on the Bonds through September 1, 2016.

⁽²⁾ Includes Underwriter's Discount, Bond Counsel fees, Disclosure Counsel fees, Special Tax Consultant fees, Financial Advisor fees, Fiscal Agent fees, printing costs and other issuance costs.

Source: Stifel, Nicolaus & Company, Incorporated.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on March 1, 2016 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Fiscal Agent on the close of business on the Record Date. Interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to an account designated by the Bondowner in the United States.

Principal on the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Fiscal Agent in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.”

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE BONDS – Redemption.”

<u>Date</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 ⁽¹⁾	-	\$ 1,989,713.89	\$ 1,989,713.89
2017	\$ 155,000.00	2,672,750.00	2,827,750.00
2018	220,000.00	2,669,650.00	2,889,650.00
2019	285,000.00	2,665,250.00	2,950,250.00
2020	355,000.00	2,656,700.00	3,011,700.00
2021	430,000.00	2,646,050.00	3,076,050.00
2022	515,000.00	2,628,850.00	3,143,850.00
2023	605,000.00	2,608,250.00	3,213,250.00
2024	695,000.00	2,584,050.00	3,279,050.00
2025	800,000.00	2,549,300.00	3,349,300.00
2026	910,000.00	2,509,300.00	3,419,300.00
2027	1,030,000.00	2,463,800.00	3,493,800.00
2028	1,155,000.00	2,412,300.00	3,567,300.00
2029	1,290,000.00	2,354,550.00	3,644,550.00
2030	1,430,000.00	2,290,050.00	3,720,050.00
2031	1,580,000.00	2,218,550.00	3,798,550.00
2032	1,740,000.00	2,139,550.00	3,879,550.00
2033	1,910,000.00	2,052,550.00	3,962,550.00
2034	2,070,000.00	1,976,150.00	4,046,150.00
2035	2,240,000.00	1,893,350.00	4,133,350.00
2036	2,320,000.00	1,803,750.00	4,123,750.00
2037	2,435,000.00	1,687,750.00	4,122,750.00
2038	2,555,000.00	1,566,000.00	4,121,000.00
2039	2,730,000.00	1,438,250.00	4,168,250.00
2040	2,950,000.00	1,301,750.00	4,251,750.00
2041	3,185,000.00	1,154,250.00	4,339,250.00
2042	3,430,000.00	995,000.00	4,425,000.00
2043	3,690,000.00	823,500.00	4,513,500.00
2044	3,965,000.00	639,000.00	4,604,000.00
2045	4,255,000.00	440,750.00	4,695,750.00
2046	<u>4,560,000.00</u>	<u>228,000.00</u>	<u>4,788,000.00</u>
Total	\$55,490,000.00	\$60,058,713.89	\$115,548,713.89

⁽¹⁾ To be paid from capitalized interest.

Source: Stifel, Nicolaus & Company, Incorporated.

Redemption

Optional Redemption. The Bonds maturing on or prior to September 1, 2025, are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 1, 2026, are subject to redemption in whole, or in part from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, on any date on or after September 1, 2025, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, as selected among maturities by the District, in integral multiples of \$5,000, from moneys derived by the District from Special Tax Prepayment

(as defined in the Fiscal Agent Agreement), at redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 2016 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102
September 1, 2024 and March 1, 2025	101
September 1, 2025 and any Interest Payment	100
Date thereafter	

The amounts in the foregoing schedule shall be reduced by the District pro rata among redemption dates, in order to maintain substantially level debt service.

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 2040 and September 1, 2046 are subject to mandatory sinking fund redemption, in part, on September 1, 2036 and September 1, 2041, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

Bonds Maturing September 1, 2040

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal Amount to be</u> <u>Redeemed</u>
2036	\$2,320,000
2037	2,435,000
2038	2,555,000
2039	2,730,000
2040	2,950,000

Bonds Maturing September 1, 2046

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal Amount to be</u> <u>Redeemed</u>
2041	\$3,185,000
2042	3,430,000
2043	3,690,000
2044	3,965,000
2045	4,255,000
2046	4,560,000

The amounts in the foregoing schedules shall be reduced by the District pro rata among redemption dates, in order to maintain substantially level Debt Service, as a result of any prior partial redemption of the Bonds pursuant to optional redemption or mandatory redemption from Special Tax Prepayments. The District shall provide the Fiscal Agent with any revised schedule.

Notice and Selection of Redemption. So long as the Bonds are held in book-entry form, the Owners will not be mailed any notice of redemption by the Fiscal Agent. It is the responsibility of DTC Participants to provide such notice. See APPENDIX H – “BOOK-ENTRY ONLY SYSTEM.” In the event the District shall elect to redeem Bonds, the District shall give written notice to the Fiscal Agent of its intention to redeem Bonds not less than forty-five (45) days prior to the applicable redemption date, unless such notice shall be waived by the Fiscal Agent, specifying the principal amounts and maturities of the Bonds to be redeemed.

The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories and to the Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent at its Principal Office; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the date of such notice, the date of issue of the Bonds, the place or places of redemption, the redemption date, the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of the mailing and publication of any such redemption notice shall be paid by the District. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

In the event of an optional redemption or a mandatory redemption, the District shall transfer or cause to be transferred to the Fiscal Agent for deposit in the Bond Fund moneys in an amount equal to the redemption price of the Bonds being redeemed on or before the fifteenth (15th) day of the month preceding the date upon which such Bonds are to be redeemed.

If less than all the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing the number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds of a maturity or any given portion thereof, the Fiscal Agent shall select the Bonds of such maturity to be redeemed, from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot within a maturity in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

Upon surrender of Bonds redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, such notice shall be of no force and effect and the District shall not be required to redeem the Bonds and the redemption shall not be made and the Fiscal Agent shall, within a reasonable time thereafter, give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was canceled.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption shall have been deposited in the Bond Fund, such Bonds shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and interest shall cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption.

Purchase in lieu of Redemption. In lieu of such an optional, extraordinary mandatory or mandatory sinking fund redemption, the District may elect to purchase such Bonds at public or private sale at such prices as the District may in its discretion determine; provided, that, unless otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus accrued interest to the purchase date. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

Registration, Transfer and Exchange

Registration. The Fiscal Agent will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Fiscal Agent.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent will not be required to register transfers or make exchanges of Bonds (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Fiscal Agent Agreement applicable to the District and from no other sources.

The Special Tax Revenues (except for an amount equal to \$30,000 for Fiscal Year 2015-16 escalating by 2% each Fiscal Year thereafter for the term of the Bonds, (the “Priority Administrative Expense Allocation”), which will be deposited in the Administrative Expense Fund each year) of the District are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from Special Tax Revenues and certain moneys in the funds and accounts established therein (including the investment earnings thereon) with the exception of the Improvement Fund, the Rebate Fund, and the Administrative Expense Fund. Under the Fiscal Agent Agreement, Special Tax Revenues are the proceeds of the Special Taxes received by the District, including any scheduled payments, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes in the amount of said lien and interest and penalties thereon.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in funds and accounts held under the Fiscal Agent Agreement, including the investment earnings thereon, excluding moneys on deposit in the Improvement Fund, Rebate Fund and the Administrative Expense Fund, including amounts held in the Reserve Fund, for the exclusive benefit of the owners of the Bonds, and foreclosure proceeds resulting from the sale of delinquent parcels if and when available.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAX REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS

ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAX REVENUES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on January 9, 2007, for the purpose of financing the various public improvements required in connection with the proposed development within the District. On January 9, 2007, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$60,000,000, secured by special taxes levied on property within the District to finance the Facilities. The landowners within the District also voted to approve the Amended and Restated Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

The Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings pursuant to the Fiscal Agent Agreement) in the same manner and at the same time and in the same installments as the ad valorem taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53356.1 and 53356.8 of the California Government Code in any manner which would materially and adversely affect the interests of the Bondowners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Amended and Restated Rate and Method and the Act. See APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS – Insufficiency of Special Taxes” herein.

Amended and Restated Rate and Method of Apportionment of Special Tax. The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Amended and Restated Rate and Method which the City Council and the electors within the District have approved. The Amended and Restated Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below.

The following is a synopsis of the provisions of the Amended and Restated Rate and Method for the District, which should be read in conjunction with the complete text of the Amended and Restated Rate and Method which is attached as APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in APPENDIX A. This section provides only a summary of the Amended and Restated Rate and Method, and is qualified by more complete and detailed information contained in the entire Amended and Restated Rate and Method attached as APPENDIX A.

Assignment to Land Use Categories. Each Fiscal Year, commencing Fiscal Year 2014-15, all Parcels within the District shall be assigned to either Zone 1 or Zone 2. All Parcels within Zone 1 shall be further classified as Taxable Property or Exempt Property. All Taxable Property shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the Amended and

Restated Rate and Method. All Parcels within Zone 2 shall be classified as Exempt Property. Once classified as Developed Property, a Parcel may not be subsequently re-classified as Undeveloped Property. Further, once classified as Developed Property, a Parcel may not be subsequently changed to Exempt Property. Residential Property shall be assigned to Land Use Classes 1 through 14, and Non-Residential Property shall be assigned to Land Use Class 15. The Assigned Special Tax for Residential Property shall be based on the Residential Floor Area of each residential structure built or to be built on the Parcel as reflected on the building permit issued for construction of such Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the acreage of the Assessor's Parcels of Developed Property for which a building permit was issued for a non-residential use. See Exhibit A of the "AMENDED AND RESTATED RATE OF METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto as APPENDIX A for a map showing Zone 1 and Zone 2.

Maximum Special Tax, Assigned Special Tax and Backup Special Tax

Maximum Special Tax. The Maximum Special Tax for each Parcel within Zone 1 classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

Assigned Special Tax. The Assigned Special Tax for each Land Use Class for Fiscal Year 2014-15 is shown in Table 1 of the Amended Rate and Method attached as APPENDIX A – "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and range from \$7,535 to \$13,475 in the active Land Uses Classes. Assigned Special Taxes have been established for Residential and Non-Residential Property and shall increase on July 1 of each Fiscal Year commencing July 1, 2015 by an amount equal to 2% of the Assigned Special Tax for the previous Fiscal Year. The number of parcels projected in each of the land use classes are as follows:

**Projected Parcels By
Land Use Class**

<i>Land Use Class</i>	<i>Projected Parcels</i>
1	0
2	0
3	0
4	74
5	37
6	22
7	0
8	0
9	0
10	32
11	27
12	32
13	27
14	58
15	<u>0</u>
Total Parcels	309

Backup Special Tax. The Backup Special Taxes for Assessor's Parcels of Developed Property within Zone 1 for Fiscal Year 2014-15 are detailed in Table 2 of the Amended Rate and Method attached as APPENDIX A – "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and range from \$7,535 to \$13,475 per Lot. In the event a Lot subdivides, the Backup

Special Tax shall be apportioned to the new Parcels based in proportion to the Acreage of the new Parcels. If two or more Lots combine, the Backup Special Tax for the new Parcel shall be the combined Backup Special Tax for each of the Lots. The Backup Special Taxes for Zone 1 shall increase on July 1 of each Fiscal Year commencing on July 1, 2015, by an amount equal to two percent (2%) of the Backup Special Tax for the previous Fiscal Year.

Maximum Special Tax for Undeveloped Property. The Maximum Special Taxes for Undeveloped Property in Zone 1 for Fiscal Year 2014-15 are detailed in Table 3 of the Amended Rate and Method attached as APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and range from \$7,535 per Lot to \$13,475 per Lot. In the event a Lot subdivides, the Undeveloped Property Special Tax shall be apportioned to the new Parcels based in proportion to the Acreage of the new Parcels. If two or more Lots combine, the Undeveloped Special Tax for the new Parcel shall be the combined Undeveloped Property Special Tax for each of the Lots. The Undeveloped Property Special Taxes for Zone 1 shall increase on July 1 of each Fiscal Year commencing on July 1, 2015, by an amount equal to 2% of the Undeveloped Property Special Tax for the previous Fiscal Year.

Method of Apportionment of the Special Tax. Commencing with Fiscal Year 2014-15 and for each following Fiscal Year, the City Council shall levy the Special Tax on Parcel within Zone 1 as follows:

First: The Special Tax shall be levied on each Parcel of Developed Property within Zone 1 at (i) 100% of the applicable Assigned Special Tax, until Bonds have been issued and (ii) thereafter, up to 100% of the applicable Assigned Special Tax;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property within Zone 1 at up to 100% of the Maximum Special Tax for Undeveloped Property; and

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Parcel of Developed Property within Zone 1 whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Parcel.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Parcel within Zone 1.

Exemptions. The CFD Administrator shall classify the following as Exempt Property: (i) Parcels of Public Property, (ii) Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Parcels of Recreation Center Property, (iv) Parcels of Property Owner Association Property that are designated lettered Lots in Tract No. 8817, (v) Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and (vi) Property in Zone 2.

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which Parcels become Property Owner Association Property or Public Property. However, should a Parcel no longer be classified as Property Owner Association Property or Public Property, its tax exempt status will be revoked.

Prepayment of Special Tax. The Maximum Special Tax obligation for a Parcel may be prepaid in full, or in part, provided that the terms set forth under the Amended and Restated Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the redemption Premium, the Future Facilities Amount, the Defeasance Amount, Prepayment Fees and Expenses and less a Reserve Fund Credit for the Bonds (if any) and Capitalized Interest Credit for the Bonds (if any), all as specified in Section F

of the “AMENDED AND RESTATED RATE OF METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto as APPENDIX A.

Term of Special Tax. The Special Tax shall be levied on Developed Property for a period not to exceed 40 years from the Fiscal Year in which such Parcel first becomes Developed Property unless there is no longer any Special Tax Requirement for the District after all bonds have been paid off. The Special Tax shall not be levied on Developed Property or Undeveloped Property after Fiscal Year 2060-2061.

Estimated Debt Service Coverage. Table 1, below, sets forth the estimated debt service coverage based on the Assigned Special Taxes at projected buildout of the District for Fiscal Year 2016-17 and escalating at 2% per year for each Bond Year through maturity. Pursuant to the Amended and Restated Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted by the Act, the District will only levy Special Taxes in an amount sufficient to achieve the Special Tax Requirement. Pursuant to Section 53321(d) of the Government Code, the special tax levied against any assessor’s parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other assessor’s parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years. Accordingly, debt service coverage may be less than what is shown in Table 1 below. However, subject to the limitations on the District’s ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Government Code, the District can levy Special Taxes on Undeveloped Property to make-up all or a portion of such shortfall.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE
ESTIMATED BOND DEBT SERVICE COVERAGE AT BUILDOUT**

<u>Year Ending (September 1)</u>	<u>Assigned Special Tax⁽¹⁾</u>	<u>Total Debt Service on the Bonds</u>	<u>Net Debt Service on the Bonds⁽²⁾</u>	<u>Net Debt Service Coverage⁽³⁾</u>
2016	\$ 0	\$1,989,714	\$ 0	N/A
2017	3,347,414	2,827,750	2,827,750	118.38%
2018	3,414,362	2,889,650	2,889,650	118.16
2019	3,482,650	2,950,250	2,950,250	118.05
2020	3,552,303	3,011,700	3,011,700	117.95
2021	3,623,349	3,076,050	3,076,050	117.79
2022	3,695,816	3,143,850	3,143,850	117.56
2023	3,769,732	3,213,250	3,213,250	117.32
2024	3,845,126	3,279,050	3,279,050	117.26
2025	3,922,029	3,349,300	3,349,300	117.10
2026	4,000,470	3,419,300	3,419,300	116.99
2027	4,080,479	3,493,800	3,493,800	116.79
2028	4,162,089	3,567,300	3,567,300	116.67
2029	4,245,330	3,644,550	3,644,550	116.48
2030	4,330,237	3,720,050	3,720,050	116.40
2031	4,416,842	3,798,550	3,798,550	116.28
2032	4,505,179	3,879,550	3,879,550	116.13
2033	4,595,282	3,962,550	3,962,550	115.97
2034	4,687,188	4,046,150	4,046,150	115.84
2035	4,780,931	4,133,350	4,133,350	115.67
2036	4,876,550	4,123,750	4,123,750	118.26
2037	4,974,081	4,122,750	4,122,750	120.65
2038	5,073,563	4,121,000	4,121,000	123.11
2039	5,175,034	4,168,250	4,168,250	124.15
2040	5,278,535	4,251,750	4,251,750	124.15
2041	5,384,105	4,339,250	4,339,250	124.08
2042	5,491,787	4,425,000	4,425,000	124.11
2043	5,601,623	4,513,500	4,513,500	124.11
2044	5,713,656	4,604,000	4,604,000	124.10
2045	5,827,929	4,695,750	4,695,750	124.11
2046	5,944,487	4,788,000	4,788,000	124.15

⁽¹⁾ Equal to the maximum Assigned Special Tax that could be generated in each fiscal year based on the buildout of the expected land uses in the District. Excludes an annual priority administrative expense requirement of \$30,000, which is escalated by 2.0% annually.

⁽²⁾ Net Debt Service on the Bonds is the Total Debt Service on the Bonds less capitalized interest.

⁽³⁾ Based upon an a principal amount of the Bonds equal to \$55,490,000. Calculated by dividing the Assigned Special Tax by the Net Debt Service on the Bonds.

⁽⁴⁾ To be paid from capitalized interest.

Source: Stifel, Nicolaus & Company, Incorporated; Koppel & Gruber Public Finance.

Collection of Special Taxes. The Special Taxes are levied by the District and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as ad valorem property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The District has made certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current maximum Special Tax rates levied pursuant to the Amended and Restated Rate and Method are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District has covenanted, (a) to the maximum extent that the law permits it to do so, that it will levy the Special Taxes for the payment of Administrative Expenses which are expected to be incurred in each Fiscal Year, and (b) it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates for Developed Property (the "Maximum Rates") below the amounts which are necessary to provide Special Tax Revenues in an amount equal to one hundred and ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds plus estimated Administrative Expenses for the then current Fiscal Year. The District further covenants in the Fiscal Agent Agreement that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action seeking to preserve its ability to comply with the covenants above. Any reduction in the Maximum Rates approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds. See "SPECIAL RISK FACTORS – Proposition 218."

Although the Special Taxes constitute liens on taxable parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner's failure to pay the Special Taxes when due are included within the Special Tax Revenues pledged to the payment of principal of and interest on the Bonds under the Fiscal Agent Agreement.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. The District has covenanted for the benefit of the owners of the Bonds in the Fiscal Agent Agreement that: (i) if the District determines that any parcel subject to the Special Tax is delinquent in the payment of two or more installments of the Special Tax, the District shall, not later than forty-five (45) days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner, and shall cause judicial foreclosure proceeding to be commenced not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given and for which the Special Tax remains delinquent; and (ii) it will commence judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings. The District shall not be required to order, and cause judicial foreclosure proceedings to be commenced against delinquent properties as long as no deficiency in the Reserve Fund exists (or is projected to exist in order to meet the next upcoming debt service payment) and the District determines that the cost of pursuing such

foreclosure is greater than the outstanding delinquency. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS – Land Values” herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for ad valorem taxes.

Deposits to and Disbursements from Special Tax Fund. The Fiscal Agent shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund in accordance with the terms of the Fiscal Agent Agreement to be held by the Fiscal Agent, provided that any Special Tax Prepayment shall be deposited in the funds and accounts (and in the respective amounts) specified in the written instructions of the Authorized Representative delivered to the Fiscal Agent in connection with the delivery of the Special Tax Prepayment to the Fiscal Agent. The Fiscal Agent shall transfer the amounts on deposit in the Special Tax Fund, in the following order of priority, to:

- A. Administrative Expense Fund up to the Priority Administrative Expense Allocation;
- B. Reserve Fund in an amount to replenish the Reserve Requirement; and
- C. Bond Fund, and within the Bond Fund, the Interest Account, and the Principal Account.

See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

Reserve Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in a Reserve Fund for the Bonds and thereafter to maintain in such Reserve Fund, an amount equal to the Reserve Requirement for the District. The Fiscal Agent Agreement provides that the amount in the Reserve Fund shall, as of the date of calculation, equal the least of (i) 10% of the issue price of the Bonds; (ii) the Maximum Annual Debt Service of the Bonds; (iii) 125% of Average Annual Debt Service on the Bonds; or (iv) \$4,697,950.96, as determined by the District.

Subject to the limits on the Maximum Special Tax which may be levied within the District, as described in the Amended and Restated Rate and Method, the District has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Fund at the Reserve Requirement. Amounts in the Reserve Fund are to be applied to (i) pay debt service on the Bonds, to the extent other moneys are not available therefor; (ii) redeem the Bonds in whole or in part; and (iii) pay the principal and interest due in the final year of maturity of the Bonds. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” herein.

Issuance of Parity Bonds

The District will not issue Parity Bonds of the District for any purpose other than the defeasance and redemption of all or a portion of the Outstanding Bonds or Parity Bonds, where the issuance of such Parity Bonds will result in a reduction of Annual Debt Service in each Bond Year on all Bonds to be Outstanding following the issuance of such Parity Bonds. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District was formed in January 2007 by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development. The qualified electors within the boundaries of the District, being the then-owners of all the property within the District, authorized the District to incur bonded indebtedness to finance certain public facilities to meet the needs of new development within the District and approved the Initial Rate and Method and authorized the levy of the Special Tax. In November 2014, the qualified electors within the boundaries of the District approved the Amended and Restated Rate and Method. The District consists of 164 gross acres of property, approximately 44 acres of property in the District are expected to be subject to the Special Tax. The remaining property within the District consists of parks, open space/conservation property, the Recreation Center, streets and public property.

The District is located on the coastal bluffs of the City and includes over 100 acres of protected mesa and canyon habitat as well as parks, walking, biking and jogging trails, the Recreation Center, streets and public property. Sea Summit at Marblehead is anticipated to consist of four products lines for 309 residential dwelling units, all of which are taxable pursuant to the Amended and Restated Rate and Method. Set on elevated mesas, the four product lines are designed for maximum enjoyment of the oceanfront. Many of the residential dwelling units will have unobstructed views of the Pacific Ocean and all will offer walkability to community amenities, shopping and dining, and the coastal trails.

The current plan for the four product lines, each named a shade of blue to evoke the ocean, includes Aqua, with an average dwelling size of 2,378 square feet on courtyard lots with an average size of 4,384 square feet; Sapphire, with an average dwelling size of 3,633 square feet on lots with an average size of 6,916 square feet; Azure, with an average dwelling size of 3,905 square feet on lots with an average size of 7,472 square feet; and Indigo, with an average dwelling size of 4,965 square feet on lots with an average size of 10,221 square feet. As of November 1, 2015, the Developer owns all 309 lots. The Developer expects to build all of the planned single-family homes and does not anticipate selling any of the lots to merchant builders.

Table 2 below provides the projected Fiscal Year 2016-17 Assigned Special Tax levy by product line.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE
SPECIAL TAX BY PRODUCT LINE**

<u>Product Line</u>	<u>Model Parcel Count</u>	<u>Production Unit Parcel Count⁽¹⁾</u>	<u>Undeveloped Parcel Count</u>	<u>Total Parcel Count</u>	<u>Fiscal Year 2016-17 Assigned Special Tax Levy⁽²⁾</u>	<u>Percentage of Assigned Fiscal Year 2016-17 Special Tax Levy</u>
Aqua	5	15	107	127	\$1,041,361	30.83%
Azure	4	10	67	81	1,066,607	31.58
Sapphire	3	14	60	77	932,981	27.62
Indigo	<u>0</u>	<u>0</u>	<u>24</u>	<u>24</u>	<u>336,465</u>	<u>9.96</u>
Total	12	39	258	309	\$3,377,414	100.00%

⁽¹⁾ Represents the Parcels for which permits have been issued as of September 15, 2015. It is noted that the Appraisal Report only identified 19 units as under construction as of the same date. The balance of the units with building permits were not advanced sufficiently in construction to warrant an appraised value methodology as anything other than a finished lot.

⁽²⁾ Based on full development provided by Marblehead Development Partners LLC.

Source: Koppel & Gruber Public Finance.

Description of Authorized Facilities

The Facilities authorized to be constructed and acquired by the District with the proceeds of the Bonds, as set forth in the Amended and Restated Acquisition Agreement dated June 1, 2014, by and between the City and the Developer (the “Acquisition Agreement”), consist of facilities constructed by the previous developer, arterial roadways, local public roadways, public parks and trails, storm drains, low-flow 1st flush system improvements, water system improvements, sewer system improvements and fees (collectively, the “Facilities”). All costs not financed by the Bonds are expected to be paid for by the Developer. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT – Development Plan” herein for cost information and current status of the Facilities.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These other taxes and assessments consist of the direct and overlapping debt in the District and are set forth in Table 3 below, (the “Debt Report”). The Debt Report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, ad valorem taxes or special taxes. See Table 4 “HYPOTHETICAL FISCAL YEAR 2015-16 EFFECTIVE TAX RATES” below for information regarding other entities levying taxes, assessments or other charges on property in the District. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by California Municipal Statistics, Inc. as of September 1, 2015. None of the District, the City, or the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

**TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE
OVERLAPPING DEBT SUMMARY**

2015-16 Local Secured Assessed Valuation: \$207,310,774		
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Metropolitan Water District	0.008%	\$ 9,340
Capistrano Unified School District School Facilities Improvement District No. 1	0.399	119,297
City of San Clemente Community Facilities District No. 2006-1	100.000	55,490,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$55,618,637
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	0.042%	\$ 32,036
Orange County Pension Obligation Bonds	0.042	144,889
Orange County Board of Education Certificates of Participation	0.042	6,310
Municipal Water District of Orange County Water Facility Corp.	0.050	1,372
Capistrano Unified School District Certificates of Participation	0.268	45,114
City of San Clemente Certificates of Participation	1.435	<u>19,228</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$ 248,949
Less: Municipal Water District of Orange County Water Facility Corp.		<u>(1,372)</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$ 247,577
GROSS COMBINED TOTAL DEBT		\$55,867,586⁽¹⁾
NET COMBINED TOTAL DEBT		\$55,866,214
<u>Ratios to 2015-16 Assessed Valuation:</u>		
Direct Debt	26.77%	
Total Direct and Overlapping Tax and Assessment Debt	26.83%	
Gross Combined Total Debt	26.95%	
Net Combined Total Debt.....	26.95%	

⁽¹⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Expected Tax Burden

For Fiscal Year 2015-16, the hypothetical total effective tax rates for all categories of residential units ranges from approximately 1.61% to approximately 1.78% of base sales price. See the table below for hypothetical Fiscal Year 2015-16 effective tax rates for parcels within each product line in the District assuming such parcels were taxed at the Assigned Special Tax necessary upon build out. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE
HYPOTHETICAL FISCAL YEAR 2015-16
EFFECTIVE TAX RATES**

	<u>Aqua</u>	<u>Sapphire</u>	<u>Azure</u>	<u>Indigo</u>
Plan Sizes (Sq Ft) ⁽¹⁾	2,212 - 2,649	3,433 - 3,923	3,536 - 4,756	4,633 - 5,553
Estimated Number of Houses	127	77	81	24
Estimated Square Footage (Average) ⁽¹⁾	2,378	3,633	3,905	4,965
VALUES⁽²⁾				
Base Sales Price (Weighted Average)	\$997,289	\$1,563,107	\$1,921,546	\$2,314,948
Exemption	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Estimated Net Assessed Value	\$997,289	\$1,563,107	\$1,921,546	\$2,314,948
AD VALOREM PROPERTY TAXES⁽³⁾				
Ad Valorem	1.0000%	\$9,973	\$15,631	\$19,215
Capistrano Unified School District	0.0085%	84	132	196
Metropolitan Water District	<u>0.0035%</u>	<u>35</u>	<u>55</u>	<u>81</u>
	1.0120%	\$10,092	\$15,818	\$19,445
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES				
Mosquito, Fire, Ant Assessment		\$6	\$6	\$6
Vector Control Charge		\$2	\$2	\$2
MWD Water Standby Charge		\$12	\$12	\$12
City of San Clemente CFD 2006-1		<u>\$7,686</u>	<u>\$11,738</u>	<u>\$13,745</u>
		\$7,705	\$11,758	\$13,764
Total Tax Bill with CFD		\$17,797	\$27,576	\$32,807
Total Estimated Tax Rate with CFD		1.78%	1.76%	1.71%

⁽¹⁾ Information provided by the Developer. Estimated square footage represents the average square footage assuming the small size for products with size ranges as reflected on page 40 of the Appraisal Report.

⁽²⁾ Sales Price represented is the weighted average base sales price in the taxing category as provided in the Market Absorption Study.

⁽³⁾ County of Orange Auditor-Controller, Fiscal Year 2015-16 Rates for Tax Rate Area 10000.

Source: Harris Realty Appraisal.; Koppel & Gruber Public Finance.

Market Absorption Study

In order to determine the projected absorption of the residential property within the District, the City engaged Empire Economic, Inc., the Market Absorption Consultant, to perform a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that are expected to influence the absorption of the forthcoming products within the District. In connection therewith, the Market Absorption Consultant delivered its Market Absorption Study dated August 4, 2015 (the “Market Absorption Study”) in which the Market Absorption Consultant has concluded based on statistical comparison of the currently active comparable projects to the forthcoming projects in the District using their total housing prices (base price plus Special Tax liens) and their sizes of living area, that the projects in the District are moderately competitive in the marketplace. The Market Absorption Consultant recognizes that some homes are expected to close their escrows during mid-late December 2015. However, these closings depend upon construction of the homes and the escrow process being completed in a timely manner. Accordingly, as a conservative safeguard, the Market Absorption Consultant’s schedules have escrow closings commencing in early 2016. Based on the assumptions and limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant has estimated the calendar year absorption schedules for the residential projects as follows:

<u>Year</u>	<u>Number of Homes</u>
2016	64
2017	74
2018	81
2019	64
2020	22
2021	<u>4</u>
Total	309

Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant estimates 64 home closings in calendar year 2016, including 27 homes in Aqua, 20 homes in Sapphire, 13 homes in Azure and 4 homes in Indigo. In calendar year 2017, the Market Absorption Consultant estimates 74 homes closings, including 32 homes in Aqua, 23 homes in Sapphire, 15 homes in Azure and 4 homes in Indigo. In calendar year 2018, the Market Absorption Consultant estimates 81 home closings, including 35 homes in Aqua, 25 homes in Sapphire, 16 homes in Azure and 5 homes in Indigo. In calendar year 2019, the Market Absorption Consultant estimates 64 home closings, including 33 homes in Aqua, with that product closing out, 9 homes in Sapphire, with that product closing out, 17 homes in Azure and 5 homes in Indigo. In calendar year 2020, the Market Absorption Consultant estimates 22 home closings, including 17 homes in Azure and 5 homes in Indigo. The Market Absorption Consultant expects the final 4 home closings to occur in calendar year 2021, including 3 homes in Azure and 1 home in Indigo. The Market Absorption Consultant identifies potential risks that could affect the estimated absorption, including a sudden spike in mortgage rates, adverse changes in the County’s housing market, potential shifts in the development strategy by the Developer that are not aligned with market conditions and the relatively high level of ad valorem and special taxes. See APPENDIX I – “MARKET ABSORPTION STUDY.”

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2015-16, is approximately \$207,310,774. However, as a result of the requirements of Article XIII A of the California Constitution, a property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the City engaged Harris Realty Appraisal, the Appraiser, to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City, the District, or the owners of the land within the District other than the relationship represented by the

engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. See APPENDIX B – “APPRAISAL REPORT.”

The purpose of the Appraisal Report was to estimate the aggregate market value of the “as is” condition of Zone 1 property within the District that would be subject to the Special Tax. Market value was estimated for the 12 model homes, the 19 dwelling units under construction, and the 278 near physically finished lots all under the ownership of the Developer. The sum of the market values represents an aggregate market value. The market values were based on the hypothetical condition that the Bonds for the District have been sold with proceeds available for construction of improvements of approximately \$51,500,000. The market values account for the fact that the improvements and/or fees to be funded by the Bonds are already in place, and that additional site improvements remain to be completed. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of September 15, 2015, the aggregate value of the properties within the District was \$219,000,000, consisting of:

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2006
OF THE CITY OF SAN CLEMENTE
SUMMARY OF APPRAISED VALUES**

<i>Owner</i>	<i>Development Phase</i>	<i>No. of Units</i>	<i>Market Value</i>
Marblehead Development Partners LLC	Model Homes	12	\$12,900,000
Marblehead Development Partners LLC	Dwellings Under Construction	19	16,100,000
Marblehead Development Partners LLC	Lots Under Site Construction	<u>278</u>	<u>190,000,000</u>
Total		309	\$219,000,000

Source: Harris Realty Appraisal.

For a complete description of the development, see “PROPERTY OWNERSHIP AND THE DEVELOPMENT,” herein.

The 31 models and dwelling units under construction are valued based on the estimated completion of construction with consideration given to current market conditions. The 12 model homes are valued based on the estimated completion of the specific floor plan and conservatively estimated at 60%. The 19 dwelling units under construction are valued based on the estimated completion of the specific floor plan and conservatively estimated at 55%. Additionally, the Appraisal Report notes that as of the date of value, there were 20 lots that had foundations or slabs under construction. Because there was not vertical construction on these 20 lots, the Appraisal Report includes them within the 278 lots under site construction. In estimating the market value of the 278 near physically finished lots, the Appraiser utilized a direct sales comparison approach and static residual analysis to determine values for each finished lot. The estimated finished lot values represent a merchant builder ownership for the particular product and holding time to develop and sell the dwellings. From the aggregate finished lot values for the four products, an additional discounting was required to represent the developer’s single ownership of the 278 lots.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser’s opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser’s opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects

conditions prevailing in the applicable market as of the date of value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, while the Appraiser has not updated the Appraisal Report since the date of the Appraisal Report and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in the District is less than the value of the District reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District.

Appraised Value-To-Lien Ratios

Table 6 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels and the estimated appraised value-to-lien ratios for various categories of parcels based upon development status in the District as of September 15, 2015 as set forth in the Appraisal Report. The estimated appraised District wide value-to-lien ratio including all Developed Property and Undeveloped Property, but excluding the land expected to be exempt, as of September 15, 2015 is 3.95-to-1. The share of Bonds is allocated based on each property’s estimated share of the Fiscal Year 2016-17 Assigned Special Tax assuming such parcels are built out. In the Annual Reports provided pursuant to the District Continuing Disclosure Agreement, Table 6 will not be updated based on appraised value, but similar information will be provided based on current assessed value.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE
APPRAISED VALUE-TO-LIEN RATIOS
BY DEVELOPMENT STATUS**

Development Status⁽¹⁾	Parcel Count	Appraised Property Value⁽²⁾	Projected Fiscal Year 2016-17 Special Tax Levy⁽³⁾	Percentage of Projected Fiscal Year 2016-17 Special Tax Levy	CFD 2006-1 Proposed Debt⁽⁴⁾	Value-to-Lien Ratio
Developed	31	\$ 29,000,000	\$ 332,561	9.85%	\$ 5,463,883	5.31:1
Undeveloped ⁽⁵⁾	<u>278</u>	<u>\$190,000,000</u>	<u>\$3,044,853</u>	<u>90.15%</u>	<u>\$50,026,117</u>	<u>3.08:1</u>
Total	309	\$219,000,000	\$3,377,414	100.00%	\$55,490,000	3.95:1

⁽¹⁾ Development Status based on permits issued as of September 15, 2015.

⁽²⁾ Appraised Value as of September 15, 2015.

⁽³⁾ Represents the projected Assigned Special Tax revenue for Fiscal Year 2016-17 based on projected build out.

⁽⁴⁾ Amount allocated based upon Fiscal Year 2016-17 projected Assigned Special Tax Levy and the principal amount of the Bonds.

⁽⁵⁾ Includes 20 lots for which building permits have been issued and for purposes of the Amended Rate and Method are defined as Developed Property, however due to the progress of construction have been appraised as finished lots.

Source: Harris Realty Appraisal; Koppel & Gruber Public Finance.

Largest Taxpayers

Based on the ownership status as of September 15, 2015 provided in the Appraisal Report, assuming no additional sales within the District, the Developer will be responsible for approximately 100% of the projected Fiscal Year 2016-17 Special Tax levy. See “SPECIAL RISK FACTORS – Concentration of Ownership.”

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information about the Developer contained in this Official Statement has been provided by representatives of the Developer and has not been independently confirmed or verified by the Underwriter, the City, or the District. Neither the Underwriter, the City, nor the District make any representation as to the accuracy or adequacy of the information contained in this section. There may be material adverse changes in this information after the date of this Official Statement.

Property Ownership

Property Ownership. The table below shows the ownership of the taxable property within the District as of November 1, 2015.

TABLE 7
PROPERTY OWNERSHIP
(By Single-Family Residential Lot)

<u>Individual Homeowners</u>	<u>Marblehead Development Partners LLC</u>	<u>Total</u>
0	309	309

Source: Marblehead Development Partners LLC.

As of November 1, 2015, 12 model homes are being constructed and construction has begun on 39 production homes. Of the property being developed by the Developer, 15 have been sold (but not closed) to individual homeowners. The Developer expects to construct, market, and close on 5 homes before the end of calendar year 2015.

The Developer

Acquisition of the Project. On April 11, 2014, the Developer acquired the property comprising the Sea Summit at Marblehead project (the “Project”) from an affiliate of Lehman Brothers for over \$203 million. The Lehman Brothers entity obtained title to the Project from the prior developer through the foreclosure of a deed of trust on the Project.

Ownership Structure. As used in this Official Statement, the “Developer” is Marblehead Development Partners LLC, a Delaware limited liability company. The members of the Developer are: (i) Taylor Morrison Marblehead Holdings, LLC, a Delaware limited liability company, which is owned by Taylor Morrison of California, LLC (a California limited liability company), who has sole responsibility for managing the project, and (ii) the equity member, Marblehead Joint Venture Partners, LLC, a Delaware limited liability company, which is an equal joint venture between San Clemente Grand Avenue Partners, LLC, a Delaware limited liability company, and TPG VI Marblehead, LP, a Delaware limited partnership. San Clemente Grand Avenue Partners, LLC is an affiliate of Oaktree Capital, a global alternative investment management firm with over \$100 billion in capital under management, headquartered in Los Angeles, with over 900 employees in 17 offices throughout 12 countries. TPG VI Marblehead, LP is an affiliate of TPG, a global private investment firm with \$74.3 billion of capital under management, headquartered in the United States, but with 17 offices worldwide.

Taylor Morrison of California, LLC (“Taylor Morrison California”) is the member of the Developer responsible for the residential home development of the Project. Taylor Morrison Services, Inc., a Delaware corporation qualified in California (“TMSI”), is the sole shareholder of Taylor Morrison California. However, Taylor Morrison California's ultimate parent is Taylor Morrison Home Corporation (“TMHC”). TMHC is traded on the New York Stock Exchange as “TMHC.” TMHC’s principal executive offices are located in Scottsdale, Arizona. TMHC was created as a result of the July 2007 merger of two United Kingdom-based,

publicly-listed homebuilders, Taylor Woodrow plc and George Wimpey plc, whose predecessor entities commenced homebuilding operations in the United States in 1936. The merger resulted in the formation of Taylor Wimpey plc. The subsequent integration of Taylor Woodrow, Inc. and Morrison Homes, Inc. in the U.S. formed TMHC and Monarch Corporation in Canada, respectively. Additional information on TMHC, including Annual Reports and related financial statements, prepared in accordance with generally accepted accounting standards, can be found on the investors relations tab of www.taylormorrison.com. This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.

Development Experience. A partial list of projects recently completed or currently under development by Taylor Morrison California or its affiliates in Southern California include (as of September 30, 2015):

<u>Project</u>	<u>Location</u>	<u>Number of Units</u>	<u>Occupied by Individual Homeowners</u>	<u>Average Base Price</u>	<u>Actual/Expected Closeout</u>
Palisades	Yorba Linda	143	Yes	Mid \$700's	3rd Qtr 2015
Summerwind	Brea	57	Yes	Mid \$600's	4th Qtr 2014
Quinterra	Irvine	51	Yes	Low \$1M's	2nd Qtr 2015
Bungalow 7	Costa Mesa	30	Yes	High \$600's	3rd Qtr 2014
Citrus Glen	Claremont	50	Yes	Mid \$400's	1st Qtr 2015
Saviero	Irvine	45	Yes	High 1M's	1st Qtr 2016
Capella	Irvine	72	Yes	Low 1M's	2nd Qtr 2016
Springhouse	Irvine	83	Yes	High \$800's	1st Qtr 2015

Current Development Status

No assurances can be made that the Developer or any future owner of property within the District will have the resources, willingness, and ability to successfully complete development activities on the property within the District. No representation is made as to the ability (financial or otherwise) of the Developer or any future owner of property within the District to complete development as currently planned. Moreover, the development and financing plans described below are as of the dates indicated; the Developer will continue to evaluate the real estate market and make adjustments to the development and financing plans as determined necessary by the Developer.

Background. The property within the District is in Final Tract Map Number 8817, recorded on April 11, 2006 in Book 880 at pages 1-31 (instrument number 2006000240466). The Final Map subdivides the Project into 313 residential lots and 57 lettered lots. The Developer is going to develop 309 of the residential lots as single-family detached units. The four remaining residential lots are being developed as the Summit Club, a recreation center for residents of the Project.

Entitlement Status. All discretionary entitlements required to complete the development and sale of homes in the District, including approvals required by the California Coastal Commission, have been received. The Marblehead Coastal Specific Plan was approved on August 5, 1998 and was subsequently amended by City Council on August 1, 2007. On August 5, 1998, the City Council certified the Marblehead Coastal Final Environmental Impact Report ("EIR"). Addenda to the EIR were approved by the City Council in July 1998, February 2000, August 2003, December 2003 and July 2004.

Development Agreement. The Development Agreement is dated October 2, 1998, and is by and between the City and the predecessor-in-interest to the Developer. The Development Agreement was assigned to the Developer. The effective date of the Development Agreement is October 2, 1998, and it expires on October 2, 2018. The termination date may be extended by the mutual written consent of the City and the

Developer. The Development Agreement permits the development of up to a maximum of 434 residential units. On March 9, 2007, an Implementation Agreement for the Development Agreement was entered into by the predecessor-in-interest to the Developer; the Implementation Agreement was assigned to the Developer. The Development Agreement is in full force and effect, and the Developer remains in compliance with its provisions.

Development Plan

Infrastructure Development. In addition to the acquisition of the Project, which included some completed and partially-completed infrastructure (with a cost of approximately \$25.4 million), the Developer has expended approximately \$33 million on improvements for the Project and intends to finish constructing certain on-site and off-site improvements required as a condition of developing the Project (the “Improvements”). The Developer intends to finance the remaining Improvements using proceeds of the Bonds, proceeds from the Loan (as defined herein), and internal sources (including home sales revenues). The Loan is secured by property owned by the Developer in the District, but is subject to reconveyance as homes are completed and upon payment of applicable release prices. Set forth in Table 8 below is the status of the Improvements.

TABLE 8
STATUS OF IMPROVEMENTS
(As of November 30, 2015)

<u>Improvement</u>	<u>Actual/Estimated Total Costs</u>	<u>Approximate Percentage Complete</u>	<u>Approximate Remaining Cost to Complete</u>
Eligible For Financing Under Acquisition Agreement ⁽¹⁾			
Arterial Roadways			
• Avenida Vista Hermosa	\$ 6,200,000	100%	\$ 0
• Avenida Vista Hermosa Bridge ⁽²⁾	\$ 12,061,267	100%	\$ 0
• Avenida Pico	\$ 700,000	100%	\$ 0
• El Camino Real Improvements	\$ 1,910,544	1%	\$ 1,881,886
Local Public Roadways			
• Avenida Costa Azul	\$ 700,000	23%	\$ 540,948
• Los Molinos	\$ 671,038	22%	\$ 522,393
Public Parks and Trails			
• Jim Johnson Sports Park ⁽³⁾	\$ 4,949,071	10%	\$ 4,434,594
• Pico Park, Lot G, Lot H	\$ 3,900,000	22%	\$ 3,046,742
• 2 Passive Parks	\$ 3,000,000	57%	\$ 1,276,563
• Regional Public Trails	\$ 1,750,000	100%	\$ 0
Storm Drain			
• Off-Site Drain Line ⁽²⁾	\$ 1,573,207	100%	\$ 0
Low Flow 1st Flush			
• Off-Site System ⁽²⁾	\$ 7,029,157	96%	\$ 239,292
Water and Sewer System⁽²⁾			
	\$ 6,496,586	92%	\$ 535,803
Transportation RCFPP (Residential Portion)			
	<u>\$ 607,500</u>	17%	<u>\$ 507,234</u>
Subtotals	\$ 51,548,370		\$12,985,455
Not Eligible Under Acquisition Agreement			
In-Tract Improvements⁽⁴⁾			
• PA 1	\$ 7,343,669	22%	\$ 5,667,747
• PA 2	\$ 6,355,495	28%	\$ 4,534,050
• PA 3	\$ 5,596,381	33%	\$ 3,740,974
• PA 4	\$ 3,011,698	24%	\$ 2,278,600
Recreation Center	\$ 8,258,596	3%	\$ 7,997,813
Master Overall	\$ 18,138,033	68%	\$ 5,841,561
Cal Trans Improvements	\$ 1,178,261	65%	\$ 414,447
Commercial Site⁽⁵⁾	<u>\$ 1,374,461</u>	33%	<u>\$ 912,336</u>
Subtotals	\$ 51,256,594		\$31,387,528
 Total Costs to Complete	 \$102,804,964	 57%	 \$44,372,983

⁽¹⁾ Only those improvements that are eligible under the Acquisition Agreement are shown.

⁽²⁾ Some or all of these improvements were constructed prior to the acquisition of the Project by the Developer; the total costs associated with these previously-constructed facilities is approximately \$25,390,217.

⁽³⁾ Includes obligations for Courtney's/Sand Castle and Artificial Turf.

⁽⁴⁾ In-Tract Improvements exclude home construction but include rough grading, wet utilities, curb/gutter, paving, driveway, sidewalk, utility laterals, retaining walls, and street capping, as well as the impact fees and building permit fees (excluding property taxes).

⁽⁵⁾ The costs of the Commercial Site include improvements to the trail system and other costs required for the development of the project, although the Commercial Site itself is not security for the Bonds.

Source: Marblehead Development Partners LLC.

Under the Conditions of Development for the Project, the following improvements must be completed at or before the times described below:

- All trails and parks shall be open to the public prior to the 200th Certificate of Occupancy. As of November 1, 2015, the trails are substantially complete and open to the public, and the parks are in progress. It is anticipated that the Canyon View, the Vista Del Sol and the HOA parks will be opened to the public in early December 2015, Pico Park will be opened to the public by the end of January 2016, and the Jim Johnson Sports Park will be opened to the public by June 2016.

- Avenida Vista Hermosa and median/parkway landscaping (including the bridge and signal improvements) must be substantially completed prior to the issuance of the 151st residential building permit. As of November 1, 2015, the improvements are complete and have been turned over to the City, and this condition has been met.
- Avenida Pico widening and median/parkway landscaping must be completed prior to the 151st residential building permit. As of November 1, 2015, the improvements are complete and have been turned over to the City, and this condition has been met.
- El Camino Real widening, including installation of the Bluff Trail and bluff landscaping, must be completed prior to the issuance of the 251st building permit. It is anticipated that these improvements will be complete in the first quarter of 2016.

Amenities. There are several amenities associated with the Project. These amenities include the Summit Club (referred to herein as the Recreation Center, which will feature a pool, fitness center, and clubhouse), five parks, four miles of trails, and approximately 100 acres of open space and natural habitat land. The Developer anticipates that the Summit Club will be completed and open for business in late fourth quarter of 2016.

The Developer estimates that the sources and uses of funds to finance the Improvements as well as home construction are as follows in Table 9. Such estimates are based on the Developer’s estimated absorption which differs significantly from the Market Absorption Study. See APPENDIX I – “MARKET ABSORPTION STUDY.”

**TABLE 9
CASH FLOW PRO FORMA
(as of August 31, 2015)**

	<u>Through 8/31/15</u>	<u>9/1/15 to 12/31/15</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Totals</u>
Sources:						
Home Sales	\$ 0	\$21,683,769	\$287,128,556	\$266,079,428	\$60,627,230	\$ 635,518,983
Loan	76,356,024	40,743,188	0	0	0	117,099,212
Equity	183,956,596	2,912,847	0	0	0	186,869,443
Bond Proceeds	<u>0</u>	<u>0</u>	<u>50,000,000</u>	<u>0</u>	<u>0</u>	<u>50,000,000</u>
Total Sources:	\$260,312,620	\$65,339,804	\$337,128,556	\$266,079,428	\$60,627,230	\$ 989,487,638
Uses:						
Land	\$203,363,082	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,363,082
Construction ⁽¹⁾	2,989,658	30,183,681	73,549,159	48,091,352	4,229,970	159,043,820
Development ⁽²⁾	37,602,514	25,496,338	24,394,949	4,344,196	222,871	92,060,868
Overhead	5,448,334	4,151,775	5,088,686	4,448,967	880,979	20,018,741
Other	2,509,654	3,333,462	17,720,543	15,466,490	3,528,868	42,559,017
Loan Repayment	0	0	62,073,536	45,125,167	9,900,509	117,099,212
Loan Fees and Interest	<u>8,399,378</u>	<u>2,174,548</u>	<u>6,036,935</u>	<u>3,397,206</u>	<u>154,878</u>	<u>20,162,945</u>
Total Uses:	\$260,312,620	\$65,339,804	\$188,863,808	\$120,873,378	\$18,918,075	\$654,307,685

⁽¹⁾ Generally, these are the costs of vertical development, including home construction.

⁽²⁾ Generally, these are the costs of horizontal development, including infrastructure.

Source: Marblehead Development Partners LLC.

The information provided in Table 9 above are forecasted estimates as of August 31, 2015. These estimates involve 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 estimates. The Developer will continue to evaluate the real estate

market and make adjustments to the development and financing plans as determined necessary by the Developer, which will, in turn, cause changes in the actual timing and amounts of revenues and costs.

Current Development Status. All of the property within Zone 1 of the District has been graded into 309 residential lots in a near physically finished lot condition. Pre-sales in the Aqua, Sapphire and Azure product lines began on August 28, 2015. As of November 1, 2015, 15 homes have been sold (but not yet closed). The table below sets forth the development status of the property in the District as of November 1, 2015.

**TABLE 10
DEVELOPMENT STATUS
(As of November 1, 2015)**

<u>Product Line</u>	<u>Completed Homes Owned by Individual Homeowners</u>	<u>Completed Homes / Standing Inventory</u>	<u>Homes Under Construction⁽¹⁾</u>	<u>Undeveloped Lots</u>	<u>Total</u>
Aqua (PA 1)	0	0	20 ⁽²⁾	107	127
Sapphire (PA 2)	0	0	17 ⁽³⁾	60	77
Azure (PA 3/PA 4)	0	0	14 ⁽⁴⁾	67	81
Indigo (PA 4)	<u>0</u>	<u>0</u>	<u>0</u>	<u>24</u>	<u>24</u>
Totals	0	0	51	258	309

⁽¹⁾ Under construction means that a building permit has been pulled; actual construction has commenced on 12 models and 39 production homes, but all are in various stages of construction.

⁽²⁾ Includes 5 model homes.

⁽³⁾ Includes 3 model homes.

⁽⁴⁾ Includes 4 model homes.

Source: Marblehead Development Partners LLC.

Home Development and Sales. The Developer currently anticipates that it will carry out home development activities on the property expected to be subject to the Special Tax within the District, and to sell completed homes to individual homeowners. The Developer is forecasting that it will sell and close 5 homes by the end of calendar year 2015. Tables 11, 12, 13 and 14 below show the number of planned units within each product line and plan, as well as the currently expected (as of November 1, 2015) timing for first construction, first home closings and final home closings.

No assurance can be given that future home construction will be carried out, or that the Developer's construction and sale plans will not change after the date of this Official Statement.

TABLE 11
ESTIMATED CONSTRUCTION AND SALES SCHEDULE
SEA SUMMIT AT MARBLEHEAD
AQUA PRODUCT LINE
(As of November 1, 2015)

<u>Phase</u>	<u>Number of Units</u>	<u>Begin Home Construction</u>	<u>Estimated First Home Closings</u>	<u>Estimated Last Home Closings</u>
Models	5	5/2015 ⁽¹⁾	5/2018	6/2018
1	15	6/2015 ⁽¹⁾	12/2015	2/2016
2	11	11/2015	4/2016	6/2016
3	8	12/2015	6/2016	8/2016
4	8	2/2016	8/2016	9/2016
5	10	4/2016	10/2016	11/2016
6-12	65	7/2016	1/2017	4/2018
Buildout ⁽²⁾	<u>5</u>	10/2017	5/2018	6/2018
Totals	127			

⁽¹⁾ Represents Actual Dates.

⁽²⁾ The model home complexes consist of models and additional parcels. The additional parcels have been set aside for parking and to avoid excess traffic around the model homes. The development, marketing and sale of production homes on the additional parcels, as well as the marketing of the model homes, will occur at buildout of the product line when the model home complexes for such product line are no longer needed.

Source: Marblehead Development Partners LLC.

TABLE 12
ESTIMATED CONSTRUCTION AND SALES SCHEDULE
SEA SUMMIT AT MARBLEHEAD
SAPPHIRE PRODUCT LINE
(As of November 1, 2015)

<u>Phase</u>	<u>Number of Units</u>	<u>Begin Home Construction</u>	<u>Estimated First Home Closings</u>	<u>Estimated Last Home Closings</u>
Models	3	5/2015 ⁽¹⁾	1/2018	2/2018
1	7	6/2015 ⁽¹⁾	12/2015	1/2016
2	7	8/2015 ⁽¹⁾	2/2016	3/2016
3	6	11/2015	5/2016	6/2016
4	6	12/2015	6/2016	7/2016
5	4	2/2016	8/2016	8/2016
6-12	41	3/2016	10/2016	12/2017
Buildout ⁽²⁾	<u>3</u>	8/2017	2/2018	2/2018
Totals	77			

⁽¹⁾ Represents Actual Dates.

⁽²⁾ The model home complexes consist of models and additional parcels. The additional parcels have been set aside for parking and to avoid excess traffic around the model homes. The development, marketing and sale of production homes on the additional parcels, as well as the marketing of the model homes, will occur at buildout of the product line when the model home complexes for such product line are no longer needed.

Source: Marblehead Development Partners LLC.

TABLE 13
ESTIMATED CONSTRUCTION AND SALES SCHEDULE
SEA SUMMIT AT MARBLEHEAD
AZURE PRODUCT LINE
(As of November 1, 2015)

<u>Phase</u>	<u>Number of Units</u>	<u>Begin Home Construction</u>	<u>Estimated First Home Closings</u>	<u>Estimated Last Home Closings</u>
Models	4	5/2015 ⁽¹⁾	1/2018	2/2018
1	4	6/2015 ⁽¹⁾	12/2015	12/2015
2	6	8/2015 ⁽¹⁾	2/2016	3/2016
3	4	11/2015	5/2016	6/2016
4	5	12/2015	7/2016	7/2016
5	4	1/2016	8/2016	8/2016
6-13	50	2/2016	9/2016	11/2017
Buildout ⁽²⁾	<u>4</u>	5/2017	12/2017	12/2017
Totals	81			

⁽¹⁾ Represents Actual Dates.

⁽²⁾ The model home complexes consist of models and additional parcels. The additional parcels have been set aside for parking and to avoid excess traffic around the model homes. The development, marketing and sale of production homes on the additional parcels, as well as the marketing of the model homes, will occur at buildout of the product line when the model home complexes for such product line are no longer needed.

Source: Marblehead Development Partners LLC.

TABLE 14
ESTIMATED CONSTRUCTION AND SALES SCHEDULE
SEA SUMMIT AT MARBLEHEAD
INDIGO PRODUCT LINE
(As of November 1, 2015)

<u>Phase</u>	<u>Number of Units</u>	<u>Begin Home Construction</u>	<u>Estimated First Home Closings</u>	<u>Estimated Last Home Closings</u>
Models	2	11/2015	1/2018	1/2018
1	3	1/2016	8/2016	8/2016
2	4	4/2016	11/2016	12/2016
3	3	7/2016	2/2017	3/2017
4	5	10/2016	5/2017	6/2017
5	4	2/2017	9/2017	10/2017
Buildout ⁽¹⁾	<u>3</u>	5/2017	12/2017	12/2017
Totals	24			

⁽¹⁾ The model home complexes consist of models and additional parcels. The additional parcels have been set aside for parking and to avoid excess traffic around the model homes. The development, marketing and sale of production homes on the additional parcels, as well as the marketing of the model homes, will occur at buildout of the product line when the model home complexes for such product line are no longer needed.

Source: Marblehead Development Partners LLC.

As of September 30, 2015, the current estimated product mix for the homes within the District is set forth below.

**TABLE 15
PROPOSED UNIT MIX**

<u>Product Line</u>	<u>No. of Units</u>	<u>No. of Model Types</u>	<u>Minimum Lot Size</u>	<u>Bedrooms/Bathrooms</u>	<u>Approx. Square Footage</u>	<u>Anticipated Base Prices⁽¹⁾</u>
Aqua			3,178 sq. ft.			
Plan 1	26	1		3/2.5	2,212	\$970,990
Plan 2	31	1		3/3.5	2,417	\$1,005,990
Plan 3	23	1		3/3	2,336	\$995,990
Plan 4	22	1		4/4.5	2,649	\$1,035,990
Plan 5	<u>25</u>	<u>1</u>		3/3	2,278	\$980,990
Totals	127	5				
Sapphire			5,000 sq. ft.			
Plan 1	25	1		4/4.5	3,433-3,480	\$1,527,990
Plan 2	26	1		4/4.5	3,592-3,646	\$1,560,990
Plan 3	<u>26</u>	<u>1</u>		5/5/5	3,873-3,923	\$1,598,990
Totals	77	3				
Azure			5,500 or 6,000 sq. ft.			
Plan 1 – 5500’s	14	1		4/4.5	3,775-3,829	\$1,780,990
Plan 2 – 5500’s	14	1		4/4.5	4,081-4,417	\$1,890,990
Plan 3 – 5500’s	6	-		3/3.5	2,536-2,560	\$1,500,990
Plan 1 – 6000’s	17	-		4/4.5	4,064-4,175	\$1,925,990
Plan 2 – 6000’s	14	1		4/4.5	4,260-4,366	\$2,010,990
Plan 3 – 6000’s	<u>16</u>	<u>1</u>		4/4.5	4,713-4,756	\$2,145,990
Totals	81	4				
Indigo			7,000 sq. ft.			
Plan 1	8	-		5/5.5	4,633-4,701	\$2,195,990
Plan 2	9	1		5/5.5	4,913-4,967	\$2,275,990
Plan 3	<u>7</u>	<u>1</u>		5/4.5	5,349-5,553	\$2,500,990
Totals	24	2				
Grand Totals	309	14				

⁽¹⁾ Base prices do not include view premiums or upgrades. It is anticipated that 85% of the lots will have view premiums.
Source: Marblehead Development Partners LLC.

Financing Plan

The Developer’s Financing Plan. The Developer has financed, and is financing a portion of its development activities in the District through a combination of internal sources, home sales proceeds, and the proceeds of the Loan (as defined below). The Developer has used, and intends to use, some or all of these sources of funds to finance the acquisition of the Property, the development costs required as a condition of development, and the construction, marketing, and carrying costs of residential home construction, including property taxes and the Special Taxes while it owns the property.

Only July 25, 2014, SPT CA Fundings 2, LLC (an affiliate of Starwood Property Trust, Inc.) (herein, the “Lender”) agreed to loan the Developer up to \$264,279,489, consisting of the following amounts (collectively, the “Loan”):

1. \$50,812,500 for the acquisition of the Property (the “Land Loan”). This amount was funded at the closing of the loan.

2. \$59,839,889 for the horizontal development of the Project (the "Horizontal Loan"). This amount may be drawn upon to pay for approximately 65% of the horizontal development costs (with the remaining portion being funded by equity of the Developer).

3. \$143,627,100 for the vertical development of the Property, including sales, marketing, and taxes (the "Vertical Loan"). This amount may be drawn upon to pay for approximately 80% of the vertical development costs (with the remaining portion being funded by equity of the Developer).

4. \$10,000,000 for interest on the Loan (the "Interest Loan"). Interest on the outstanding balance of the Loan is payable monthly from the Interest Loan.

Starwood Property Mortgage LLC is the Administrative Agent for the Lender.

The Loan is secured by (i) a Deed of Trust on the residential property in the Project and the four lots that will become the Recreation Center (the "DOT") and (ii) an assignment of leases and rents (the "Assignment").

The initial maturity date for the Loan is August 11, 2017, but there are provisions for two one-year extensions. Upon notice provided to the Administrative Agent between 30-90 days prior to the initial maturity date, the maturity date may be extended by 12 months (to August 11, 2018) upon satisfaction of various conditions. With additional notice to the Administrative Agent between 30-90 days prior to the first extended maturity date, the maturity date may be further extended by 12 months (to August 11, 2019) upon satisfaction of various conditions. The conditions for extension include, but are not limited to, no uncured event of default on the Loan, the payment of an extension fee (equal to 0.25% of the Loan balance plus unadvanced portions of the Loan), an interest rate cap agreement or replacement interest rate cap agreement if required by the Loan, and the payment of the fees and expenses of the Administrative Agent.

In connection with the Loan and as customarily required by lenders for such loans, the Developer was required to obtain an interest rate cap agreement and collaterally assign the agreement to the Administrative Agent. The Developer has agreed to maintain the interest rate cap agreement or provide a replacement under certain circumstances.

The Loan requires the Developer to complete horizontal development according to a schedule attached to the Loan. In general, the horizontal development schedule matches the Project's conditions of development. To the extent that the horizontal improvements are not substantially completed by the dates required, the Developer may be subject to the remedies available to the Lender, in the manner set forth in the Loan.

As of September 30, 2015, the Loan has been drawn in the amount of \$81,198,051.33, consisting of \$50,812,500 for the Land Loan, \$25,893,470.95 for the Horizontal Loan, \$0.00 for the Vertical Loan, and \$4,492,080.38 for the Interest Loan. Consequently, as of September 30, 2015, the Developer remains able to draw an additional \$33,946,418.05 on the Horizontal Loan, \$143,627,100 on the Vertical Loan, and \$5,507,919.62 on the Interest Loan.

As the Developer constructs, markets, and sells homes in the Project, it will make prepayments of the Loan in connection with each home constructed, and the DOT and the Assignment shall be released from the homesite upon the satisfaction of, among other things, the following conditions: (i) no uncured event of default exists on the Loan; (ii) the sale of the subject residential unit satisfied the provisions of the Loan; (iii) a copy of the bona fide sales contract has been delivered to the Administrative Agent; (iv) the Required Release Price has been paid to the Administrative Agent (equal to a specific amount for a unit depending on the unit's Planning Area and Floor Plan, set forth on a schedule attached to the Loan); and (v) the payment of the Exit Fee (an amount equal to 0.75% of the amount of the Vertical Loan outstanding).

An uncured default under the Loan could result in a foreclosure action or similar proceeding by the Lender with respect to the property owned by the Developer that serves as security for the Loan.

The Loan is guaranteed by Taylor Morrison, Inc.

The Developer anticipates that the proceeds from the Loan along with reimbursements from the Bonds and home sales revenues will be sufficient to fund the remaining costs of the Project.

Notwithstanding the belief of the Developer that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to the Developer will be sufficient to complete the property development and home construction as currently anticipated. While the Developer has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither the Developer nor any of its affiliates has any legal obligation of any kind to make any such funds available or to obtain loans. Other than pointing out the willingness of the Developer to provide internal financing in the past, the Developer has not represented in any way that it will do so in the future. If and to the extent that internal financing, Bond proceeds, the Loan, and home sales revenues are inadequate to pay the costs to complete the Developer's planned development in the District and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer and portions of the Project may not be developed.

Subdivision Map and Utilities

Utilities. It is expected that utility services for the taxable property in the District will be provided by the following:

Water:	City of San Clemente
Sanitary Sewer:	City of San Clemente
Stormwater Drainage:	City of San Clemente
Electricity:	San Diego Gas & Electric
Cable :	AT&T

The development and financing plans discussed above are solely projections as of the dates indicated in this Official Statement. Such plans are subject to change. No assurance can be given that such plans will remain in their current state or that the plans will ultimately be carried out according to the discussions set forth above.

THE CITY OF SAN CLEMENTE

The following information relating to the City is included only for the purpose of supplying general information regarding the City. Neither the faith and credit nor taxing power of the City have been pledged to the payment of the Bonds and the Bonds will not be payable from any of City's revenues or assets.

General Information

The City of San Clemente, incorporated on February 28, 1928, is located along the California coast, at the southern tip of Orange County, about 60 miles south of Los Angeles and 60 miles north of San Diego. The City currently occupies a land area of approximately 18.45 square miles

The City operates under a council-manager form of government, with a five-member council elected at large for four-year overlapping terms. The mayor is elected by the City Council for a one-year term and is the presiding officer of the Council. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf services. See APPENDIX D – "ECONOMIC AND DEMOGRAPHIC DATA FOR ORANGE COUNTY AND THE CITY OF SAN CLEMENTE."

Administration

The governing body of the City is the five member City Council, elected to staggered four year terms. The City Council members are:

Chris Hamm, Mayor
Bob Baker, Mayor Pro Tempore
Tim Brown, Councilmember
Lori Donchak, Councilmember
Kathleen Ward, Councilmember

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors that may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "- Land Values" and "- Limited Secondary Market."

Risks of Real Estate Secured Investments Generally

The Bond owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market

value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses. See “– Natural Disasters” below.

No assurance can be given that the individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “- Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the City’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the ownership status of the property within the District as of September 15, 2015, and assuming no additional sales within the District, 100% of the Special Taxes levied in Fiscal Year 2016-17 would be payable by the Developer. Failure of the Developer, or any successor(s), to pay the annual Special Taxes when due could result in a draw on the Reserve Fund of the Special Tax Fund, and ultimately a default in payment of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, or its successors, will complete the remaining intended construction and development in the District. See “- Failure to Develop Properties.”

The District currently expects to levy Special Taxes on property within the District classified as Undeveloped Property and Developed Property in Fiscal Year 2016-17 which is owned by the Developer. In the event that the Developer fails to complete the remaining intended construction and development in the District, Special Taxes will continue to be levied on Undeveloped Property and Developed Property owned by such entity. No assurance can be given that the Developer, its successors, its affiliated entities, or the merchant builders will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “- Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Fiscal Agent Agreement, no owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s or the District’s property or upon any of the City’s or the District’s income, receipts or revenues, except the Special Tax Revenues and other amounts pledged under the Fiscal Agent Agreement.

Insufficiency of Special Taxes

Under the Amended and Restated Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Amended and Restated Rate and Method of Apportionment of Special Tax.”

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Fund of the Special Tax Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent

other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund.” The District has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Amended and Restated Rate and Method and the Act. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The District has covenanted that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Proceeds of Foreclosure Sales” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the maximum Special Tax rates. See “– Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Amended and Restated Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on Public Property, up to 0.4569 acres of Recreation Center, Property Owner Association Property that are designated lettered Lots in Tract No. 8817, parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, parcels with public or utility easements, and Property in Zone 2. However, should an Assessor’s Parcel of property no longer be classified within any such category, its tax-exempt status will be revoked. See APPENDIX A – “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Amended and Restated Rate and Method governing the levy of the Special Tax provides that, once a parcel is classified as taxable property, it will remain subject to a Special Tax levy even if subsequently it is acquired by a public agency. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special

Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. See “– Drought State of Emergency.” Finally, development of land is subject to economic considerations.

The Developer reports that the area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within the District has been substantially completed. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT – Development Plan” for a current status of the infrastructure. Residential lots are expected to be finished in phases and the first phase of residential lots is scheduled for completion by December 2015. Construction of the private neighborhood recreation facilities and parks is expected to be completed in late 2016. As of September 30, 2015, the Developer owns all of the land and intends to keep it for further development. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes, may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations within the District will not be adversely affected by additional future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. 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 the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

The District expects to levy Special Taxes on Undeveloped Property and Developed Property. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on

Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the Developer, its affiliated entities, and merchant builders to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “– Land Values.”

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. No faults transect the District. The closest known active or potentially active fault to the District is the Newport-Inglewood fault (approximately 5 miles distant). The land within the District is near open space areas which could present the risk of wildfires. The District is not located in a flood plain area.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Drought State of Emergency

On January 17, 2014, with California facing water shortfalls in the then driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by dry conditions and to ensure the State can respond if Californians face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness initiative. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

California set a new “low water” mark on April 1, 2015, with its early-April snowpack measurement. The statewide electronic reading of the snowpack’s water content stood at 5 percent of the April 1st average. April 1, 2015’s content was only 1.4 inches, or 5 percent of the 28-inch average. The lowest previous reading since 1950 was 25 percent of average; 2015 was the driest winter in California’s written record.

In April 2015, Governor Brown issued an Executive Order that directed the State Water Resources Control Board (“SWRCB”) to implement mandatory water reductions in cities and towns across California to reduce potable urban water usage by 25 percent statewide. On May 5, 2015, the SWRCB approved regulations implementing Governor Brown’s Executive Order. Pursuant to these regulations, the City is required to reduce its water consumption by 24% for June through February 2016 as compared to the same months in 2013. Through its water conservation ordinance, the City has the authority to declare any one of five water conservation stages to meet its proposed water reduction target. The water conservation stage issued by the City will apply to all water customers, including the Sea Summit at Marblehead project.

The emergency regulations developed by the SWRCB became effective May 15, 2015, and include two items that directly impact newly constructed homes and buildings. First, irrigation with potable water outside of newly constructed homes and buildings inconsistent with regulations or other requirements established by the California Building Standards Commission and the Department of Housing and Community Development is prohibited. Second, the Department of Water Resources has updated the Model Water Efficient Landscape

Ordinance to increase water efficiency standards for new and existing landscapes. Specifically, these two requirements prohibit use of potable water for irrigation outside of new home construction without drip or microspray systems. The emergency regulations do not limit new construction for the State (including the District) and thus, are only expected to impact the water for outdoor irrigation as described above.

The implementation of mandatory water reductions is ongoing. The City cannot predict how long the drought conditions will last, what effect drought conditions may have on property values, or whether or to what extent water reduction requirements may affect the construction of improvements within the District.

Endangered/Threatened Species

During the 1990s, there was an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered or threatened species. In response to this activity, several large landowners began an effort to move away from “species by species” entitlement to multiple species entitlement, in order to minimize the risk of future species listings and maximize the certainty of development.

Project impacts to sensitive species and associated native habitats were required to be mitigated in accordance with mitigation and restoration guidelines outlined in the Project’s habitat management plan (“HMP”) as prepared by RJ Meade Consulting et al. (2006). The 100-acre preserve will be mitigating coastal wetlands at a 6.8:1 mitigation ratio; ephemeral drainages at a 2:1 ratio; and sage scrub at a 22.3:1 mitigation ratio.

To date, the HMP area is known to support nine sensitive species. Two species considered sensitive were documented on site prior to 2006 and for which mitigation was required. These species include a natural population of Blochmans’s dudleya which is not federal- or state-listed as threatened or endangered, but is considered rare and endangered by the California Native Plant Society (“CNPS”) and the coastal California gnatcatcher which is threatened by the State of California and listed as “threatened” under the Federal Endangered Species Act. Mitigation beyond that which was completed for the Blochman’s dudleya will include preserving the coastal bluff scrub habitat within the remaining 100 acres of habitat. The coastal California gnatcatcher will be mitigated through implementation of strict guidelines for creation and preservation of coastal sage scrub habitat.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel 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 “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but 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 or handling the hazardous substance. The effect, therefore, should any of the taxed parcels 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 purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. 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

parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The Developer has represented to the District that it is not aware of any hazardous substance condition of the property within the District. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Payment of the Special Tax is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the property owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. 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 Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT – Appraised Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report, that as of September 15, 2015, the market value of the land and improvements within the District was approximately \$219,000,000. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX B – "APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

The assessed values set forth in this Official Statement 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, generally 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 any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.”

Parity Taxes, Special Assessments

Property within the District is subject to taxes and assessments imposed by other public agencies also having jurisdiction over the land within the District. See “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Indebtedness.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “– Bankruptcy and Foreclosure.”

Neither the District nor the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, ad valorem taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and ad valorem taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT – Direct and Overlapping Indebtedness” and “– Appraised Value to Lien Ratios.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. While title 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 Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the District on the

regular ad valorem property tax bills sent to owners of such properties by the County Tax Collector. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments.

See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “ – Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest

on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS – Special Taxes – Proceeds of Foreclosure Sales." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Improvement Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes

imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) included a provision which excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an ad valorem property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition by a debtor in bankruptcy court.” This amendment effectively makes the *Glasply* holding inoperative as it relates to ad valorem real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current ad valorem taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Fiscal Agent Agreement, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” and “SPECIAL RISK FACTORS – Limitations on Remedies.”

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Fiscal Agent Agreement with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Fiscal Agent Agreement.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See “CONTINUING DISCLOSURE.” Any failure to

provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the Amended and Restated Rate and Method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels of Developed Property within the District. In connection with the foregoing covenant, the City Council has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to alter the Amended and Restated Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Article XIII C and Article XIII D will 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 or the timeliness of any remedy afforded by the courts.

Shapiro Decision

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD was a financing district established under the City of San Diego’s charter (the “Charter”) and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD was comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was an election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election did not comply with applicable requirements of Article XIII A, Section 4 thereof and Article XIII C, Section 2 of the State Constitution, or with applicable provisions of the City of San Diego’s Charter, because the electors in such an election were not the registered voters residing within the District.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (all of the registered voters in the City of San Diego). In the case of the District, there were no registered voters within the District at the time of the elections to authorize the special tax levy for the District. In *City of San Diego*, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the special tax election in the District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District in compliance with all applicable requirements of the Act at the time of formation of the District in January 2007. Therefore, under the provisions of Sections 53341 and 53359 of the Act, the statute of limitations period to challenge the validity of the special tax for the District has expired.

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations or on the ability of the Developers within the District to complete the remaining proposed development within the District.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners.

CONTINUING DISCLOSURE

Pursuant to the District Continuing Disclosure Agreement with Koppel & Gruber Public Finance, as dissemination agent, the District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, on an annual basis by March 1 of each fiscal year certain financial information and operating data concerning the District. The Annual Report for Fiscal Year 2014-15 will be satisfied by this Official Statement. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2 12 adopted by the SEC. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City or the District other than Special Tax Revenues and other amounts held under the Fiscal Agent Agreement. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS – Limited Obligations."

The District has not entered into any prior continuing disclosure obligations. The City will assist the District in preparing the District Reports. Although the City is not an obligated person under the District Continuing Disclosure Agreement, the City and certain entities related to the City have entered into previous undertakings pursuant to the Rule. A review of compliance with disclosure undertakings for filings required by the City within the last five years indicates that the City may not have fully complied with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the City that the late filings were material. For example, audited financial statements with respect to various financings by the City were filed after the filing due date and in some cases specific information to be included in an annual report was not included in the annual report filed. The City believes that it is currently in compliance with its undertakings.

The full text of the District Continuing Disclosure Agreement is set forth in APPENDIX F.

To provide updated information with respect to development within the District, the Developer will enter into the Developer Continuing Disclosure Agreement by and between the Developer and Koppel & Gruber Public Finance, as dissemination agent, and will covenant to provide Semi-Annual Reports on each May 1 and November 1, beginning May 1, 2016, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Agreement. The Semi-Annual Reports provided by the Developer will contain the information outlined in Section 4 of the Developer Continuing Disclosure Agreement attached as APPENDIX G. In addition to its Semi-Annual Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Agreement. This is the first disclosure undertaking for the Developer.

The Developer's obligations under the Developer Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) any date that the Developer and its affiliates in the aggregate own property in the District that is responsible for less than twenty percent (20%) of the Special Taxes, as calculated excluding any

capitalized interest, levied within the District and the four conditions of development described below Table 8 are satisfied; or (b) upon the legal defeasance, prior redemption or payment in full of all the Bonds. See APPENDIX G – “DEVELOPER CONTINUING DISCLOSURE AGREEMENT.”

TAX MATTERS

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel further notes, however, that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the District and the City, the Underwriter and others and is subject to the condition that the District and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City have covenanted to comply with all such requirements.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel’s opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the District and the City continue to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

LEGAL MATTERS

The legal opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as APPENDIX C hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District and the City by Best Best & Krieger LLP, San Diego, California, as Disclosure Counsel and for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, as counsel to the Underwriter. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

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.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$58,721,524.50, being \$55,490,000.00 aggregate principal amount thereof, plus net original issue premium of \$3,560,474.50 and less Underwriter's discount of \$328,950.00). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the cover page thereof. The offering price may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Financial Advisor to the City, the Fiscal Agent and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser and to the Market Absorption Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the Assistant City Manager of the City has been duly authorized by the City Council of the City of San Clemente acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE

By: /s/ Erik Sund
Assistant City Manager

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APPENDIX A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

The following sets forth the Revised Amended and Restated Rate and Method of Apportionment for the levy and collection of Special Taxes of Community Facilities District No. 2006-1 of the City of San Clemente (the "District"). A Special Tax shall be levied on and collected in the District each Fiscal Year, in an amount determined through the application of the Revised Amended and Restated Rate and Method of Apportionment described below. All of the real property in the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

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**REVISED AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT FOR
CITY OF SAN CLEMENTE
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(MARBLEHEAD COASTAL)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in the City of San Clemente Community Facilities District No. 2006-1 (Marblehead Coastal) ("CFD No. 2006-1") and collected each fiscal year commencing in Fiscal Year 2014-15, in an amount determined by the City Council through the application of the appropriate Special Tax for "Developed Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 2006-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area (excluding rights-of-way) of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded parcel map (excluding rights-of-way). If the land area is presented in square footage, then the Acreage equals the parcel square footage divided by 43,560 sq. ft.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-1 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-1 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from an escrow, if any, including appraisal costs; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-1 for any other administrative purposes of CFD No. 2006-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" means a parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C (1) below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C (1) below.

"Bonds" means any binding obligation including bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2006-1 under the Act.

"CFD Administrator" means the person or firm that the City chooses to make responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2006-1" means City of San Clemente Community Facilities District No. 2006-1 (Marblehead Coastal).

"City" means the City of San Clemente.

"City Council" means the City Council of the City, acting as the legislative body of CFD No. 2006-1.

"County" means the County of Orange.

"Developed Property" means for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

"Exempt Property" means all Assessor's Parcels not subject to Special Tax as described under Section H.

"Final Map" means (i) a final tract map or parcel map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1.

"Lot" means a legal, developable parcel of land as designated on the Final Map for Tract No. 8817, recorded at Book 880, pages 1 -31, of Miscellaneous Maps in the Office of the Recorder of the County.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds that are deemed to be outstanding under the Indenture.

"Parcel" means an Assessor's Parcel.

"Property Owner Association Property" means any Assessor's Parcel within the boundaries of CFD No. 2006-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property, in any Fiscal Year, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property, or where the Backup Special Tax is being levied, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels upon which a Backup Special Tax is being levied. For Undeveloped Property, in any Fiscal Year, "Proportionately" means that the ratio of the actual Special Tax levy per Lot to the Maximum Special Tax per Lot is equal for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any Assessor's Parcel within the boundaries of CFD No. 2006-1 that is transferred to a public agency or public utility prior to, on or after the date of formation of CFD No. 2006-1 and is used for rights-of-way, or any other purpose and is owned by, dedicated or irrevocably offered for dedication to the federal government, the State, the County, the City, a public utility or any other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned-property that is otherwise constrained by public use and necessity through easement, lease or license shall be considered Public Property.

"Recreation Center Property" means all Assessor's Parcels to be used as a community recreation center, anticipated to be located on Lots 207 through 211 of Tract No. 8817, however if Lots are substituted for the Recreation Center Property, the Acreage shall not exceed 0.4569 Acres.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2006-1 to pay the sum of: (i) debt service on all Outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Bonds issued or to be issued by CFD No. 2006-1; and (v) accumulate funds to pay directly for acquisition or construction of facilities provided the inclusion of these amounts will not result in or increase the levy of Special Taxes on Undeveloped Property. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available, in the sole judgment of the City, to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1, which are not Exempt Property.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

"Zone 1" means a geographic area as depicted in Exhibit A, attached hereto.

"Zone 1-A" means a geographic sub-area of Zone 1, incorporating Lots 183-313 of Tract No. 8817, excluding Recreation Center Property as depicted in Exhibit A, attached hereto.

"Zone 1-B" means a geographic sub-area of Zone 1, incorporating Lots 1-77 of Tract No. 8817, as depicted in Exhibit A, attached hereto.

"Zone 1-C" means a geographic sub-area of Zone 1, incorporating Lots 121-182 of Tract No. 8817, as depicted in Exhibit A, attached hereto.

"Zone 1-D" means a geographic sub-area of Zone 1, incorporating Lots 78-120 of Tract No. 8817, as depicted in Exhibit A, attached hereto.

"Zone 2" means a geographic area as depicted in Exhibit A, attached hereto.

B. CLASSIFICATION OF PROPERTIES

Each Fiscal Year, all Assessor's Parcels shall be assigned to either Zone 1 or Zone 2. All Assessor's Parcels within Zone 1 shall be further classified as Taxable Property or Exempt Property. All Taxable Property shall be classified as Developed Property or Undeveloped Property and shall be subject to Special Taxes in accordance with this Amended and Restated Rate and Method of Apportionment determined pursuant to Sections C and D. All Assessor's Parcels within Zone 2 shall be classified as Exempt Property.

Once classified as Developed Property, a parcel may not be subsequently re-classified as Undeveloped Property. Further, once classified as Developed Property, a parcel may not be subsequently changed to Exempt Property.

C. SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel within Zone 1 classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class for Fiscal Year 2014-15 is shown below in Table 1.

TABLE 1

Assigned Special Tax for Developed Property
For Fiscal Year 2014-15
Community Facilities District No. 2006-1

Land Use Class	Classification by Residential Floor Area	Description	Assigned Special Tax
1	1,800 or less	Residential Property	\$6,457 per Parcel
2	1,801-2,000	Residential Property	\$6,798 per Parcel
3	2,001-2,200	Residential Property	\$7,157 per Parcel
4	2,201-2,400	Residential Property	\$7,535 per Parcel
5	2,401-2,600	Residential Property	\$8,200 per Parcel
6	2,601-2,800	Residential Property	\$8,597 per Parcel
7	2,801-3,000	Residential Property	\$9,027 per Parcel
8	3,001-3,200	Residential Property	\$9,480 per Parcel
9	3,201-3,400	Residential Property	\$11,138 per Parcel
10	3,401-3,600	Residential Property	\$11,361 per Parcel

11	3,601-3,800	Residential Property	\$11,508 per Parcel
12	3,801-4,000	Residential Property	\$12,098 per Parcel
13	4,001-4,200	Residential Property	\$13,081 per Parcel
14	4,201 or greater	Residential Property	\$13,475 per Parcel
15	N/A	Non-Residential	\$73,253 per Acre

c. Increase in the Assigned Special Tax

The Assigned Special Taxes for Zone 1 specified in Table 1 above shall be applicable for Fiscal Year 2014-15, and shall increase on July 1 of each Fiscal Year commencing July 1, 2015 by an amount equal to two percent (2%) of the Assigned Special Tax for the previous Fiscal Year.

d. Backup Special Tax

The Backup Special Taxes for Assessor's Parcels of Developed Property within Zone 1 for Fiscal Year 2014-15 are shown below in Table 2.

TABLE 2
 Backup Special Tax for Developed Property
 For Fiscal Year 2014-15
 Community Facilities District No. 2006-1

Zone 1 Sub-Area	Backup Special Tax
Zone 1-A	\$7,535 per Lot
Zone 1-B	\$11,508 per Lot
Zone 1-C	\$13,081 per Lot
Zone 1-D	\$13,475 per Lot

In the event a Lot subdivides, the Backup Special Tax shall be apportioned to the new Parcels based in proportion to the Acreage of the new Parcels. If two or more Lots combine, the Backup Special Tax for the new Parcel shall be the combined Backup Special Tax for each of the Lots.

e. Increase in the Backup Special Tax

The Backup Special Taxes for Zone 1 specified in Table 2 above shall increase on July 1 of each Fiscal Year commencing on July 1, 2015, by an amount equal to two percent (2%) of the Backup Special Tax for the previous Fiscal Year.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Taxes for Undeveloped Property in Zone 1 for Fiscal Year 2014-15 are shown below in Table 3.

TABLE 3

Undeveloped Property Special Tax
For Fiscal Year 2014-15
Community Facilities District No. 2006-1

Zone 1 Sub-Area	Undeveloped Property Special Tax
Zone 1-A	\$7,535 per Lot
Zone 1-B	\$11,508 per Lot
Zone 1-C	\$13,081 per Lot
Zone 1-D	\$13,475 per Lot

In the event a Lot subdivides, the Undeveloped Property Special Tax shall be apportioned to the new Parcels based in proportion to the Acreage of the new Parcels. If two or more Lots combine, the Undeveloped Special Tax for the new Parcel shall be the combined Undeveloped Property Special Tax for each of the Lots.

b. Increase in the Undeveloped Property Special Tax

The Undeveloped Property Special Taxes for Zone 1 specified in Table 3 above shall increase on July 1 of each Fiscal Year commencing on July 1, 2015, by an amount equal to two percent (2%) of the Undeveloped Property Special Tax for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2014-15 and for each following Fiscal Year, the City Council shall levy the Special Tax on Assessor's Parcels within Zone 1 as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property within Zone 1 at (i) 100% of the applicable Assigned Special Tax, until Bonds have been issued and (ii) thereafter, up to 100% of the applicable Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each

Assessor's Parcel of Undeveloped Property within Zone 1 at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property within Zone 1 whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Zone 1.

E. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2006-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

F. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section F:

"CFD Public Facilities Costs" means \$45 million, or such lower number as shall be determined either by

- (a) the CFD Administrator as sufficient to finance the CFD Public Facilities, or
- (b) the City Council concurrently with a covenant that it will not issue any more Bonds to be secured by Special Taxes levied under the Amended and Restated Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture, which is used to disburse funds to pay the cost and acquisition of public improvements funded with the bond proceeds or Special Taxes.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Costs minus

- (a) the portion of the CFD Public Facilities Costs previously funded
 - (i) from the proceeds of all previously issued Bonds,

- (ii) from interest earnings on the Construction Fund actually earned prior to the date of prepayment, and
- (iii) directly from Special Tax revenues; and

(b) the amount of the proceeds of all previously issued Bonds then on deposit in the Construction Fund.

"Outstanding Bonds" means all previously issued Bonds that have been issued prior to the date of the prepayment which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2006-1 prior to the date of prepayment.

Prepayment of a Special Tax in Full or in Part

The Special Tax obligation applicable to an Assessor's Parcel may be prepaid at any time and the obligation of such Assessor's Parcel to pay any Special Tax may be fully or partially satisfied as described herein. The CFD Administrator may charge a reasonable fee for calculation of the Prepayment Amount as defined below.

1. Prepayment in Full

The Maximum Special Tax obligation may be prepaid permanently satisfied for any Assessor's Parcel. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount in writing of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as follows (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Prepayment Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below)

shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. Compute the Maximum Special Tax for the Assessor's Parcel to be prepaid.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the sum of the total expected Maximum Special Tax revenues that may be levied within CFD No. 2006-1 excluding any Assessors Parcels for which the Maximum Special Tax obligation has been previously prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the principal amount of Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. If all the Bonds authorized to be issued have not been issued, compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be allocated to such Assessor's Parcel (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. The administrative fees and expenses of CFD No. 2006-1 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-1 Bonds, removing unpaid Special Taxes from the County tax roll, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Fees and Expenses").

13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of:
- a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment; or
 - b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Outstanding Bonds is below 100% of the reserve fund requirement (as defined in the Indenture).

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13, and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited in the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1.

If the Prepayment Amount is insufficient to redeem Bonds in \$5,000 increments, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under Paragraph 9 above the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Special Taxes, net of Administrative Expenses, that may be levied on

Taxable Property both prior to and after the proposed prepayment is at least 1.10 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Special Taxes may be accepted upon the terms and conditions established by the City Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the City Council.

2. Prepayment in Part

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax obligation shall notify the CFD Administrator of:

- (i) such owner's intent to partially prepay the Maximum Annual Special Tax obligation,
- (ii) the percentage by which the Maximum Annual Special Tax obligation shall be prepaid, and
- (iii) the company or agency that will be acting as the escrow agent, if applicable.

The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Special Tax obligation for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service.

The Maximum Special Tax obligation of an Assessor's Parcel may be partially prepaid. The amount of the prepayment shall be calculated as in Section F.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE \times F) + A$$

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section F.1, minus Prepayment Fees and Expenses pursuant to paragraph 12.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.

A = the Administration Fees and Expenses pursuant to paragraph 12 from Section F.1.

With respect to any Assessor's Parcel that is partially prepaid, the City shall

- (i) distribute the funds remitted to it according to Paragraph 16 of Section F.1, and
- (ii) indicate in the records of CFD No. 2006-1 that there has been a partial prepayment of the Maximum Special Tax obligation and that portion of the Maximum Special Tax obligation equal to the outstanding percentage (1.00-

F) of the remaining Maximum Special Tax obligation shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

G. TERM OF SPECIAL TAX

The Special Tax shall be levied on Developed Property for a period not to exceed 40 years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property unless there is no longer any Special Tax Requirement for CFD No. 2006-1 after all bonds have been paid off. The Special Tax shall not be levied on Developed Property or Undeveloped Property after Fiscal Year 2060-2061.

H. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property:

- (i) Assessor's Parcels of Public Property,
- (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization,
- (iii) Assessor's Parcels of Recreation Center Property,
- (iv) Assessor's Parcels of Property Owner Association Property that are designated lettered Lots in Tract No. 8817,
- (v) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and
- (vi) Property in Zone 2.

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which Assessor's Parcels become Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax exempt status will be revoked.

Exhibit A

PROPOSED BOUNDARY OF
COMMUNITY FACILITIES DISTRICT No. 2006-1
OF THE CITY OF SAN CLEMENTE
(MARBLEHEAD COASTAL)
COUNTY OF ORANGE,
STATE OF CALIFORNIA

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN CLEMENTE
THIS _____ DAY OF _____ 2006.

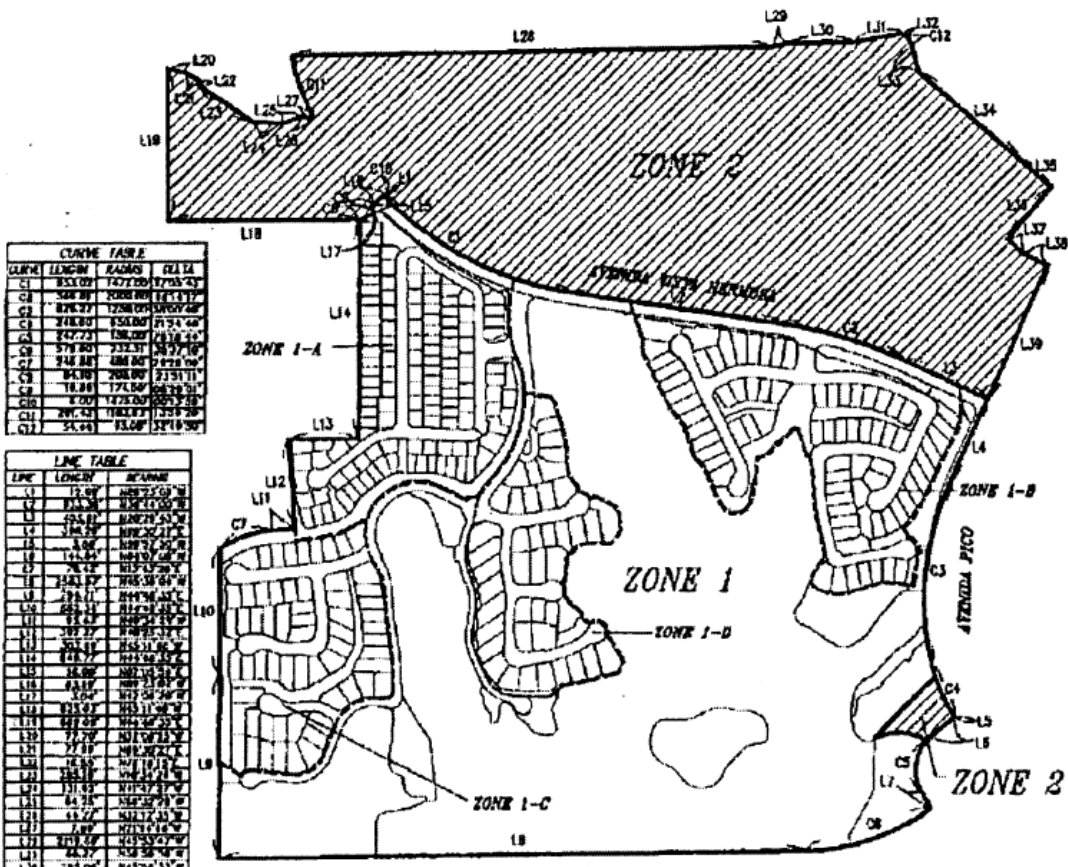
BY _____
CITY CLERK OF THE CITY OF SAN CLEMENTE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE PROPOSED BOUNDARY
OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 OF THE CITY OF SAN CLEMENTE
(MARBLEHEAD COASTAL), COUNTY OF ORANGE STATE OF CALIFORNIA, WAS APPROVED
BY THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, AT A REGULAR MEETING THEREOF,
HELD ON THE _____ DAY OF _____ 2006, BY CITY REGULATION NO. _____

BY _____
CITY CLERK OF THE CITY OF SAN CLEMENTE

ADOPTED AND FILED AT THE
REARER OF

DATE _____
FILE _____
REGISTRATION # _____
BOOK _____
PAGE _____
IN THE BOOK OF Maps of Incorporation
and Community Facilities Districts
FOR SALES
STATE CLERK RECORDS
BY _____
TITLE _____



CURVE TABLE

CURVE	LENGTH	RADIUS	DELTA
C1	853.00	1477.00	171.00
C2	507.87	2008.00	127.39
C3	826.27	1228.00	207.68
C4	248.80	1500.00	71.54
C5	247.73	126.00	163.44
C6	578.80	232.37	287.70
C7	245.88	288.00	177.00
C8	54.80	200.00	113.51
C9	18.88	174.00	64.50
C10	8.00	172.00	26.50
C11	201.42	188.87	129.20
C12	54.44	13.00	127.00

LINE TABLE

LINE	LENGTH	BEARING
L1	15.00	N89°25'00"W
L2	124.26	N88°41'00"W
L3	254.81	N88°27'00"W
L4	146.29	N88°20'17"W
L5	4.00	N88°27'30"W
L6	144.84	N88°10'00"W
L7	76.42	N87°57'00"W
L8	254.17	N88°38'00"W
L9	224.11	N89°06'00"W
L10	669.14	N89°24'00"W
L11	83.62	N89°24'30"W
L12	227.27	N89°13'00"W
L13	201.27	N88°51'00"W
L14	141.17	N88°36'00"W
L15	16.00	N88°36'00"W
L16	84.17	N88°36'00"W
L17	1.00	N87°58'00"W
L18	835.07	N88°11'00"W
L19	687.00	N88°26'00"W
L20	77.70	N87°08'00"W
L21	77.89	N86°28'00"W
L22	16.50	N87°19'00"W
L23	154.11	N86°54'00"W
L24	131.83	N86°52'00"W
L25	84.28	N86°52'00"W
L26	44.77	N86°17'30"W
L27	7.00	N86°18'00"W
L28	101.88	N85°52'00"W
L29	44.27	N85°58'00"W
L30	184.00	N85°26'00"W
L31	256.10	N85°19'00"W
L32	18.00	N85°44'00"W
L33	118.74	N84°48'00"W
L34	261.00	N84°21'00"W
L35	181.64	N84°20'00"W
L36	200.00	N84°27'00"W
L37	27.42	N84°18'00"W
L38	119.00	N83°03'00"W
L39	630.00	N83°03'00"W

———— DISTRICT BOUNDARY
- - - - - SUB-AREA BOUNDARY



SCALE: 1"=300'

HARRIS & ASSOCIATES
24 London Park, Suite 130
Irvine, CA 92614
(949) 435-1808 • FAX (949) 435-1005

PROPOSED BOUNDARY MAP

Community Facilities District No. 2006-1
of the City of San Clemente
(Marblehead Coastal)

COUNTY OF ORANGE, CALIFORNIA
Sheet 1 of 1

APPENDIX B
APPRAISAL REPORT

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APPRAISAL REPORT

***CITY OF SAN CLEMENTE
COMMUNITY FACILITIES DISTRICT NO. 2006-1
SEA SUMMIT AT MARBLEHEAD***

Prepared for:

CITY OF SAN CLEMENTE
100 Avenida Presido
San Clemente, CA 92672

James B. Harris, MAI
Berri Cannon Harris
Harris Realty Appraisal
5100 Birch Street, Suite 200
Newport Beach, CA 92660

September 2015

Harris Realty Appraisal

5100 Birch Street, Suite 200
Newport Beach, California 92660
949-851-1227 FAX 949-851-2055
www.harris-appraisal.com

September 21, 2015

Mr. Erik Sund
Assistant City Manager
CITY OF SAN CLEMENTE
100 Avenida Presido
San Clemente, CA 92672

Re: Community Facilities District No. 2006-1
Sea Summit at Marblehead

Dear Mr. Sund:

In response to your authorization, we have prepared a self-contained appraisal report which addresses the property within the boundaries of the City of San Clemente Community Facilities District No. 2006-1, (the "District" or "CFD No. 2006-1"). This appraisal includes an estimate of Market Value of the land, subject to the special tax levy, under site construction, in a near physically finished lot condition. There are 12 model homes under construction. In addition 19 production dwellings are in the framing stage within CFD No. 2006-1. The residential land subject to special tax is under the ownership of the developer, Marblehead Development Partners, LLC. As of the date of value, September 15, 2015, the land, 164± gross acres, was proposed for 309 detached dwelling units within four products. All of the products are planned to be built by Taylor Morrison Communities.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), the District is valued in bulk, representing a discounted value for the single ownership as of September 15, 2015, the date of value.

Based on the investigation and analyses undertaken, our experience as real estate appraisers and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value is formed as of September 15, 2015.

CFD NO. 2006-1

TWO HUNDRED NINETEEN MILLION DOLLARS

\$219,000,000

Mr. Erick Sund
September 21, 2015
Page Two

The District is in a near physically finished lot condition as of the date of value. According to the developer, the total site development cost is \$92,000,000. Approximately \$39,000,000 has been spent up to the date of value of this appraisal. The final tract map was recorded April 11, 2006. This appraisal report and estimated value is based, in part, on the accuracy of the site costs, as provided by the developer. Any variance in cost could impact the value conclusions.

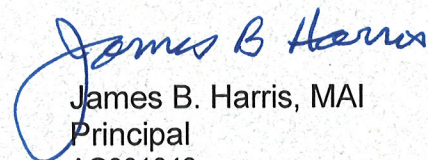
The self-contained appraisal report that follows sets forth the results of the data and analyses upon which our opinion of value is, in part, predicated. This report has been prepared for the City of San Clemente for use in the sale of City of San Clemente Community Facilities District No. 2006-1 (Sea Summit at Marblehead) 2015 Special Tax Bonds. The intended users of this report are the City of San Clemente, its underwriter, legal counsel, consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of *The Appraisal Standards for Land Secured Financing* as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

We meet the requirements of the Competency Provision of the *Uniform Standards of Professional Appraisal Practice*. A statement of our qualifications appears in the Addenda.

Respectfully submitted,



Berri Cannon Harris
Principal
AG009147



James B. Harris, MAI
Principal
AG001846

City of San Clemente
Community Facilities District No 2006-1
Sea Summit at Marblehead

5 Freeway

Av Vista Hermosa

Pacific Coast Hwy **1** El Camino Real

Av Pico

Boundaries Approximate

1295 09 17 16

SUMMARY OF FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL	September 15, 2015
DATE OF REPORT	September 21, 2015
BOND NAME	City of San Clemente Community Facilities District No. 2006-1 (Sea Summit at Marblehead) 2015 Special Tax Bonds
INTEREST APPRAISED	Fee Simple Estate, subject to special tax liens.
OWNERSHIP & LEGAL DESCRIPTION	<p>CFD No. 2006-1: Land subject to Special Tax - Final Tract Map No. 8817, Lots 1 through 216 and Lots 221 through 313.</p> <p>Marblehead Development Partners, LLC: Lots 1 through 313 of Tract No. 8817 of Miscellaneous Maps, in the office of the County Recorder of Orange County.</p>
SITE CONDITION	The District is currently in a near physically finished lot condition. Construction of the sewer, storm drain and water improvements are complete. Dry utilities are scheduled for completion in February 2016. In addition to the completion of the on-site improvements, significant off-site improvements and improvements to parks, off-site streets, CalTrans, trails, open space, bridges, run-off and open space mitigation are required. The Jim Johnson Sports Park is scheduled to begin construction in January 2016. There are 12 model homes under construction. In addition there are 19 production dwellings in the framing stage.
PROPOSED IMPROVEMENTS	The District is proposed to be improved with 309 single family detached dwelling units. The current plans include four different products ranging from 2,212 square feet to 5,553 square feet. The current development includes four products including Aqua, with an average dwelling size of 2,378 square feet on Courtyard lots, with an average size of 4,384 square feet; Sapphire, with an average size of 3,633 square feet on lots with an average size of 6,916 square feet; Azure, with an average size of 3,905 square feet on lots with an average size of 7,472

SUMMARY OF FACTS AND CONCLUSIONS

PROPOSED IMPROVEMENTS (Cont.)

square feet and Indigo, with an average size of 4,965 square feet on lots with an average size of 10,221 square feet. According to the owner/developer of the District, Taylor Morrison Communities will develop Aqua, Sapphire, Azure and Indigo, proposed for 309 dwelling units.

Twelve models were under construction. Nineteen production homes were under construction as of September 15, 2015. Production homes are anticipated to be released in phases of generally 3 to 8 units for the three larger products and 5 to 15 units for the courtyard product.

Pre-sales of the subject's Aqua, Sapphire and Azure products began August 28th, 2015. According to the sales representative, 9 homes were released within the Aqua product and 5 have been reserved; 5 homes were released within the Sapphire product and 2 has been reserved; and 7 were released within the Azure product and 2 have been reserved.

HIGHEST AND BEST USE

CFD No. 2006-1 is located within Orange County and the City of San Clemente. The City and surrounding area offer nearby local business centers and retail districts. The subject is within the Marblehead Coastal Specific Plan with a proposed use of residential development. The District has a Final Tract Map for 309 detached residential units. The Final Tract Map recorded on April 11, 2006. The site's topography is undulating and within a planned community with off-site infrastructure mostly complete. The site is graded to a near physically finished lot condition. Based on the site's condition, existing zoning and market demand for a high-end residential development similar to that proposed, the Highest and Best Use for the land is for residential development of 309 detached dwelling units.

VALUATION CONCLUSION

Market Value
CFD NO. 2006-1 - \$219,000,000

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HRA

INTRODUCTION

Purpose of the Report

The purpose of this appraisal report is to estimate the Market Value for the *fee simple estate, subject to special tax liens* for all the taxable property within the City of San Clemente Community Facilities District No. 2006-1 (referred to herein as "CFD No. 2006-1" or the "District").

The opinions set forth are subject to the assumptions and limiting conditions set forth herein and the specific appraisal guidelines as set forth by the City of San Clemente.

Function of the Report and Intended Use

It is our understanding that this appraisal report is to be used for District bond financing purposes only. The subject property is described more particularly within this report. The bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The maximum authorized bond indebtedness for the District is \$60,000,000.

Client and Intended Users of the Report

This report was prepared for our client, the City of San Clemente. The intended users of the report include the City of San Clemente, its underwriter, legal counsel, consultants and potential bond investors.

Scope of the Assignment

According to specific instructions from the District and the CDIAC guidelines, the total value conclusion includes the "As Is" estimate of Market Value giving consideration to the formation of CFD No. 2006-1 and the sale of bonds to offset infrastructure improvement costs of approximately \$51,500,000±. Any lands designated for park, open space or civic uses within CFD No. 2006-1 and not subject to special tax are not included in this assignment.

HRA

The land and site improvements are valued in their "as is" condition as of the date of value. Based on physical inspection of the District and interview with the developer, the District is currently in near physically finished lot condition with some of the dry utilities still remaining to be installed. Grading began late 2014 and is complete. In addition to the completion of the on-site improvements, significant off-site improvements and improvements to parks, off-site streets, CalTrans, trails, open space, bridges, run-off and open space mitigation are required. The Jim Johnson Sports Park is scheduled to begin construction in January 2016. According to the developer, Marblehead Development Partners, LLC, total site development costs are approximately \$92,000,000. As of September 15, 2015, the date of value for this appraisal, about \$39,000,000 have been expended. Approximately \$53,000,000 remains to complete site and off-site construction. Site development is scheduled to continue with construction of minimal in-tract street improvements and dry utilities. The entire site, proposed for 309 dwelling units and 125± acres of parks and open space, is scheduled to be improved to physically finished lot condition by February 2016. Nineteen production dwellings have started construction, being in the framing stage. The current plans include four different products ranging from a dwelling unit of 2,212 square feet on 4,384 square foot average sized lots within a courtyard development to a dwelling of 5,553 square feet on average size lots of 10,221 square feet.

We have analyzed the subject property based upon the proposed uses and our opinion of its highest and best use. The following paragraphs summarize the process of collecting, confirming and reporting of data used in the analysis.

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment data), City of San Clemente (zoning information, building permit trends), City of San Clemente Chamber of Commerce (local demographic trends), MetroStudy (housing sales, inventory levels, and absorption), and sales personnel of comparable projects (market trends of individual home sales). Subject property information was gathered from the developer.
2. Inspected the subject's neighborhood and reviewed proposed product and similar products for consideration of Highest and Best Use of the lots.

HRA

3. Searched for comparable merchant builder land sales within the Orange County market area. Gathered and analyzed residential detached dwelling unit sales, within the subject's primary and secondary market areas. Data was gathered from sources including, but not limited to, RealQuest, appraisers, and builders active in the area.

Date of Value and Report

The opinion of Market Value expressed in this report is stated as of September 15, 2015. The date of the appraisal report is September 21, 2015.

Date of Inspection

The subject property was inspected on several occasions, with the most recent inspection on September 15, 2015.

Property Rights Appraised

The property rights appraised are those of the *fee simple estate subject to special tax liens* of the real estate described herein.

Property Identification

The subject property consists of the taxable land within CFD No. 2006-1 (Sea Summit at Marblehead), in the City of San Clemente, which is a part of the Marblehead Coastal Specific Plan. The Marblehead Coastal Specific Plan contains four neighborhoods, all of which are in the District. CFD No. 2006-1 is the residential portion of the Marblehead Coastal Specific Plan. The subject property includes 182 low density dwelling units and 127 medium density dwelling units. Please refer to the CFD boundary map on the following page. As illustrated, the District is bordered by Avenida Vista Hermosa to the northeast, Avenida Pico to the southeast and El Camino Real to the west. The subject site is currently in a near physically finished lot condition with 12 model homes under construction and 19 production dwellings under construction.

EXHIBIT A

AMENDED BOUNDARY OF COMMUNITY FACILITIES DISTRICT No. 2006-1 OF THE CITY OF SAN CLEMENTE (MARBLEHEAD COASTAL) COUNTY OF ORANGE, STATE OF CALIFORNIA

ACCEPTED AND FILED AT THE
REQUEST OF

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN CLEMENTE
THIS ____ DAY OF _____, 200__.

BY: _____
CITY CLERK OF THE CITY OF SAN CLEMENTE

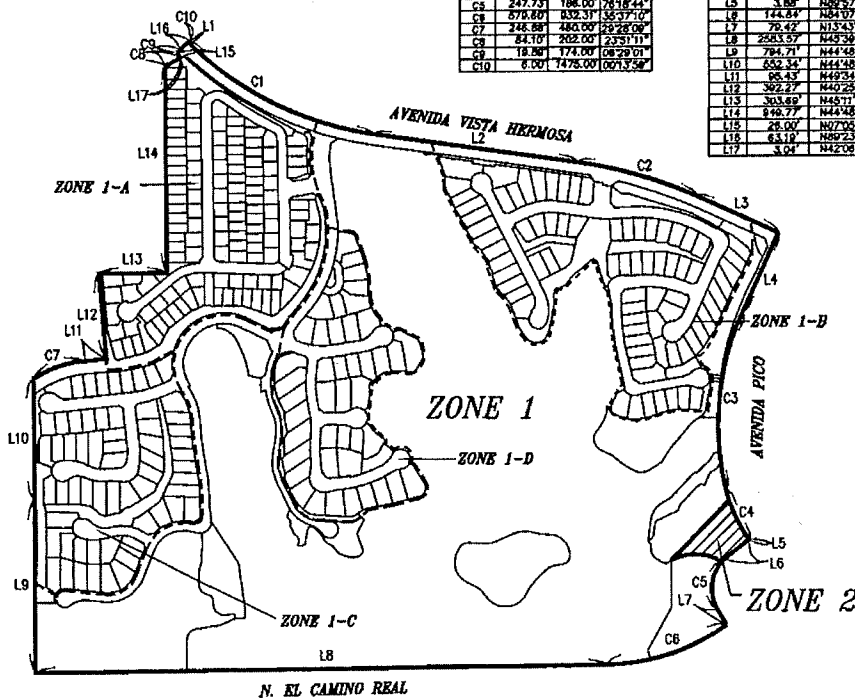
I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE AMENDED BOUNDARY
OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 OF THE CITY OF SAN CLEMENTE
(MARBLEHEAD COASTAL), COUNTY OF ORANGE, STATE OF CALIFORNIA, WAS APPROVED
THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, AT A REGULAR MEETING THEREOF,
HELD ON THE ____ DAY OF _____, 200__, BY ITS RESOLUTION No. _____

BY: _____
CITY CLERK OF THE CITY OF SAN CLEMENTE

DATE _____
TIME _____ FEE \$ _____
INSTRUMENT # _____
BOOK _____ PAGE _____
In the Book of Maps of Assessment
and Community Facilities Districts
TOM DALY
COUNTY CLERK RECORDER
BY: _____
DEPUTY

CURVE	LENGTH	RADIUS	DELTA
C1	363.102	1472.003	37°28'43"
C2	328.811	2000.000	16°14'17"
C3	828.27	1250.000	15°00'40"
C4	248.60	650.000	12°54'48"
C5	247.73	186.000	76°18'44"
C6	519.000	632.311	15°27'02"
C7	248.88	480.000	23°28'08"
C8	84.10	202.000	23°31'11"
C9	18.26	174.000	108°29'01"
C10	0.00	1478.000	100°17'58"

LINE	LENGTH	BEARING
L1	12.65	N89°23'02"W
L2	833.38	N36°44'00"W
L3	403.61	N00°26'43"W
L4	356.26	N65°30'27"E
L5	3.68	N89°37'50"W
L6	114.63	N44°37'28"W
L7	78.42	N13°43'26"E
L8	2583.57	N43°36'04"W
L9	794.71	N44°48'55"E
L10	652.34	N44°48'30"E
L11	66.43	N49°34'28"W
L12	362.27	N40°25'32"E
L13	303.69	N45°11'46"W
L14	842.77	N44°48'30"E
L15	28.00	N07°05'58"E
L16	63.19	N89°23'02"W
L17	3.04	N42°08'20"W



THIS MAP AMENDS THE BOUNDARY MAP FOR COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF SAN CLEMENTE (MARBLEHEAD COASTAL), COUNTY OF ORANGE, STATE OF
CALIFORNIA, PRIOR RECORDED AT BOOK 91 OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS, PAGE 50, IN THE OFFICE OF THE COUNTY OF RECORDER FOR THE
COUNTY OF ORANGE, STATE OF CALIFORNIA.

———— DISTRICT BOUNDARY
- - - - - SUB-AREA BOUNDARY



SCALE: 1" = 300'

HARRIS & ASSOCIATES
34 Executive Park, Suite 150
Irvine, CA 92614
(949) 855-3900 • FAX (949) 855-3905

AMENDED BOUNDARY MAP

Community Facilities District No. 2006-1
of the City of San Clemente
(Marblehead Coastal)
COUNTY OF ORANGE, CALIFORNIA
Sheet 1 OF 1

HRA

Legal Description and Ownership

The subject property includes all of the land subject to special tax within the City of San Clemente Community Facilities District No. 2006-1, which is described as Final Tract Map No. 8817, Lots 1 through 216 and Lots 221 through 313. The taxable land is under the ownership of Marblehead Development Partners, LLC. Lots 217 to 220 are exempt from the special tax.

Property History

The subject property was transferred to Marblehead Development Partners, LLC from LV Marblehead, LLC on April 11, 2014, as recorded on a Grant Deed, document number 132581. According to the Settlement Statement between the buyer and seller, the purchase price was \$203,250,000. On July 25, 2014, Marblehead Development Partners, LLC obtained a Construction Deed of Trust Assignment of Leases and Rents, Security Agreement and Fixture Filing in the amount of \$264,279,489 covering Lots 1-313 of Tract No. 8817. No other transfers of the subject property have come to the appraisers' attention over the past 3 years.

Definitions

Market Value¹

The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (a) Buyer and seller are typically motivated.
- (b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- (c) A reasonable time is allowed for exposure in the open market.
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

¹ Part 563, subsection 563.17-1a(b)(2), Subchapter D, Chapter V, Title 12, Code of Federal Regulations.

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- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Assessed Value²

The value of a property according to the tax rolls in ad valorem taxation. May be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.

Fee Simple Estate³

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

Fee Simple Estate and Leased Fee Estate Subject to Special Tax and Special Assessment Liens

Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual Mello-Roos special tax and/or special assessment payments can be substantial and prospective buyers take this added tax burden into account when formulating their bid prices. Taxes, including special taxes, are legally distinct from assessments. Because fee simple ownership is subject to the governmental power of taxation, but not the power to levy assessments, appraisers sometimes treat special tax and assessment liens differently.

The Market Value included herein, reflects the value of the land and existing and proposed improvements to be encumbered with special taxes of CFD No. 2006-1.

Retail Value

Retail value should be estimated for all fully improved and occupied properties. Retail value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.

Bulk Sale Value⁴

Bulk sale value should be estimated for all vacant properties--both unimproved properties and improved or partially improved but unoccupied properties. Bulk sale value is derived by discounting retail values to present value by an appropriate discount rate, through a procedure called

² *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 22

³ *Ibid*, Page 140

⁴ *Appraisals Standard for Land-Secured Financings*, published by CDIAC, 1004, Page 10

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Discounted Cash Flow Analysis. A second method is to use bulk land sales. These are sales of numerous individual parcels sold to one buyer. Bulk sale value is defined as follows:

The most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.

Finished Site⁵

Land that is improved so that it is ready to be used for a specific purpose. (Improvements include rough graded site, streets to the site boundary, utilities to the site boundary, and all fees required to pull building permits paid.)

Physically Finished Lots

Finished lots with streets and infrastructure complete. Impact fees are not paid.

Blue-top Graded Parcel

Graded parcel to blue-top, which includes streets cut and padded lots with utilities stubbed to the site and perimeter streets in.

Mass-Graded Parcel/Superpad Parcel

Mass-graded parcel with utilities stubbed to the site and perimeter streets in.

Assumptions and Limiting Conditions

The analyses and opinions set forth in this report are subject to the following assumptions and limiting conditions:

Standards Rule ("S.R.") 2-1(c) of the "Standards of Professional Appraisal Practice" of the Appraisal Institute requires the appraiser to "clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects an appraisal analysis, opinion, or conclusion." In compliance with S.R. 2-1(c) and to assist the reader in

⁵ Ibid, Page 334

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interpreting the report, the following assumptions and limiting conditions are set forth as follows:

Assumptions and Limiting Conditions of the Appraisal

A hypothetical assumption of this appraisal report is that bonds will be sold for Community Facilities District No. 2006-1.

The site development costs have been provided by the developer, Taylor Morrison Communities. According to the developer, the site costs provided are all of the costs required to improve the land to a finished lot condition, ready to construct 309 dwelling units as summarized in this appraisal report. The timeline to complete site construction has also been provided by the developer. It is a specific contingency of this appraisal that all of the costs associated with site development satisfy the Conditions of Map Approval with the City of San Clemente and are assumed to be correct. We have not engaged an independent cost estimator or civil engineer to examine the reasonableness of the development cost estimates. Any variance in development costs, or the timeline for construction of the improvements could alter our value conclusion.

The direct and indirect dwelling unit construction costs have also been provided by the developer, Taylor Morrison Communities. Data of comparable products and their costs to build is limited. Highly amenitized dwellings of near semi-custom quality construction vary significantly. Therefore, this appraisal report and estimated land value is, in part, contingent upon the accuracy of the direct construction costs provided by the developer, as well as the description of the features, amenities and quality of construction of the proposed products.

No responsibility is assumed by your appraisers for matters which are legal in nature. No opinion of title is rendered, and the property is appraised as though free of all encumbrances and the title marketable. No survey of the boundaries of the property was undertaken by your appraisers. All areas and dimensions furnished to your appraisers are presumed to be correct.

The date of value for which the opinion of Market Value is expressed in this report is September 15, 2015. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

Maps, plats, and exhibits included herein are for illustration only, as an aid for the reader in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

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Oil, gas, mineral rights and subsurface rights were not considered in making this appraisal unless otherwise stated and are not a part of the appraisal, if any exist.

The appraisers were provided with a provisional geotechnical summary recommendation prepared by LGC Geotechnical, Inc., dated February 12, 2014, for Tract Map No. 8817. The report concluded that the proposed development is feasible from a geotechnical standpoint, provided their detailed recommendations included in the report are incorporated in the project plans. For purposes of this appraisal, the soil is assumed to be of adequate load-bearing capacity to support all uses considered under our conclusion of highest and best use.

The appraisers were provided with a Phase I Environmental Site Assessment Report for the subject property, dated December 10, 2013. Based on the information provided and the current physical condition of the parcels, it appears that development as proposed is allowed. Physical inspection of the District did not indicate evidence of on-site hazardous materials and/or toxic waste. No further environmental investigation of the site appears to be warranted at this time. All of the District is currently in a near physically finished lot condition, requiring completion of the dry utilities for 309 residential lots.

Information contained in this report has been gathered from sources which are believed to be reliable, and, where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

Since earthquakes are common in the area, no responsibility is assumed for their possible impact on individual properties, unless detailed geologic reports are made available.

Your appraisers inspected as far as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil or in the adjacent open space area. Therefore, no representations are made as to these matters unless specifically considered in the report.

The appraisers assume no responsibility for economic or physical factors which may occur after the date of this appraisal. The appraisers, in rendering these opinions, assume no responsibility for subsequent changes in management, tax laws, environmental regulations, economic, or physical factors which may or may not affect said conclusions or opinions.

No engineering survey, legal, or engineering analysis has been made by us of this property. It is assumed that the legal description and area computations furnished are reasonably accurate. However, it is recommended that such an analysis be made for exact verification through

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appropriate professionals before demising, hypothecating, purchasing or lending occurs.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the appraisers' inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are not qualified to test for such substances or conditions.

The presence of such substances such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

The cost and availability of financing help determine the demand for and supply of real estate and therefore affect real estate values and prices. The transaction price of one property may differ from that of an identical property because financing arrangements vary.

Our forecasts of future events which influence the valuation process are predicated on the continuation of historic and current trends in the market.

The property appraised is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws, and the property is in conformance with all applicable zoning and use ordinances/restrictions, unless otherwise stated.

We shall not be required, by reason of this appraisal, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the property without prior arrangements having first been made with the appraisers relative to such additional employment.

In the event the appraisers are subpoenaed for a deposition, judicial, or administrative proceeding, and are ordered to produce their appraisal report and files, the appraisers will immediately notify the client.

The appraisers will appear at the deposition, judicial, or administrative hearing with their appraisal report and files and will answer all questions unless the client provides the appraisers with legal counsel who then

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instructs them not to appear, instructs them not to produce certain documents, or instructs them not to answer certain questions. These instructions will be overridden by a court order, which the appraisers will follow if legally required to do so. It shall be the responsibility of the client to obtain a protective order.

The appraisers have personally inspected the subject property; however, no opinion as to structural soundness of proposed improvements or conformity to City, County, or any other agency building code is made. No responsibility for undisclosed structural deficiencies/conditions is assumed by the appraisers. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

James B. Harris is a Member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member to control the uses and distribution of each appraisal report signed by such Member. Except as hereinafter provided, possession of this report, or a copy of it, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser and in any event only with properly written qualification and only in its entirety.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, news media or any other public means of communication without the prior consent and approval of the undersigned. **The City of San Clemente, its underwriter and legal counsel may publish this report in the Preliminary and Final Official Statements provided or published for the Special Tax Bonds to be issued by CFD No. 2006-1.**

The acceptance of and/or use of this appraisal report by the client or any third party constitutes acceptance of the following conditions:

The liability of Harris Realty Appraisal and the appraisers responsible for this report is limited to the client only and to the fee actually received by the appraisers. Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the client for whom this report was prepared, the client shall make such party and/or parties aware of all limiting conditions and assumptions of this assignment and related discussions. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.

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If the client or any third party brings legal action against Harris Realty Appraisal or the signer of this report and the appraisers prevail, the party initiating such legal action shall reimburse Harris Realty Appraisal and/or the appraisers for any and all costs of any nature, including attorneys' fees, incurred in their defense.

AREA DESCRIPTION

The following section of this report will summarize the major demographic and economic characteristics such as population, employment, income and other pertinent characteristics for Orange County, the City of San Clemente and the subject market area.

Orange County

Orange County consists of 34 individual cities and numerous unincorporated communities. Orange County is bounded by the Pacific Ocean to the west, Los Angeles County to the north, Riverside County to the east, San Bernardino County to the northeast and San Diego County to the south. Orange County offers a wide variety of terrain from the Pacific Ocean beaches to foothill landscapes.

A strategic location and quality of life are the primary factors for Orange County's evolution from a rural, agricultural dominated economy into a premier urbanized commercial center. Prior to 1959, the County was considered to be a bedroom community of Los Angeles County. During the 1950's and 1960's, improvements in the transportation network and economic growth in Los Angeles County gave rise to the suburbanization of Orange County. By the 1970's, the commercial and industrial development transformed Orange County into an urbanized commercial center. Today, despite the severe economic downturn of 1991-1996, the filing by the County of Orange for bankruptcy in December 1994, the 2001-2002 recession, and the recent national economic crash, Orange County remains one of the most economically vibrant and diverse components of the Southern California region.

Population

Orange County has added almost 1,215,000 new residents since 1980 as illustrated in the following table. The most recently released population data indicates that as of January 2015, the countywide population stood at 3,147,700 residents. Annual population gains and losses from natural increase and immigration have ranged from a gain of 19,668 persons to a gain of 33,700 persons annually, over the last five years. The

Regional Map



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population changes represent annual changes of 0.6% to 1.1%. The County population experienced a negative 4.1% adjustment in the year 2010. This was due to the population count in the U.S. Census and not from an actual out-migration from the County. The U.S. Census actual counts were significantly less than the prior State of California projections. The County's population increased 4.5% from 2010 to 2015. The 2015 population has finally exceeded the prior record high population of 3,139,000, which occurred in 2009.

Population Trends 1980-2015¹

Year	Population	Average Annual Change	
		Number	Percent
1980	1,932,921	--	--
1990	2,410,668	47,775	2.5%
2000	2,846,289	43,562	1.8%
2001	2,880,200	33,911	1.2%
2002	2,930,500	50,300	1.7%
2003	2,978,800	48,300	1.6%
2004	3,017,300	38,500	1.4%
2005	3,047,000	29,700	1.0%
2006	3,072,300	25,300	0.8%
2007	3,098,100	25,800	0.8%
2008	3,107,500	9,400	0.3%
2009	3,139,000	31,500	1.0%
2010	3,010,232	(128,768)	(4.1%)
2011	3,028,900	18,668	0.6%
2012	3,057,200	28,300	0.9%
2013	3,087,700	26,300	1.0%
2014	3,114,000	32,200	0.9%
2015	3,147,700	33,700	1.1%

¹ April 1, 1980, 1990, 2000, and 2010 all other years January 1.
Source: California Department of Finance, U.S. Census 5/15

The high cost of housing in Orange County compared to other areas has slowed the number of people relocating to Orange County. The recent decline in the Orange County economy began in 2007 and continued until mid-2012. This weakness was led by the decline in the residential real estate market. Both the number of sales and median dwelling prices declined over 40% from the peak of June 2007 to early 2009. As of April 2015, the median price increased over 63% from the lows of early 2009, but is still about 7% below the peak. After having declining sales for over 12+ months, sales have

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increased for the last six months. Median prices have generally fluxuated between \$595,000 and \$615,000 over the last 12 months.

Employment

As of July 2015, Orange County had an unemployment rate of 4.7%, compared to the California rate of 6.5%. One year ago, in July 2014, the unemployment rate was 6.0%. The annual average rate for 2013 was 6.2%. This indicates a 21.7% decrease in the unemployment rate in one year and a 24.2% decrease in two years. From 1980 to 2000, the Orange County employment base expanded rapidly as the area became a financial and service center in the Southern California region. The following table illustrates the area's unemployment compared to California as of July 2015.

	<u>Labor Force</u>	<u>Unemployment</u>
California	19,135,100	6.5%
Orange County	1,607,000	4.7%

The most common measure of employment growth is the increase in nonagricultural wage and salary employment. Job growth in 2003 increased 25,300 jobs. During 2004, the total non-farm employment was 1,456,700, an increase of 1.9% or 27,700 jobs. In 2005, the increase in job growth was reported at 2.4% or an increase of 34,300 jobs. Job growth slowed to 1.9% in 2006 or 27,900 new jobs, for a record total of 1,518,900 jobs. In 2007, job growth declined 3,400 jobs to 1,515,500, or a negative 0.2%. In 2008, there was a decline of 34,000 jobs, or a negative 2.2% job growth. In 2009, job growth declined 109,500 jobs, or a negative 7.4% to 1,372,100 jobs. This was the largest annual decline in Orange County history. Job declines continued into 2010 when 5,400 jobs were lost, a negative 0.4%. The four year decline ended in 2011, when 15,700 jobs were added, an increase of 1.1% to 1,366,700 jobs. In 2012, 37,200 new jobs were added, a 2.7% increase to a total of 1,419,600 jobs. In 2013, 39,800 jobs were added, an increase of 2.8% to 1,459,400 jobs. During 2014 36,500 jobs were added, an increase of 2.5% to 1,495,900 jobs. The job losses between 2007 and 2010 wiped out about 11 years of job growth. The current employment level is at a record high level, finally exceeding the previous record high in 2006.

Employment Trends 1983-2014

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	869,200	--	--
1990	1,172,400	43,314	5.0%
2000	1,388,900	21,600	1.8%
2001	1,413,700	24,800	1.8%
2002	1,403,700	(10,000)	(0.7%)
2003	1,429,000	25,300	1.8%
2004	1,456,700	27,700	1.9%
2005	1,491,000	34,300	2.4%
2006	1,518,900	27,900	1.9%
2007	1,515,500	(3,400)	(0.2%)
2008	1,481,600	(34,000)	(2.2%)
2009	1,372,100	(109,500)	(7.4%)
2010	1,366,700	(5,400)	(0.4%)
2011	1,382,400	15,700	1.1%
2012	1,419,600	37,200	2.7%
2013	1,459,400	39,800	2.8%
2014	1,495,900	36,500	2.5%

¹ 2014 benchmark

Source: Employment Development Department – 6/15

The ten largest employers in Orange County are shown below.

Orange County Ten Largest Employers

<u>Company/Institution</u>	<u>No. of Employees</u>
Walt Disney Co.	27,000
University of California, Irvine (UCI)	22,385
County of Orange	18,035
St. Joseph Health System (St. Joseph)	12,227
Kaiser Permanente	7,000
Boeing Co.	6,890
Walmart	6,000
Memorial Care Health System	5,650
Bank of America	5,500
Target	5,400

Source: Orange County Facts & Figures, 2014

Income

The 2015 median household income in Orange County is estimated to be \$72,856. These figures are significantly above the Southern California region average. The higher income level is due to the higher percentage of financial, insurance, real estate, and business service employment which typically has higher wage scales.

Orange County Household Income Distribution 2015

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	84,578	8.12%
\$15,000 - \$24,999	80,075	7.68%
\$25,000 - \$34,999	79,657	7.64%
\$35,000 - \$49,999	116,553	11.18%
\$50,000 - \$74,999	175,287	16.82%
\$75,000 - \$99,999	134,665	12.92%
\$100,000 - \$124,999	107,659	10.33%
\$125,000 - \$149,999	75,044	7.20%
\$150,000 - \$199,999	88,575	8.50%
\$200,000 - \$249,999	31,376	3.01%
\$250,000 - \$499,999	48,492	4.65%
\$500,000 or more	<u>20,264</u>	<u>1.94%</u>
Total	1,042,220	100.0%
Median Household Income		\$72,856
Average Household Income		\$99,514
1/ Percent of total distribution		

Source: Claritas 6/15

Approximately 48% of the county's households have annual income over \$75,000. This high income level, in part, provides the financial means to support the continued demand in the residential market.

Retail Sales

For Orange County, taxable retail sales increased from \$8.5 billion in 1980 to an estimated \$39± billion in 2006, when the recent decline began. Sales for 1999 and 2000 increased 10.4% and 10.9%, respectively, to \$27.49 billion. In 2001 the sales growth moderated to 3.8% or \$28.52 billion. For 2002, sales increased 4.0%, up to \$29.65 billion. During 2003, taxable retail sales totaled \$32.28 billion; this was an 8.9% increase. This increase continued through 2004 with retail sales at \$35.44 billion, which is a 9.8% increase. In 2005 the growth moderated to 6.3%, with sales at \$37.67 billion. In 2006 the growth further moderated to 3.7%, with sales at \$39.07 billion. In 2007, there was an actual decline to \$38.99 billion, a 0.2% decline. In 2008, sales again declined to \$35.77 billion, or a negative 8.3%. Declining sales worsened in 2009, declining 12.9% to \$31.16 billion. This was a bottom for retail sales in Orange County. In 2010 sales increased to \$32.55 billion or a 4.5% gain. In 2011, retail sales increased 9.3% to \$35,587,795,000.

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The 2012 retail sales increased 7.8% to \$38,372,456. The 2013 sales increased 4.3% to \$40,024,929,000. The 2013 retail sales were at a record high level, finally exceeding the previous record high in 2006. First Quarter retail sales for 2014 are 3.8% higher than the First Quarter 2013 retail sales.

Retail Sales Trends¹ 1985-2013

Year	Taxable	Average Annual Change	
	Retail Sales (000's)	Number (000's)	Percent
1985	\$13,007,407	--	--
1990	\$17,486,433	\$ 895,805	6.9%
2000	\$27,485,000	\$ 999,857	5.7%
2001	\$28,519,000	\$1,034,000	3.8%
2002	\$29,646,818	\$1,127,848	4.0%
2003	\$32,287,697	\$2,640,879	8.9%
2004	\$35,441,953	\$3,163,256	9.8%
2005	\$37,672,834	\$2,230,881	6.3%
2006	\$39,074,451	\$1,401,617	3.7%
2007	\$38,988,227	(\$ 86,224)	(0.2%)
2008	\$35,768,595	(\$3,219,632)	(8.3%)
2009	\$31,162,619	(\$4,605,976)	(12.9%)
2010	\$32,552,107	\$1,384,488	4.5%
2011	\$35,587,795	\$3,035,688	9.3%
2012	\$38,372,456	\$2,784,661	7.8%
2013	\$40,025,929	\$1,653,473	4.3%

¹ Retail stores, taxable retail sales total

Source: State Board of Equalization

6/15

Real Estate

The following table shows Orange County in relation to the remaining Southern California counties for median price and number of dwellings sold.

Southern California Home Sales

County	No. Sold – All Homes			Median Price – All Homes		
	July 2014	July 2015	Pct. Chg.	July 2014	July 2015	Pct. Chg.
Los Angeles	7,256	8,236	13.5%	\$470,000	\$492,000	4.7%
Orange County	3,197	3,692	15.5%	\$584,000	\$615,000	5.3%
Riverside	3,358	3,935	17.2%	\$290,000	\$319,000	10.0%
San Bernardino	2,474	2,944	19.0%	\$240,500	\$267,000	11.0%
San Diego	3,530	4,322	22.4%	\$445,500	\$470,000	5.6%
Ventura	919	1,106	20.3%	\$487,500	\$510,000	4.6%
Southern California	20,734	24,235	16.9%	\$415,000	\$438,000	5.5%

Source: CoreLogic

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During the period from 1988 through 1989, housing values appreciated at rates approaching an average of 15% per annum throughout much of Orange County and Southern California. During the period from 1990 through 1993 as the economic recession influenced all segments of potential homebuyers, the rate of house price changes fell dramatically with decreases of approximately 4% to 6% per annum. During 1996 home prices stabilized, and most new subdivisions experienced significant price increases from 1997 to mid-2005 with annual double digit appreciation. Over the subsequent 6± years sales prices significantly decreased. However, over the last 3± years, sales prices have increased on a year over year basis in almost every month. The July 2015 sales were the highest July sales since 2006. The change in sales was down 0.6% from June 2015 and up 16.9% since July 2014. Over the last 27 years, the average June to July decline is 6.1%. The region's median sale price has changed little over the last seven months, following 22 months of double-digit increases. Southern California's July median sale price was 13.3% below the peak median price of \$505,000 reached in July 2007.

In all, 3,692 homes in the County sold in July 2015, which is an increase of 15.5% from July 2014 (Southern California had an increase in sales of 16.9%). The County's July 2015 median price of \$615,000 is down 2.3% from June 2015. Over the past year, the median sales price increased 5.3%, according to CoreLogic. This is a vast improvement from the 20% to 25% annual declines on a monthly basis in 2007 and 2008. The July 2015 median price of \$615,000 was 4.6% below the peak price of \$645,000 in June 2007, but over 66% higher than the January 2009 cyclical low median price of \$370,000. Due to the strength in the new home market, the issuance of new home building permits in the County in 2012 was 70%± higher than the average number of permits issued over the previous five years. During 2013, single-family building permits increased to 3,783 from the 2012 total of 2,846 permits, about 33%. During 2014, single-family building declined 7.0% to 3,519 permits.

In Southern California, as a whole, July home sales were at the highest level for the month of July since 2006.

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City of San Clemente

The City of San Clemente is located in southern Orange County, just north of the Camp Pendleton Marine Base. It was incorporated on February 28, 1928 and is adjacent to the Pacific Ocean to the west, the Camp Pendleton Marine Base to the south and the City of San Juan Capistrano to the north and unincorporated Orange County to the east. San Clemente is accessible from the San Diego Freeway (I-5). Please refer to the next page for a neighborhood map of CFD No. 2006-1.

San Clemente has shared in the rapid growth of the region, particularly during the 1990's and 2000's, although at a slower rate. Nearly all of this population growth has been the result of people moving to the newer job markets in Orange County. San Clemente's population in 2010 was reported at 63,552 according to the U.S. Census. This is more than double the population in 1980 of 27,325. The primary cause of the population growth is home buyers attracted to the newer residential developments within the City's remaining vacant acreage.

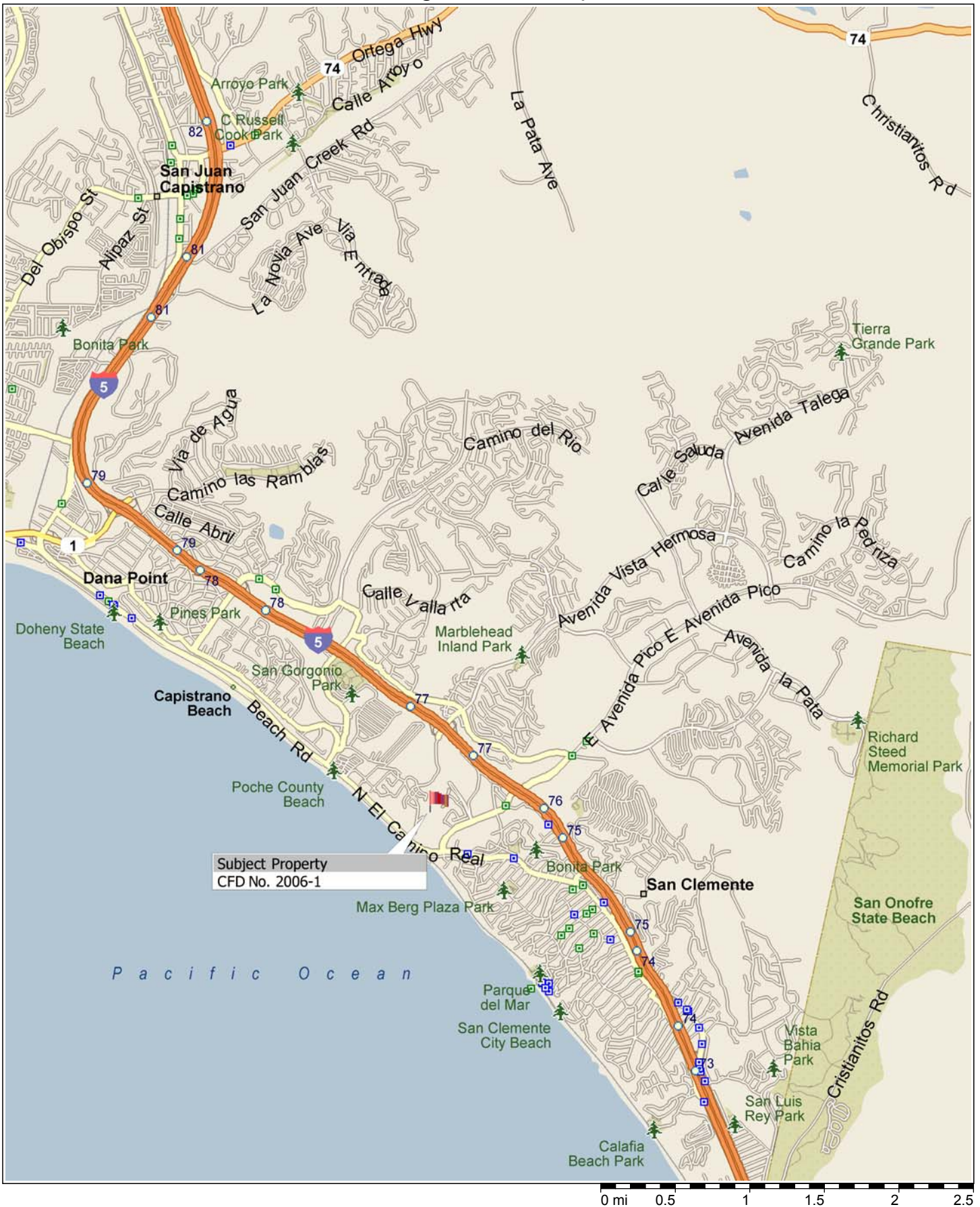
Population

As of the 2000 Census, San Clemente had a population of 49,936 persons or a 21.5% increase over its 1990 population. By the 2010 Census, San Clemente had a population of 63,522 or a 27.2% increase over its 2000 population. The State of California has estimated the 2015 population at 65,400 persons for the City of San Clemente, a 3.0%± increase since 2010.

Income Levels

The City of San Clemente has an income distribution higher than the countywide distribution. The median household income for San Clemente is \$81,508, which is higher than the countywide figure. The average household income in the City is \$116,048, which is also higher than the countywide figure.

Neighborhood Map



Subject Property
CFD No. 2006-1

City of San Clemente Household Income Distribution 2015

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	1,755	6.99%
\$15,000 - \$24,999	1,423	5.67%
\$25,000 - \$34,999	1,973	7.86%
\$35,000 - \$49,999	2,898	11.55%
\$50,000 - \$74,999	3,701	14.75%
\$75,000 - \$99,999	3,058	12.19%
\$100,000 - \$124,999	2,475	9.86%
\$125,000 - \$149,999	1,676	6.68%
\$150,000 - \$199,999	2,578	10.27%
\$200,000 - \$249,999	951	3.79%
\$250,000 - \$499,999	1,786	7.12%
\$500,000 or more	<u>818</u>	<u>3.26%</u>
Total	25,092	100.0%
Average Household Income		\$116,048
Median Household Income		\$81,508

1/Percent of Total Distribution
Source: Claritas 9/15

Retail Sales

In 2013 the City generated retail sales of \$541,942,000 or 1.3% of the County's total retail sales. The retail sales increased 17.4% from the City's 2010 level, while the County increased 23.0% during the same period. Although the annual retail sales for 2014 have not been reported, the first quarter 2014 retail sales are 1.38% greater than the first quarter 2013 sales.

Employment

The City of San Clemente has a reported labor force of 32,400 persons, for July 2015. The unemployment rate for this area is 3.9%, lower than the countywide rate. The top ten employers (2014 - most current data available) in the City are shown on the following table.

Major Employers in San Clemente

Employer	No. of Employees
Capistrano Unified School District (CUSD)	599
Saddleback Memorial Medical Center	280
Ralphs	226
Fisherman's Restaurants	224
Albertsons	197
Walmart	195
City of San Clemente	182
Target Retail Store	154
Lowe's Home Improvement	150
ICU Medical	132

Source: City of San Clemente

Transportation

San Clemente has very good freeway access provided by Interstate 5 (San Diego Freeway), the major north/south freeway in California. The San Diego Freeway generally bisects the City and extends northwest to Los Angeles and further to Ventura County and central California. To the south, it provides access to Oceanside and ultimately to San Diego and the international border with Mexico.

Local access to Sea Summit at Marblehead will be provided by three streets. Avenida Vista Hermosa is a primary arterial highway providing access to the Sea Summit at Marblehead area. Avenida Pico connects El Camino Real with the I-5 Freeway, before continuing to the Master Planned Community of Talega. El Camino Real is a coastal highway.

Avenida Vista Hermosa is a primary arterial highway which has an interchange with the I-5 Freeway, and will traverse the Sea Summit at Marblehead property from that interchange to form a T-intersection with Avenida Pico. Avenida Vista Hermosa also extends northerly of Interstate 5 to Calle Frontera linking to Marblehead Inland and Talega. Avenida Vista Hermosa provides the primary access to the commercial uses, public recreational facilities, public educational facilities, and Sea Summit at Marblehead.

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El Camino Real is an augmented secondary arterial highway bordering the Pacific Ocean, which borders the Sea Summit at Marblehead property along the southwesterly side and intersects with Avenida Pico. No direct vehicular access from El Camino Real into the Sea Summit at Marblehead property is allowed. However, there is pedestrian access into the open space areas from the recreation trail along the bluff and from the sidewalk along El Camino Real.

Internal streets enter the two residential areas from two entry points on Avenida Vista Hermosa. Each of the streets forms an internal road system. The two entry streets are Avenida Costa Azul and Via Canon Verde.

Access from Avenida Vista Hermosa to Shorecliffs Middle School for school buses and a student drop off area is provided through a joint use parking lot for the entire Jim Johnson Sports Park which is scheduled to begin construction in January 2016. The park is adjacent to the Avenida Vista Hermosa freeway interchange. It is one of the off-site improvements required for the Sea Summit at Marblehead Development.

Internal streets within Sea Summit at Marblehead are generally dedicated between 44 feet wide to 56 feet wide. The streets are asphalt paved, with concrete curbs and gutters.

Currently, CalTrans is under construction with a major freeway widening and interchange project from Avenida Pico to San Juan Creek in San Juan Capistrano. This project will be on-going through 2017.

Immediate Neighborhood

Virtually an island in a suburban location, the specific plan area is generally bounded by commercial, retail uses and the I-5 Freeway to the north, a middle school, church and older residential uses to the west, the Pacific Ocean to the south, and the San Clemente Water Reclamation Plant to the east. Continuing southeasterly along El Camino Real are mostly strip retail uses with small motel uses. The City's downtown commercial

HRA

area is on both sides of Avenida Del Mar, about one mile southeast of the subject property. The Marblehead Coastal Specific Plan contains approximately 248 acres, CFD No. 2006-1 comprises the southern portion of the Specific Plan. To the immediate north of CFD No. 2006-1 is in the "Outlets at San Clemente Plaza," which is scheduled to open its first phase in November 2015. The first phase contains about 325,000 square feet of retail and restaurant space. In total, this center is proposed for over 500,000 square feet of retail space.

Although not in the immediate area of Sea Summit at Marblehead, the Marine Base Camp Pendleton is a major economic engine for the City of San Clemente. The Marine Base is located just southeast of the city's southern boundary. Camp Pendleton contains over 125,000 acres or almost 200 square miles of land and improvements. Camp Pendleton has approximately 20 miles of coastline, the longest stretch of beach under one ownership in Southern California. The base has over 40,000 active duty personnel, with more than 38,000 military family members living in on-base housing. The base has a day-time population of over 70,000 military and civilian personnel.

Conclusions of Area Analysis

The strength of the economy for Orange County is evident in the relatively stable employment and, correspondingly, population of the County. While the employment and population figures have shown continued growth, local unemployment has consistently been below the national and state averages. The rebound from the past recession has shown significant gain in population and employment numbers. Most economists predict a continuation of expansion since the recent recession is over.

The local economy previously experienced economic decline from 2008 into 2012, due largely to the national and state recessions. However, beginning in mid-2012 the markets stabilized and home prices have increased. Inflation is reported to remain low, which should keep mortgage rates from rising too steeply while the economy gains strength. Nationally, the economy has rebounded from the recent recession lows. As of September 15, 2015 the Dow Jones Industrial Average (DJIA) is off its historical highs at about 16,400. The S&P 500 is off its historical highs at about 1,950. Home buyer demand

HRA

in South and Central Orange County and all of Southern California currently exceeds the supply of homes on the market.

Orange County has experienced an increase of 5%± in median home price from a year ago. The median home price in Orange County was \$615,000 in July 2015. Home prices continue to increase, on a year-over-year basis. The year over year change in the sales rate have increased over the last six months and are expected to increase during the remainder of 2015.

The City provides good schools and community amenities including 4.7 miles of frontage on the Pacific Ocean, which are desirable characteristics for families as well as young and established professionals. Local growth provides an economic and employment base for retail and service businesses. As the economy and housing market recovers from the recent recession, a return to more normal growth should continue. The retail development of the South Orange County area generates strong interest in the area.

The four proposed residential products of CFD No. 2006-1 offer high-end, ocean oriented detached dwellings in market demand for Southern Orange County. South Orange County growth provides an economic and employment base for retail and service businesses. The industrial and retail developments of South Orange County have generated interest in the area.

SITE ANALYSIS

Location

CFD No 2006-1 consists of an approximate 164 gross acre site in the City of San Clemente within the Marblehead Coastal Specific Plan. The District is just southwest of the I-5, San Diego Freeway. CFD No. 2006-1 is bounded by Avenida Pico, Avenida Vista Hermosa and El Camino Real. This is a 164± gross acre site and contains about 44 net taxable acres. The District has been graded to a near physically finished lot condition for the construction of 309 detached dwellings in four products.

Current Site Condition

As of the date of value, the subject property is a land parcel in the early stages of dwelling construction, with the land in a near physically finished lot condition although some dry utilities are still needed. There are four residential projects being built and marketed in CFD No. 2006-1. Aqua, Sapphire, Azure and Indigo are being built by Taylor Morrison Communities. Three of the four projects have model home complexes under construction, with 12 model homes in total. In addition, eight lots in the Aqua project, seven lots in the Sapphire project and four lots in the Azure project are in the framing stage. Seven lots in the Aqua project, seven lots in the Sapphire project and six lots in the Azure project have slab foundations under construction. Eleven production dwellings are projected by Taylor Morrison Communities to be completed in late December 2015. According to Taylor Morrison Communities, the total on-site and off-site construction budget is \$92,000,000±. As of September 15, 2015, \$39,000,000± had reportedly been spent. Approximately \$53,000,000 remain to be spent on off-site and on-site construction. In addition to the completion of the on-site improvements, significant off-site improvements and improvements to parks, off-site streets, Caltrans, trails, open space, bridges, run-off and open space mitigation are required. The Jim Johnson Sports Park is scheduled to begin construction in January 2016.

Following is a brief description of the current site condition for each planning area.

Planning Area 1, **Aqua**, is mostly pad graded in a physically finished lot condition. One street is graded, with wet and dry utilities, but no paving or curbs and gutters.

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Planning Area 2, **Sapphire**, is pad graded with lots in a near finished lot condition. All streets are paved with curbs and gutters, with all wet utilities. No dry utilities are completed.

Planning Area 3, **Azure**, is pad graded with lots in a near physically finished lot condition. All wet utilities are completed and all conduits and pipes for the dry utilities are completed. No wiring has been pulled

Planning Area 4, **Azure**, and **Indigo**, is pad graded with lots in a near physically finished lot condition. All wet utilities are completed and all conduits and pipes for dry utilities are completed. No wiring has been pulled.

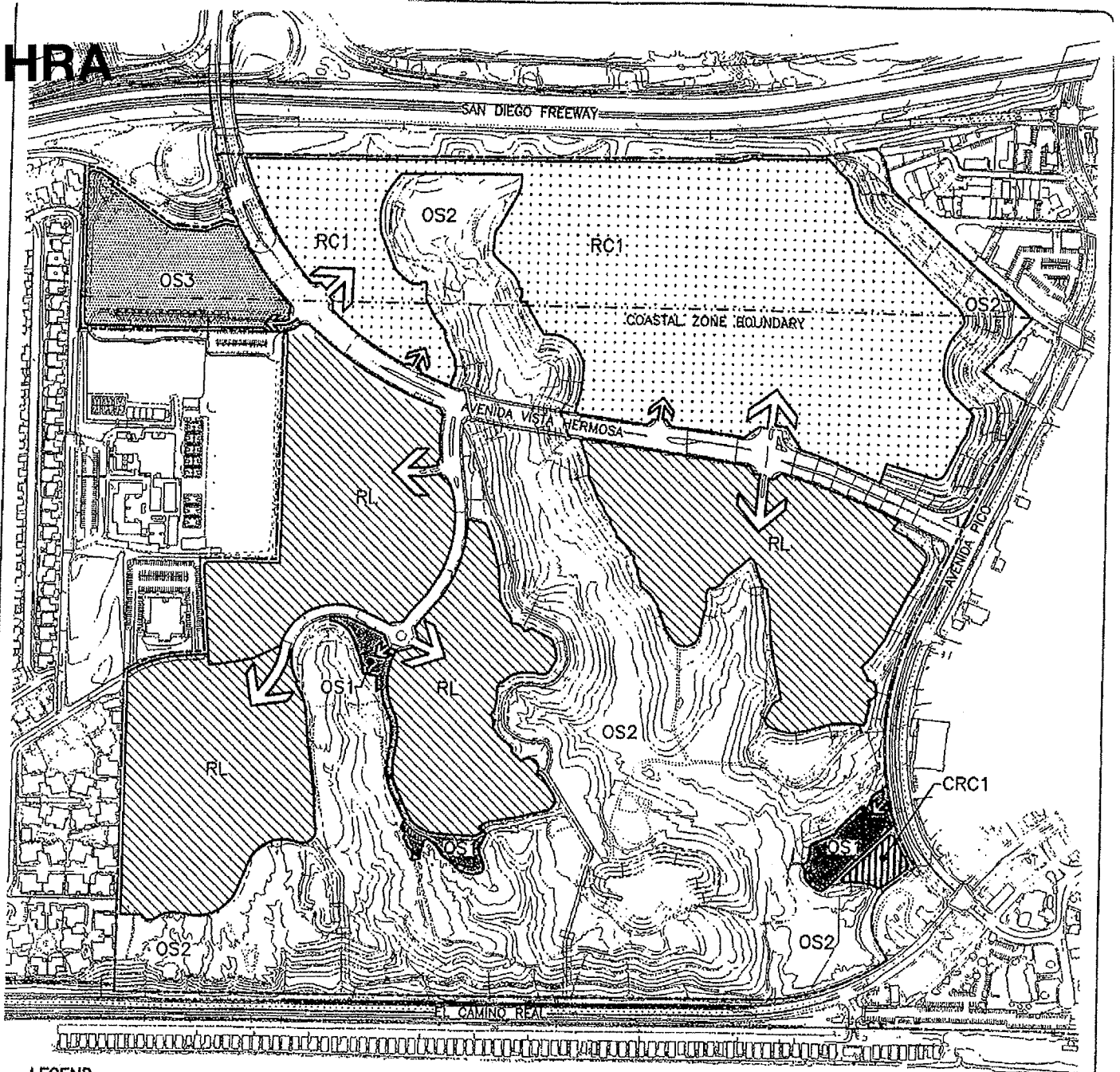
Size and Shape

The District consists of one irregular shaped site. According to the CFD Report, the District encompasses 164± gross acres. Of the total acres approximately 44.3 acres are slated for residential development. Final Tract Map No. 8817 includes all of the proposed development of 309 dwelling units.

Soils and Geology

The appraisers were provided with a provisional geotechnical recommendation prepared by LCG Geotechnical, Inc., dated February 12, 2014, for Tract Map No. 8817. The report concluded that the proposed development is feasible from a geotechnical standpoint, provided their detailed recommendations included in the report are incorporated in the project plans. The EIR report for Marblehead Coastal includes the following sections on soils and geology.

“Marblehead Coastal is located in the coastal belt of the Peninsular Ranges, a physiographic division of Southern California with a long, complex, and active geologic history. Most of the property is underlain at depth by bedrock strata of the Capistrano Formation of late Miocene age to early Pliocene age which was formed from layers of silt and clay originally deposited in deep, marine basins and subsequently folded and uplifted to approximately their present position. Following uplift, ancient rivers (Pleistocene age) eroded valleys with alluvium consisting of fine sand, silt and gravel. More recently, streams have dissected the marine terraces producing modern valleys averaging 40-50 feet deep with their associated deposits of alluvium and remnants of non-marine terrace deposits. In addition, wave erosion cut back the land producing the original 100-foot high coastal bluff along El Camino Real. However, the existing bluff is not a wave cut feature. The existing landform has been created by the emergency grading and subsequent slope failure along El Camino Real. Thus, today the chief terrain elements of the project site are the dissected marine terraces, the steep-walled valleys, and the bluffs.



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LEGEND

RESIDENTIAL

[Hatched Box] RESIDENTIAL DEVELOPMENT (RL)

COMMERCIAL

[Dotted Box] REGIONAL COMMERCIAL (RC1)

[Vertical Lines Box] COASTAL/ RECREATION COMMERCIAL (CRC1)

OPEN SPACE

[Stippled Box] PUBLIC OPEN SPACE (PARK) (OS1)

[White Box] PRIVATELY OWNED OPEN SPACE (OS2)

[Cross-hatched Box] GENERAL OPEN SPACE (OS3)

PACIFIC OCEAN



Prepared by RBF Consulting for the



City of San Clemente

Planning Division 910 Calle Negocio Suite 100 San Clemente, CA 92672 Tel (714) 498-2533 Fax (714) 381-8281

GENERAL PLAN LAND USE DESIGNATIONS

MARBLEHEAD COASTAL SPECIFIC PLAN/GPA

EXHIBIT 1-4

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The Capistrano Formation bedrock strata are prominently exposed in the bluffs and at scattered localities elsewhere upon the property. The strata were observed in detail in surface exposures and during sub-surface exploration. Old valley alluvium, deposited in prehistoric valleys prior to the development of the marine terraces, is exposed at two localities. Marine terrace deposits of two different ages mantle the bedrock and older valley alluvium. These deposits comprise the units of greatest areal extent. The older and topographically higher terrace deposit is distributed landward of the younger deposits. Although of similar genesis as beach deposits, the deposits are somewhat different in character. However, most of the terrace materials are sufficiently granular and devoid of silt and clay to make good fill materials or sub-base, and none of these materials are notably expansive.

The project site is drained by a number of intermittent streams that discharge only during periods of intense and/or prolonged precipitation. Most of these streams have drainage basins that are entirely within the project site boundaries; therefore, problems of uncontrolled runoff onto the property are somewhat limited. One exception, however, is the large central valley system in which the abandoned sewage treatment plant was situated. The headward tributaries of this system drain approximately 42 acres north of the I-5 Freeway. Nevertheless, none of the valley floors appear to have accommodated large discharges in the past as evidenced by the general accumulation of alluvium and regolith (i.e., loose earth materials above solid rock) within them. These apparently limited discharges are probably due to the high infiltration capacity and large areal extent of the terrace gravels.

No active springs, seeps or marshy areas were noted during the investigation which would indicate permanent shallow primary or perched groundwater. Borings located in valley bottoms, encountered groundwater at depths ranging from 25 to 34 feet. Locally, phreatophytes (i.e., water-seeking plants) were noted along the basal contact of the terrace deposits. Their occurrence probably indicates seasonal concentrations or perched water as evidenced by the fact that none of the borings encountered groundwater in the terrace deposit.

Faults and Regional Seismicity

The geologic investigation indicates that no faults transect the project site and no faults have been previously mapped by others. Therefore, consideration must be given to those regional faults with the potential for affecting proposed development.

The closest known active or potentially active faults to the property are the Newport-Inglewood fault (approximately 5 miles distant), the Willard and Wildomar Faults of the Elsinore Fault Zone (approximately 21 miles distant), the San Andreas Fault Zone (approximately 54 miles distant) Coronado Bank Fault Zone (approximately 20 miles distant), and the Palos Verdes Fault Zone (approximately 22 miles distant). These faults are the most likely to generate site response in the event of seismic activity. Historic earthquakes, some with surface rupture, have occurred along all of these faults."

Planned Development

The development will consist of construction of one-story and two-story, residential single-family structures (total of 309 dwellings), along with associated street and utility

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improvements, walls and community parks and open space. A substantial amount of grading, including import of fill, was required to establish finish grades for dwelling construction. The fill thicknesses across the site generally vary from 4 to 8 feet.

For purposes of this appraisal assignment, we assume the soil conditions are suitable for the proposed highest and best uses. The appraisers are not experienced in determining the suitability of soil conditions; therefore, it is suggested that the client contact a professional soil expert to determine the suitability of the soil conditions of the land. This appraisal report is also based on the fact that there are no hazardous materials contaminating the soil. No representation is made by the appraisers concerning the soil conditions.

Topography/Drainage

CFD No. 2006-1 in its entirety consists of a large undulating to rolling hillside. The neighborhoods will be built on terraced graded areas. The parcels offer significant view potential, ranging from canyon views, to limited ocean views, to expansive ocean views to white water ocean views. Approximately, 85% of the lots offer varying views. Site elevations range from approximately 100 feet above sea level to approximately 175 feet above sea level. The site slopes generally down from north to south. It is assumed for purposes of this appraisal that the builders will fulfill all grading/drainage requirements of the City of San Clemente.

Zoning

CFD No. 2006-1 is currently zoned Marblehead Coastal Specific Plan, by the City of San Clemente. The allowed use is for single-family detached residential dwellings. PA-1, Aqua, is a detached courtyard product with an average lot size of 4,384 square feet. PA-2, Sapphire, will have a 6,916 square foot average lot size. PA-3 & 4, Azure, has two products, on 5,500 square foot and 6,000 square foot lot sizes. The average sized lots for all of PA-3 is 7,472 square feet. PA-4, Indigo, will be built on 10,221 square foot average sized lots. The average lot size in each planning area is significantly larger than the minimum lot size.

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The following entitlement summary was provided by the developer.

The Final Map for Sea Summit was recorded on April 11, 2006 and includes all 309 lots to be developed.

PA 1, Aqua: Architecture has been approved by the City Zoning Administrator, 20 building permits have been issued with 107 remaining to be issued. There are no other approvals required.

PA 2, Sapphire: Architecture has been approved by the City Zoning Administrator, 17 building permits have been issued with 60 remaining to be issued. There are no other approvals required.

PA 3 & 4, Azure: Architecture has been approved by the City Zoning Administrator, 14 building permits have been issued with 67 remaining to be issued. There are no other approvals required.

PA 4, Indigo: Architecture has been approved by the City Zoning Administrator and is currently in the plan review process for building permits. The architecture requires Coastal Commission approval and has been reviewed preliminarily with no comments. The developer anticipates approval in October, 2015.

The Coastal Commission will also review removal of a custom lot designation for lots in PA 4 and the return to production lots. The City has approved the removal of the custom lot program requested by the previous developer. The developer anticipates Coast Commission approval in October, 2015.

The four housing products proposed with various architectural styles as follow:

Aqua, Planning Area 1, is designated medium density residential and is the smallest home type. PA-1, is at the northwest corner of the community. There are 127 homes ranging from 2,212 to 2,649 square feet and consist of 3 bedrooms, 2.5 baths to 4 bedrooms and 3.5 baths. The average lot size is 4,384 square feet.

Sapphire, Planning Area 2, is designated low density residential and is located in the northeast corner of the community. Sapphire consists of 77 homes ranging in size from 3,433 to 3,923 square feet and configured with 4 bedrooms, and 4.5 baths to 5 bedrooms, bonus room and 5.5 baths. The average lot size is 6,916 square feet.

Azure, Planning Areas 3 and 4, is designated low density residential and consists of 81 homes ranging in size from 2,536 to 4,756 square feet. The

HRA

homes are configured with 4 bedrooms, office and 5.5 baths to 5 bedrooms, bonus room and 5.5 baths. Each of the homes also has an optional bonus room. The homes are located southwest and southeast of PA-1. The average lot size is 7,472 square feet.

Indigo, Planning Area 4, is designated low density residential and consists of 24 homes with wide lots located southeast of Planning Area 1. The homes range in size from 4,633 to 5,553 square feet and are configured with 5 bedrooms, bonus room and 5.5 baths to 5 bedrooms, bonus room, office, and 5.5 baths. The average lot size is 10,221 square feet.

Access and Circulation

Regional access to the area is provided by the San Diego (I-5) Freeway. Interstate 5 runs in a southeasterly direction from Los Angeles through Orange County, bisecting San Clemente and continuing southeast to San Diego. Access to the subject's immediate area is via Avenida Vista Hermosa and Avenida Pico. Both streets are major north/south thoroughfares linking coastal San Clemente to inland San Clemente. Both have a full interchange with the I-5 Freeway just north of the subject. El Camino Real is a major beach front thoroughfare which becomes Pacific Coast Highway just northwest of CFD No. 2006-1.

The primary access to the subject is from Avenida Vista Hermosa. Avenida Vista Hermosa is dedicated between 100 feet and 128 feet wide fronting CFD No. 2006-1. It is paved with four lanes of asphalt with concrete curbs and gutters. There is a raised, landscaped center median. Sidewalks will be constructed during the development of the subject property. There are traffic signals and left turn pockets at Avenida Costa Azul and Via Canon Verde.

The interior streets offer good access to the dwellings and minimize traffic. The streets within the development will be asphalt paved, with concrete curbs and gutters. Public streets are dedicated between 44 and 56 feet wide.

Easements

The appraisers have been provided with one preliminary title policy for the 309 lots within the District. The policy was prepared by Fidelity National Insurance Company, dated September 8, 2015. The policy does state that a lien for CFD No. 2006-1 was recorded on

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January 22, 2007 and amended on November 25, 2014. The policy does state that a Deed of Trust for Tract No. 8817, Lots 1 to 313 was recorded July 25, 2014 in the amount of \$264,279,489. The policy includes notice of real estate taxes, normal utility and street easements, covenants and conditions in various documents, unstated agreements and parcels for streets and open space/parks. In total there are 83 exceptions in the title policy.

A review of the policy did not indicate any easements, encroachments, agreements or conditions that would adversely affect the value of the property. ***However, this appraisal is contingent upon the fact that there are no easements, encroachments, or conditions that would adversely affect the value of the property.***

Utilities

As of the date of this appraisal, all of the utilities are available to the subject property. The utilities required to support the subject property to its highest and best use are provided by the following companies/agencies:

Electricity:	San Diego Gas and Electric
Natural Gas:	Southern California Gas Company
Telephone:	AT&T/Cox
Fire:	Orange County Fire Authority
Police:	Orange County Sheriff
Transit:	Orange County Transit District
Water:	City of San Clemente
Sewer:	City of San Clemente

Earthquake, Flood Hazards, and Nuisances

The subject property, as of the date of valuation, was not located in a designated Earthquake Study Zone as determined by the State Geologist. However, all of Southern California is subject to seismic activity. In addition, the subject property is located in a Zone "X" flood designated area according to Federal Emergency Management Agency Community Panel No. 060230C0509J effective date December 3, 2009. This designation references an area of minimal flooding, which is outside the 0.2% annual chance flood plain. Flood insurance is not required.

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Hazardous Material/Toxic Waste

Physical inspection of the District did not indicate evidence of on-site hazardous materials and/or toxic waste. All of the District has been graded into 309 residential lots in a near physically finished lot condition, although dry utilities are still needed. They are expected to be completed in February 2016.

The appraisers were provided with a Phase I Environmental Site Assessment Report for the subject property, dated December 10, 2013. Based on the information provided and the current physical condition of the parcels, it appears that development as proposed is allowed. The Phase I Report states: "The assessment has revealed no evidence of RECs at the Site. Additional onsite environmental assessment does not appear to be warranted at this time."

Environmental Issues

No rare or threatened species were observed on the subject sites.

Transportation

Vital to an area's growth and economic expansion are its transportation facilities for both business and residents. The following is a summary of the existing transportation facilities available in the area.

Rail:	Amtrak stops in San Clemente, at the southeast corner of CFD No. 2006-1
Truck:	11 major trucking lines serve Orange County.
Air:	John Wayne Airport (25 miles), Los Angeles International Airport (65 miles)
Bus:	Orange County Transit District, Dial-A-Ride, Park-N-Ride.
Water:	Long Beach Harbor/Port of Los Angeles (55 miles).
Highways:	San Diego Freeway (Interstate 5)

Taxes and Special Assessments

Pursuant to Proposition 13, passed in California in 1978, current assessed values may or may not have any direct relationship to current market value. Except in limited

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circumstances, real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year. If the property is sold, real estate taxes are normally subject to modification to the then current market value.

The basic levy for the properties is 1%. In addition, there are taxes and assessments for Metropolitan Water District, Capistrano Unified School District, fire ant assessment, and vector control. The total tax rate is 1.01195%. The 309 residential lots are subject to Special Tax by the City of San Clemente CFD No. 2006-1. For tax year 2016/17, the Special Tax for facilities will range from \$6,717.86 to \$13,609.47 per dwelling, based on dwelling size. The developed total tax rate is generally below 1.80%± of the sales prices of the individual homes. The District's CFD Administrator, Koppel & Gruber Public Finance, has estimated the Special Taxes on the land and dwelling units within CFD No. 2006-1. Please review the table in the Addenda, which shows the Assessed Values and taxes of all the taxable property in CFD No. 2006-1. For the 2015-16 tax year, the 309 parcels in CFD No. 2006-1 have a total assessed value of \$204,850,845. The total property tax is \$1,541,909.22

According to the District's CFD Administrator, Koppel & Gruber Public Finance, there are no parcels with delinquent taxes for Fiscal Year 2015-2016.

It is a specific assumption and condition of this appraisal that all of the property taxes due are paid in full and that there are no delinquencies within the District.

PROPOSED IMPROVEMENT DESCRIPTION

General

CFD No. 2006-1 is proposed for 309 high end detached dwelling units, parks and open space to be built on 164± gross acres with 44± net acres, within the Marblehead Coastal Specific Plan (Sea Summit at Marblehead), in the City of San Clemente. As of the date of value, September 15, 2015, the District is in a near physically finished lot condition, although dry utilities and street improvements remain to be completed, with 12 model homes under construction, and 19 production dwellings under construction. There are four different products ranging from a minimum sized dwelling unit of 2,212 square feet on average sized lots of 4,384 square feet within a courtyard development to a maximum size dwelling of 5,553 square feet on average sized lots of 10,221 square feet.

The Aqua project has five models under construction, in the brown coat stucco stage and eight production dwellings in the framing stage. The Sapphire project has three model homes under construction, in the brown coat stucco stage and seven production dwellings under construction in the framing stage. The Azure project has four model homes under construction. Two are in the brown coat stucco stage and two are in the scratch coat stucco stage. Four production dwellings are in the framing stage. The Indigo project is not expected to start construction for several months. According to the owner/developer of the District, the current plans are for Taylor Morrison Communities to develop all four products with 309 proposed dwelling units. The four residential products have significant canyon and ocean views. The developer anticipates significant view premiums for most of the lots; 262 of the 309 lots will have view premiums.

Development Timeline

As previously discussed, rough grading of the District began in 2014 and was completed by early 2015. Construction of the sewer, storm drain and water improvements were completed by April/May 2015. Dry utilities are mostly completed and scheduled for completion in February 2016. Trenching for the model homes for three products began in April 2015, with completion expected in November 2015. Trenching for production homes began in June 2015. Production homes are anticipated to be released in phases of

HRA

generally 3 to 8 dwellings for the three larger products and 5 to 11 dwellings for the courtyard product.

Affordable Housing Requirements

The City of San Clemente plans to provide for “affordable” housing or subsidized housing to lower-income people who can then afford to rent or buy in the City. For CFD No. 2006-1, the affordable housing element is satisfied by payment of an affordable housing fee. This fee is collected at issuance of a building permit. The total fee will be \$900,000.

Existing Floor plans

There are four detached products being built and marketed in CFD No. 2006-1. The table on the next page summarizes the information available to the appraisers as of the date of this appraisal report. The indicated lot size is the average size. The base pricing was provided by Taylor Morrison Communities.

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Product Name	Lot Size	No. Units	Bdrm/Bath	Unit Size	Garages	Base Price	\$/SF
Aqua	Courtyard	26	3/2.5	2,212	2	\$970,990	\$438.96
		31	3/3.5	2,417	2	\$1,005,990	\$416.21
	3,000 SF	23	3/3.0	2,336	2	\$995,990	\$426.37
		22	4/4.5	2,649	2	\$1,035,990	\$391.09
		25	3/3.0	2,278	2	\$980,990	\$430.64
<i>Average Unit Size for 127 Units of the Aqua product: 2,378 SF</i>							
Sapphire	5,000 SF	25	4/4.5	3,433-3,480	3	\$1,527,990	\$445.09
		26	4/4.5	3,592-3,646	3	\$1,560,990	\$434.57
		26	5/5.5	3,873-3,923	3	\$1,598,990	\$412.86
<i>Average Unit Size for 77 Units of the Sapphire product 3,633 SF</i>							
Azure	5,500 SF	14	4/4.5	3,775-3,829	3	\$1,780,990	\$471.79
		14	4/4.5	4,081-4,417	3	\$1,890,990	\$463.36
		6	3/3.5	2,536-2,560	3	\$1,500,990	\$591.87
Azure	6,000 SF	17	4/4.5	4,064-4,175	3	\$1,925,990	\$473.91
		14	4/4.5	4,260-4,366	3	\$2,010,990	\$472.06
		16	4/4.5	4,713-4,756	3	\$2,145,990	\$455.33
<i>Average Unit Size for 81 Units of the Azure product: 3,905 SF</i>							
Indigo	7,000 SF	8	5/5.5	4,633-4,701	3	\$2,195,990	\$473.99
		9	5/5.5	4,913-4,967	3	\$2,275,990	\$463.26
		7	5/4.5	5,349-5,553	3	\$2,500,990	\$450.39
<i>Average Unit Size for 24 Units of the Indigo product: 4,965 SF</i>							
Totals:		309 Units					

The appraisers did not receive building plans for the four high end residential projects. The appraisers did review brochures which included floor plans. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features are significantly superior to typical tract developments found throughout Orange County. While the subject products are not considered a semi-custom development, the quality, feature and amenities are assumed to be closer to that of a semi-custom development than high-quality tract homes. Based on the limited exposure to the market; the products appear to meet market demand for high end new product in the subject's market area.

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The following list summarizes the construction specifications for the detached single-family homes being built by Taylor Morrison Communities. The quality, finish and amenities will be high end for tract homes.

Construction

Units are of Class "D" construction; wood frame and stucco siding with several elevation choices and exterior trims.

Foundations

Foundations are poured concrete. Plywood flooring over wood floor joists for the second floor.

Structural Frame

Consists of 2" x 4" and 2" x 6" wood framing.

Roofs

Roofs are of concrete tile.

Windows

Dual glazed low E white vinyl framed windows and sliding glass door.

Floor Covering

Floor coverings are high grade wall-to-wall carpet in all living areas. Entries, master bathroom and kitchens are of stone or ceramic tile and secondary bathrooms and laundry room are of tile.

Interior Finish

Custom trowelled ceiling and painted drywall.

Heating/HVAC

Energy efficient dual zoning central air conditioning and gas forced air heating.

Kitchens

Kitchens will be equipped with high-end wooden cabinets with granite countertops. Each kitchen will include high-end appliances with 30" self-cleaning double ovens and 6 burner gas cooktops, microwave oven and dishwasher.

Bathrooms

Master bathrooms will have double sinks with marble vanities, high-end wooden cabinets, tub, and stone or ceramic tile shower. Secondary bathrooms will have tile vanities, ceramic tile tub/shower, and high-end cabinets.

Garage

Garage doors are two car sectional steel roll-up with concrete driveways.

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Fireplace

One fireplace.

Laundry Facilities

Interior laundry rooms

Options

Numerous options and upgrades are available including fireplace, flooring, cabinet and countertop upgrades. Most options and upgrades provided at competing, similar quality developments will be offered.

Conclusion of the Improvements

We have not been provided with detailed information regarding quality of construction or specifications for the existing floor plans. Therefore, it is a specific assumption of this appraisal that the quality and utility of the floorplans are superior to the tract developments currently being constructed in the subject's marketplace and more similar to a semi-custom development, and that it will generally meet buyer expectations.

Functional Utility

It is an assumption of this appraisal that all of the floor plans are functional, and competitive with current design standards.

Remaining Economic Life

The total/remaining economic life, according to the Marshall Valuation Service, is considered to be 50 years from date of completion.

Homeowner's Association

All of the products within the District will be in the homeowner's association. The estimated monthly dues for the association is \$214.50 at build-out per dwelling.

HIGHEST AND BEST USE

The term *highest and best use* is an appraisal concept that has been defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.⁶

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."⁷ The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

Legal Considerations

The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes.

All of the land subject to Special Tax included in CFD No. 2006-1 is within Final Tract Map No. 8817. The subject of this appraisal includes 164± gross acres of land and 44.3 net acres of land proposed for 309 detached dwelling units. The District is in a near physically finished lot condition. As of the date of value, 12 model homes are under construction. Nineteen production dwellings are under construction, in the framing

⁶ *The Dictionary of Real Estate Appraisal*, 4th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 135.

⁷ *The Appraisal of Real Estate*, 10th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 280.

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stage. As previously discussed, all of CFD No. 2006-1 is entitled for the proposed uses. The net developable density is approximately 1.9 units per gross acre. The proposed improvements are legal and conforming uses.

Physical and Locational Considerations

Sea Summit is a very high end residential development with an ocean orientation and blue water and white water ocean views. There are four products that range from 2,212 to 5,553 square feet. The average size for the four products is 3,347 square feet. The overall base prices average \$1,482,000 and range from \$970,000 to \$2,500,000. View premiums are expected to average \$380,000 per dwelling and range from \$15,000 to \$1,700,000, for the 309 lots. However, 47 lots do not have view premiums according to the developer.

The physical and locational characteristics of the subject property are considered very good for the proposed uses. The proposed uses conform to the various zoning specifications as approved by the City of San Clemente. The subject properties are a natural extension of existing residential developments located in the City of San Clemente. The site is one of the last remaining ocean view development parcels in Southern California. The San Clemente area is somewhat distant from the main employment areas of Orange County. Prior to the recent recession and deterioration in the residential market, there was strong demand for similar ocean oriented developments as evidenced by sales of merchant builder land, custom home lots and dwelling units in South Orange County. Since the end of the last recession and more particularly from 2012 to the present time, the strong demand for residential dwelling units has returned to the Orange County and San Clemente markets.

All necessary utilities are reported to be available to the District with capacity to service the proposed developments. The site's access and configuration are good. Topography is rolling, allowing for terraced lots with numerous ocean and canyon views. The subject sites do not appear to present any development constraints. This appraisal report and the values included herein assume there are no soil problems or hazardous conditions that would have an adverse impact to development of the CFD No. 2006-1.

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Based on the physical analysis, the site's location and topography would suggest the land has a primary use of residential development due to the adjacent developments, Final Tract Map approval and on-site construction.

Market Conditions and Feasibility

The financial feasibility of the development of CFD No. 2006-1 is based on its ability to generate sufficient income and value in excess of the costs to develop the property to its highest and best use. Please refer to the Valuation sections of this report, which give support to the financial feasibility of CFD No. 2006-1.

The attractiveness of residential development anywhere in Orange County is evidenced by market activity which has taken place over the last 30 years. The current condition of the housing market is that there has been a significant increase in demand over the past 36± months, which has positively impacted price. The decline in sales and prices between the end of 2005 through 2011 has ended. There was a slight increase in the median Orange County home price between July 2011 and July 2012 of almost 3%. However, the following 12 month period to mid-2013 showed the median price increased almost 20%. From July 2013 to July 2014, the price increase moderated to 8.4%. It appears pricing has generally stabilized as of the date of value. The August 2015 median price of \$610,000 is reportedly 5.4%± below the June 2007 peak of \$645,000. It appears that the upward pressure on price due to demand outpacing supply could be over. Over the past 12 months, sales increased by 3.4%, from 3,071 sales in August 2014 to 3,174 sales in August 2015. The August 2015 median home price increased 4.3% from \$585,000 to \$610,000 over the 12 month time frame.

As of September 2014, there were 7,818 existing and new homes for sale in Orange County. More recently, Orange County had 7,040 homes for sale in September 2015, a decrease of 10.0%. Absorption of all homes currently on the market is estimated at 80 days, much lower than the typical four to six month absorption going back to 2004. The current inventory, albeit still a third of the average between 2009 and 2013, supports a much more sustainable market than what was seen one year ago. The decrease in sales activity is reflective of the decrease in inventory for existing homes.

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According to the Metrostudy report dated second quarter of 2015, homebuilders sold 1,136 new homes in the Orange County market, which represents an 11.0% decrease from the new home sales one year ago. This represents a 14.8% decrease for detached homes, while the attached new home closings decreased by 0.9%. On an annual rolling 12-month basis, new detached home closings in Orange County are up 2.5% from a similar 12-month basis last year.

The median sale price of all new homes closed during the second quarter of 2015 was at \$891,900, an increase of 11.4%± from the previous year. The median detached sale price increased 8.4% to \$981,500, while the median attached sale price increased 1.2% to \$553,700 over the past 12 months.

According to Metrostudy, at the end of Q2 2015 there were 107 active detached subdivisions in the Orange County market, representing an increase of 7 subdivisions from one year ago. At the end of Q2 2015, there were 802 available detached units, which include model homes and dwellings in various stages of construction. Based on the most recent closing data, this represents a 5.7 month supply of inventory of dwellings. According to Metrostudy there are 2,161 finished lots in the County which represents a 9.5 month supply of finished lots.

Metrostudy locates the City of San Clemente within the South Coastal submarket of Orange County. This area also includes the cities of Aliso Viejo, Dana Point, Laguna Niguel, Laguna Beach, Laguna Hills and San Juan Capistrano. The South Coastal submarket region accounted for 45 detached sales during the second quarter of 2015, or a 5.7% market share of the Orange County market. This sales rate is up 221.4% from the second quarter 2014 sales rate. Another indication of the strong and stabilizing market is that for the second quarter of 2015, the South Coastal submarket had average quarterly sales per project of 5.6 units. One year ago, the sales rate was only at 1.6 units per month. Over the last 12 months, the South Coastal submarket reported 168 closings compared to 143 for the 12 months ending June 2014, a 17.5% increase. The annual (12-month) closing rate per subdivision was at 14.3 units per year in Q2 2014 improving to 16.8 units per year in Q2 2015, representing a 17.5% increase.

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The median detached sales price in the South Coastal submarket has increased 63.2% from \$725,000 in Q2 2014 to \$1,183,300 in Q2 2015. The median detached unit size increased 61.0%± from 2,625 square feet to 4,227 square feet. The median price per square foot for a detached dwelling decreased from \$275 to \$271 over the past 12 months. This is the lowest price per square foot submarket in Orange County. The North Coastal area reports \$450 per square foot for a detached dwelling. The attached dwelling units decreased in median price per square foot from \$280 to \$269 in Q2 2015, a 3.8% decrease in price per square foot.

During the second quarter of 2015, the subject's submarket sold 1 detached home priced between \$600,000 and \$699,999; and 44 homes priced over \$800,000 were sold. There were no attached units that sold in the subject's submarket in the second quarter of 2015.

Within the South Coastal submarket there are 8 active detached projects and 1 active attached product at the end of Q2 2015. This is 1 less than the end of Q2 2014 for detached products and one more for attached products. The subject's submarket area reports 10 detached units as built but unsold inventory units and 63 unsold units under construction. This is a 5.2± month absorption time for the completed dwellings and units under construction. Total inventory which includes units built, under construction and model homes totals 80 units which equates to a 5.7 month supply at the current sales rate. One year ago total detached inventory was at 63 units, and the absorption time based on last year's sales rate was 9.2 months. While total inventory decreased 27%, absorption time decreased 38.0% or 3.5 months.

According to an interest rate survey published weekly in the Los Angeles Times, the typical 30-year, fixed rate conforming loan is around 3.9% as of the date of this report. Mortgage rates have been in the 3.7% to 3.9%± range over the past month. Six months previously, rates were in the 4.2% range. While a slight increase in rates may impact demand, we do not anticipate a significant drop in demand, due to the interest rate increases, as long as rates remain near the current level. The current level of

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interest rates, along with stable to moderately increases in sales prices, should continue to sustain sales activity, for qualified buyers.

The table on the following two pages illustrates the currently selling detached projects within the subject's market area. The detached projects are generally selling around 2.5± to 3.5± units per month. Three of subject projects opened for pre-sales on August 28, 2015 with no models or a sales office. Aqua has taken reservation on four dwellings, Sapphire has taken reservations on one dwelling and Azure has taken reservations on three dwellings. The Aqua reservations have averaged about \$1,255,000 per dwelling. The Sapphire reservation was reported at about \$1,800,000 per dwelling. The Azure reservations have averaged about \$2,100,000 per dwelling. These prices include all premiums and options.

Feasibility

It is not in the scope of this appraisal assignment for the appraisers to conduct an extensive independent market study/absorption analysis, but it is the appraisers' responsibility to address the reasonableness of the conclusions of any market study which has been prepared by outside firms for the subject property. Unforeseen national and regional economic and/or social changes will affect the time-frame of real estate development.

In an attempt to arrive at a reasonable and supportable absorption schedules for the proposed dwellings within CFD No. 2006-1, the appraisers reviewed an independent prepared absorption analysis that relates to the entire build-out of the District. This independent study is titled Community Facilities District No. 2006-1 (Sea Summit at Marblehead) Market Absorption Study, prepared for the City of San Clemente and prepared by Empire Economics, Inc., dated August 3, 2015.

The study analyzes the four proposed high-end products within CFD No. 2006-1. The report reflects no closed sales until 2016. The report forecasts future closings of 64 dwellings during 2016, 74 dwellings during 2017, 81 dwellings in 2018, 64 dwellings in 2019, 22 dwellings in 2020 and 4 dwellings in 2021. Based on the absorption analysis

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Comparable Residential Project Summary Detached Single Family Homes September 20, 2015

No.	Project, Builder & City	Units	Product Type	Price Range	Size Range	\$/Sq. Ft. Range	No. Released	No. Sold Start Dt.	Overall Mo. Abs.
Subjecty Property - Sea Summit at Marblehead									
1	Aqua Taylor Morrison San Clemente	127	4,384 average	\$970,990 \$1,005,990 \$995,990 \$1,035,990 \$980,990	2,212 2,417 2,336 2,649 2,278	\$438.96 \$416.21 \$426.37 \$391.09 \$430.64	7	4 Aug-15 Pre-sales Reservations	5.3
2	Sapphire Taylor Morrison San Clemente	77	6,916 average	\$1,527,990 \$1,560,990 \$1,598,990	3,433 3,592 3,873	\$445.09 \$434.57 \$412.86	5	1 Aug-15 Pre-sales Reservations	1.3
3	Azure Taylor Morrison San Clemente	81	7,472 average	\$1,780,990 \$1,890,990 \$1,500,990 \$1,925,990 \$2,010,990 \$2,145,990	3,775 4,081 2,536 4,064 4,260 4,713	\$471.79 \$463.36 \$591.87 \$473.91 \$472.06 \$455.33	7	3 Aug-15 Pre-sales Reservations	4.0
4	Indigo Taylor Morrison San Clemente	24	10,221 average	\$2,195,990 \$2,275,990 \$2,500,990	4,633 4,913 5,349	\$473.99 \$463.26 \$467.56	0	0 Not Open For Sales	0.0
Semi-Custom Homes - South Orange County									
5	The Grand Monarch William Lyon Homes Dana Point	37	Duplex & Triplex	\$2,650,000 \$2,750,000 \$2,850,000	3,446 3,797 3,996	\$769.01 \$724.26 \$713.21	15	10 Jun-15	3.6
6	The Artisan Collection Covenant Hills William Lyon Homes Ladera Ranch	14	12,000	\$3,500,000 \$3,700,000 \$3,900,000	5,114 5,453 6,394	\$684.40 \$678.53 \$609.95	6	2 Jul-15	1.0
Orchard Hills @ The Groves									
7	Messina Tri Pointe Irvine	102	4,700	\$1,529,900 \$1,604,900 \$1,629,900	3,531 3,722 3,786	\$433.28 \$431.19 \$430.51	50	39 Jun-14	2.5
8	Vicenza KB Home Irvine	91	5,200	\$1,603,990 \$1,622,990 \$1,624,990	3,654 3,747 3,749	\$438.97 \$433.14 \$433.45	40	36 Jun-14	2.3

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**Comparable Residential Project Summary
Detached Single Family Homes
September 20, 2015**

<u>No.</u>	<u>Project, Builder & City</u>	<u>Units</u>	<u>Product Type</u>	<u>Price Range</u>	<u>Size Range</u>	<u>\$/Sq. Ft. Range</u>	<u>No. Released</u>	<u>No. Sold Start Dt.</u>	<u>Overall Mo. Abs.</u>
<i>Orchard Hills @ The Groves</i>									
9	Capella Taylor Morrison Irvine	72	3,760	\$1,318,000 \$1,324,000 \$1,370,000	2,906 3,058 3,223	\$453.54 \$432.96 \$425.07	63	43 Jun-14	2.7
10	Saviero Taylor Morrison Irvine	45	5,700	\$1,585,000 \$1,655,000 \$1,630,000 \$1,685,000	3,795 3,836 3,879 4,050	\$417.65 \$431.44 \$420.21 \$416.05	39	35 Jun-14	2.2
11	LaVita Brookfield Homes Irvine	72	5,000	\$1,542,000 \$1,880,000 \$1,602,000 \$2,150,000	3,400 3,513 3,557 3,942	\$453.53 \$535.16 \$450.38 \$545.41	62	50 Jun-14	3.2
<i>Stonegate</i>									
12	Sausalito Shea Homes Irvine	54	4,500	N/A \$1,463,356 \$1,464,155	3,533 3,670 4,011	\$0.00 \$398.73 \$365.03	54	53 Sep-13	2.2
13	Arcadia TRI Pointe Homes Irvine	127	4,000	\$1,219,900 \$1,281,900 \$1,270,900	2,909 3,143 3,202	\$419.35 \$407.86 \$396.91	112	102 Jul-13	3.8

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prepared by Empire Economics, the estimated average monthly absorption per project is from 0.4± units for Indigo to 2.6± units for Aqua, with an overall absorption of 1.3± units per month per project.

It is our opinion, after surveying the competitive projects and analyzing the pricing, design, location and other pertinent factors, that the subject properties should experience average absorption, similar to that estimated by Empire Economics, Inc., assuming market conditions continue as currently predicted.

Maximally Productive

In considering what uses would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the zoning specifications of CFD 2006-1 in the City of San Clemente are the most productive uses that will be allowed at the present time. Current zoning and approved uses indicate that other alternative uses are not feasible at this time.

As discussed, the subject products will not open model home complexes until November 2015. Products that entered the market during 2011/2012 are generally sold out due to the explosion of sales activity during 2012 and 2013. The return to an active residential market after the housing crash and economic recession has created significant merchant builder activity, over the past 36± months.

Based on current market conditions, it appears that the proposed very high-end products meet current market demand. It is our opinion that development of detached ocean view products between 2,200 and 5,600 square feet, provides the highest land value and is, therefore, maximally productive.

Conclusion

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of uses which will generate the greatest level of future benefits possible from the land. After reviewing the alternatives available and considering this and other information, it is the

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opinion of the appraisers that the highest and best use for the subject property, as vacant and as improved, is for residential development of high-end detached dwellings with ocean views similar to what is currently proposed in CFD No. 2006-1. In general, the proposed projects appear to have the location and features to obtain an acceptable sales rate under normal financing and market conditions.

As Vacant

After reviewing the alternatives available and considering this and other information, it is these appraisers' opinion that ultimate development of high-end single-family detached for-sale products with ocean views is considered the highest and best use of the property. The market has improved significantly and continually over the past 36± months. The forecast for continued economic growth is better than what we have seen in several years.

As Proposed

The proposed uses are a legal use of the properties and the value of the properties as proposed far exceed the value of the sites if vacant. This means that the proposed improvements contribute substantial value to the sites. Based on these considerations, it is our opinion that the proposed residential improvements constitute the highest and best use of the subject property.

VALUATION METHODOLOGY

Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

Valuation Approaches

Three basic approaches to value are available to the appraiser:

Cost Approach

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. This is then added to the estimated land value to provide a value estimate.

Income Approach

This approach is based upon the theory that the value of the property tends to be set by the expected net income therefrom to the owner. It is, in effect, the capitalization of expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization rate, and the processing of the net income stream into a value estimate.

Direct Comparison Approach

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value and that accurate information regarding price, terms, property description, and proposed use be obtained through interview and observation.

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Static Residual Analysis is used to estimate the merchant builder finished lot value. From the estimated base retail home price, all costs associated with the home construction including direct construction costs, indirect construction costs, financing and profit are deducted. Following the deduction of costs, the residual figure is an estimate of the merchant builder finished lot value. The entire site is pad graded. Most of the four products are in a near physically finished lot condition.

Developmental Analysis is a form of appraisal by direct comparison for estimating land value. It is based upon the premise that one would not pay more for a parcel of land than its contributory value to the economic enterprise of developing the parcel into finished sites. It essentially treats land as one of the raw materials required for developing a master planned community. If one is able to prepare a reasonably reliable forecast of the finished site improvements that can be developed on that parcel of land and identify all of the costs and required profit margins, what is residual or left over is what is available to acquire the land.

The purpose of this appraisal assignment is to estimate the "As Is" Market Value for the taxable property within CFD No. 2006-1. As summarized in the Site Analysis and Proposed Improvement Description sections of this report, there are four products proposed for development. In total, the four products are proposed for 309 high end detached dwelling units. All of the products are detached units ranging from a courtyard configuration on average 4,384 square foot lots to dwellings on average 10,221 square foot lots. The land has been under site construction since 2014. The entire site is pad graded. Most of the four products are in a near physically finished lot condition. All but one street is paved with curbs and gutters. All wet utilities are complete. Conduits and pipes for dry utilities are complete, except for Planning Area 2. Planning Area 1 has one street that needs paving and curbs and gutters. All utilities and paving are expected to be complete by February 2016.

The Direct Comparison Approach is used for the valuation of land when sufficient comparable sales are available. Their sales prices would be considered the best indicators of value, assuming the sales are current and in a similar land condition. The Income Approach is typically used when appraising income producing properties. This approach is not applicable in the valuation of land as land is not typically held to generate monthly

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income, but rather purchased to construct an end product that may or may not generate income. The Cost Approach is not an appropriate tool in the valuation of land.

The land will first be valued assuming a merchant builder condition of finished lots. Consideration is given to the four proposed products. After valuation of the finished lots, deductions for impact fees and site costs are made to estimate the "as is" condition of the land. The Static Residual Analysis is also used to value the merchant builder parcels with the information provided by the developer, Taylor Morrison Communities, for the four proposed products. The Static Residual Analysis more closely reflects current market conditions in a dynamic market. Due to the dramatic changes in the residential market over the past several years, the Static Residual Analysis is considered a reliable method for estimating finished lot value based on the proposed products.

As previously discussed, there are 309 proposed dwelling units within CFD No. 2006-1, of which no dwellings are completed or have closed to individual homeowners. There are 12 model homes under construction, and 19 production dwellings under construction, in the framing stage. The balance of the District consists of 278 near physically finished lots, including the 20 lots with slabs under construction.

Since the models are not completed and there are no model complexes, traffic and acceptance of the products have been limited. Pre-sales of the subject's Aqua, Sapphire and Azure products began August 28th, 2015. According to the sales representative, 9 homes were released within the Aqua product and 5 have been reserved; 5 homes were released within the Sapphire product and 2 has been reserved; and 7 were released within the Azure product and 2 have been reserved. The 31 models and dwellings under construction are valued based on the estimated completion of construction with consideration given to current market conditions. The 12 model homes are in a scratch or brown stucco coat condition. They are valued based on the estimated completion of the specific floor plan and conservatively estimated at 60%. The 19 dwellings being framed are valued based on the estimated completion for the specific floor plan and conservatively estimated at 55%.

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For the 278 near physically finished lots under the ownership of the developer, Marblehead Development Partners, LLC, the Direct Sales Comparison Approach and the Static Residual Analysis are used to value the finished lots. The estimated finished lot values represent a merchant builder ownership for the particular product and holding time to develop and sell the dwellings. From the aggregate finished lot values for the four products, an additional discounting is required to represent the developer's single ownership of the 278 lots. To arrive at an "as is" value for the near physically finished lots, a deduction for the remaining site costs is required. Because this appraisal assignment assumes a bond sale and the receipt of CFD proceeds, approximately \$51,500,000 of proceeds is added to the estimated values to off-set part of the construction costs.

The Developmental Analysis is also used to estimate a bulk "as is" value by identifying all required costs to finish the land, build the various products and the required profit margin. This analysis is considered an appropriate procedure for estimating value, when projecting revenue over a market supported absorption period. The site costs and vertical construction costs have been estimated by the developer, Taylor Morrison Communities. In the case of the subject property, the land has been graded into near physically finished lots. Taylor Morrison Communities has reported that the total site construction is budgeted at \$92,000,000±. Based on information provided by Taylor Morrison Communities, we have estimated approximately \$39,000,000 of costs having been spent for entitlement, on-site and off-site construction up through September 15, 2015. According to Taylor Morrison Communities, the remaining site costs are approximately \$53,000,000. Approximately \$31,000,000 is for off-site improvements. As discussed, the proposed products have been identified and site costs have been estimated. The Developmental Analysis is used to estimate the bulk value of the 278 lots.

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VALUATION OF MODEL HOMES AND DWELLINGS UNDER CONSTRUCTION

As previously discussed, the four products offered within CFD No. 2006-1 have not entered into an active sales program as of September 15, 2015. Three of the products have released units in a pre-sale process. Pre-sales of the subject's Aqua, Sapphire and Azure products began August 28th, 2015. According to the sales representative, 9 homes were released within the Aqua product and 5 have been reserved; 5 homes were released within the Sapphire product and 2 has been reserved; and 7 were released within the Azure product and 2 have been reserved. The first three model home complexes are expected to open in November 2015. In addition to the 12 model homes now under construction, there are 19 production dwelling units under construction in the framing stage as of the date of value. There are 20 lots that have foundations under construction, which will be valued as finished lots.

The appraisers have given consideration to the stabilizing market conditions in valuing the dwelling units under construction. For the 19 production units that are in the framing stage of construction, we have estimated a completion of 55% of their completed value per floor plan. For the model homes that are in a scratch coat or a brown coat stage of construction, we have estimated a completion of 60% of the completed value per floor plan.

The estimated Market Value for the 12 model homes and 19 dwellings under unit construction under the ownership of the developer, Marblehead Development Partners, LLC, is \$29,060,436, rounded to \$29,000,000. Please review the table on the following page for a listing of the lots values. The following section of this report will value the 278 near physically finished lots under the ownership of developer, Marblehead Development Partners, LLC.

**City of San Clemente CFD No. 2006-1
Sea Summit at Marblehead
Valuation of Dwellings Under Construction**

Product	Lot Number	Unit Size SF	# of DUs	Plan	Dwelling Unit Condition	Base Sales Price	Est. Percent Complete	Estimated Value
MODEL HOMES								
Aqua								
	212	2,417	1	Model Home-Plan 2A	Brown Coat Stucco	\$1,755,990	60%	\$1,053,594
	213	2,278	1	Model Home-Plan 5A	Brown Coat Stucco	\$995,990	60%	\$597,594
	214	2,212	1	Model Home-Plan 1A	Brown Coat Stucco	\$1,720,990	60%	\$1,032,594
	215	2,336	1	Model Home-Plan 3A	Brown Coat Stucco	\$1,010,990	60%	\$606,594
	216	2,649	1	Model Home-Plan 4A	Brown Coat Stucco	\$1,785,990	60%	\$1,071,594
Sapphire								
	1	3,891	1	Model Home-Plan 3D	Brown Coat Stucco	\$1,906,990	60%	\$1,144,194
	2	3,592	1	Model Home-Plan 2B	Brown Coat Stucco	\$1,868,990	60%	\$1,121,394
	3	3,460	1	Model Home-Plan 1C	Brown Coat Stucco	\$1,835,990	60%	\$1,101,594
Azure								
	156	4,713	1	Model Home-Plan 3B	Brown Coat Stucco	\$2,555,990	60%	\$1,533,594
	157	4,277	1	Model Home-Plan 2A	Brown Coat Stucco	\$2,420,990	60%	\$1,452,594
	160	4,081	1	Model Home-Plan 2C	Scratch Coat Stucco	\$1,890,000	60%	\$1,134,000
	161	3,790	1	Model Home-Plan 1B	Scratch Coat Stucco	\$1,805,000	60%	\$1,083,000

Indigo

No Model Homes under Construction

12 Dwelling Units Total Estimated Value Model Homes: \$12,932,340

PRODUCTION DWELLINGS

Aqua								
	221	2,649	1	Production Home-Plan 4A	Framing	\$1,290,990	55%	\$710,045
	222	2,212	1	Production Home-Plan 1A	Framing	\$1,225,990	55%	\$674,295
	223	2,336	1	Production Home-Plan 3A	Framing	\$1,250,990	55%	\$688,045
	297	2,649	1	Production Home-Plan 4B	Framing	\$1,035,990	55%	\$569,795
	298	2,336	1	Production Home-Plan 3B	Framing	\$1,010,990	55%	\$556,045
	299	2,212	1	Production Home-Plan 1B	Framing	\$970,990	55%	\$534,045
	300	2,417	1	Production Home-Plan 2B	Framing	\$1,005,990	55%	\$553,295
	301	2,278	1	Production Home-Plan 5B	Framing	\$995,990	55%	\$547,795
Sapphire								
	56	3,891	1	Production Home-Plan 3BX	Framing	\$1,906,990	55%	\$1,048,845
	57	3,460	1	Production Home-Plan 1AX	Framing	\$1,835,990	55%	\$1,009,795
	58	3,891	1	Production Home-Plan 3D	Framing	\$1,906,990	55%	\$1,048,845
	59	3,602	1	Production Home-Plan 2AY	Framing	\$1,868,990	55%	\$1,027,945
	67	3,891	1	Production Home-Plan 3D	Framing	\$1,906,990	55%	\$1,048,845
	68	3,592	1	Production Home-Plan 2B	Framing	\$1,868,990	55%	\$1,027,945
	69	3,873	1	Production Home-Plan 3BX	Framing	\$1,906,990	55%	\$1,048,845
Azure								
	179	3,781	1	Production Home-Plan 1C	Framing	\$1,780,990	55%	\$979,545
	180	3,775	1	Production Home-Plan 1A	Framing	\$1,780,990	55%	\$979,545
	181	4,081	1	Production Home-Plan 2C	Framing	\$1,890,990	55%	\$1,040,045
	182	3,815	1	Production Home-Plan 1CX	Framing	\$1,880,990	55%	\$1,034,545

Indigo

No Production Homes Under Construction

19 Dwelling Units Total Estimated Value Production Homes: \$16,128,096

**31 Total Dwelling Units Estimated Value 31 Dwellings: \$29,060,436
Say \$29,000,000**

VALUATION OF FINISHED LOTS

General Information

The District is a developed parcel with lots in a near physically finished lot condition. Final Tract Map No. 8817 is approved for development of 309 single family detached units. Four products are proposed that include a courtyard product and three traditional detached products on lots ranging from 4,384 square feet to 10,221 square feet on average. This section of the appraisal report will value the 278 lots without vertical construction, as if in a finished lot condition. Deductions will be made for the costs to bring the land from its "as is" condition to finished lots. The 20 lots with building permits and slab foundations under construction are included in these 278 lots

The actual sales price of a particular parcel is always considered the best indication of value, assuming the transaction is arm's length, current and meets the definition of Market Value. We have included the April 8, 2014 purchase of the 309 lots within CFD No. 2006-1. The remaining sales are in various communities in the City of Irvine. A discussion of the market data will precede the valuation of the finished lots.

Due to the changing market conditions, the Static Residual Analysis is also used to estimate finished lot values. The proposed products of CFD No. 2006-1 are analyzed. The results of both the Direct Comparison Approach and the Static Residual Analysis are considered in estimating finished lot values for the 278 lots within CFD No. 2006-1.

Direct Sales Comparison Approach

The Direct Sales Comparison Approach is based upon the premise that, when a property is replaceable in the market, its value tends to be set by the purchase price necessary to acquire an equally desirable substitute property, assuming no costly delay is encountered in making the decision and the market is reasonably informed. In appraisal practice, this is known as the Principle of Substitution.

This approach is a method of analyzing the subject property by comparison of actual sales of similar properties, when available. These sales are evaluated by weighing

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both overall comparability and the relative importance of such variables as time, terms of sale, location of sale property, and lot characteristics. For the purpose of this report, the unit of comparison utilized is the price per lot for the residential land. Please refer to the following page that summarizes the sales considered most similar to the subject lots.

We have surveyed residential sales in the central and south Orange County market area. We have reviewed and inspected all of the data items. The data includes the finished lot prices for merchant builder parcels. The comparable land sales have generally sold in a blue-top lot condition. Costs to bring the land from the condition at the time of sale to finished lot condition were made available by the sellers to analyze the data. Therefore, the analysis will conclude at an indication of the finished lot value for the subject lots.

Between the date of the land sales and the date of value, market conditions have improved. As discussed throughout this report, over the past 18± to 24± months, the residential market throughout California and specifically Orange County has experienced significant increases in sales activity and sales prices. As the demand for the dwelling units increases, and related home prices increase, the value of the land or lots increase.

Analysis

Financing

All of the comparable sales were all cash transactions or financing considered to be cash, therefore, no adjustments for financing were warranted.

Property Rights Conveyed

All of the comparables involved the transfer of the fee simple interest. The subject fee simple interest is appraised in this report, and therefore, no adjustment is warranted.

Land Sales Summary								
Data No./ Project	Buyer/ Seller	Sale Date	Average Lot Sz	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	Land Condition at Time of Sale
No. 1 S/S Ave. Vista Hermosa San Clemente Subject Property	Marblehead Development Ptrs. LV Marblehead	4/2014	Varies 4,000 10,000	309	\$203,250,000	\$657,767	\$955,000	Near finished Lots
No. 2 Springhouse Builder Area 801 Pavilion Park	Taylor Morrison of California Heritage Fields El Toro, LLC Tract 17479	5/2013	Det. Condo 7.1 U/Ac	83	\$32,977,464	\$397,319	\$447,653	Blue-top Lots 2,330 SF Avg. Home Size
No. 3 Beachwood Builder Area 803/804 Pavilion Park	Lennar Homes of California Heritage Fields El Toro, LLC Tract 17476/17477	5/2013	4,500 6.0 U/Ac	90	\$41,143,661	\$457,152	\$508,409	Blue-top Lots 2,312 SF Avg. Home Size
No. 4 Sagewood Builder Area 802/809 Pavilion Park	Shea Homes Limited Ptshp. Heritage Fields El Toro, LLC Tract 17478/17470	4/2013	4,800 5.2 U/Ac	103	\$46,096,474	\$447,539	\$506,586	Blue-top Lots 2,701 SF Avg. Home Size
No. 5 Rosemist Builder Area 800 Pavilion Park	Lennar Homes of California Heritage Fields El Toro, LLC Tract 17364	5/2013	5,500 5.2 U/Ac	52	\$27,958,311	\$537,660	\$588,278	Blue-top Lots 3,143 SF Avg. Home Size
No. 6 Hawthorn Builder Area 808 Irvine	Pulte Home Corporation Heritage Fields El Toro, LLC Tract 17471	4/2013	6,000 3.9 U/Ac	46	\$25,382,373	\$551,791	\$618,621	Blue-top Lots 3,026 SF Avg. Home Size
No. 7 Harmony Builder Area 805 Pavilion Park	K. Hovnanian at Pavilion Park Heritage Fields El Toro, LLC Tract 17475	5/2013	6,000 5.2 U/Ac	45	\$25,915,149	\$575,892	\$643,560	Blue-top Lots 3,517 SF Avg. Home Size
No. 8 Melrose Builder Area 807 Pavilion Park	Ryland Homes of California Heritage Fields El Toro, LLC Tract 17472	4/2013	6,000 4.6 U/Ac	61	\$40,143,355	\$658,088	\$712,284	Blue-top Lots 4,071 SF Avg. Home Size

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Time of Sale

Since the timeframe of the land sales, the residential market in the subject's area has continued to be strong. During the most recent recession, home prices were severely negatively impacted. During 2012, the market appeared to begin to stabilize. Since mid-2012, home sales have significantly increased, along with sales prices. Interviews with sales personnel indicated that their base pricing was being increased with each phase of development over the past 18± to 24± months. Sales that occurred in mid-2013 have been adjusted upward by 10%.

Conditions of Sale

Typically, adjustments for conditions of sale reflect the motivations of the buyer and the seller in the transfer of real property. The conditions of sale adjustment reflects the difference between the actual sales price of the comparable and its probable sales price if it were sold in an arms-length transaction with typical motivations. Some circumstances of comparable sales that will need adjustment include sales made under duress, eminent domain transactions and sales that were not arm's length. All of the transactions were reported to be arm's length in nature. Accordingly, no adjustment is indicated.

Location & View

The location adjustment is based on proximity to existing infrastructure, proximity to the ocean, amenities and employment. The adjustments are based, in part, on the current prices of similar products at the comparable projects. The sales that are located in Irvine are usually considered superior to most Orange County locations due to schools and employment location. However Sea Summit at Marblehead has an excellent ocean orientation with distant blue-water ocean views to white water ocean views. Overall, the Irvine sales require downward adjustment for location, which is offset by the upward view adjustments.

Entitlement/Map Status

All of the sales are entitled. No adjustment is required.

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Tax Rate

The subject property is expected to have an average overall tax rate under 1.8% of base sales price. This rate is consistent with the sales in Irvine. No adjustment is required.

Lot Size

The comparables and the subject properties have varying average lot sizes that range from a detached condominium lots of 4,384 square feet to detached lots of 10,221 square feet. No adjustment is required.

Condition of Lots

All of the data included information to estimate a finished lot price for each comparable. Of the 309 lots in CFD No. 2006-1, 262 have view premiums. The estimated conclusions of value are for a finished lot condition, ready to issue building permits. Please refer to the following page for the adjustment grid of the comparable land sales.

As previously discussed, the residential market started to stabilize at the beginning of 2012, after the lengthy downturn in the market over the previous six years. By mid-2012, the positive impact on the residential market started with increased sales that has continued to the present time. The impact of the sales activity and minimal supply to meet demand resulted in significant increases in sales prices during 2012 and 2013. Existing home prices have been stable to slightly increasing in 2014 and 2015.

In a rapidly changing market the better indication of land value can be estimated by the Static Residual Analysis which reflects current dwelling sales prices and market conditions. The discussion of the Static Residual Analysis for the subject's currently proposed products follows the adjustment grid.

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Land Sales Adjustment Grid									
Data No./ Project	Sale Date	Average Lot Sz	No. of Lots	Finished Price/Lot	Time	Adjusted \$/Lot	Location	Views	Adjusted \$/Lot
Subject Property									
No. 1 S/S Ave. Vista Hermosa San Clemente	7/2014	Det. 4,300 to 10,000	309	\$955,500	0%	\$955,500	0%	0%	\$955,500
City of Irvine Communities									
No. 2 Springhouse Builder Area 801 Pavilion Park	5/2013	Det. Condo 7.1 U/Ac	83	\$447,653	10%	\$492,418	-10%	20%	\$541,660
No. 3 Beachwood Builder Area 803/804 Pavilion Park	5/2013	4,500 6.0 U/Ac	90	\$508,409	10%	\$559,250	-10%	40%	\$727,025
No. 4 Sagewood Builder Area 802/809 Pavilion Park	4/2013	4,800 5.2 U/Ac	103	\$506,586	10%	\$557,245	-10%	40%	\$724,418
No. 5 Rosemist Builder Area 800 Pavilion Park	5/2013	5,500 5.2 U/Ac	52	\$588,278	10%	\$647,106	-10%	40%	\$841,238
No. 6 Hawthorn Builder Area 808 Pavilion Park	4/2013	6,000 3.9 U/Ac	46	\$618,621	10%	\$680,483	-10%	40%	\$884,628
No. 7 Harmony Builder Area 805 Pavilion Park	5/2013	6,000 5.2 U/Ac	45	\$643,560	10%	\$707,916	-10%	40%	\$920,291
No. 8 Melrose Builder Area 807 Pavilion Park	4/2013	6,000 4.6 U/Ac	61	\$712,284	10%	\$783,512	-10%	50%	\$1,096,917

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Static Residual Analysis to Finished Lot Value

The purpose of this analysis is to estimate a value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a subdivision represents the highest and best use and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects that will have a typical holding period of two+ years which represents the typical holding period anticipated by merchant builders. The Static Residual Analysis best replicates the investor's analysis when determining what can be paid for the land based on proposed product. Purchase of the land is simply treated as one of the components necessary to build the houses to sell to the homeowner. When all the components of the end-product can be identified and reasonable estimates of costs and profit can be allocated, the Static Residual Analysis becomes the best indicator of value to a merchant builder for a specific product. Specific product information is available, which makes this analysis particularly meaningful.

The analysis uses an estimated average base sales price, for a specific product, then deducts the various costs including direct and indirect costs of construction, marketing, taxes and overhead, as well as the required profit margin to attract an investor in light of the risks and uncertainties of the project and residential market. For most typical subdivisions, this analysis is most helpful when significant lot and or view premiums are not present. For properties without ocean views, when negotiating land price, builders typically will consider the value of lot premiums when they are significant, but typically do not give the premiums full consideration. When a downturn in the market occurs or there is a slight stall in a sales program, premiums are typically the first thing to be negotiated. The ocean-orientation of Sea Summit offers significant canyon views, to expansive blue water and white water ocean views. The premiums associated with these types of views are significant and material in the development of ocean oriented projects. Based on numerous interviews with builders and developers throughout Orange County and San Diego County throughout several residential business cycles, consideration of potential view and/or lot premiums is discounted when negotiating price

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for land. Therefore, 60% of the developer's estimated average view premium per product is used in the Static Residual Analysis.

End-product Sales Prices

The analysis uses the average base sales price with lot premiums. Because the proposed development offers expansive canyon and ocean views, the estimated view premiums are significant. As discussed in the Highest and Best Use section of this report, the presales at the subject property have reportedly been met with good response both in base sales price and view premiums. The new product in Dana Point, The Grand Monarch, has reportedly sold similar size dwelling units with similar view premiums to that at Sea Summit. To support our analysis of view premiums we have investigated three communities that have view premiums. The Strand in Dana Point, the Grand Monarch in Dana Point and the Artisan Collection in Ladera Ranch. The Strand is ocean oriented custom home development with very good to excellent ocean views. Beach front lots are priced over \$10,000,000. The close ocean view lots are priced about \$5,000,000± and the distant ocean view lot are priced at \$3,000,000±. This supports a 50% price reduction going from beach front to close ocean views. It also indicates a 40% price reduction going from close ocean view to distant ocean views. The ocean views are the primary reason for the price differences in this project.

The Grand Monarch is located on the inland side of Pacific Coast Highway. View premiums generally range from golf course views to golf course with very distant ocean views. The premiums range from \$150,000 to \$500,000. According to the sales staff there is no resistance from buyers concerning these view premiums. The Artisan Collection has only canyon views. According to the sales staff, the views range from \$275,000 to \$350,000 for the various canyon views. They also reported that there is no buyer resistance. In general, the views at both the Grand Monarch and the Artisan Collection are inferior to the views at Sea Summit.

Market conditions appear to support the estimated view premiums for the subject development. Because of the significance of the views and associated premiums, we

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have included a conservative estimate of 60% of the average view premium per product for use in the Static Residual Analysis.

Direct Development Costs

We have interviewed local builders in the Orange County and San Diego County market areas for estimates of direct construction costs for similar products. The developer has provided direct construction cost estimates for the four proposed products. Based on our understanding of the proposed quality of construction, home size and functional utility, the estimates of direct construction costs provided by the developer appear supported and are used in this analysis.

Indirect construction costs, such as insurance, architecture and engineering costs, and permits have been estimated at 2% of sales price, which is found to be an industry standard for use in this analysis.

General and Administrative

General and administrative costs are estimated at 3% of sales price. This category covers such expenses as administrative, professional fees, real estate taxes, HOA dues, and miscellaneous costs. This estimate is typical and consistent with the market.

Marketing and Warranty

Marketing and sales expenses plus warranty costs are estimated at 8% of sales price. This category covers such expenses as advertising and sales commissions and home warranties. This estimate is consistent with the market for high end products.

Developer Profit

The line item for profit reflects the required margin to attract an investor in light of the risk and uncertainties of a specific product. This analysis assumes a finished lot and no on-site construction. Therefore, additional risk of development is unknown. In general, when merchant builder lots are purchased, building permits can be issued.

Based on surveys of builders, current profit requirements are typically 8% of revenues. This profit estimate is for projects that can be constructed and sold out in a

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two-year period. Higher profits can be required for longer construction/sellout periods and riskier projects. Lower profits can be accepted in inexpensive land cost areas where homes sell quickly. Based on a review of the absorption estimates by Empire Economics for the subject products and competing subdivisions, a sales rate of 1.0± to 2.5± units per month per product appears supportable.

The line item for profit is based on a typical holding period sought by merchant builders; that of 2 years. A 3½± to 5½± year holding time appears more likely for the sell out of the four products. The two smaller products are expected to sell out before the larger and more expensive products. Based on current market conditions and the outlook for the next 12 to 24 months, an 11% line item for profit is estimated for the Aqua product proposed for 127 dwellings and a 4½ year holding time; a 10% line item for profit is used for the Sapphire product with a 3½ year holding time; and a 12% line item for profit is used for the two most expensive products with 5½ year holding times.

Interest During Holding Period

A typical allowance for financing during the holding period has been between 5% and 7%. Based on recent interviews with builders in the subject market area, we have chosen a 6% deduction for financing during the holding period.

Site Costs

Because this analysis residuals to a finished lot condition, deductions for costs to bring to a finished lot condition are not required. Please refer to the following pages for copies of the Static Residual Analysis for each proposed product in the District.

SAPPHIRE
Taylor Morrison
Estimated Finished Lot Value

Plan No.	Size	Base Price
1	3,433	\$1,527,990
2	3,592	\$1,560,990
3	3,873	\$1,598,990
Average	3,633	\$1,562,657

Plus est. Lot Premium \$246,000
Average Price with Premium \$1,808,657

Single Family Detached

Average Lot Size 6,000 SF
67 Proposed Dwellings

Land Ratios

Average Retail Value of Improvements \$1,808,657 \$497.89
(Per sq. ft.)

Average Dwelling Size (Sq. Feet)	3,633	
Direct Building Cost Per Sq. Ft.	\$117.00	\$425,022
Indirect Construction Costs	2.00%	\$36,173
General & Administrative Costs	3.00%	\$54,260
Marketing and Warranty Costs	8.00%	\$144,693
Builder's Profit	10.00%	\$180,866
Interest During Holding Period	6.00%	\$108,519
Costs to bring to Finished Lot		<u>None</u>

Finished Lot Value Estimate **\$859,124**
Rounded to: **\$859,000**

Finished Lot 0.47

AZURE
Taylor Morrison
Estimated Finished Lot Value

Plan No.	Size	Base Price
55-1	3,775	\$1,780,990
55-2	4,081	\$1,890,990
55-3	2,536	\$1,500,990
60-1	4,064	\$1,925,990
60-2	4,260	\$2,010,990
60-3	4,713	\$2,145,990
Average	3,905	\$1,875,990

Plus est. Lot Premium \$328,000
Average Price with Premium \$2,203,990

Single Family Detached

Land Ratios

Average Lot Size 8,000 SF
73 Proposed Dwellings

Average Retail Value of Improvements \$2,203,990 \$564.43
(Per sq. ft.)

Average Dwelling Size (Sq. Feet)	3,905	
Direct Building Cost Per Sq. Ft.	\$117.00	\$456,866
Indirect Construction Costs	2.00%	\$44,080
General & Administrative Costs	3.00%	\$66,120
Marketing and Warranty Costs	8.00%	\$176,319
Builder's Profit	12.00%	\$264,479
Interest During Holding Period	6.00%	\$132,239
Costs to bring to Finished Lot		<u>None</u>

Finished Lot Value Estimate **\$1,063,888**
Rounded to: **\$1,064,000**

Finished Lot 0.48

**INDIGO
Taylor Morrison
Estimated Finished Lot Value**

Plan No.	Size	Base Price
1	4,633	\$2,195,990
2	4,913	\$2,275,990
3	5,349	\$2,500,990
Average	4,965	\$2,324,323

Plus est. Lot Premium	\$641,000
Average Price with Premium	\$2,965,323

Single Family Detached

*Average Lot Size 10,000 SF
24 Proposed Dwellings*

Land
Ratios

Average Retail Value of Improvements	\$2,965,323	\$597.25 (Per sq. ft.)
--------------------------------------	-------------	---------------------------

Average Dwelling Size (Sq. Feet)	4,965	
Direct Building Cost Per Sq. Ft.	\$128.74	\$639,194
Indirect Construction Costs	2.00%	\$59,306
General & Administrative Costs	3.00%	\$88,960
Marketing and Warranty Costs	8.00%	\$237,226
Builder's Profit	12.00%	\$355,839
Interest During Holding Period	6.00%	\$177,919
Costs to bring to Finished Lot		<u>None</u>

Finished Lot Value Estimate	\$1,406,879
Rounded to:	<u>\$1,407,000</u>

Finished Lot 0.47

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Conclusion of Finished Lot Values

The following table summarizes the conclusions of finished lot values by the Direct Comparison Approach, the Static Residual Analysis and the concluded finished lot value. We were unable to uncover any comparable lot sale for Indigo in PA-4. Due to the continued changes in the residential market, specific proposed product information available and limited current land sales, we have given more consideration to the results of the Static Residual Analysis.

Finished Lot Value Conclusions					
<u>Product/Builder</u>	<u>Direct Comparison Approach</u>	<u>Average Lot Size</u>	<u>Static Residual Analysis</u>	<u>Finished Lot Ratio</u>	<u>Concluded Lot Value</u>
Aqua PA-1	\$525,000- \$540,000	Courtyard 4,384 SF	\$470,000	44%	\$470,000
Sapphire PA-2	\$725,000- \$885,000	6,916SF	\$859,000	47%	\$859,000
Azure PA- 3 & 4	\$900,000- \$1,100,000	7,472 SF	\$1,064,000	48%	\$1,064,000
Indigo PA-4	N/A N/A	10,221 SF	\$1,407,000	47%	\$1,407,000

The District is a developed parcel with site condition in a near physically finished lot condition as of the date of value. The preceding section valued the four merchant builder parcels assuming a finished lot condition. To arrive at an estimate of value for the "as is" condition of the land, a deduction for the costs associated with development of the land from its current condition to a finished lot condition is required. A deduction of the costs to complete as of September 15, 2015 is made to arrive at an estimate of value for the 278 lots within the District, without vertical construction. Site costs have been provided by the developer, Taylor Morrison Communities. The site improvement costs include all direct and indirect construction costs associated with improving the land to finished lots. The CFD reimbursements are added to arrive at the as is value of CFD No. 2006-1.

Conclusion of "As Is" Land Value

The Static Residual Analyses provided estimates of finished lot values per

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product, assuming development by a merchant builder. As discussed in the Static Residual Analysis section, the typical merchant builder buys land to development and sell the end product within a 2± year holding period. Generally profit sought by a merchant builder for a 2± year holding period is 7% to 8% under normal market conditions. The four proposed products have an estimated holding period from 3½ years to 5½ years. The analyses used a higher profit margin between 10% and 12% for the addition holding time and risks associated with the four products. However, all of the land is currently under the ownership of Taylor Morrison. To address the additional risk associated with development of the 278 proposed dwelling units to a single ownership, an additional 10% deduction from the "as is" land value is estimated to arrive at the estimated "As Is" Value for the District, by the Static Residual Analysis.

The following table illustrates the "As Is" Value estimate for the undeveloped land under the ownership of Taylor Morrison.

Ownership of Taylor Morrison

Aqua Product	114 Lots	\$ 53,580,000
Sapphire Product	67 Lots	\$ 57,553,000
Azure Product	73 Lots	\$ 77,672,000
Indigo Product	24 Lots	<u>\$ 33,768,000</u>
Taylor Morrison – 278 Finished Lots		\$ 222,573,000
Less: Remaining Site Costs		(\$ 53,000,000)
Plus: CFD Reimbursements		<u>\$ 51,465,557</u>
		\$ 221,038,557
Discounted at 10%:		<u>(\$ 22,103,856)</u>
"As Is" Estimated Value – 278 Lots		\$ 198,934,701
Say		\$ 198,900,000

DEVELOPMENT ANALYSIS

The Developmental Analysis for estimating value is based upon the premise that one would not pay more for land and improvements than its contributory value to the economic enterprise of developing the parcel into single-family homes. It essentially treats land as one of the raw materials required for developing a subdivision. If one is able to prepare a reasonably reliable forecast of the related prices of the end-product and identify all the costs and required profit margin, what is residual or left over is what is available to acquire the property.

In the case of the subject property, the residual value indicated by this discounted cash flow reflects the "as is" condition of the land under site construction. The steps in the Developmental Analysis are as follows:

1. Analyze the highest and best use and determine the land plan which will be utilized in the Developmental Analysis.
2. Estimate the sales price which can be anticipated for the proposed products in the District.
3. Estimate the absorption rate for the proposed products.
4. Estimate the direct and indirect costs, including marketing and G&A.
5. Estimate the required annual before-tax discount rate required to attract a developer in light of the risks and uncertainties.

This Developmental Analysis considers the development of the land as currently proposed by Taylor Morrison Communities. The analysis and estimated value conclusion also assumes the sale of bonds from CFD No. 2006-1, of which bond proceeds of approximately \$51,500,000± will be paid to the developer for reimbursement of public infrastructure improvements.

Taylor Morrison Communities has provided a summary of the site costs for the remaining infrastructure improvements for the District. It is the appraisers understanding that the costs were prepared by their engineering consultants. The proceeds from the sale of bonds for CFD No. 2006-1 are estimated at \$51,500,000±. The total

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development costs to bring the land to finished lot condition are approximately \$92,000,000 which equates to approximately \$297,735 per dwelling unit. Of those costs, reportedly \$39,000,000± have been spent to date. Therefore, an additional \$53,000,000 of costs remain to be spent to bring the land from its "as is" condition as of September 15, 2015 to a finished site condition ready to issue building permits.

Proposed Product

Within the Highest and Best Use section of this report, market demand was discussed. The current proposed product for the subject's ocean oriented community is within the current demand range. The proposed unit mix has been provided by Taylor Morrison Communities and it appears reasonable.

As indicated on the Comparable Residential Project Summary included in the Highest and Best Use section of this report, the subject's proposed base pricing appears supported by currently selling high-end subdivision in Central Orange County, of similar size and quality. The ocean-orientation of Sea Summit offers significant canyon views, to expansive and white water ocean views. The premiums associated with these types of views are significant and material in the development of ocean oriented projects. As previously discussed, Sea Summit has just begun model home and production home construction. A presales program began the end of August for three of the four products. While the development of Sea Summit has met with good market response, only reservations have been taken at this time. An active sales program is expected to begin in November 2015, at which time the reservations are anticipated to convert to signed contracts and open escrows. Based on numerous interviews with builders and developers throughout Orange County and San Diego County throughout several residential business cycles, consideration of potential view and/or lot premiums is limited when negotiating price for land. Therefore, the discounted cash flow analysis is using 60% of the developer's estimated average view premium per product.

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Absorption

The discussions of absorption are included in the Highest and Best Use section of this report, and reflect a market-supported absorption for the subject property. The Empire Economics report indicates absorption of 1 to 2.5± dwelling units per product per month. This represents a 5± year absorption period. The discounted cash flow also assumes completion of site construction in a timely manner to meet market demand of the units.

Direct and Indirect Costs

Site Development Costs

As of the date of value, approximately \$53,000,000 remains to be spent for site construction to bring all of the land within the District to a finished lot condition and complete all off-site improvements. At the time of this appraisal report, CFD proceeds are estimated around \$51,500,000±. The timeline for the site improvements is based on a review of the cash flow projections for each product, provided by the developer, Taylor Morrison Communities.

Dwelling Unit Costs

The subject property is proposed for four products ranging from courtyard homes with an average size of 2,378 square feet to traditional detached dwellings on an average lot size of 10,221 square feet and average home size of 4,965 square feet. The direct and indirect construction costs have been provided by the developer, Taylor Morrison Communities and appear reasonable and supportable by the market. The direct costs per square foot range from \$117.00 for the Aqua, Sapphire and Azure products to \$127.00 per square foot for the Indigo product. Indirect costs are estimated at \$9.00 to \$11.00 per square foot.

Marketing

Marketing and sales expenses are estimated at 8% of gross revenue. This category covers such expenses as advertising, sales commissions and warranty costs. These expenses are realized at the time of sale.

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General and Administrative

General and administrative costs are estimated at 3%. This category covers such expenses as administrative, professional fees, taxes, HOA dues and miscellaneous costs. These expenses are realized at the time of sale.

Inflation Factor

For purposes of the discounted cash flow analysis, we have used constant dollars. We are of the opinion that in light of today's stabilizing market, a prudent investor would not inflate revenue in their discounted cash flow analysis.

Discount Rate

The final step in our discounted cash flow analysis is to estimate the appropriate discount rate in light of uncertainties and risks. There are various factors which go into selecting a discount rate for a planned community such as the subject. Typically, when valuing a property, we assume an all cash transaction and then discount for time, risk and required profit margin. A publication from the Real Estate Research Corporation indicates the rate of return for a land investment assuming a three-to-five year holding period is 20% of gross sales.

Interviews of land developers and merchant builders indicate the anticipated holding period for a master planner/developer is three-to-eight years. Land developers generally are looking for a 20% to 30% return on gross sales, with an average of 22% to 25%. This is based on raw land prior to infrastructure. During this same time frame, the merchant builders were looking for a profit as a percentage of gross revenues of 8%±. The estimated holding period was two± years for the merchant builder and land was typically purchased in blue-top lot or finished lot condition.

Estimating value by use of a discounted cash flow analysis requires various assumptions and judgment by the appraiser. It is the appraisers' function to reflect the motives of real estate investors. The cash flow model needs to reflect the actual state of the market as of a specific time.

HRA

One negative aspect of a discounted cash flow is that often this analysis requires absorption rates that have not been proven and revenues that are proposed but not tested. However, in the case of three of the subject's four proposed products, presales have begun. While the pre-sale time is limited, it does indicate that there is demand for the products. According to the sales agent, the base pricing and premiums have not met with resistance. The base pricing appears supported by similar size and quality developments in coastal Orange County. The premium structure is difficult to support due to the lack of currently selling comparable projects. The view/lot premiums being achieved at The Grand Monarch in Dana Point (ocean views) and The Artisan Collection (canyon views) in Ladera Ranch, appear to support the view premiums proposed at Sea Summit. As discussed in the Static Residual Analysis, merchant builders do not typically negotiate land price based on a 100% of the premiums. When there is a stall in a sales program, or downturn in the market, view/lot premiums are the first to be negotiated by home buyers. For use in the discounted cash flow, the appraiser's have estimated 60% of the average view premium for each product. This discounted cash flow reflects the proposed price structure, in a stabilizing market. The projected holding period estimated for the developer/builder is 5½ years.

The discounted cash flow reflects a 5½ year absorption period for the District. To reflect market risks in both the model assumptions and the discount rate results in the property being penalized twice for the same risk. The model assumptions reflect current pricing. Additional risk in the model assumptions are possible negative economic factors in the future, increasing mortgage rates and a slower residential market, resulting in flat sales prices.

To build a discount rate, three components must be addressed: safe rate, risk rate and inflation rate. The safe rate is defined as that compensation paid to a lender or investor for the use of money. The risk rate is the compensation paid to the lender or investor to offset possible losses that occur when a borrower or investment fails to meet periodic payments or pay back borrowed funds. The inflation rate is defined as that compensation paid to the lender or investor to offset losses that may occur to the purchasing power of the payments received and the principal returned.

HRA

To estimate a discount rate appropriate for the subject property, we have begun with a safe rate that has averaged between 3% and 5% over time. During normal market conditions, improved real estate investments have had a risk rate between 1.25 and 2.5 times the safe rate, while vacant or subdivision land has had a risk rate between 3 and 5 times the safe rate. Inflation more recently has been minimal, while near term projections are around 3%. For the subject we have assumed a safe rate of 4%, a real estate risk rate of 4.0 times the safe rate and inflation of 3%, the indicated discount rate is: $(4\% \times 4.0) + 3\% = 19\%$.

Based on the good location of CFD No. 2006-1 with public infrastructure improvements complete, an ocean influence, employment and retail developments nearby, we have concluded with a discount rate of 20% for the subject property. The site is entitled for the proposed uses and proposed product is within the market demand range. The site is under construction and the time-line for dwellings and unit absorption is considered reasonable and supported. Please refer to the following page which illustrates the discounted cash flow analysis for the "As Is" Value of the taxable land within CFD No. 2006-1. The estimated "As Is" Value for the 278 lots by the Developmental Analysis is \$187,000,000.

**CITY OF SAN CLEMENTE
DEVELOPMENTAL ANALYSIS
Taylor Morrison**

Product Description	Estimated Average Price/Dwelling	No. Dwellings	2015	2016	2017	2018	2019	2020	2021	Total	
			Sep-15	Apr-Sept 2016	Apr-Sept 2017	Oct-Mar 2018	Apr-Sept 2018	Oct-Mar 2019	Apr-Sept 2019		Oct-Mar 2020
Aqua Product	\$1,068,990	114	0.0	2.0	3.0	5.0	6.0	7.0	8.0	10.0	11.0
Sapphire Product	\$1,808,657	67	0	5	11	12	11	16	17	0	0
Azure Product	\$2,203,990	73	0	2	7	8	8	9	8	8	7
Indigo Product	\$2,965,323	24	0	2	2	3	2	3	2	2	2
Total Solid Dwelling Units		278	0	17	34	38	39	45	27	10	9
Unsold Dwelling Units Per Semi-Annual Period			278	260	226	150	111	66	39	9	0
Revenue/Product			\$0	\$8,551,920	\$14,965,960	\$17,103,840	\$17,103,840	\$18,172,830	\$18,172,830	\$8,551,920	\$0
Aqua Product			\$0	\$9,045,285	\$19,895,227	\$21,703,884	\$21,703,884	\$28,838,512	\$28,838,512	\$0	\$0
Sapphire Product			\$0	\$4,407,980	\$15,427,930	\$17,631,920	\$17,631,920	\$19,835,910	\$17,631,920	\$15,427,930	\$0
Azure Product			\$0	\$5,930,646	\$5,930,646	\$8,695,969	\$8,695,969	\$5,930,646	\$5,930,646	\$5,930,646	\$5,930,646
Indigo Product			\$0	\$2,965,323	\$2,965,323	\$5,930,646	\$5,930,646	\$41,735,396	\$41,735,396	\$23,562,566	\$21,556,576
TOTAL REVENUE (Constant Dollars)			\$0	\$27,333,831	\$56,219,663	\$62,370,290	\$63,131,623	\$75,843,221	\$75,843,221	\$37,283,799	\$23,562,566
Inflation factor of 0% annually - Revenues			1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Inflation factor of 0% annually - Costs			1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
EXPENSES:			\$0	\$2,397,024	\$4,194,792	\$4,794,048	\$4,794,048	\$5,093,676	\$5,093,676	\$2,397,024	\$0
Direct & Indirect Dwelling Unit Costs - Aqua Product			\$0	\$2,316,480	\$5,096,256	\$5,559,552	\$5,559,552	\$7,412,736	\$7,412,736	\$0	\$0
Direct & Indirect Dwelling Unit Costs - Sapphire Product			\$0	\$1,003,520	\$3,512,320	\$4,014,080	\$4,014,080	\$4,515,840	\$4,014,080	\$3,512,320	\$0
Direct & Indirect Dwelling Unit Costs - Azure Product			\$0	\$1,394,628	\$1,394,628	\$2,091,942	\$2,091,942	\$1,394,628	\$1,394,628	\$1,394,628	\$1,394,628
Site Costs to bring to Finished Site Condition - \$40,000,000			\$0	\$15,000,000	\$15,000,000	\$0	\$0	\$2,025,000	\$2,025,000	\$900,000	\$0
Impact Fees @ Building Permit - \$45,000/Lot			\$0	\$45,000	\$45,000	\$1,710,000	\$1,710,000	\$1,215,000	\$1,215,000	\$450,000	\$0
Less G & A Costs @ 3%			\$0	\$88,960	\$1,686,990	\$1,871,109	\$1,871,109	\$2,275,297	\$2,275,297	\$1,115,514	\$0
Less Marketing Costs @ 8%			\$0	\$237,226	\$4,497,573	\$5,050,530	\$5,050,530	\$6,067,458	\$6,067,458	\$2,982,704	\$1,708,677
Total Expenses			\$0	\$25,946,373	\$31,912,159	\$24,612,341	\$24,612,341	\$29,481,948	\$29,481,948	\$14,006,024	\$6,450,590
Plus CFD Reimbursements			\$51,465,557	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Before Discounting			\$51,465,557	\$1,984,458	\$24,307,504	\$38,037,250	\$38,149,388	\$46,361,273	\$46,361,273	\$15,111,976	\$13,697,185
Present Worth Factor at 20%			1.000000	0.826446	0.751315	0.683013	0.620921	0.564474	0.513158	0.466507	0.385543
AS IS VALUE			\$51,465,557	\$1,640,048	\$18,262,568	\$25,973,964	\$23,917,444	\$23,750,663	\$11,861,938	\$9,872,049	\$4,800,780
Rounded To											

\$187,039,697

HRA

Conclusion of Market Value for 278 Lots within CFD No. 2006-1

The Developmental Analysis indicates an "As Is" value estimate of \$187,000,000 for the 278 lots. The estimated value by Direct Comparison of merchant builder land sales and the Static Residual Analysis is \$198,900,000 for the 278 lots. The District is proposed for 309 detached single family dwellings with completion of site construction to a near physically finished lot condition with 12 model homes under construction and 19 production dwellings under construction. The 31 dwellings are not included in the valuation of the land. It is our opinion that the results of the Development Analysis are the most reliable in valuing the property under site construction. Giving greatest emphasis to the discounted cash flow, the estimated "As Is" Market Value for the 278 lots in CFD No. 2006-1 is \$190,000,000.

Conclusion of Market Value for 309 Dwellings and Lots within CFD No. 2006-1

To arrive at a total value for the District in its current site and unit condition the additional value for the 12 model homes under construction and 19 production dwellings under construction must be included. Please refer to the following calculations for the "As Is" Market Value estimate of CFD No. 2014-1.

Estimated Value for 278 lots under site construction:	\$190,000,000
Estimated Value for 12 model homes under construction	\$ 12,900,000
Estimated Value for 19 dwellings under construction:	<u>\$ 16,100,000</u>
Total Estimated Market Value for CFD No. 2006-1:	\$219,000,000

HRA

VALUATION CONCLUSION

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value has been formed as of September 15, 2015.

CFD NO. 2006-1

TWO HUNDRED NINETEEN MILLION DOLLARS

\$219,000,000

Exposure Time

Considering the size, location and site condition of the subject property, we have estimated an exposure time of approximately 9± to 12± months would have been required to sell the property.

HRA

CERTIFICATION

We hereby certify that during the completion of this assignment, we personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

We have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

We have not provided appraisal services regarding the subject property within the last three years to our client, the City of San Clemente.

To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

As of the date of this report, James B. Harris has completed the requirements of the continuing education program of the Appraisal Institute.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

No one provided significant real property appraisal assistance to the persons signing this certificate.

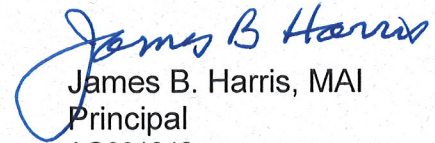
HRA

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. In furtherance of the aims of the Appraisal Institute to develop higher standards of professional performance by its Members, we may be required to submit to authorized committees of the Appraisal Institute copies of this appraisal and any subsequent changes or modifications thereof.

Respectfully submitted,



Berri Cannon Harris
Principal
AG009147



James B. Harris, MAI
Principal
AG001846

HRA

ADDENDA

QUALIFICATIONS

HARRIS REALTY APPRAISAL

5100 Birch Street, Suite 200

Newport Beach, CA 92660

(949) 851-1227

**QUALIFICATIONS
OF
JAMES B. HARRIS, MAI**

PROFESSIONAL BACKGROUND

Actively engaged as a real estate analyst and consulting appraiser since 1971. Principal of **Harris Realty Appraisal**, with offices at:

5100 Birch Street, Suite 200
Newport Beach, California 92660

Before forming Harris Realty Appraisal, in 1982, was employed with Real Estate Analysts of Newport, Inc. (REAN) as a Principal and Vice President. Prior to employment with REAN was employed with the Bank of America as the Assistant Urban Appraisal Supervisor. Previously, was employed by the Verne Cox Company as a real estate appraiser.

PROFESSIONAL ORGANIZATIONS

Member of the Appraisal Institute, with MAI designation No. 6508
Director, Southern California Chapter – 1998, 1999
Chair, Orange County Branch, Southern California Chapter -1997
Vice-Chair, Orange County Branch, Southern California Chapter - 1996
Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998
Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999
Chairman, Southern California Chapter Seminar Committee - 1991
Chairman, Southern California Chapter Workshop Committee - 1990
Member, Southern California Chapter Admissions Committee - 1983 to 1989
Member, Regional Standards of Professional Practice Committee -1985 - 1997

Member of the International Right-of-Way Association, Orange County Chapter 67.

California State Certified Appraiser, Number AG001846

EDUCATIONAL ACTIVITIES

B.S., California State Polytechnic University, Pomona

Successfully completed the following courses sponsored by the Appraisal Institute and the Right-of-Way Association:

Course I-A	Principles of Real Estate Appraisal
Course I-B	Capitalization Theory
Course II	Urban Properties
Course IV	Litigation Valuation
Course VI	Investment Analysis
Course VIII	Single-Family Residential Appraisal
Course SPP	Standards of Professional Practice
Course 401	Appraisal of Partial Acquisitions

Has attended numerous seminars sponsored by the Appraisal Institute and the International Right-of-Way Association.

TEACHING AND LECTURING ACTIVITIES

Seminars and lectures presented to the Appraisal Institute, the University of California-Irvine, UCLA, California Debt and Investment Advisory Commission, Stone & Youngberg and the National Federation of Municipal Analysts.

MISCELLANEOUS

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

LEGAL EXPERIENCE

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsel in the completion of over 300 Land Secured Municipal Bond Financing appraisals over the last 20 years.

SCOPE OF EXPERIENCE

Feasibility and Consultive Studies

Feasibility and market analyses, including the use of computer-based economic models for both land developments and investment properties such as shopping centers, industrial parks, mobile home parks, condominium projects, hotels, and residential projects.

Appraisal Projects

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona, Florida, Georgia, Hawaii, Nevada, New Jersey, Oklahoma, Oregon, and Washington.

Residential

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

Commercial

Office buildings, hotels, motels, retail store buildings, restaurants, power shopping centers, neighborhood shopping centers, and convenience shopping centers.

Industrial

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

Vacant Land

Community Facilities Districts, Assessment Districts, master planned communities, residential, commercial and industrial sites; full and partial takings for public acquisitions.

**QUALIFICATIONS
OF
BERRI CANNON HARRIS**

PROFESSIONAL BACKGROUND

Actively engaged as a real estate appraiser since 1982. Principal of ***Harris Realty Appraisal***, with offices at:

5100 Birch Street, Suite 200
Newport Beach, California 92660

Before joining Harris Realty Appraisal was employed with Interstate Appraisal Corporation as Assistant Vice President. Prior to employment with Interstate Appraisal was employed with Real Estate Analysts of Newport Beach as a Research Assistant.

PROFESSIONAL ORGANIZATIONS

Appraisal Institute

Co-Chair, Southern California Chapter Hospitality Committee - 1994 - 1998
Chair, Southern California Chapter Research Committee - 1992, 1993

Commercial Real Estate Women, Orange County Chapter

Chair, Special Events – 1998, 1999, 2000, 2001, 2002, 2003
Second Vice-President - 1996, 1997
Treasurer - 1993, 1994, 1995
Chair, Network Luncheon Committee - 1991, 1992

California State Certified Appraiser, Number AG009147

EDUCATIONAL ACTIVITIES

B.S., University of Redlands, Redlands, California

Successfully completed the following courses sponsored by the Appraisal Institute:

Principles of Real Estate Appraisal
Basic Valuation Procedures
Capitalization Theory and Techniques - A
Capitalization Theory and Techniques - B
Report Writing and Valuation Analyses
Standards of Professional Practice
Case Studies in Real Estate Valuation

Has attended numerous seminars sponsored by the Appraisal Institute. Has also attended real estate related courses through University of California-Irvine.

LECTURING ACTIVITIES

Seminars and lectures presented to UCLA, California Debt and Investment Advisory Commission, and Stone & Youngberg.

MISCELLANEOUS

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

SCOPE OF EXPERIENCE

Appraisal Projects

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona and Hawaii.

Residential

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

Commercial

Office buildings, retail store buildings, restaurants, neighborhood-shopping centers, strip retail centers.

Industrial

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

Vacant Land

Residential sites, commercial sites, industrial sites, large multi-unit housing, master planned unit developments, and agricultural acreage. Specializing in Community Facilities District and Assessment District appraisal assignments.

PARTIAL LIST OF CLIENTS

Lending Institutions

Bank of America	NationsBank
Bank One	Preferred Bank
Commerce Bank	Santa Monica Bank
Downey S&L Assoc.	Tokai Bank
Fremont Investment and Loan	Union Bank
Institutional Housing Partners	Wells Fargo Bank

Public Agencies

Army Corps of Engineers	City of Palm Springs
California State University	City of Perris
Caltrans	City of Rialto
City of Adelanto	City of Riverside
City of Aliso Viejo	City of San Marcos
City of Beaumont	City of Tustin
City of Camarillo	City of Victorville
City of Corona	City of Yucaipa
City of Costa Mesa	County of Hawaii
City of Encinitas	County of Orange
City of Fontana	County of Riverside
City of Fullerton	County of San Bernardino
City of Hesperia	Eastern Municipal Water District
City of Honolulu	Orange County Sheriff's Department
City of Huntington Beach	Ramona Municipal Water District
City of Indian Wells	Rancho Santa Fe Comm. Services District
City of Indio	Capistrano Unified School District
City of Irvine	Hemet Unified School District
City of Lake Elsinore	Hesperia Unified School District
City of Loma Linda	Romoland School District
City of Los Angeles	Saddleback Valley Unified School District
City of Moreno Valley	Santa Ana Unified School District
City of Newport Beach	Sulphur Springs School District
City of Oceanside	Val Verde Unified School District
City of Ontario	Yucaipa-Calimesa Joint Unified School Dist.

Law Firms

Arter & Hadden	McClintock, Weston, Benshoof, Rocheffort & MacCuish
Bronson, Bronson & McKinnon	Palmiri, Tyler, Wiener, Wilhelm, & Waldron
Bryan, Cave, McPheeters & McRoberts	Sonnenschein Nath & Rosenthal
Richard Clements	Strauss & Troy
Cox, Castle, Nicholson	Wyman, Bautzer, Rothman, Kuchel & Silbert
Gibson, Dunn & Crutcher	
Hill, Farrer & Burrill	

SUMMARY OF SITE DEVELOPMENT COSTS

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34501200 - Marblehead PA1 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34501200 - Marblehead PA1 -LD</i>							
<i>Lot : 009000</i>							
	Consultants / Soft Costs / Fees						
001421	Engineer - Civil	10	103,972.00	93,248.00	197,220.00	10,400.00	186,820.00
001422	Engineer - Environmental	10	2,500.00	-660.80	1,839.20	1,226.30	612.90
001424	Engineer - Electrical	10	7,500.00	0.00	7,500.00	5,000.00	2,500.00
001425	Engineer - Mechanical	10	3,500.00	660.80	4,160.80	4,160.80	0.00
001426	Engineer - Soils	10	58,390.00	61,610.00	120,000.00	40,298.75	79,701.25
001427	Engineer - Structural	10	70,000.00	0.00	70,000.00	67,362.00	2,638.00
001431	Consulting Fees - Landsc Arch	10	45,000.00	30,000.00	75,000.00	45,500.00	29,500.00
001460	Reproduction Services	10	25,000.00	0.00	25,000.00	15,372.44	9,627.56
001500	Surveying	10	108,720.00	228,466.25	337,186.25	0.00	337,186.25
003135	Consulting Fees - Biologist	10	12,795.00	-12,795.00	0.00	0.00	0.00
003200	Consulting Fees - Noise/vibrat	10	4,000.00	0.00	4,000.00	0.00	4,000.00
003210	Consulting Fees - Utilities	10	18,900.00	10,100.00	29,000.00	27,000.00	2,000.00
003250	Consulting Fees - DRE	10	6,000.00	0.00	6,000.00	0.00	6,000.00
700100	Architecture Fees and Plans	10	300,000.00	13,463.97	313,463.97	313,463.97	0.00
740100	Legal - DRE/HOA/Disclosure	10	85,000.00	0.00	85,000.00	3,134.00	81,866.00
011530	Plan Check Fees	10	115,270.00	0.00	115,270.00	74,108.03	41,161.97
011850	Fees - DRE	10	45,000.00	0.00	45,000.00	6,080.00	38,920.00
011995	Bond Fees	10	22,806.00	21,124.00	43,930.00	43,930.00	0.00
162510	Electrical	10	175,000.00	89,232.00	264,232.00	264,232.00	0.00
570150	Reimbursement - Utilities	10	-355,802.00	145,802.00	-210,000.00	0.00	-210,000.00
			-----	-----	-----	-----	-----
	Total Consultants / Soft Costs / Fees		853,551.00	680,251.22	1,533,802.22	921,268.29	612,533.93
	Hard Development Costs						
001432	Consulting-Struct Conc Testing	10	0.00	9,088.00	9,088.00	9,088.00	0.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34501200 - Marblehead PA1 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
013530	SWPPP	10	113,673.00	0.00	113,673.00	670.00	113,003.00
021500	Fill-Import/Export	10	0.00	100,000.00	100,000.00	58,548.00	41,452.00
021520	Grading	10	209,937.00	75,000.00	284,937.00	243,517.00	41,420.00
021535	Demolition	10	0.00	27,000.00	27,000.00	27,000.00	0.00
021560	Site Preparation	10	6,900.00	0.00	6,900.00	24,023.50	-17,123.50
029200	Landscaping	10	418,510.00	0.00	418,510.00	8,365.85	410,144.15
033100	Concrete/Flatwork	10	0.00	0.00	0.00	0.00	0.00
133120	Fences & Gates	10	365,550.00	0.00	365,550.00	165,084.65	200,465.35
162515	Joint Trench	10	443,916.00	0.00	443,916.00	139,456.71	304,459.29
162530	Roadway Lighting	10	0.00	119,578.00	119,578.00	56,597.36	62,980.64
310100	Roadways and Pavement	10	427,847.00	-75,000.00	352,847.00	138,533.75	214,313.25
310110	Signs and Striping	10	0.00	0.00	0.00	17,100.00	-17,100.00
310130	Curbs and Gutters	10	184,327.00	-44,578.00	139,749.00	45,846.20	93,902.80
310150	Repairs and Relocation	10	80,073.00	0.00	80,073.00	0.00	80,073.00
320100	Utility Water Distn System	10	391,430.00	-197,568.00	193,862.00	139,917.00	53,945.00
320120	Sanitary Sewerage Utilities	10	552,230.00	0.00	552,230.00	402,033.20	150,196.80
320140	Storm Drainage Utilities	10	269,382.00	32,980.00	302,362.00	302,362.00	0.00
530290	Misc Structures	10	75,000.00	0.00	75,000.00	57,955.50	17,044.50
			-----	-----	-----	-----	-----
	Total Hard Development Costs		3,538,775.00	46,500.00	3,585,275.00	1,836,098.72	1,749,176.28
	Permits & Fees						
011550	Building Permits	10	407,130.00	0.00	407,130.00	101,868.15	305,261.85
011810	Dev Chg - Education	10	1,169,820.00	0.00	1,169,820.00	203,200.00	966,620.00
011820	Fees - Road	10	726,944.00	0.00	726,944.00	118,008.40	608,935.60
011830	Fees - Park	10	613,636.00	0.00	613,636.00	97,087.40	516,548.60
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	Total Permits & Fees		2,917,530.00	0.00	2,917,530.00	520,163.95	2,397,366.05

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34501200 - Marblehead PA1 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Contingency						
573100	Contingency	20	765,539.00	-410,023.22	355,515.78	0.00	355,515.78
			-----	-----	-----	-----	-----
	Total Contingency		765,539.00	-410,023.22	355,515.78	0.00	355,515.78
			-----	-----	-----	-----	-----
	Development Costs		8,075,395.00	316,728.00	8,392,123.00	3,277,530.96	5,114,592.04

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34502200 - Marblehead PA2 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34502200 - Marblehead PA2 -LD</i>							
<i>Lot : 009000</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	64,174.00	2,166.00	66,340.00	22,840.00	43,500.00
001422	Engineer - Environmental	10	2,500.00	-336.35	2,163.65	1,118.60	1,045.05
001424	Engineer - Electrical	10	7,500.00	0.00	7,500.00	3,250.00	4,250.00
001425	Engineer - Mechanical	10	3,500.00	336.35	3,836.35	3,836.35	0.00
001426	Engineer - Soils	10	39,650.00	30,350.00	70,000.00	15,696.63	54,303.37
001427	Engineer - Structural	10	35,000.00	33,400.00	68,400.00	80,062.00	-11,662.00
001431	Consulting Fees - Landsc Arch	10	35,000.00	11,000.00	46,000.00	24,250.00	21,750.00
001460	Reproduction Services	10	25,000.00	0.00	25,000.00	11,508.20	13,491.80
001500	Surveying	10	62,090.00	54,217.50	116,307.50	28,062.00	88,245.50
003135	Consulting Fees - Biologist	10	14,625.00	-14,625.00	0.00	0.00	0.00
003200	Consulting Fees - Noise/vibrat	10	4,000.00	0.00	4,000.00	0.00	4,000.00
003210	Consulting Fees - Utilities	10	11,550.00	8,450.00	20,000.00	10,500.00	9,500.00
003250	Consulting Fees - DRE	10	6,000.00	0.00	6,000.00	0.00	6,000.00
700100	Architecture Fees and Plans	10	250,000.00	46,160.00	296,160.00	294,997.33	1,162.67
740100	Legal - DRE/HOA/Disclosure	10	65,000.00	0.00	65,000.00	0.00	65,000.00
011530	Plan Check Fees	10	62,018.00	0.00	62,018.00	56,954.90	5,063.10
011850	Fees - DRE	10	35,000.00	0.00	35,000.00	7,870.00	27,130.00
011995	Bond Fees	10	10,352.00	33,128.00	43,480.00	38,480.00	5,000.00
162510	Electrical	10	35,000.00	249,000.00	284,000.00	18,047.00	265,953.00
570150	Reimbursement - Utilities	10	-241,812.00	-22,188.00	-264,000.00	0.00	-264,000.00
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	Total Consultants / Soft Costs / Fees		526,147.00	431,058.50	957,205.50	617,473.01	339,732.49
Hard Development Costs							
013530	SWPPP	10	78,340.00	0.00	78,340.00	8,054.00	70,286.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34502200 - Marblehead PA2 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
021500	Fill-Import/Export	10	0.00	0.00	0.00	35,890.00	-35,890.00
021520	Grading	10	232,042.00	0.00	232,042.00	165,788.73	66,253.27
021560	Site Preparation	10	7,380.00	0.00	7,380.00	9,749.19	-2,369.19
029200	Landscaping	10	435,551.00	0.00	435,551.00	16,391.00	419,160.00
133120	Fences & Gates	10	826,225.00	0.00	826,225.00	361,921.46	464,303.54
162515	Joint Trench	10	546,161.00	0.00	546,161.00	0.00	546,161.00
162530	Roadway Lighting	10	0.00	175,893.93	175,893.93	80,418.92	95,475.01
310100	Roadways and Pavement	10	393,486.00	-150,000.00	243,486.00	0.00	243,486.00
310110	Signs and Striping	10	0.00	0.00	0.00	24,712.50	-24,712.50
310120	Construction Traffic Mgmt	10	0.00	0.00	0.00	0.00	0.00
310130	Curbs and Gutters	10	164,322.00	0.00	164,322.00	0.00	164,322.00
310150	Repairs and Relocation	10	50,107.00	0.00	50,107.00	0.00	50,107.00
320100	Utility Water Distn System	10	113,250.00	0.00	113,250.00	70,206.00	43,044.00
320120	Sanitary Sewerage Utilities	10	74,150.00	30,700.00	104,850.00	21,600.00	83,250.00
320140	Storm Drainage Utilities	10	48,187.00	0.00	48,187.00	17,922.00	30,265.00
530290	Misc Structures	10	75,000.00	0.00	75,000.00	0.00	75,000.00
	Total Hard Development Costs		3,044,201.00	56,593.93	3,100,794.93	812,653.80	2,288,141.13
	Permits & Fees						
011550	Building Permits	10	412,673.00	0.00	412,673.00	120,843.80	291,829.20
011810	Dev Chg - Education	10	1,185,746.00	0.00	1,185,746.00	195,865.67	989,880.33
011820	Fees - Road	10	444,244.00	0.00	444,244.00	96,414.34	347,829.66
011830	Fees - Park	10	375,000.00	0.00	375,000.00	82,524.29	292,475.71
	Total Permits & Fees		2,417,663.00	0.00	2,417,663.00	495,648.10	1,922,014.90
	Contingency						

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34502200 - Marblehead PA2 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
573100	Contingency	20	633,771.00	-487,652.43	146,118.57	0.00	146,118.57
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	Total Contingency		633,771.00	-487,652.43	146,118.57	0.00	146,118.57
			-----	-----	-----	-----	-----
	Development Costs		6,621,782.00	0.00	6,621,782.00	1,925,774.91	4,696,007.09

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34503200 - Marblehead PA3 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34503200 - Marblehead PA3 -LD</i>							
<i>Lot : 009000</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	92,235.00	0.00	92,235.00	23,040.00	69,195.00
001422	Engineer - Environmental	10	5,000.00	-691.10	4,308.90	4,308.90	0.00
001424	Engineer - Electrical	10	15,000.00	-7,101.30	7,898.70	6,000.00	1,898.70
001425	Engineer - Mechanical	10	7,000.00	7,792.40	14,792.40	14,792.40	0.00
001426	Engineer - Soils	10	25,630.00	44,370.00	70,000.00	14,316.25	55,683.75
001427	Engineer - Structural	10	70,000.00	62,750.00	132,750.00	164,600.00	-31,850.00
001431	Consulting Fees - Landsc Arch	10	70,000.00	-10,000.00	60,000.00	45,200.00	14,800.00
001460	Reproduction Services	10	50,000.00	0.00	50,000.00	26,395.39	23,604.61
001500	Surveying	10	48,480.00	31,920.00	80,400.00	8,200.00	72,200.00
003135	Consulting Fees - Biologist	10	11,400.00	-11,400.00	0.00	0.00	0.00
003200	Consulting Fees - Noise/vibrat	10	8,000.00	0.00	8,000.00	0.00	8,000.00
003210	Consulting Fees - Utilities	10	9,300.00	10,700.00	20,000.00	9,500.00	10,500.00
003250	Consulting Fees - DRE	10	12,000.00	0.00	12,000.00	0.00	12,000.00
700100	Architecture Fees and Plans	10	550,000.00	78,775.00	628,775.00	618,050.04	10,724.96
740100	Legal - DRE/HOA/Disclosure	10	90,000.00	0.00	90,000.00	810.00	89,190.00
011530	Plan Check Fees	10	35,884.00	0.00	35,884.00	57,784.49	-21,900.49
011850	Fees - DRE	10	50,000.00	0.00	50,000.00	7,720.00	42,280.00
011995	Bond Fees	10	7,177.00	13,396.00	20,573.00	12,593.00	7,980.00
162510	Electrical	10	40,000.00	130,000.00	170,000.00	0.00	170,000.00
570150	Reimbursement - Utilities	10	-52,364.00	-99,636.00	-152,000.00	0.00	-152,000.00
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Total Consultants / Soft Costs / Fees			1,144,742.00	250,875.00	1,395,617.00	1,013,310.47	382,306.53
Hard Development Costs							
013530	SWPPP	10	63,595.00	0.00	63,595.00	0.00	63,595.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34503200 - Marblehead PA3 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
021500	Fill-Import/Export	10	0.00	40,000.00	40,000.00	44,446.50	-4,446.50
021520	Grading	10	82,445.00	85,000.00	167,445.00	156,025.05	11,419.95
021560	Site Preparation	10	9,200.00	0.00	9,200.00	6,692.58	2,507.42
029200	Landscaping	10	378,631.00	-87,875.90	290,755.10	0.00	290,755.10
133120	Fences & Gates	10	337,765.00	87,875.90	425,640.90	166,750.61	258,890.29
162515	Joint Trench	10	125,165.00	0.00	125,165.00	0.00	125,165.00
162530	Roadway Lighting	10	0.00	45,000.00	45,000.00	32,909.00	12,091.00
310100	Roadways and Pavement	10	153,978.00	-20,000.00	133,978.00	0.00	133,978.00
310110	Signs and Striping	10	0.00	0.00	0.00	13,600.00	-13,600.00
310130	Curbs and Gutters	10	78,108.00	-25,000.00	53,108.00	0.00	53,108.00
310150	Repairs and Relocation	10	34,586.00	0.00	34,586.00	0.00	34,586.00
320100	Utility Water Distn System	10	110,825.00	0.00	110,825.00	77,391.00	33,434.00
320120	Sanitary Sewerage Utilities	10	87,525.00	0.00	87,525.00	9,786.00	77,739.00
320140	Storm Drainage Utilities	10	45,994.00	0.00	45,994.00	20,191.00	25,803.00
530290	Misc Structures	10	75,000.00	-75,000.00	0.00	0.00	0.00
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	Total Hard Development Costs		1,582,817.00	50,000.00	1,632,817.00	527,791.74	1,105,025.26
	Permits & Fees						
011550	Building Permits	10	460,908.00	0.00	460,908.00	100,819.20	360,088.80
011810	Dev Chg - Education	10	1,324,342.00	0.00	1,324,342.00	142,240.00	1,182,102.00
011820	Fees - Road	10	467,321.00	0.00	467,321.00	82,720.28	384,600.72
011830	Fees - Park	10	394,481.00	0.00	394,481.00	67,961.18	326,519.82
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	Total Permits & Fees		2,647,052.00	0.00	2,647,052.00	393,740.66	2,253,311.34
	Contingency						
573100	Contingency	20	466,164.00	-300,875.00	165,289.00	0.00	165,289.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34503200 - Marblehead PA3 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
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Oper. Unit : 0340

	Total Contingency		466,164.00	-300,875.00	165,289.00	0.00	165,289.00
	Development Costs		5,840,775.00	0.00	5,840,775.00	1,934,842.87	3,905,932.13

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34504200 - Marblehead PA4 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34504200 - Marblehead PA4 -LD</i>							
<i>Lot : 009000</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	5,655.00	38,355.00	44,010.00	12,160.00	31,850.00
001422	Engineer - Environmental	10	2,500.00	-1,017.50	1,482.50	0.00	1,482.50
001424	Engineer - Electrical	10	7,500.00	-592.50	6,907.50	3,250.00	3,657.50
001425	Engineer - Mechanical	10	3,500.00	4,610.00	8,110.00	0.00	8,110.00
001426	Engineer - Soils	10	24,350.00	45,650.00	70,000.00	4,442.50	65,557.50
001427	Engineer - Structural	10	60,000.00	55,700.00	115,700.00	112,100.00	3,600.00
001431	Consulting Fees - Landsc Arch	10	45,000.00	-13,000.00	32,000.00	18,900.00	13,100.00
001460	Reproduction Services	10	25,000.00	0.00	25,000.00	16,864.75	8,135.25
001500	Surveying	10	38,760.00	20,840.00	59,600.00	1,000.00	58,600.00
003135	Consulting Fees - Biologist	10	8,700.00	-8,700.00	0.00	0.00	0.00
003200	Consulting Fees - Noise/vibrat	10	4,000.00	0.00	4,000.00	0.00	4,000.00
003210	Consulting Fees - Utilities	10	6,450.00	7,550.00	14,000.00	3,000.00	11,000.00
003250	Consulting Fees - DRE	10	6,000.00	0.00	6,000.00	0.00	6,000.00
700100	Architecture Fees and Plans	10	300,000.00	74,999.00	374,999.00	329,280.40	45,718.60
740100	Legal - DRE/HOA/Disclosure	10	65,000.00	0.00	65,000.00	0.00	65,000.00
011530	Plan Check Fees	10	27,735.00	3,001.38	30,736.38	30,736.38	0.00
011850	Fees - DRE	10	35,000.00	0.00	35,000.00	4,830.00	30,170.00
011995	Bond Fees	10	3,613.00	20,855.00	24,468.00	15,242.00	9,226.00
162510	Electrical	10	15,000.00	114,000.00	129,000.00	0.00	129,000.00
570150	Reimbursement - Utilities	10	-14,735.00	-105,265.00	-120,000.00	0.00	-120,000.00
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	Total Consultants / Soft Costs / Fees		669,028.00	256,985.38	926,013.38	551,806.03	374,207.35
Hard Development Costs							
013530	SWPPP	10	40,535.00	0.00	40,535.00	0.00	40,535.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34504200 - Marblehead PA4 -LD
 Lot Date Range: -

Total Committed

Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
021500	Fill-Import/Export	10	0.00	0.00	0.00	50,358.00	-50,358.00
021520	Grading	10	54,919.00	60,943.50	115,862.50	126,303.75	-10,441.25
021560	Site Preparation	10	5,680.00	0.00	5,680.00	873.75	4,806.25
029200	Landscaping	10	193,878.00	0.00	193,878.00	14,419.30	179,458.70
133120	Fences & Gates	10	541,875.00	-15,987.50	525,887.50	0.00	525,887.50
162515	Joint Trench	10	37,145.00	0.00	37,145.00	0.00	37,145.00
162530	Roadway Lighting	10	0.00	50,000.00	50,000.00	35,627.00	14,373.00
310100	Roadways and Pavement	10	165,028.00	-25,000.00	140,028.00	0.00	140,028.00
310110	Signs and Striping	10	0.00	0.00	0.00	17,775.00	-17,775.00
310130	Curbs and Gutters	10	78,744.00	-25,000.00	53,744.00	0.00	53,744.00
310150	Repairs and Relocation	10	22,705.00	0.00	22,705.00	0.00	22,705.00
320100	Utility Water Distn System	10	97,325.00	0.00	97,325.00	63,131.00	34,194.00
320120	Sanitary Sewerage Utilities	10	62,225.00	11,820.00	74,045.00	14,045.00	60,000.00
320140	Storm Drainage Utilities	10	34,641.00	0.00	34,641.00	13,871.00	20,770.00
	Total Hard Development Costs		1,334,700.00	56,776.00	1,391,476.00	336,403.80	1,055,072.20
	Permits & Fees						
011550	Building Permits	10	169,050.00	0.00	169,050.00	0.00	169,050.00
011810	Dev Chg - Education	10	485,737.00	0.00	485,737.00	0.00	485,737.00
011820	Fees - Road	10	138,466.00	0.00	138,466.00	0.00	138,466.00
011830	Fees - Park	10	116,883.00	0.00	116,883.00	0.00	116,883.00
	Total Permits & Fees		910,136.00	0.00	910,136.00	0.00	910,136.00
	Contingency						
573100	Contingency	20	303,845.00	-313,761.38	-9,916.38	0.00	-9,916.38

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34504200 - Marblehead PA4 -LD
 Lot Date Range: -

Total Committed
Total Impact Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Total Contingency		303,845.00	-313,761.38	-9,916.38	0.00	-9,916.38
	Development Costs		3,217,709.00	0.00	3,217,709.00	888,209.83	2,329,499.17

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000AZ - Azul Avenida Costa Azul, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	6,680.00	0.00	6,680.00	0.00	6,680.00
001426	Engineer - Soils	10	0.00	2,000.00	2,000.00	1,100.00	900.00
001431	Consulting Fees - Landsc Arch	10	0.00	10,000.00	10,000.00	2,500.00	7,500.00
001500	Surveying	10	21,920.00	0.00	21,920.00	0.00	21,920.00
003210	Consulting Fees - Utilities	10	0.00	7,500.00	7,500.00	7,000.00	500.00
011530	Plan Check Fees	10	6,046.00	0.00	6,046.00	0.00	6,046.00
011995	Bond Fees	10	3,476.00	20,281.00	23,757.00	21,163.00	2,594.00
162510	Electrical	10	7,500.00	0.00	7,500.00	0.00	7,500.00
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	Total Consultants / Soft Costs / Fees		45,622.00	39,781.00	85,403.00	31,763.00	53,640.00
Hard Development Costs							
013530	SWPPP	10	2,880.00	0.00	2,880.00	0.00	2,880.00
021520	Grading	10	24,627.00	0.00	24,627.00	15,297.50	9,329.50
029200	Landscaping	10	240,996.00	-4,549.00	236,447.00	31,798.80	204,648.20
033100	Concrete/Flatwork	10	0.00	139,030.00	139,030.00	109,083.65	29,946.35
162515	Joint Trench	10	44,320.00	0.00	44,320.00	0.00	44,320.00
162530	Roadway Lighting	10	0.00	143,693.57	143,693.57	141,144.57	2,549.00
310100	Roadways and Pavement	10	311,562.00	-170,000.00	141,562.00	3,240.00	138,322.00
310110	Signs and Striping	10	0.00	2,000.00	2,000.00	62,012.50	-60,012.50
310130	Curbs and Gutters	10	127,539.00	-104,186.57	23,352.43	18,491.30	4,861.13
310150	Repairs and Relocation	10	10,052.00	0.00	10,052.00	18,151.88	-8,099.88
320100	Utility Water Distn System	10	77,400.00	0.00	77,400.00	51,351.00	26,049.00
320120	Sanitary Sewerage Utilities	10	115,800.00	0.00	115,800.00	26,509.77	89,290.23
320140	Storm Drainage Utilities	10	12,700.00	972.00	13,672.00	7,150.00	6,522.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Total Hard Development Costs		967,876.00	6,960.00	974,836.00	484,230.97	490,605.03
573100	Contingency	20	158,729.00	-46,741.00	111,988.00	0.00	111,988.00
	Total Contingency		158,729.00	-46,741.00	111,988.00	0.00	111,988.00
	Development Costs		1,172,227.00	0.00	1,172,227.00	515,993.97	656,233.03

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000HB - HermBridge Avenida Vista Hermosa Bridge, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	5,000.00	0.00	5,000.00	4,383.00	617.00
001500	Surveying	10	5,000.00	0.00	5,000.00	0.00	5,000.00
011995	Bond Fees	10	0.00	40,955.00	40,955.00	40,955.00	0.00
			-----	-----	-----	-----	-----
	Total Consultants / Soft Costs / Fees		10,000.00	40,955.00	50,955.00	45,338.00	5,617.00
Hard Development Costs							
001432	Consulting-Struct Conc Testing	10	0.00	5,696.00	5,696.00	5,696.00	0.00
133120	Fences & Gates	10	0.00	720.00	720.00	720.00	0.00
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	Total Hard Development Costs		0.00	6,416.00	6,416.00	6,416.00	0.00
Contingency							
573100	Contingency	20	570.00	-47,371.00	-46,801.00	0.00	-46,801.00
			-----	-----	-----	-----	-----
	Total Contingency		570.00	-47,371.00	-46,801.00	0.00	-46,801.00
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	Development Costs		10,570.00	0.00	10,570.00	51,754.00	-41,184.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000VH - VistaHerm Avenida Vista Hermosa , , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	69,185.00	0.00	69,185.00	27,870.00	41,315.00
001423	Consulting Fees - Traffic	10	10,000.00	-9,600.00	400.00	0.00	400.00
001426	Engineer - Soils	10	10,350.00	20,150.00	30,500.00	25,129.64	5,370.36
001431	Consulting Fees - Landsc Arch	10	20,000.00	15,000.00	35,000.00	24,960.00	10,040.00
001460	Reproduction Services	10	1,500.00	0.00	1,500.00	751.52	748.48
001500	Surveying	10	22,530.00	27,620.00	50,150.00	39,590.00	10,560.00
003210	Consulting Fees - Utilities	10	0.00	7,000.00	7,000.00	5,000.00	2,000.00
011530	Plan Check Fees	10	97,209.00	0.00	97,209.00	85,227.69	11,981.31
011995	Bond Fees	10	35,411.00	60,885.00	96,296.00	96,296.00	0.00
162510	Electrical	10	0.00	565,277.00	565,277.00	472,622.00	92,655.00
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Total Consultants / Soft Costs / Fees			266,185.00	686,332.00	952,517.00	777,446.85	175,070.15
Hard Development Costs							
013530	SWPPP	10	8,685.00	70,000.00	78,685.00	52,085.00	26,600.00
021520	Grading	10	48,948.00	20,471.75	69,419.75	69,419.75	0.00
029100	Landscape Lighting	10	50,000.00	0.00	50,000.00	16,420.80	33,579.20
029200	Landscaping	10	600,000.00	-81,000.00	519,000.00	340,478.41	178,521.59
033100	Concrete/Flatwork	10	630,186.00	-95,587.20	534,598.80	407,413.50	127,185.30
101150	Entry Features	10	87,867.00	34,825.07	122,692.07	122,692.07	0.00
162515	Joint Trench	10	349,275.00	0.00	349,275.00	307,873.60	41,401.40
162530	Roadway Lighting	10	243,520.00	0.00	243,520.00	168,882.78	74,637.22
162570	Traffic Signals & Controls	10	1,265,000.00	-7,436.00	1,257,564.00	1,112,445.58	145,118.42
310100	Roadways and Pavement	10	1,000,000.00	-99,261.96	900,738.04	900,087.60	650.44
310110	Signs and Striping	10	67,430.00	52,609.00	120,039.00	120,039.00	0.00

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
310130	Curbs and Gutters	10	30,000.00	20,000.00	50,000.00	47,503.00	2,497.00
310150	Repairs and Relocation	10	178,898.00	0.00	178,898.00	35,827.00	143,071.00
320100	Utility Water Distn System	10	1,181,261.00	56,579.20	1,237,840.20	1,237,840.20	0.00
320120	Sanitary Sewerage Utilities	10	114,875.00	0.00	114,875.00	106,710.00	8,165.00
320140	Storm Drainage Utilities	10	104,475.00	83,907.00	188,382.00	188,382.00	0.00
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	Total Hard Development Costs		5,960,420.00	55,106.86	6,015,526.86	5,234,100.29	781,426.57
	Contingency						
573100	Contingency	20	976,648.00	-741,438.86	235,209.14	0.00	235,209.14
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	Total Contingency		976,648.00	-741,438.86	235,209.14	0.00	235,209.14
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	Development Costs		7,203,253.00	0.00	7,203,253.00	6,011,547.14	1,191,705.86

DEVD - Land & Development Detail by Group

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 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000AP - AvePico Avenida Pico, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	44,000.00	0.00	44,000.00	35,065.25	8,934.75
001426	Engineer - Soils	10	7,020.00	-6,020.00	1,000.00	585.00	415.00
001431	Consulting Fees - Landsc Arch	10	3,500.00	0.00	3,500.00	0.00	3,500.00
001460	Reproduction Services	10	0.00	693.53	693.53	693.53	0.00
001500	Surveying	10	5,000.00	0.00	5,000.00	0.00	5,000.00
003210	Consulting Fees - Utilities	10	3,750.00	-2,000.00	1,750.00	1,500.00	250.00
011530	Plan Check Fees	10	14,892.00	-693.53	14,198.47	6,053.49	8,144.98
011995	Bond Fees	10	8,096.00	21,711.00	29,807.00	27,834.00	1,973.00
162510	Electrical	10	0.00	27,154.00	27,154.00	27,154.00	0.00
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Total Consultants / Soft Costs / Fees			86,258.00	40,845.00	127,103.00	98,885.27	28,217.73
Hard Development Costs							
013530	SWPPP	10	8,775.00	0.00	8,775.00	0.00	8,775.00
021520	Grading	10	0.00	15,048.00	15,048.00	17,224.00	-2,176.00
029200	Landscaping	10	557,890.00	-287,381.45	270,508.55	154,201.14	116,307.41
033100	Concrete/Flatwork	10	0.00	114,355.80	114,355.80	114,355.80	0.00
162515	Joint Trench	10	79,400.00	0.00	79,400.00	0.00	79,400.00
162530	Roadway Lighting	10	0.00	227,779.65	227,779.65	221,413.40	6,366.25
310100	Roadways and Pavement	10	99,142.00	0.00	99,142.00	3,289.00	95,853.00
310120	Construction Traffic Mgmt	10	0.00	15,084.00	15,084.00	20,076.25	-4,992.25
310130	Curbs and Gutters	10	304,920.00	-275,000.00	29,920.00	4,755.00	25,165.00
310150	Repairs and Relocation	10	39,530.00	0.00	39,530.00	0.00	39,530.00
320100	Utility Water Distn System	10	2,530.00	0.00	2,530.00	0.00	2,530.00
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DEVD - Land & Development Detail by Group

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 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Total Hard Development Costs		1,092,187.00	-190,114.00	902,073.00	535,314.59	366,758.41
573100	Contingency	20	181,099.00	149,269.00	330,368.00	0.00	330,368.00
	Total Contingency		181,099.00	149,269.00	330,368.00	0.00	330,368.00
	Development Costs		1,359,544.00	0.00	1,359,544.00	634,199.86	725,344.14

DEVD - Land & Development Detail by Group

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 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000UR - UrbanRun Urban Runoff, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	8,017.00	42,916.75	50,933.75	48,858.75	2,075.00
001426	Engineer - Soils	10	2,654.00	12,346.00	15,000.00	10,000.00	5,000.00
001460	Reproduction Services	10	0.00	136.10	136.10	270.59	-134.49
003135	Consulting Fees - Biologist	10	3,981.00	-3,981.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	0.00	3,000.00	3,000.00	3,000.00	0.00
011530	Plan Check Fees	10	9,995.00	4,833.50	14,828.50	14,828.50	0.00
011995	Bond Fees	10	4,691.00	13,429.00	18,120.00	14,616.00	3,504.00
162510	Electrical	10	0.00	6,000.00	6,000.00	0.00	6,000.00
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Total Consultants / Soft Costs / Fees			29,338.00	78,680.35	108,018.35	91,573.84	16,444.51
Hard Development Costs							
013530	SWPPP	10	1,592.00	0.00	1,592.00	0.00	1,592.00
021520	Grading	10	503,385.00	0.00	503,385.00	396,357.21	107,027.79
021560	Site Preparation	10	3,840.00	0.00	3,840.00	0.00	3,840.00
029200	Landscaping	10	34,226.00	0.00	34,226.00	0.00	34,226.00
310130	Curbs and Gutters	10	58,500.00	0.00	58,500.00	0.00	58,500.00
310150	Repairs and Relocation	10	11,303.00	11,688.47	22,991.47	22,991.47	0.00
320140	Storm Drainage Utilities	10	7,233.00	0.00	7,233.00	0.00	7,233.00
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Total Hard Development Costs			620,079.00	11,688.47	631,767.47	419,348.68	212,418.79
Contingency							
573100	Contingency	20	101,698.00	-90,368.82	11,329.18	0.00	11,329.18
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DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Total Contingency		101,698.00	-90,368.82	11,329.18	0.00	11,329.18
	Development Costs		751,115.00	0.00	751,115.00	510,922.52	240,192.48

DEVD - Land & Development Detail by Group

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 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000EC - ElCamino El Camino Real, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	102,968.00	0.00	102,968.00	28,600.00	74,368.00
001424	Engineer - Electrical	10	5,000.00	0.00	5,000.00	0.00	5,000.00
001426	Engineer - Soils	10	30,040.00	-13,000.00	17,040.00	0.00	17,040.00
001431	Consulting Fees - Landsc Arch	10	0.00	15,000.00	15,000.00	0.00	15,000.00
001460	Reproduction Services	10	5,000.00	0.00	5,000.00	1,274.50	3,725.50
001500	Surveying	10	31,740.00	0.00	31,740.00	13,200.00	18,540.00
003135	Consulting Fees - Biologist	10	15,000.00	-15,000.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	156,800.00	-134,800.00	22,000.00	9,000.00	13,000.00
011530	Plan Check Fees	10	604,212.00	0.00	604,212.00	0.00	604,212.00
011995	Bond Fees	10	25,582.00	19,436.00	45,018.00	36,032.00	8,986.00
162510	Electrical	10	350,000.00	25,000.00	375,000.00	0.00	375,000.00
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Total Consultants / Soft Costs / Fees			1,326,342.00	-103,364.00	1,222,978.00	88,106.50	1,134,871.50
Hard Development Costs							
013530	SWPPP	10	20,750.00	0.00	20,750.00	0.00	20,750.00
021500	Fill-Import/Export	10	0.00	0.00	0.00	0.00	0.00
021520	Grading	10	109,960.00	0.00	109,960.00	0.00	109,960.00
021535	Demolition	10	0.00	0.00	0.00	0.00	0.00
021560	Site Preparation	10	26,970.00	0.00	26,970.00	0.00	26,970.00
033100	Concrete/Flatwork	10	0.00	0.00	0.00	0.00	0.00
133120	Fences & Gates	10	387,385.00	0.00	387,385.00	0.00	387,385.00
133150	Retaining Walls	10	100,000.00	0.00	100,000.00	0.00	100,000.00
162515	Joint Trench	10	2,500,000.00	0.00	2,500,000.00	0.00	2,500,000.00
162530	Roadway Lighting	10	140,400.00	0.00	140,400.00	0.00	140,400.00

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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
310100	Roadways and Pavement	10	1,500,000.00	0.00	1,500,000.00	0.00	1,500,000.00
310110	Signs and Striping	10	36,927.00	0.00	36,927.00	0.00	36,927.00
310120	Construction Traffic Mgmt	10	200,000.00	0.00	200,000.00	0.00	200,000.00
310130	Curbs and Gutters	10	121,217.00	0.00	121,217.00	0.00	121,217.00
310150	Repairs and Relocation	10	106,771.00	0.00	106,771.00	0.00	106,771.00
320100	Utility Water Distn System	10	270,129.00	0.00	270,129.00	0.00	270,129.00
320120	Sanitary Sewerage Utilities	10	120,000.00	0.00	120,000.00	0.00	120,000.00
320140	Storm Drainage Utilities	10	600,000.00	0.00	600,000.00	0.00	600,000.00
			-----	-----	-----	-----	-----
	Total Hard Development Costs		6,240,509.00	0.00	6,240,509.00	0.00	6,240,509.00
	Contingency						
573100	Contingency	20	1,082,305.00	103,364.00	1,185,669.00	0.00	1,185,669.00
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	Total Contingency		1,082,305.00	103,364.00	1,185,669.00	0.00	1,185,669.00
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	Development Costs		8,649,156.00	0.00	8,649,156.00	88,106.50	8,561,049.50

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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000CS - CommSite Commercial Site, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	18,635.00	0.00	18,635.00	0.00	18,635.00
001426	Engineer - Soils	10	3,880.00	1,120.00	5,000.00	0.00	5,000.00
001500	Surveying	10	13,880.00	0.00	13,880.00	0.00	13,880.00
011530	Plan Check Fees	10	18,097.00	0.00	18,097.00	0.00	18,097.00
011995	Bond Fees	10	5,000.00	0.00	5,000.00	1,437.00	3,563.00
			-----	-----	-----	-----	-----
	Total Consultants / Soft Costs / Fees		59,492.00	1,120.00	60,612.00	1,437.00	59,175.00
Hard Development Costs							
133120	Fences & Gates	10	619,395.00	0.00	619,395.00	306,579.40	312,815.60
310130	Curbs and Gutters	10	0.00	3,770.34	3,770.34	3,770.34	0.00
310150	Repairs and Relocation	10	10,000.00	0.00	10,000.00	0.00	10,000.00
320140	Storm Drainage Utilities	10	500,000.00	68,140.00	568,140.00	0.00	568,140.00
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	Total Hard Development Costs		1,129,395.00	71,910.34	1,201,305.34	310,349.74	890,955.60
Contingency							
573100	Contingency	20	185,574.00	-73,030.34	112,543.66	0.00	112,543.66
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	Total Contingency		185,574.00	-73,030.34	112,543.66	0.00	112,543.66
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	Development Costs		1,374,461.00	0.00	1,374,461.00	311,786.74	1,062,674.26

DEVD - Land & Development Detail by Group

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 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000SP - SportsPrk Sports Park, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	66,532.00	0.00	66,532.00	13,720.00	52,812.00
001424	Engineer - Electrical	10	10,000.00	0.00	10,000.00	0.00	10,000.00
001426	Engineer - Soils	10	23,920.00	6,080.00	30,000.00	0.00	30,000.00
001427	Engineer - Structural	10	0.00	6,000.00	6,000.00	0.00	6,000.00
001431	Consulting Fees - Landsc Arch	10	60,000.00	0.00	60,000.00	59,535.00	465.00
001460	Reproduction Services	10	7,500.00	0.00	7,500.00	2,557.37	4,942.63
001500	Surveying	10	40,180.00	0.00	40,180.00	0.00	40,180.00
003135	Consulting Fees - Biologist	10	5,761.00	-5,761.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	0.00	7,000.00	7,000.00	0.00	7,000.00
740200	Legal - Project Related	10	0.00	57.00	57.00	57.00	0.00
011530	Plan Check Fees	10	27,079.00	0.00	27,079.00	0.00	27,079.00
011995	Bond Fees	10	1,023.00	102,683.00	103,706.00	93,071.00	10,635.00
162510	Electrical	10	10,000.00	70,000.00	80,000.00	0.00	80,000.00
			-----	-----	-----	-----	-----
	Total Consultants / Soft Costs / Fees		251,995.00	186,059.00	438,054.00	168,940.37	269,113.63
Hard Development Costs							
001432	Consulting-Struct Conc Testing	10	25,000.00	0.00	25,000.00	0.00	25,000.00
013530	SWPPP	10	2,304.00	0.00	2,304.00	0.00	2,304.00
021520	Grading	10	91,187.00	0.00	91,187.00	3,195.00	87,992.00
021560	Site Preparation	10	4,620.00	0.00	4,620.00	0.00	4,620.00
029100	Landscape Lighting	10	275,000.00	0.00	275,000.00	7,600.00	267,400.00
029155	Yard/Area Drains	10	50,000.00	0.00	50,000.00	0.00	50,000.00
029200	Landscaping	10	2,500,000.00	0.00	2,500,000.00	99,400.00	2,400,600.00
033100	Concrete/Flatwork	10	316,445.00	0.00	316,445.00	0.00	316,445.00

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 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
133120	Fences & Gates	10	294,250.00	0.00	294,250.00	109,425.56	184,824.44
162515	Joint Trench	10	4,400.00	0.00	4,400.00	0.00	4,400.00
310150	Repairs and Relocation	10	107,904.00	10,000.00	117,904.00	109,740.45	8,163.55
320100	Utility Water Distn System	10	31,155.00	0.00	31,155.00	0.00	31,155.00
320120	Sanitary Sewerage Utilities	10	10,000.00	0.00	10,000.00	0.00	10,000.00
320140	Storm Drainage Utilities	10	20,000.00	0.00	20,000.00	0.00	20,000.00
530260	Recreation Building	10	300,000.00	0.00	300,000.00	0.00	300,000.00
	Total Hard Development Costs		4,032,265.00	10,000.00	4,042,265.00	329,361.01	3,712,903.99
573100	Contingency	20	664,811.00	-196,059.00	468,752.00	0.00	468,752.00
	Total Contingency		664,811.00	-196,059.00	468,752.00	0.00	468,752.00
	Development Costs		4,949,071.00	0.00	4,949,071.00	498,301.38	4,450,769.62

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 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000CP - CityParks City Parks, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	64,993.00	0.00	64,993.00	17,229.00	47,764.00
001424	Engineer - Electrical	10	10,000.00	0.00	10,000.00	3,900.00	6,100.00
001426	Engineer - Soils	10	43,862.00	0.00	43,862.00	0.00	43,862.00
001431	Consulting Fees - Landsc Arch	10	65,000.00	-15,000.00	50,000.00	37,350.00	12,650.00
001460	Reproduction Services	10	15,000.00	0.00	15,000.00	6,031.27	8,968.73
001500	Surveying	10	61,410.00	0.00	61,410.00	0.00	61,410.00
003135	Consulting Fees - Biologist	10	3,078.00	-3,078.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	0.00	7,500.00	7,500.00	2,000.00	5,500.00
011530	Plan Check Fees	10	24,396.00	36,235.86	60,631.86	67,106.34	-6,474.48
011995	Bond Fees	10	1,784.00	65,541.00	67,325.00	58,184.00	9,141.00
162510	Electrical	10	20,000.00	55,000.00	75,000.00	28,849.00	46,151.00
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Total Consultants / Soft Costs / Fees			309,523.00	146,198.86	455,721.86	220,649.61	235,072.25
Hard Development Costs							
001432	Consulting-Struct Conc Testing	10	25,000.00	0.00	25,000.00	0.00	25,000.00
013530	SWPPP	10	1,231.00	50,000.00	51,231.00	23,597.00	27,634.00
021520	Grading	10	63,814.00	15,854.00	79,668.00	65,500.00	14,168.00
021560	Site Preparation	10	3,380.00	6,600.00	9,980.00	9,980.00	0.00
029100	Landscape Lighting	10	300,000.00	153,163.00	453,163.00	15,819.45	437,343.55
029155	Yard/Area Drains	10	100,000.00	0.00	100,000.00	0.00	100,000.00
029200	Landscaping	10	2,087,916.00	-521,133.94	1,566,782.06	0.00	1,566,782.06
033100	Concrete/Flatwork	10	400,000.00	45,146.94	445,146.94	274,140.00	171,006.94
101150	Entry Features	10	0.00	0.00	0.00	0.00	0.00
133120	Fences & Gates	10	20,175.00	150,000.00	170,175.00	109,586.40	60,588.60

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 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
162515	Joint Trench	10	13,200.00	0.00	13,200.00	0.00	13,200.00
310100	Roadways and Pavement	10	32,347.00	0.00	32,347.00	0.00	32,347.00
310110	Signs and Striping	10	0.00	0.00	0.00	0.00	0.00
310130	Curbs and Gutters	10	0.00	0.00	0.00	0.00	0.00
310150	Repairs and Relocation	10	6,706.00	0.00	6,706.00	0.00	6,706.00
320100	Utility Water Distn System	10	16,215.00	6,589.00	22,804.00	22,804.00	0.00
320120	Sanitary Sewerage Utilities	10	25,000.00	1,190.00	26,190.00	26,190.00	0.00
320140	Storm Drainage Utilities	10	50,000.00	63,441.00	113,441.00	94,617.10	18,823.90
530260	Recreation Building	10	815,903.00	0.00	815,903.00	370,353.00	445,550.00
530290	Misc Structures	10	0.00	85,413.00	85,413.00	27,896.40	57,516.60
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	Total Hard Development Costs		3,960,887.00	56,263.00	4,017,150.00	1,040,483.35	2,976,666.65
	Contingency						
573100	Contingency	20	656,579.00	-202,461.86	454,117.14	0.00	454,117.14
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	Total Contingency		656,579.00	-202,461.86	454,117.14	0.00	454,117.14
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	Development Costs		4,926,989.00	0.00	4,926,989.00	1,261,132.96	3,665,856.04

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 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 0090000C - OceanClub The Ocean Club, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	60,555.00	0.00	60,555.00	0.00	60,555.00
001422	Engineer - Environmental	10	0.00	15,675.00	15,675.00	5,010.00	10,665.00
001424	Engineer - Electrical	10	0.00	8,000.00	8,000.00	0.00	8,000.00
001425	Engineer - Mechanical	10	0.00	16,000.00	16,000.00	12,000.00	4,000.00
001426	Engineer - Soils	10	25,000.00	25,000.00	50,000.00	0.00	50,000.00
001427	Engineer - Structural	10	0.00	30,000.00	30,000.00	21,600.00	8,400.00
001430	Consulting Fees - Architect	10	200,000.00	0.00	200,000.00	160,710.00	39,290.00
001431	Consulting Fees - Landsc Arch	10	75,000.00	15,000.00	90,000.00	34,750.00	55,250.00
001453	Third Party Inspections	10	10,000.00	0.00	10,000.00	0.00	10,000.00
001460	Reproduction Services	10	7,500.00	0.00	7,500.00	4,747.37	2,752.63
001500	Surveying	10	36,100.00	0.00	36,100.00	0.00	36,100.00
003135	Consulting Fees - Biologist	10	2,500.00	-2,500.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	0.00	4,000.00	4,000.00	0.00	4,000.00
011530	Plan Check Fees	10	53,350.00	0.00	53,350.00	5,515.91	47,834.09
011995	Bond Fees	10	0.00	10,000.00	10,000.00	0.00	10,000.00
162510	Electrical	10	25,000.00	5,000.00	30,000.00	0.00	30,000.00
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	Total Consultants / Soft Costs / Fees		495,005.00	126,175.00	621,180.00	244,333.28	376,846.72
Hard Development Costs							
001432	Consulting-Struct Conc Testing	10	15,000.00	0.00	15,000.00	0.00	15,000.00
013530	SWPPP	10	25,000.00	0.00	25,000.00	0.00	25,000.00
021500	Fill-Import/Export	10	15,000.00	0.00	15,000.00	0.00	15,000.00
021520	Grading	10	35,000.00	0.00	35,000.00	0.00	35,000.00
029100	Landscape Lighting	10	100,000.00	0.00	100,000.00	0.00	100,000.00

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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
029155	Yard/Area Drains	10	50,000.00	0.00	50,000.00	0.00	50,000.00
029200	Landscaping	10	1,400,000.00	0.00	1,400,000.00	0.00	1,400,000.00
033100	Concrete/Flatwork	10	200,000.00	0.00	200,000.00	0.00	200,000.00
131200	Fountains	10	250,000.00	0.00	250,000.00	0.00	250,000.00
133120	Fences & Gates	10	200,000.00	0.00	200,000.00	0.00	200,000.00
133150	Retaining Walls	10	217,000.00	0.00	217,000.00	0.00	217,000.00
162515	Joint Trench	10	25,000.00	0.00	25,000.00	0.00	25,000.00
310150	Repairs and Relocation	10	75,000.00	0.00	75,000.00	0.00	75,000.00
320100	Utility Water Distn System	10	20,000.00	0.00	20,000.00	0.00	20,000.00
320120	Sanitary Sewerage Utilities	10	30,000.00	0.00	30,000.00	0.00	30,000.00
530260	Recreation Building	10	4,000,000.00	-1,500,000.00	2,500,000.00	0.00	2,500,000.00
530290	Misc Structures	10	3,000.00	0.00	3,000.00	0.00	3,000.00
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	Total Hard Development Costs		6,660,000.00	-1,500,000.00	5,160,000.00	0.00	5,160,000.00
	Contingency						
573100	Contingency	20	1,103,591.00	1,373,825.00	2,477,416.00	0.00	2,477,416.00
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	Total Contingency		1,103,591.00	1,373,825.00	2,477,416.00	0.00	2,477,416.00
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	Development Costs		8,258,596.00	0.00	8,258,596.00	244,333.28	8,014,262.72

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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000HM - HabitatMit Habitat Mitigation, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	69,777.00	0.00	69,777.00	9,000.00	60,777.00
001426	Engineer - Soils	10	7,351.00	0.00	7,351.00	0.00	7,351.00
001431	Consulting Fees - Landsc Arch	10	5,000.00	-5,000.00	0.00	0.00	0.00
001460	Reproduction Services	10	0.00	53.66	53.66	53.66	0.00
001500	Surveying	10	17,880.00	0.00	17,880.00	0.00	17,880.00
003135	Consulting Fees - Biologist	10	76,706.00	1,210,577.74	1,287,283.74	835,875.42	451,408.32
740200	Legal - Project Related	10	350,000.00	-250,000.00	100,000.00	0.00	100,000.00
011530	Plan Check Fees	10	72,436.00	-62,954.80	9,481.20	0.00	9,481.20
011995	Bond Fees	10	33,275.00	0.00	33,275.00	5,721.00	27,554.00
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Total Consultants / Soft Costs / Fees			632,425.00	892,676.60	1,525,101.60	850,650.08	674,451.52
Hard Development Costs							
013530	SWPPP	10	20,682.00	0.00	20,682.00	0.00	20,682.00
021560	Site Preparation	10	13,860.00	0.00	13,860.00	2,380.00	11,480.00
029200	Landscaping	10	1,927,530.00	-183,529.00	1,744,001.00	1,013,279.46	730,721.54
133120	Fences & Gates	10	797,895.00	0.00	797,895.00	576,850.30	221,044.70
310150	Repairs and Relocation	10	68,941.00	0.00	68,941.00	0.00	68,941.00
530290	Misc Structures	10	0.00	183,529.00	183,529.00	183,529.00	0.00
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Total Hard Development Costs			2,828,908.00	0.00	2,828,908.00	1,776,038.76	1,052,869.24
Contingency							
573100	Contingency	20	492,402.00	-892,676.60	-400,274.60	0.00	-400,274.60
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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Total Contingency		492,402.00	-892,676.60	-400,274.60	0.00	-400,274.60
	Development Costs		3,953,735.00	0.00	3,953,735.00	2,626,688.84	1,327,046.16

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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000TR - TrailSys Trail System, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	64,043.00	40,941.00	104,984.00	104,984.00	0.00
001426	Engineer - Soils	10	29,270.00	29,611.25	58,881.25	52,206.05	6,675.20
001431	Consulting Fees - Landsc Arch	10	13,000.00	0.00	13,000.00	0.00	13,000.00
001460	Reproduction Services	10	5,000.00	0.00	5,000.00	1,695.73	3,304.27
001500	Surveying	10	74,270.00	0.00	74,270.00	48,957.50	25,312.50
003135	Consulting Fees - Biologist	10	22,500.00	-22,500.00	0.00	0.00	0.00
011530	Plan Check Fees	10	42,211.00	73,110.57	115,321.57	115,321.57	0.00
011995	Bond Fees	10	1,000.00	84,575.00	85,575.00	73,035.00	12,540.00
			-----	-----	-----	-----	-----
Total Consultants / Soft Costs / Fees			251,294.00	205,737.82	457,031.82	396,199.85	60,831.97
Hard Development Costs							
001432	Consulting-Struct Conc Testing	10	50,000.00	0.00	50,000.00	25,070.00	24,930.00
013530	SWPPP	10	9,000.00	0.00	9,000.00	8,997.20	2.80
021520	Grading	10	183,712.00	132,073.62	315,785.62	315,785.62	0.00
021560	Site Preparation	10	9,140.00	0.00	9,140.00	0.00	9,140.00
027200	Bike/Trails/Walks	10	0.00	2,850.00	2,850.00	0.00	2,850.00
133120	Fences & Gates	10	3,000,000.00	0.00	3,000,000.00	2,838,849.50	161,150.50
310150	Repairs and Relocation	10	30,000.00	0.00	30,000.00	2,110.00	27,890.00
320140	Storm Drainage Utilities	10	0.00	30,250.00	30,250.00	29,785.75	464.25
530290	Misc Structures	10	1,133,261.00	355,615.56	1,488,876.56	1,406,029.19	82,847.37
			-----	-----	-----	-----	-----
Total Hard Development Costs			4,415,113.00	520,789.18	4,935,902.18	4,626,627.26	309,274.92
Contingency							

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Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
573100	Contingency	20	726,528.00	-726,528.00	0.00	0.00	0.00
			-----	-----	-----	-----	-----
	Total Contingency		726,528.00	-726,528.00	0.00	0.00	0.00
			-----	-----	-----	-----	-----
	Development Costs		5,392,935.00	-1.00	5,392,934.00	5,022,827.11	370,106.89

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000CT - Caltrans Caltrans I-5 Improvement, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	11,734.00	0.00	11,734.00	11,142.00	592.00
001426	Engineer - Soils	10	10,282.00	17,218.00	27,500.00	27,500.00	0.00
001431	Consulting Fees - Landsc Arch	10	5,000.00	-3,800.00	1,200.00	0.00	1,200.00
001460	Reproduction Services	10	1,500.00	0.00	1,500.00	62.99	1,437.01
001500	Surveying	10	36,000.00	27,988.00	63,988.00	45,848.00	18,140.00
003135	Consulting Fees - Biologist	10	423.00	-423.00	0.00	0.00	0.00
011530	Plan Check Fees	10	8,386.00	0.00	8,386.00	7,004.03	1,381.97
011995	Bond Fees	10	6,385.00	965.00	7,350.00	7,350.00	0.00
570150	Reimbursement - Utilities	10	204,619.00	-204,619.00	0.00	0.00	0.00
			-----	-----	-----	-----	-----
Total Consultants / Soft Costs / Fees			284,329.00	-162,671.00	121,658.00	98,907.02	22,750.98
Hard Development Costs							
013530	SWPPP	10	169.00	25,000.00	25,169.00	25,000.00	169.00
021520	Grading	10	107,853.00	318,852.80	426,705.80	388,692.72	38,013.08
021560	Site Preparation	10	17,135.00	0.00	17,135.00	17,000.00	135.00
029200	Landscaping	10	406,898.00	-175,179.00	231,719.00	0.00	231,719.00
033100	Concrete/Flatwork	10	0.00	7,600.00	7,600.00	7,600.00	0.00
133120	Fences & Gates	10	48,000.00	0.00	48,000.00	0.00	48,000.00
310150	Repairs and Relocation	10	7,371.00	0.00	7,371.00	0.00	7,371.00
320140	Storm Drainage Utilities	10	150,000.00	75,179.00	225,179.00	225,179.00	0.00
			-----	-----	-----	-----	-----
Total Hard Development Costs			737,426.00	251,452.80	988,878.80	663,471.72	325,407.08
Contingency							

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
573100	Contingency	20	156,506.00	-88,781.80	67,724.20	0.00	67,724.20
			-----	-----	-----	-----	-----
	Total Contingency		156,506.00	-88,781.80	67,724.20	0.00	67,724.20
			-----	-----	-----	-----	-----
	Development Costs		1,178,261.00	0.00	1,178,261.00	762,378.74	415,882.26

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000LM - LosMolinos Los Molinos, , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	33,220.00	0.00	33,220.00	10,912.50	22,307.50
001426	Engineer - Soils	10	4,000.00	2,000.00	6,000.00	5,000.00	1,000.00
001460	Reproduction Services	10	1,500.00	0.00	1,500.00	0.00	1,500.00
001500	Surveying	10	9,000.00	0.00	9,000.00	0.00	9,000.00
003135	Consulting Fees - Biologist	10	1,200.00	-1,200.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	5,025.00	12,975.00	18,000.00	1,000.00	17,000.00
011530	Plan Check Fees	10	5,301.00	0.00	5,301.00	5,154.44	146.56
011995	Bond Fees	10	1,491.00	16,622.00	18,113.00	10,367.00	7,746.00
162510	Electrical	10	120,000.00	0.00	120,000.00	0.00	120,000.00
			-----	-----	-----	-----	-----
Total Consultants / Soft Costs / Fees			180,737.00	30,397.00	211,134.00	32,433.94	178,700.06
Hard Development Costs							
013530	SWPPP	10	21,725.00	0.00	21,725.00	0.00	21,725.00
021520	Grading	10	33,000.00	37,541.86	70,541.86	70,541.86	0.00
029200	Landscaping	10	2,500.00	0.00	2,500.00	0.00	2,500.00
033100	Concrete/Flatwork	10	11,000.00	0.00	11,000.00	4,160.00	6,840.00
133150	Retaining Walls	10	43,000.00	0.00	43,000.00	41,510.40	1,489.60
162515	Joint Trench	10	100,500.00	0.00	100,500.00	0.00	100,500.00
310100	Roadways and Pavement	10	87,400.00	0.00	87,400.00	0.00	87,400.00
310130	Curbs and Gutters	10	61,658.00	0.00	61,658.00	0.00	61,658.00
310150	Repairs and Relocation	10	10,536.00	0.00	10,536.00	0.00	10,536.00
320140	Storm Drainage Utilities	10	42,000.00	0.00	42,000.00	0.00	42,000.00
			-----	-----	-----	-----	-----
Total Hard Development Costs			413,319.00	37,541.86	450,860.86	116,212.26	334,648.60

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
573100	Contingency	20	76,982.00	-67,938.86	9,043.14	0.00	9,043.14
	Total Contingency		76,982.00	-67,938.86	9,043.14	0.00	9,043.14
	Development Costs		671,038.00	0.00	671,038.00	148,646.20	522,391.80

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
<i>Project : 34500200 - Marblehead Master -LD</i>							
<i>Lot : 009000AL - OverAll , NA</i>							
Consultants / Soft Costs / Fees							
001421	Engineer - Civil	10	565,538.00	286,494.72	852,032.72	810,627.80	41,404.92
001422	Engineer - Environmental	10	1,500.00	-1,500.00	0.00	0.00	0.00
001423	Consulting Fees - Traffic	10	25,000.00	0.00	25,000.00	0.00	25,000.00
001426	Engineer - Soils	10	86,030.00	0.00	86,030.00	18,380.53	67,649.47
001431	Consulting Fees - Landsc Arch	10	42,000.00	58,500.00	100,500.00	97,000.00	3,500.00
001453	Third Party Inspections	10	0.00	16,700.00	16,700.00	16,700.00	0.00
001460	Reproduction Services	10	15,000.00	11,830.76	26,830.76	25,888.91	941.85
001500	Surveying	10	131,030.00	-223,480.00	-92,450.00	13,732.50	-106,182.50
001710	Mitigation	10	1,127,677.00	-1,127,677.00	0.00	0.00	0.00
003130	Consulting Fees - Archeologic	10	25,000.00	-25,000.00	0.00	0.00	0.00
003135	Consulting Fees - Biologist	10	-20,000.00	20,000.00	0.00	0.00	0.00
003145	Wildlife Management	10	25,000.00	-10,344.93	14,655.07	14,655.07	0.00
003200	Consulting Fees - Noise/vibrat	10	8,000.00	-8,000.00	0.00	0.00	0.00
003210	Consulting Fees - Utilities	10	-65,575.00	77,075.00	11,500.00	11,000.00	500.00
003220	Consulting Fees-Dev Grp Coord	10	0.00	24,137.47	24,137.47	7,780.00	16,357.47
003250	Consulting Fees - DRE	10	15,000.00	3,000.00	18,000.00	0.00	18,000.00
700100	Architecture Fees and Plans	10	0.00	31,520.00	31,520.00	19,281.00	12,239.00
740100	Legal - DRE/HOA/Disclosure	10	50,000.00	0.00	50,000.00	41,752.05	8,247.95
740200	Legal - Project Related	10	3,300.00	281,541.09	284,841.09	285,333.09	-492.00
785250	HOA Fees	10	908,418.00	0.00	908,418.00	0.00	908,418.00
011530	Plan Check Fees	10	720,120.70	-124,129.57	595,991.13	153,692.04	442,299.09
011850	Fees - DRE	10	25,000.00	0.00	25,000.00	600.00	24,400.00
011995	Bond Fees	10	1,028,575.00	-750,552.00	278,023.00	162,785.00	115,238.00
162510	Electrical	10	100,000.00	90,000.00	190,000.00	170,486.00	19,514.00
			-----	-----	-----	-----	-----

DEVD - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
	Total Consultants / Soft Costs / Fees		4,816,613.70	-1,369,884.46	3,446,729.24	1,849,693.99	1,597,035.25
	Pre-Dev - Engineering/Design						
500510	Pre-dev - Engineering/Design	10	1,500,000.00	39,207.96	1,539,207.96	1,539,207.96	0.00
			-----	-----	-----	-----	-----
	Total Pre-Dev - Engineering/Design		1,500,000.00	39,207.96	1,539,207.96	1,539,207.96	0.00
	Hard Development Costs						
001432	Consulting-Struct Conc Testing	10	0.00	2,280.00	2,280.00	2,280.00	0.00
013530	SWPPP	10	384,863.58	0.00	384,863.58	258,839.20	126,024.38
021500	Fill-Import/Export	10	320,000.00	197,359.18	517,359.18	443,231.00	74,128.18
021520	Grading	10	100,000.00	36,674.00	136,674.00	136,674.00	0.00
021535	Demolition	10	40,000.00	-34,150.00	5,850.00	5,850.00	0.00
021560	Site Preparation	10	93,727.00	-91,684.00	2,043.00	0.00	2,043.00
133120	Fences & Gates	10	93,685.00	0.00	93,685.00	10,285.00	83,400.00
133150	Retaining Walls	10	40,250.00	63,026.21	103,276.21	103,276.21	0.00
162515	Joint Trench	10	48,000.00	-34,005.18	13,994.82	11,666.82	2,328.00
310100	Roadways and Pavement	10	37,520.00	-37,520.00	0.00	0.00	0.00
310150	Repairs and Relocation	10	1,876.00	0.00	1,876.00	0.00	1,876.00
320100	Utility Water Distn System	10	0.00	1,780.00	1,780.00	1,780.00	0.00
320120	Sanitary Sewerage Utilities	10	100,000.00	0.00	100,000.00	87,589.00	12,411.00
710800	Management Fees	10	850,000.00	24,483.05	874,483.05	868,983.05	5,500.00
785999	Miscellaneous Finance	10	0.00	195,803.26	195,803.26	103,721.86	92,081.40
			-----	-----	-----	-----	-----
	Total Hard Development Costs		2,109,921.58	324,046.52	2,433,968.10	2,034,176.14	399,791.96
	Permits & Fees						
011710	Dev Chg - Mun/Reg Fees	10	1,813,157.70	0.00	1,813,157.70	335,729.36	1,477,428.34

DEV D - Land & Development Detail by Group

As of Date: 08/31/2015
 Oper. Unit: 0340 - California - SoCal JV Homebuilding
 Project: 34500200 - Marblehead Master -LD
 Lot Date Range: -

Total Committed

Major Code	Description	Minor Code	Anchor Estimate (A)	Estimate Changes (B)	Revised Estimate (C)	Actual TTD (E)	Remaining to Spend (C) - (E)
<i>Oper. Unit : 0340</i>							
011820	Fees - Road	10	0.00	0.00	0.00	3,898.00	-3,898.00
011860	Fees - Environment	10	1,185,767.00	0.00	1,185,767.00	500,000.00	685,767.00
011990	Fees - Other	10	5,825,250.00	0.00	5,825,250.00	5,825,227.99	22.01
			-----	-----	-----	-----	-----
	Total Permits & Fees		8,824,174.70	0.00	8,824,174.70	6,664,855.35	2,159,319.35
	Contingency						
573100	Contingency	20	1,204,053.76	689,901.98	1,893,955.74	40,500.00	1,853,455.74
			-----	-----	-----	-----	-----
	Total Contingency		1,204,053.76	689,901.98	1,893,955.74	40,500.00	1,853,455.74
			-----	-----	-----	-----	-----
	Development Costs		18,454,763.74	-316,728.00	18,138,035.74	12,128,433.44	6,009,602.30

EMPIRE ECONOMICS ABSORPTION STUDY
(Portion)

ESTIMATED ABSORPTION SCHEDULES
CFD NO. 2006-1 (SEA SUMMIT AT MARBLEHEAD)

					Overall	
Projects >	Aqua	Sapphire	Azure	Indigo	Totals	Averages
Builder	Taylor Morrison	Taylor Morrison	Taylor Morrison	Taylor Morrison		
Expected Product Type	Single-family Detached	Single-family Detached	Single-family Detached	Single-family Detached		
Lot Sizes - Approximate	4,200	5,000	5,800	7,000		
Housing Units						
Totals	127	77	81	24	309	
Share	41.1%	24.9%	26.2%	7.8%	100.0%	
Marketing Status:						
Closed	0	0	0	0	0	
Future Closings	127	77	81	24	309	
Expected Product Mix						
Plan # 1	26	25	14	8		
Plan # 2	31	26	14	9		
Plan # 3	23	26	17	7		
Plan # 4	22		14			
Plan # 5	25		16			
Plan # 6			6			
Totals	127	77	81	24		309
Living Areas (Sq. Ft.)						
Plan # 1	2,214	3,460	3,775	4,694		
Plan # 2	2,417	3,602	4,135	4,937		
Plan # 3	2,336	3,873	4,064	5,544		
Plan # 4	2,649		4,277			
Plan # 5	2,278		4,756			
Plan # 6			2,536			
Averages	2,374	3,647	4,087	5,033		3,347
Current Base Prices						
Plan # 1	\$970,990	\$1,527,990	\$1,780,990	\$2,195,990		
Plan # 2	\$1,005,990	\$1,560,990	\$1,890,990	\$2,275,990		
Plan # 3	\$995,990	\$1,598,990	\$1,925,990	\$2,500,990		
Plan # 4	\$1,035,990		\$2,010,990			
Plan # 5	\$980,990		\$2,145,990			
Plan # 6			\$1,500,990			
Averages	\$997,289	\$1,563,107	\$1,921,546	\$2,314,948		\$1,482,909
Value Ratios : (Price / Living Area)	\$420	\$429	\$470	\$460		\$443
Average Sales Prices with Premiums	\$1,114,289	\$1,963,367	\$2,495,046	\$3,383,948		\$1,864,102
Premiums	\$117,000	\$400,260	\$573,500	\$1,069,000		\$381,193
Tax Burden						
Ad Valorem - Percent of Price	1.01%	1.01%	1.01%	1.01%		1.01%
Special Taxes \$/Yr - Avg.	\$7,535	\$11,508	\$13,081	\$13,475		\$10,212
* Total Tax Burden %/Price	1.77%	1.75%	1.69%	1.60%		1.70%
Projects >	Aqua	Sapphire	Azure	Indigo	Annually	Cumulative
Estimated Absorption Schedules						
2016	27	20	13	4	64	64
2017	32	23	15	4	74	138
2018	35	25	16	5	81	219
2019	33	9	17	5	64	283
2020	0	0	17	5	22	305
2021	0	0	3	1	4	309
		0				
Totals	127	77	81	24	309	

ASSESSED VALUATION & TAXES

City of San Clemente
CFD No. 2006-1
Sea Summit at Marblehead
Assessed Value & Taxes 2015-16

<u>APN</u>	<u>Land Value</u>	<u>Imp. Value</u>	<u>Total Value</u>	<u>Prop. Tax</u>	<u>Tax Area</u>
691-423-01	\$549,626	\$0	\$549,626	\$4,177.52	10000
691-423-02	\$494,752	\$0	\$494,752	\$3,729.72	10000
691-423-03	\$405,579	\$0	\$405,579	\$3,086.38	10000
691-423-04	\$460,949	\$0	\$460,949	\$3,505.80	10000
691-423-05	\$411,470	\$0	\$411,470	\$3,131.00	10000
691-423-06	\$410,506	\$0	\$410,506	\$3,123.70	10000
691-423-07	\$466,518	\$0	\$466,518	\$3,548.00	10000
691-423-08	\$416,289	\$0	\$416,289	\$3,167.52	10000
691-423-09	\$415,539	\$0	\$415,539	\$3,161.84	10000
691-423-10	\$471,980	\$0	\$471,980	\$3,589.36	10000
691-423-11	\$421,216	\$0	\$421,216	\$3,204.84	10000
691-423-12	\$420,252	\$0	\$420,252	\$3,197.52	10000
691-423-13	\$477,549	\$0	\$477,549	\$3,631.54	10000
691-423-14	\$426,142	\$0	\$426,142	\$3,242.14	10000
691-423-15	\$425,178	\$0	\$425,178	\$3,234.84	10000
691-423-16	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-17	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-18	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-19	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-20	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-21	\$459,449	\$0	\$459,449	\$3,494.44	10000
691-423-22	\$459,664	\$0	\$459,664	\$3,496.08	10000
691-423-23	\$524,244	\$0	\$524,244	\$3,985.24	10000
691-423-24	\$518,353	\$0	\$518,353	\$3,940.64	10000
691-423-25	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-26	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-27	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-28	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-29	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-30	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-31	\$361,776	\$0	\$361,776	\$2,754.60	10000
691-423-32	\$409,328	\$0	\$409,328	\$3,114.78	10000
691-423-33	\$363,918	\$0	\$363,918	\$2,770.82	10000
691-423-34	\$361,776	\$0	\$361,776	\$2,754.60	10000
691-423-35	\$409,328	\$0	\$409,328	\$3,114.78	10000
691-423-36	\$363,918	\$0	\$363,918	\$2,770.82	10000
691-423-37	\$361,669	\$0	\$361,669	\$2,753.78	10000
691-423-38	\$409,328	\$0	\$409,328	\$3,114.78	10000
691-423-39	\$363,597	\$0	\$363,597	\$2,768.38	10000
691-423-40	\$480,012	\$0	\$480,012	\$3,650.20	10000
691-423-41	\$386,516	\$0	\$386,516	\$2,941.98	10000
691-423-42	\$364,775	\$0	\$364,775	\$2,777.30	10000
691-423-43	\$410,292	\$0	\$410,292	\$3,122.08	10000
691-423-44	\$362,633	\$0	\$362,633	\$2,761.08	10000
691-423-45	\$364,775	\$0	\$364,775	\$2,777.30	10000
691-423-46	\$410,292	\$0	\$410,292	\$3,122.08	10000
691-423-47	\$362,633	\$0	\$362,633	\$2,761.08	10000
691-423-48	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-49	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-50	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-51	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-423-52	\$467,803	\$0	\$467,803	\$3,557.72	10000
691-423-53	\$560,443	\$0	\$560,443	\$4,259.46	10000
691-423-54	\$456,558	\$0	\$456,558	\$3,472.54	10000
691-423-55	\$459,128	\$0	\$459,128	\$3,492.02	10000
691-423-56	\$466,946	\$0	\$466,946	\$3,551.22	10000
691-424-01	\$582,826	\$0	\$582,826	\$4,429.02	10000
691-424-02	\$634,447	\$0	\$634,447	\$4,820.04	10000
691-424-03	\$645,050	\$0	\$645,050	\$4,900.36	10000
691-424-04	\$459,664	\$0	\$459,664	\$3,496.08	10000
691-424-05	\$666,256	\$0	\$666,256	\$5,060.96	10000
691-424-06	\$422,179	\$0	\$422,179	\$3,212.14	10000
691-424-07	\$417,896	\$0	\$417,896	\$3,179.68	10000
691-424-08	\$367,774	\$0	\$367,774	\$2,800.02	10000

City of San Clemente
 CFD No. 2006-1
 Sea Summit at Marblehead
 Assessed Value & Taxes 2015-16

<u>APN</u>	<u>Land Value</u>	<u>Imp. Value</u>	<u>Total Value</u>	<u>Prop. Tax</u>	<u>Tax Area</u>
691-424-09	\$431,069	\$0	\$431,069	\$3,279.46	10000
691-424-10	\$483,118	\$0	\$483,118	\$3,673.72	10000
691-424-11	\$459,449	\$0	\$459,449	\$3,494.44	10000
691-424-12	\$459,449	\$0	\$459,449	\$3,494.44	10000
691-424-13	\$557,337	\$0	\$557,337	\$4,235.92	10000
691-424-14	\$582,719	\$0	\$582,719	\$4,428.20	10000
691-424-15	\$498,326	\$0	\$498,326	\$3,788.94	10000
691-424-16	\$459,557	\$0	\$459,557	\$3,495.24	10000
691-424-17	\$459,557	\$0	\$459,557	\$3,495.24	10000
691-424-18	\$459,449	\$0	\$459,449	\$3,494.44	10000
691-424-19	\$363,811	\$0	\$363,811	\$2,770.00	10000
691-424-20	\$409,328	\$0	\$409,328	\$3,114.78	10000
691-424-21	\$361,776	\$0	\$361,776	\$2,754.60	10000
691-424-22	\$363,918	\$0	\$363,918	\$2,770.82	10000
691-424-23	\$409,328	\$0	\$409,328	\$3,114.78	10000
691-424-24	\$459,771	\$0	\$459,771	\$3,496.88	10000
691-424-25	\$375,163	\$0	\$375,163	\$2,856.00	10000
691-424-26	\$385,231	\$0	\$385,231	\$2,932.26	10000
691-424-27	\$340,357	\$0	\$340,357	\$2,592.34	10000
691-424-28	\$364,775	\$0	\$364,775	\$2,777.30	10000
691-424-29	\$410,399	\$0	\$410,399	\$3,122.90	10000
691-424-30	\$362,526	\$0	\$362,526	\$2,760.26	10000
691-424-31	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-424-32	\$459,557	\$0	\$459,557	\$3,495.26	10000
691-424-33	\$494,363	\$0	\$494,363	\$3,758.92	10000
691-424-34	\$540,523	\$0	\$540,523	\$4,108.56	10000
691-424-35	\$439,851	\$0	\$439,851	\$3,346.00	10000
691-424-36	\$429,890	\$0	\$429,890	\$3,270.54	10000
691-424-37	\$558,622	\$0	\$558,622	\$4,245.66	10000
691-424-38	\$568,689	\$0	\$568,689	\$4,321.92	10000
691-424-39	\$592,037	\$0	\$592,037	\$4,498.78	10000
691-424-40	\$441,350	\$0	\$441,350	\$3,357.36	10000
691-424-41	\$490,722	\$0	\$490,722	\$3,731.34	10000
691-424-42	\$609,708	\$0	\$609,708	\$4,632.62	10000
691-424-46	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-424-47	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-424-48	\$459,449	\$0	\$459,449	\$3,494.46	10000
691-424-49	\$478,941	\$0	\$478,941	\$3,642.08	10000
691-424-50	\$495,970	\$0	\$495,970	\$3,771.08	10000
691-424-51	\$458,593	\$0	\$458,593	\$3,487.96	10000
691-424-52	\$459,449	\$0	\$459,449	\$3,494.44	10000
691-424-53	\$459,449	\$0	\$459,449	\$3,494.44	10000
691-424-54	\$454,416	\$0	\$454,416	\$3,456.32	10000
691-424-55	\$511,071	\$0	\$511,071	\$3,885.48	10000
691-424-56	\$592,251	\$0	\$592,251	\$4,500.40	10000
691-424-57	\$550,054	\$0	\$550,054	\$4,180.76	10000
691-424-58	\$457,843	\$0	\$457,843	\$3,482.28	10000
691-424-59	\$441,993	\$0	\$441,993	\$3,362.22	10000
691-424-60	\$399,046	\$0	\$399,046	\$3,036.90	10000
691-424-61	\$681,249	\$0	\$681,249	\$5,174.54	10000
691-424-62	\$514,819	\$0	\$514,819	\$3,914.80	10000
691-424-63	\$399,153	\$0	\$399,153	\$3,037.70	10000
691-424-64	\$368,523	\$0	\$368,523	\$2,805.70	10000
691-424-65	\$415,968	\$0	\$415,968	\$3,165.08	10000
691-424-66	\$368,845	\$0	\$368,845	\$2,808.14	10000
691-424-67	\$458,164	\$0	\$458,164	\$3,484.72	10000
691-424-68	\$423,679	\$0	\$423,679	\$3,223.50	10000
691-424-69	\$361,883	\$0	\$361,883	\$2,755.40	10000
691-424-70	\$411,470	\$0	\$411,470	\$3,131.00	10000
691-424-71	\$357,492	\$0	\$357,492	\$2,722.14	10000
691-424-72	\$380,090	\$0	\$380,090	\$2,893.32	10000
691-424-73	\$488,259	\$0	\$488,259	\$3,712.68	10000
691-424-74	\$498,433	\$0	\$498,433	\$3,789.74	10000
691-434-01	\$1,062,150	\$0	\$1,062,150	\$7,983.90	10000

City of San Clemente
CFD No. 2006-1
Sea Summit at Marblehead
Assessed Value & Taxes 2015-16

<u>APN</u>	<u>Land Value</u>	<u>Imp. Value</u>	<u>Total Value</u>	<u>Prop. Tax</u>	<u>Tax Area</u>
691-434-02	\$879,214	\$0	\$879,214	\$6,611.28	10000
691-434-03	\$815,208	\$0	\$815,208	\$6,131.00	10000
691-434-04	\$807,208	\$0	\$807,208	\$6,070.98	10000
691-434-05	\$905,919	\$0	\$905,919	\$6,811.64	10000
691-434-06	\$924,948	\$0	\$924,948	\$6,954.42	10000
691-434-07	\$736,190	\$0	\$736,190	\$5,590.72	10000
691-434-08	\$800,072	\$0	\$800,072	\$6,017.44	10000
691-434-09	\$959,978	\$0	\$959,978	\$7,217.28	10000
691-434-10	\$718,412	\$0	\$718,412	\$5,456.06	10000
691-434-11	\$719,912	\$0	\$719,912	\$5,467.40	10000
691-434-12	\$799,423	\$0	\$799,423	\$6,012.56	10000
691-434-13	\$1,115,019	\$0	\$1,115,019	\$8,380.60	10000
691-434-14	\$1,016,632	\$0	\$1,016,632	\$7,642.36	10000
691-434-15	\$866,348	\$0	\$866,348	\$6,514.72	10000
691-434-16	\$829,480	\$0	\$829,480	\$6,238.08	10000
691-434-17	\$941,058	\$0	\$941,058	\$7,075.30	10000
691-434-18	\$846,995	\$0	\$846,995	\$6,369.52	10000
691-434-19	\$926,678	\$0	\$926,678	\$6,967.40	10000
691-434-20	\$731,478	\$0	\$731,478	\$5,555.02	10000
691-434-21	\$636,589	\$0	\$636,589	\$4,836.26	10000
691-434-22	\$604,460	\$0	\$604,460	\$4,592.86	10000
691-434-23	\$596,856	\$0	\$596,856	\$4,535.28	10000
691-434-24	\$619,561	\$0	\$619,561	\$4,707.26	10000
691-434-25	\$666,363	\$0	\$666,363	\$5,061.78	10000
691-434-26	\$997,711	\$0	\$997,711	\$2,932.24	10000
691-434-27	\$864,294	\$0	\$864,294	\$2,592.34	10000
691-434-28	\$848,833	\$0	\$848,833	\$6,383.30	10000
691-434-29	\$892,188	\$0	\$892,188	\$6,708.62	10000
691-434-30	\$794,774	\$0	\$794,774	\$5,977.68	10000
691-434-31	\$717,234	\$0	\$717,234	\$5,447.12	10000
691-434-32	\$848,401	\$0	\$848,401	\$6,380.06	10000
691-434-33	\$913,271	\$0	\$913,271	\$6,866.80	10000
691-434-34	\$973,601	\$0	\$973,601	\$7,319.48	10000
691-434-35	\$947,545	\$0	\$947,545	\$7,123.98	10000
691-434-36	\$735,441	\$0	\$735,441	\$5,585.04	10000
691-434-37	\$740,581	\$0	\$740,581	\$5,623.98	10000
691-434-38	\$632,520	\$0	\$632,520	\$4,805.42	10000
691-434-39	\$741,545	\$0	\$741,545	\$5,631.28	10000
691-434-40	\$857,482	\$0	\$857,482	\$6,448.20	10000
691-434-41	\$715,199	\$0	\$715,199	\$5,431.72	10000
691-434-42	\$719,269	\$0	\$719,269	\$5,462.54	10000
691-434-43	\$824,074	\$0	\$824,074	\$6,197.54	10000
691-434-44	\$1,139,238	\$0	\$1,139,238	\$8,562.32	10000
691-434-45	\$847,536	\$0	\$847,536	\$6,373.56	10000
691-434-46	\$636,804	\$0	\$636,804	\$4,837.88	10000
691-434-47	\$602,639	\$0	\$602,639	\$4,579.08	10000
691-434-48	\$719,804	\$0	\$719,804	\$5,466.60	10000
691-434-49	\$655,439	\$0	\$655,439	\$4,979.04	10000
691-434-50	\$664,221	\$0	\$664,221	\$5,045.54	10000
691-434-51	\$666,256	\$0	\$666,256	\$5,060.96	10000
691-434-52	\$652,333	\$0	\$652,333	\$4,955.50	10000
691-434-53	\$762,122	\$0	\$762,122	\$5,732.68	10000
691-434-54	\$907,973	\$0	\$907,973	\$6,827.06	10000
691-434-55	\$611,421	\$0	\$611,421	\$4,645.60	10000
691-434-56	\$616,027	\$0	\$616,027	\$4,680.48	10000
691-434-57	\$606,174	\$0	\$606,174	\$4,605.84	10000
691-434-58	\$596,321	\$0	\$596,321	\$4,531.22	10000
691-434-59	\$607,994	\$0	\$607,994	\$4,619.64	10000
691-434-60	\$652,761	\$0	\$652,761	\$4,958.76	10000
691-434-61	\$627,165	\$0	\$627,165	\$4,764.86	10000
691-434-62	\$791,774	\$0	\$791,774	\$6,011.76	10000
691-435-01	\$1,287,251	\$0	\$1,287,251	\$9,672.92	10000
691-435-02	\$1,041,283	\$0	\$1,041,283	\$7,827.32	10000
691-435-03	\$905,919	\$0	\$905,919	\$6,811.64	10000

City of San Clemente
 CFD No. 2006-1
 Sea Summit at Marblehead
 Assessed Value & Taxes 2015-16

<u>APN</u>	<u>Land Value</u>	<u>Imp. Value</u>	<u>Total Value</u>	<u>Prop. Tax</u>	<u>Tax Area</u>
691-435-04	\$819,749	\$0	\$819,749	\$6,165.08	10000
691-435-05	\$967,114	\$0	\$967,114	\$7,270.82	10000
691-435-06	\$1,053,176	\$0	\$1,053,176	\$7,916.58	10000
691-435-07	\$889,377	\$0	\$889,377	\$6,687.52	10000
691-435-08	\$943,977	\$0	\$943,977	\$7,097.20	10000
691-435-09	\$985,818	\$0	\$985,818	\$7,411.16	10000
691-435-10	\$1,113,830	\$0	\$1,113,830	\$8,371.66	10000
691-435-11	\$1,229,084	\$0	\$1,229,084	\$9,236.46	10000
691-435-12	\$1,072,529	\$0	\$1,072,529	\$8,061.78	10000
691-435-13	\$1,014,470	\$0	\$1,014,470	\$7,626.14	10000
691-435-14	\$1,212,217	\$0	\$1,212,217	\$9,109.92	10000
691-435-15	\$1,325,741	\$0	\$1,325,741	\$9,961.72	10000
691-435-16	\$1,100,748	\$0	\$1,100,748	\$8,273.52	10000
691-435-17	\$1,419,804	\$0	\$1,419,804	\$10,667.52	10000
691-435-18	\$1,140,967	\$0	\$1,140,967	\$8,575.30	10000
691-435-19	\$674,395	\$0	\$674,395	\$5,122.62	10000
691-435-20	\$680,714	\$0	\$680,714	\$5,170.48	10000
691-435-21	\$875,971	\$0	\$875,971	\$6,586.92	10000
691-435-22	\$1,288,116	\$0	\$1,288,116	\$9,679.42	10000
691-435-23	\$1,151,671	\$0	\$1,151,671	\$8,655.62	10000
691-435-24	\$1,333,634	\$0	\$1,333,634	\$10,020.96	10000
691-435-25	\$913,487	\$0	\$913,487	\$6,868.44	10000
691-435-26	\$676,751	\$0	\$676,751	\$5,140.46	10000
691-435-27	\$672,896	\$0	\$672,896	\$5,111.26	10000
691-435-28	\$851,428	\$0	\$851,428	\$6,402.78	10000
691-435-29	\$913,116	\$0	\$913,116	\$6,930.90	10000
691-435-30	\$1,006,077	\$0	\$1,006,077	\$7,635.06	10000
691-435-31	\$1,540,787	\$0	\$1,540,787	\$11,575.30	10000
691-435-32	\$1,102,478	\$0	\$1,102,478	\$8,286.50	10000
691-435-33	\$928,083	\$0	\$928,083	\$6,977.94	10000
691-435-34	\$900,838	\$0	\$900,838	\$6,773.52	10000
691-435-35	\$854,239	\$0	\$854,239	\$6,423.88	10000
691-435-36	\$960,303	\$0	\$960,303	\$7,219.70	10000
691-435-37	\$1,005,712	\$0	\$1,005,712	\$7,560.42	10000
691-435-38	\$682,856	\$0	\$682,856	\$5,186.70	10000
691-435-39	\$1,060,636	\$0	\$1,060,636	\$7,972.54	10000
691-435-40	\$773,353	\$0	\$773,353	\$5,872.22	10000
691-435-41	\$779,779	\$0	\$779,779	\$5,920.90	10000
691-435-42	\$628,236	\$0	\$628,236	\$4,772.98	10000
691-435-43	\$1,041,607	\$0	\$1,041,607	\$7,829.76	10000
691-436-01	\$905,595	\$0	\$905,595	\$6,809.20	10000
691-436-02	\$613,885	\$0	\$613,885	\$4,664.26	10000
691-436-03	\$753,112	\$0	\$753,112	\$5,718.88	10000
691-436-04	\$741,760	\$0	\$741,760	\$5,632.90	10000
691-436-05	\$759,966	\$0	\$759,966	\$5,770.80	10000
691-436-06	\$747,329	\$0	\$747,329	\$5,675.08	10000
691-436-07	\$848,322	\$0	\$848,322	\$6,440.10	10000
691-436-08	\$874,998	\$0	\$874,998	\$6,579.64	10000
691-436-09	\$774,532	\$0	\$774,532	\$5,881.14	10000
691-436-10	\$741,010	\$0	\$741,010	\$5,627.22	10000
691-436-11	\$623,738	\$0	\$623,738	\$4,738.90	10000
691-436-12	\$813,944	\$0	\$813,944	\$6,179.70	10000
691-436-13	\$1,486,945	\$0	\$1,486,945	\$11,171.30	10000
691-436-14	\$1,353,960	\$0	\$1,353,960	\$10,173.46	10000
691-436-15	\$805,478	\$0	\$805,478	\$6,058.00	10000
691-436-16	\$648,477	\$0	\$648,477	\$4,926.30	10000
691-436-17	\$969,709	\$0	\$969,709	\$7,290.28	10000
691-436-18	\$907,000	\$0	\$907,000	\$6,819.74	10000
691-436-19	\$760,716	\$0	\$760,716	\$5,776.48	10000
691-436-20	\$684,569	\$0	\$684,569	\$5,199.68	10000
691-436-21	\$669,147	\$0	\$669,147	\$5,082.86	10000
691-436-22	\$779,529	\$0	\$779,529	\$5,863.30	10000
691-436-23	\$714,557	\$0	\$714,557	\$5,426.84	10000
691-436-24	\$537,417	\$0	\$537,417	\$4,085.04	10000

City of San Clemente
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 Sea Summit at Marblehead
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<u>APN</u>	<u>Land Value</u>	<u>Imp. Value</u>	<u>Total Value</u>	<u>Prop. Tax</u>	<u>Tax Area</u>
691-436-25	\$611,636	\$0	\$611,636	\$4,647.24	10000
691-436-26	\$653,939	\$0	\$653,939	\$4,967.68	10000
691-436-27	\$662,614	\$0	\$662,614	\$5,033.38	10000
691-436-28	\$812,830	\$0	\$812,830	\$6,113.16	10000
691-436-29	\$626,308	\$0	\$626,308	\$4,758.38	10000
691-436-30	\$1,325,092	\$0	\$1,325,092	\$9,956.86	10000
691-437-01	\$872,403	\$0	\$872,403	\$6,560.16	10000
691-437-02	\$768,393	\$0	\$768,393	\$5,779.72	10000
691-437-03	\$645,264	\$0	\$645,264	\$4,901.96	10000
691-437-04	\$585,932	\$0	\$585,932	\$4,452.54	10000
691-437-05	\$575,865	\$0	\$575,865	\$4,376.28	10000
691-437-06	\$610,672	\$0	\$610,672	\$4,639.92	10000
691-437-07	\$595,571	\$0	\$595,571	\$4,525.54	10000
691-437-08	\$1,067,339	\$0	\$1,067,339	\$8,022.84	10000
691-437-09	\$695,386	\$0	\$695,386	\$5,281.64	10000
691-437-10	\$679,321	\$0	\$679,321	\$5,159.94	10000
691-437-11	\$671,718	\$0	\$671,718	\$5,102.34	10000
691-437-12	\$637,767	\$0	\$637,767	\$4,845.18	10000
691-437-13	\$624,594	\$0	\$624,594	\$4,745.38	10000
691-437-14	\$607,352	\$0	\$607,352	\$4,614.78	10000
691-437-15	\$771,961	\$0	\$771,961	\$5,806.50	10000
691-437-16	\$882,890	\$0	\$882,890	\$6,638.86	10000
691-437-17	\$705,346	\$0	\$705,346	\$5,357.08	10000
691-437-18	\$842,346	\$0	\$842,346	\$6,334.64	10000
691-437-19	\$834,237	\$0	\$834,237	\$6,273.78	10000
691-437-20	\$788,026	\$0	\$788,026	\$5,983.36	10000
691-437-21	\$636,161	\$0	\$636,161	\$4,833.00	10000
691-437-22	\$653,297	\$0	\$653,297	\$4,962.82	10000
691-437-23	\$607,352	\$0	\$607,352	\$4,614.78	10000
691-437-24	\$643,337	\$0	\$643,337	\$4,887.36	10000
691-437-25	\$702,562	\$0	\$702,562	\$5,335.98	10000
691-437-26	\$711,665	\$0	\$711,665	\$5,404.94	10000
691-437-27	\$711,558	\$0	\$711,558	\$5,404.12	10000
691-437-28	\$717,877	\$0	\$717,877	\$5,452.00	10000
691-437-29	\$747,114	\$0	\$747,114	\$5,673.46	10000
691-437-30	\$606,816	\$0	\$606,816	\$4,610.72	10000
691-437-31	\$675,359	\$0	\$675,359	\$5,129.92	10000
691-437-32	\$633,162	\$0	\$633,162	\$4,810.30	10000
691-437-33	\$592,679	\$0	\$592,679	\$4,503.64	10000
691-437-34	\$612,492	\$0	\$612,492	\$4,653.72	10000
691-437-35	\$604,246	\$0	\$604,246	\$4,591.26	10000
691-437-36	\$587,967	\$0	\$587,967	\$4,467.96	10000
691-437-37	\$588,610	\$0	\$588,610	\$4,472.82	10000
691-437-38	\$564,298	\$0	\$564,298	\$4,288.66	10000
691-437-39	\$608,958	\$0	\$608,958	\$4,626.94	10000
691-437-40	\$587,431	\$0	\$587,431	\$4,463.90	10000
691-437-41	\$570,403	\$0	\$570,403	\$4,334.90	10000
691-437-42	\$582,612	\$0	\$582,612	\$4,427.38	10000
691-437-43	\$586,253	\$0	\$586,253	\$4,454.98	10000
691-437-44	\$675,573	\$0	\$675,573	\$5,131.54	10000
691-437-45	\$672,681	\$0	\$672,681	\$5,109.64	10000
691-437-46	\$629,414	\$0	\$629,414	\$4,781.90	10000
691-437-47	<u>\$708,988</u>	<u>\$0</u>	<u>\$708,988</u>	<u>\$5,384.66</u>	10000
Total	\$204,850,845	\$0	\$204,850,845	\$1,541,909.22	
309 Parcels					

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

December 3, 2015

City of San Clemente, as the legislative body of
Community Facilities District No. 2006-1
of the City of San Clemente
100 Avenida Presidio
San Clemente, CA 92672

Re: \$55,490,000 Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Community Facilities District No. 2006-1 of the City of San Clemente (the "District"), of \$55,490,000 aggregate principal amount of Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds, (the "Bonds"). The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), a resolution adopted by the City of San Clemente on November 3, 2015 (the "Resolution"), and a Fiscal Agent Agreement, dated as of December 1, 2015 (the "Fiscal Agent Agreement"), between the District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent").

We have examined the Act, the Resolution, the Fiscal Agent Agreement and certified copies of the proceedings taken for the issuance and sale of the Bonds. As to questions of fact which are material to our opinions, we have relied upon the representations of the District contained in the Fiscal Agent Agreement and in certificates of its authorized officers which have been delivered to us for the purpose of supplying such facts, without having undertaken to verify the accuracy of any such representations by independent investigation.

Based upon such examination, we are of the opinion, as of the date hereof, that the proceedings referred to above have been taken in accordance with the laws and the Constitution of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchaser thereof, and the Fiscal Agent Agreement constitute the legally valid and binding obligations of the District enforceable in accordance with their terms subject to the qualifications specified below and the Bonds, except where funds are otherwise available, as may be permitted by law, are payable, as to both principal and interest, solely from certain special taxes to be levied and collected within the District and other funds available therefor held under the Fiscal Agent Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, the District has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the District with the aforementioned covenants, the interest on the Bonds is excluded

from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC DATA FOR THE COUNTY OF ORANGE AND THE CITY OF SAN CLEMENTE

The following economic data for the County of Orange (the "County"), City of San Clemente (the "City") is presented for information purposes only. The Bonds are not a debt or obligation of the County or the City.

General

The City of San Clemente, incorporated on February 28, 1928, is located along the California coast, at the southern tip of Orange County, about 60 miles south of Los Angeles and 60 miles north of San Diego. The City currently occupies a land area of approximately 18.45 square miles

The City operates under a council-manager form of government, with a five-member council elected at large for four-year overlapping terms. The mayor is elected by the City Council for a one-year terms and is the presiding officer of the Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day City operations, and appointing the heads of various departments. The City Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire and marine safety), disaster preparedness, building inspection, construction and maintenance of streets, economic development, beaches, parks and recreation, water, sewer, storm drain, clean ocean and golf.

Orange County

Orange County is located in southern California, north of San Diego County and south of Los Angeles County. The County occupies a land area of approximately 798 square miles with a coastline of approximately 42 miles and serves a population of over 3 million. The County represents the third most populous county in the State, and ranks sixth in the nation.

Population

The following table summarizes population estimates for the City, County and State from 2010 through 2015.

POPULATION ESTIMATES The City of San Clemente, County of Orange and the State of California 2010-2015⁽¹⁾

<u>Year</u>	<u>California State Total</u>	<u>San Clemente</u>	<u>County of Orange</u>
2010	37,253,956	63,522	3,010,232
2011	37,427,946	63,735	3,028,846
2012	37,680,593	64,236	3,057,233
2013	38,030,609	64,664	3,087,715
2014	38,357,121	64,865	3,114,209
2015	38,714,725	65,399	3,147,655

⁽¹⁾ January 1 of each year, except April 1 for 2010.

Source: California State Department of Finance, Demographic Research Unit.

Income

The following tables show the personal income and per capita income for the County, State of California and United States from 2009 through 2013.

PERSONAL INCOME County of Orange, State of California, and United States 2009-2013

<u>Year</u>	<u>County of Orange</u>	<u>California</u>	<u>United States</u>
2009	\$145,968,002	\$1,537,094,676	\$12,080,223,000
2010	147,358,664	1,578,553,439	12,417,659,000
2011	155,259,397	1,685,635,498	13,189,935,000
2012	166,634,101	1,805,193,769	13,873,161,000
2013 ⁽¹⁾	169,792,810	1,856,614,186	14,151,427,000

⁽¹⁾ Last year such data is available.

Note: Dollars in Thousands.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME⁽¹⁾ County of Orange, State of California, and United States 2009-2013

<u>Year</u>	<u>County of Orange</u>	<u>California</u>	<u>United States</u>
2009	\$48,865	\$41,587	\$39,379
2010	48,826	42,282	40,144
2011	50,839	44,749	42,332
2012	54,008	47,505	44,200
2013 ⁽²⁾	54,519	48,434	44,765

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

⁽²⁾ Last year such data is available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures from Calendar Year 2010 to 2014 for the City, County, State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of San Clemente, County of Orange, State of California and the United States Calendar Year 2010-2014⁽¹⁾

	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate</u> ⁽⁴⁾
2010	City of San Clemente	30,700	28,200	2,500	8.1%
	Orange County	1,538,600	1,388,900	149,700	9.7
	State of California	18,336,300	16,091,900	2,244,300	12.2
	United States	153,889	139,064	14,825	9.6
2011	City of San Clemente	30,900	28,600	2,300	7.5
	Orange County	1,548,100	1,408,300	139,800	9.0
	State of California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617	139,869	13,747	8.9
2012	City of San Clemente	31,300	29,300	2,000	6.5
	Orange County	1,566,100	1,443,400	122,700	7.8
	State of California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975	142,469	12,506	8.1
2013	City of San Clemente	31,400	29,700	1,700	5.4
	Orange County	1,566,800	1,646,900	101,900	6.5
	State of California	18,671,600	17,002,900	1,668,700	8.9
	United States	155,389	143,929	11,460	7.4
2014	City of San Clemente	31,700	30,200	1,400	4.5
	Orange County	1,575,600	1,489,200	86,400	5.5
	State of California	18,811,400	17,397,100	1,414,300	7.5
	United States	155,922	146,305	9,617	6.2

⁽¹⁾ Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

⁽²⁾ Includes persons involved in labor-management trade disputes.

⁽³⁾ Includes all persons without jobs who are actively seeking work.

⁽⁴⁾ The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

Industry

The following table summarizes employment figures by industry for the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES County of Orange Calendar Years Ending June 30, 2010-2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Farm	3,700	3,200	2,800	2,900	2,800
Mining and Logging	600	600	600	600	700
Construction	68,000	69,200	71,300	76,800	82,000
Manufacturing	150,500	154,300	158,300	158,000	158,800
Retail Trade	141,300	142,600	144,000	145,500	148,700
Transportation, Warehousing and Utilities	26,700	27,500	28,000	27,500	26,600
Information	24,800	23,800	24,300	25,000	24,200
Financial Activities	103,500	104,800	108,300	113,100	114,100
Professional and Business Services	244,900	247,700	260,600	267,300	275,800
Education and Health Services	165,500	168,000	173,800	184,200	190,300
Leisure and Hospitality	168,600	174,000	180,600	187,800	193,500
Other Services	42,200	43,200	44,600	45,600	47,700
Government	152,300	149,300	147,900	148,700	151,900

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2011 Benchmark.

Largest Employers

The following table presents the largest employers in the County for Fiscal Year ending June 30, 2014.

LARGEST EMPLOYERS County of Orange Fiscal Year Ending June 30, 2014

<u>Name of Business</u>	<u>Jobs</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Walt Disney Co.	25,000	1	1.56%
University of California, Irvine	22,253	2	1.39
County of Orange	18,035	3	1.12
St. Joseph Health System	12,062	4	0.75
Boeing Co.	6,890	5	0.43
Kaiser Permanente	6,040	6	0.38
Bank of America Corporation	6,000	7	0.37
Walmart	6,000	8	0.37
Memorial Care Health System	5,635	9	0.35
Target Corporation	5,635	10	0.34

Source: Comprehensive Annual Financial Report of the County of Orange for Fiscal Year 2013-14.

Taxable Sales

The history of taxable transactions in the City from Calendar Year 2009 through 2013 is shown in the following table.

TAXABLE SALES City of San Clemente Calendar Year 2009-2013

<u>Year</u>	<u>Retail Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2009	1,399	\$39,836	2,200	\$531,239
2010	1,422	461,725	2,191	560,073
2011	1,433	496,678	2,188	597,571
2012	1,452	535,666	2,210	632,268
2013	1,420	541,942	2,157	640,490

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Assessed Value

The history of assessed values of taxable property within the City from fiscal years ending June 30, 2005 through 2014 is shown in the following table.

ASSESSED VALUE (UNAUDITED) OF TAXABLE PROPERTY CITY OF SAN CLEMENTE Fiscal Years 2005-2014

<u>Fiscal Year</u>	<u>Total Real Secured Property</u>	<u>Unsecured Property</u>	<u>Total Assessed⁽¹⁾</u>	<u>Total Direct Tax Rate⁽²⁾</u>
2005	\$8,530,666,429	\$217,632,601	\$8,748,299,030	1.0%
2006	9,766,309,751	233,094,120	9,999,403,871	1.0
2007	11,108,747,093	257,421,073	11,366,168,166	1.0
2008	12,244,044,495	242,931,021	12,486,975,516	1.0
2009	12,583,294,477	271,743,872	12,855,038,349	1.0
2010	12,385,008,657	246,328,189	12,631,336,846	1.0
2011	12,203,096,799	227,107,241	12,430,204,040	1.0
2012	12,125,854,115	230,055,391	12,355,909,506	1.0
2013	12,218,790,644	206,465,908	12,425,256,552	1.0
2014	12,547,787,645	200,734,451	12,748,522,096	1.0

⁽¹⁾ The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of not more than two-percent annually, plus any local over-rides. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitation described above.

⁽²⁾ California cities do not set their own direct tax rate. The State Constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

Source: Comprehensive Annual Financial Statement of the City of San Clemente for Fiscal Year 2013-2014.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain definitions and provisions of the Fiscal Agent Agreement where are not described elsewhere in this Official Statement. This summary does not purport to be comprehensive and is qualified in its entirety by reference to the full terms of the Fiscal Agent Agreement.

FISCAL AGENT AGREEMENT

Definitions

Definitions. As used in the Fiscal Agent Agreement, the following terms shall have the following meanings:

“Acquisition Agreement” means the Amended and Restated Acquisition Agreement, dated as of June 1, 2014, by and between the City and Marblehead Development Partners LLC.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.

“Administrative Expenses” means any or all of the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the District or designee thereof or both); the costs of collecting the Special Taxes (whether by the District or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of duties required of it under the Agreement; the costs to the District, the City or any designee thereof of complying with arbitrage rebate requirements; the costs to the District, the City or any designee thereof of complying with the disclosure requirements of the District or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the District and any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from an escrow, if any, including appraisal costs; and the District’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the District administrator or advanced by the City for any other administrative purposes of the District, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Administrative Expense Fund” means the fund by that name established by the Agreement.

“Agreement” means the Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds and in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid, including sinking fund payments.

“Assistant City Manager” means the Assistant City Manager of the City.

“Auditor” means the Auditor-Controller of the County of Orange.

“Authorized Officer” means the City Manager, the City Treasurer, the Assistant City Manager, the Financial Services Officer and any other officer or employee of the City authorized by the City Council or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means 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 Fund” means the fund by that name established by the Agreement.

“Bond Year” means the period beginning on the Closing Date and ending on September 1, 2016 and thereafter the period beginning on each September 2 and ending on the following September 1.

“Bonds” means, unless otherwise expressly provided, the Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds and any Parity Bonds authorized by and at any time Outstanding pursuant to the Act and the Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of California or in any state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

“Capitalized Interest Sub-Account” means the sub-account by that name established in the Interest Account in the Bond Fund by the Agreement.

“City” means the City of San Clemente.

“City Council” means the City Council of the City.

“City Manager” means the City Manager of the City.

“City Treasurer” means the Treasurer of the City.

“Closing Date” means the date upon which there is an exchange of the Bonds for the proceeds representing payment of the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement of the District, dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the District and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, including but not limited to the preliminary official statement and official statement regarding the Bonds, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee and the fees of its counsel, expenses incurred by the District or the City, acting for and on behalf of the District, in connection with the issuance of the Bonds and the formation of the District, Bond (underwriter’s) discount, legal fees and charges, including the fees of Bond Counsel and counsel to the Underwriter, Financial Advisor’s fees, appraiser’s fees and costs, Special Tax Consultant’s fees and costs, charges for authentication, 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 by the Agreement.

“Debt Service” means the amount of interest and principal payable on the Bonds scheduled to be paid during the period of computation, excluding amounts payable during such period which relate to principal of the Bonds which are scheduled to be retired and paid before the beginning of such period.

“Defeasance Securities” means, for purposes of the Agreement, the following:

(i) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGs”);

(ii) Direct obligations of the United States Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

(iii) Resolution Funding Corporation (REFCORP) obligations; provided that only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

(iv) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s; provided, however, that if the issue is only rated by Standard & Poor’s (*i.e.*, there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or “AAA” rated pre-refunded municipal bonds; and

(v) Obligations issued by the following agencies which are backed by the full faith and credit of the United States of America:

- (a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
- (b) Federal Financing Bank
- (c) General Services Administration
Participation certificates
- (d) United States Maritime Administration
Guaranteed Title XI financing
- (e) United States Department of Housing and Urban Development
Project notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds.

“Developer” means Marblehead Development Partners, LLC, or any successor thereto or assignee thereof.

“District” means Community Facilities District No. 2006-1 of the City of San Clemente, County of Orange, State of California.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(i) Cash; and

(ii) Direct general 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 and CATS and TIGRS), or

obligations, the timely payment of principal of and interest on which is fully and unconditionally guaranteed by the United States of America.

“Fees” shall have the meaning given such term in the Acquisition Agreement.

“Financial Advisor” means an independent financial consulting firm appointed by the City to advise the District as to financial matters relating to the Bonds.

“Financial Services Officer” means the Financial Services Officer of the City

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A., the Fiscal Agent appointed by the District, acting as an independent fiscal agent with the duties and powers provided in the Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Fund” means the fund by that name established by the Agreement.

“Independent Financial Consultant” means a firm of certified public accountants, a financial consulting firm, a consulting engineering firm or engineer which is not an employee of, or otherwise controlled by, the District or the City.

“Information Services” means the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or services providing information with respect to called bonds as the District may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Interest Account” means the account by that name established in the Bond Fund by the Agreement.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2016, until the maturity or redemption of all Outstanding Bonds.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Agreement, excluding interest earned and gains and losses on the investment of moneys in the Rebate Fund.

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

“Moody’s” shall mean Moody’s Investors Service, a national rating service with offices in New York, New York.

“Officer’s Certificate” means a written certificate of the District signed by an Authorized Officer.

“Ordinance” means any ordinance of the District or resolution of the City Council, acting as the legislative body of the District, levying the Special Taxes.

“Original Purchaser” means the first purchaser of the Bonds from the District.

“Outstanding” when used as of any particular time with reference to the Bonds means (subject to the provisions of the Agreement) all Bonds except:

(i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(ii) Bonds called for redemption which, for the reasons specified in the Agreement, are no longer entitled to any benefit under the Agreement other than the right to receive payment of the redemption price therefor;

(iii) Bonds paid or deemed to have been paid within the meaning of the Agreement; and

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the District and authenticated by the Fiscal Agent pursuant to the Agreement or any Supplemental Agreement.

“Owner” means any person who shall be the registered owner of any Outstanding Bond or Parity Bonds.

“Parity Bonds” means Bonds issued after the Bonds which are secured by and payable from an irrevocable first lien on the Special Tax Revenues which lien is on parity with the lien securing the Bonds.

“Permitted Investments” means:

(i) Federal Securities;

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Federal Financing Bank

(c) Federal Housing Administration Debentures

(d) General Services Administration
Participation certificates

(e) Government National Mortgage Association (GNMA)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations

(f) U.S. Maritime Administration
Guaranteed Title XI financing

(g) U.S. Department of Housing and Urban Development
Project Notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
U.S. Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) Federal Home Loan Bank System
Senior debt obligations
- (b) Federal Home Loan Mortgage Corporation
Participation Certificates
Senior debt obligations
- (c) Federal National Mortgage Association
Mortgage-backed securities and senior debt obligations
- (d) Student Loan Marketing Association
Senior debt obligations
- (e) Resolution Funding Corporation
(REFCORP) obligations
- (f) Farm Credit System
Consolidated system-wide bonds and notes;

(iv) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAA-m" or "AA-m" and, if rated by Moody's, rated "Aaa," "Aa1" or "Aa2" by Moody's, including funds for which the Fiscal Agent, its parent holding company, if any, or any affiliates or subsidiaries of the Fiscal Agent or such holding company receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(v) Certificates of deposit secured at all times by collateral described in clauses (i) and/or (ii) above. Such certificates must be issued by commercial banks, including the Fiscal Agent and its affiliates, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Fiscal Agent on behalf of the Owners of the Bonds must have a perfected first security interest in the collateral;

(vi) Certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Fiscal Agent), savings accounts, deposit accounts, bank deposit products, trust funds, trust accounts, interest bearing money market accounts, overnight bank deposits, bankers' acceptances or money market deposits which are fully insured by FDIC, including BIF and SAIF including those that may be issued or provided by the Fiscal Agent and its affiliates;

(vii) Investment agreements with domestic or foreign banks, insurance companies or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, the claims paying ability or financial strength, of the guarantor is rated in at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay Debt Service on the Bonds (if the funds invested pursuant to the investment agreement are from the Reserve Fund);

(b) the investment agreement shall provide that the invested funds are available for withdrawal without penalty or premium at any time upon not more than seven (7) days' prior notice (The District and the Fiscal Agent shall make reasonable efforts to give or cause to be given notice in

accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium payable.);

(c) the investment agreement shall provide that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the District and the Fiscal Agent receive the opinion of domestic counsel (which opinion shall be addressed to the District and the Fiscal Agent) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District and the Fiscal Agent;

(e) the investment agreement shall provide that if during its term

(1) the provider's (or its guarantor's) rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at one hundred four percent (104%) of securities identified in clauses (i) and (ii) of this definition; or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the Provider and the District which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

(2) the provider's (or its guarantor's) rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Fiscal Agent (acting at the direction of the District), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the District or the Fiscal Agent; and

(f) the investment agreement shall provide and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this shall mean the Holder of the Collateral is in possession of such collateral); and

(g) the investment agreement shall provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent (acting at the direction of the District), be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the District or the Fiscal Agent, as appropriate; and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the District or the Fiscal Agent, as appropriate;

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's;

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by them;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank, including the Fiscal Agent and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or better by Standard & Poor's;

(xi) Repurchase or reverse repurchase agreements which satisfy the following criteria:

(a) Repurchase or reverse repurchase agreements must be between the District or the Fiscal Agent and an entity which is:

(1) A primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's and Moody's, or

(2) A bank rated "A" or above by Standard & Poor's and Moody's; or

(3) A corporation the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, the claims paying ability or financial strength of the guarantor, is rated in at least the double A category by Standard & Poor's and Moody's.

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

(A) direct obligations of the United States government, or

(B) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)),

(2) The collateral must be delivered to the District, the Fiscal Agent or a third party acting as agent for the Fiscal Agent (if the Fiscal Agent will not be acting as custodian of the collateral) before or simultaneous with payment (perfection by possession of certificated securities),

(3) (A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or corporation under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Fiscal Agent, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must equal to one hundred five percent (105%) of the amount of money transferred by the Fiscal Agent;

(xii) Forward delivery agreements (FDA) or forward purchase and sale agreements (FPSA) having as the underlying investment property investments of the type which are identified in clauses (i), (ii), (iii) or (viii); and

(xiii) the Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

“Principal Account” means the account by that name established in the Bond Fund by the Agreement.

“Principal Office” means the principal corporate trust office of the Fiscal Agent in Los Angeles, California or such other addresses as may be specified in writing by the Fiscal Agent; provided, however, that for purposes of the transfer, registration, exchange, payment and surrender of Bonds “Principal Office” means the office or agency of the Fiscal Agent at which, at any time, its corporate trust agency business shall be conducted or such other office or address as may be specified in writing by the Fiscal Agent.

“Priority Administrative Expense Allocation” means an amount equal to \$30,000 for Fiscal Year 2015-16 escalating by 2% each Fiscal Year thereafter during the term of the Bonds.

“Proceeds” when used with reference to the Bonds, means the aggregate principal amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, less underwriter’s discount.

“Project” means the public facilities which are to be financed with the proceeds of the sale of the bonds of the District, as described in Acquisition Agreement.

“Rebate Certificate” means the certificate delivered by the District upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Rebate Fund” means the fund by that name established by the Agreement.

“Record Date” means the fifteenth (15th) day of the month next preceding the applicable Interest Payment Date whether or not such day is a Business Day.

“Registration Books” means the registration books maintained by the Fiscal Agent pursuant to the Agreement.

“Regulations” means the temporary and permanent regulations of the United States Department of the Treasury promulgated under the Code.

“Representation Letter” means the representation letter which the District has delivered to The Depository Trust Company (“DTC”) with respect to the utilization of the book-entry system maintained by DTC for the issuance and registration of bonds.

“Reserve Fund” means the fund by that name established by the Agreement.

“Reserve Requirement” means, as of the date of calculation, the lesser of (i) ten percent (10%) of the issue price of the Bonds; (ii) Maximum Annual Debt Service on the Bonds; (iii) 125 percent (125%) of average Annual Debt Service on the Bonds; or (iv) \$4,697,950.96, as determined by the District.

“Resolution of Issuance” means Resolution No. 15-50, adopted by the City Council on November 3, 2015.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York, 10041-0099, Call Notification Department, Fax (212) 855-7232, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Taxes” or **“Special Tax”** means the special taxes levied by the District Council on parcels of taxable property within the District pursuant to the Act and the Agreement.

“Special Tax Fund” means the fund by that name established by the Agreement.

“Special Tax Prepayments” means amounts received by the District as prepayments of all or a portion of the Special Tax obligation of a parcel of property in the District.

“Special Tax Prepayments Account” means the account by that name established by the Fiscal Agent in the Bond Fund pursuant to the Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the District, including any scheduled payments, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes in the amount of said lien and interest and penalties thereon.

“Standard & Poor’s” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a national rating service with offices in New York, New York.

“Supplemental Agreement” means an agreement entered into by and between the District and the Fiscal Agent amending and supplementing the Agreement as permitted by the Agreement.

“Surplus Account” means the account by that name established in the Special Tax Fund by the Agreement.

“Special Tax Consultant” means an engineer or financial consultant or other such person or firm with expertise in the apportionment and levy of special taxes in community facilities districts which is employed by the District or the City, acting for and on behalf of the District, to assist the District in levying the Special Taxes.

General Authorization and Terms

Amount, Designation. The Bonds in the aggregate principal amount of \$55,490,000 are authorized to be issued by the District under and subject to the terms of the Resolution, the Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds.”

Pledge of Special Tax Revenues. The Bonds shall be secured by a pledge of and lien upon (which shall be perfected in the manner and to the extent provided in the Agreement) all of the Special Tax Revenues (except the initial amount of Priority Administrative Expense Allocation, which will be deposited in the Administrative Expense Fund for each Fiscal Year pursuant to the Agreement) and all moneys on deposit in the Bond Fund and all moneys on deposit in the Reserve Fund. The Bonds that may be issued shall be equally secured by a pledge of and lien upon the Special Tax Revenues and such moneys without priority for number, date of Bond, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premium upon the redemption of any thereof shall be and is secured by a pledge of and lien upon the Special Tax Revenues and such moneys. The Special Tax Revenues and all moneys deposited into such funds are dedicated in their entirety to the payment of the principal of the Bonds that may be issued, and interest and any premium on, the Bonds, as provided in the Agreement and in the Act, until all of the Bonds have been paid and retired or until moneys or Defeasance Securities have been set aside irrevocably for that purpose in accordance with the Agreement.

Special Obligation. All obligations of the District under the Agreement and the Bonds shall be special obligations of the District, payable solely from the Special Tax Revenues and the funds pledged therefor pursuant hereto. Neither the faith and credit nor the taxing power of the District (except to the limited extent set forth in the Agreement), the City or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Parity Bonds. The District will not issue Parity Bonds of the District for any purpose other than the defeasance and redemption of all or a portion of the Outstanding Bonds or Parity Bonds where the issuance of

such Parity Bonds will result in a reduction of Annual Debt Service in each Bond Year on all Bonds to be Outstanding following the issuance of such Parity Bonds.

Funds and Accounts

Establishment of Special Funds. The following funds and accounts identified in the Agreement are created and established and shall be maintained by the Fiscal Agent on the Closing Date:

- A. Improvement Fund;
- B. Special Tax Fund, and within the Special Tax Fund, the Surplus Account
- C. Administrative Expense Fund;
- D. Costs of Issuance Fund;
- E. Bond Fund, and within the Bond Fund, the Interest Account, and within the Interest Account the Capitalized Interest Sub-Account, the Principal Account, and the Special Tax Prepayments Account;
- F. Reserve Fund; and
- G. Rebate Fund.

Improvement Fund.

A. Establishment of Improvement Fund. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the District, and shall be disbursed, except as otherwise provided in the Agreement, for the payment or reimbursement of the Fees and the costs of the design, acquisition and construction of the Project.

B. Procedure for Disbursements. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall:

1. set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid; and
2. certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the Improvement Fund.

C. Investment. Moneys in the Improvement Fund shall be invested and deposited in accordance with the Agreement. Investment Earnings with respect to the Improvement Fund shall be retained by the Fiscal Agent in such fund to be used for the purposes of such fund.

D. Closing of Fund. Upon the filing of an Officer's Certificate stating that the Fees have been paid and the construction and acquisition of the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, and further stating that moneys on deposit in the Improvement Fund are not needed to complete the Project or the payment of the Fees or reimburse the cost thereof, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Principal Account of the Bond Fund to be used to pay the principal of the Bonds, and the Improvement Fund shall be closed. Notwithstanding the preceding provisions, the Improvement Fund shall be closed if all amounts on deposit therein are disbursed pursuant to the Agreement. An Authorized Officer shall give the Developer

written notice of the intention to close the Improvement Fund not less than sixty (60) days prior to closing the Improvement Fund.

E. Officer's Certificate. Upon receipt of an Officer's Certificate delivered pursuant to the Agreement, the Fiscal Agent is authorized to act thereon without further inquiry and shall not be responsible for the accuracy of the statements made in such Officer's Certificate or the application of the funds disbursed pursuant thereto, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

Special Tax Fund.

A. Establishment of Special Tax Fund. The District shall deposit, not later than ten (10) Business Days after receipt, all Special Tax Revenues received by the District. There is also established in the Special Tax Fund as a separate account, to be held by the Fiscal Agent, the "Surplus Account" to the credit of which amounts shall be deposited as provided the Agreement. Moneys in the Special Tax Fund, and the Surplus Account therein, shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Notwithstanding the foregoing, any amounts received by the District which constitute Special Tax Prepayments shall be transferred by the District not later than ten (10) Business Days after receipt to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Agreement.

B. Disbursements. As soon as practicable after the receipt from the District of any Special Tax Revenues, but no later than ten (10) Business Days after such receipt, the Fiscal Agent shall withdraw from the Special Tax Fund and deposit in the Administrative Expense Fund, an amount which is estimated by the District, in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely) to be sufficient, together with the amount then on deposit in the Administrative Expense Fund, to pay the Administrative Expenses during the current Fiscal Year; provided, however, that the amount deposited in the Administrative Expense Fund prior to the deposits to the Interest Account and the Principal Account of the Bond Fund, as provided below, shall not exceed the Priority Administrative Expense Allocation for any Fiscal Year. From the amount then remaining on deposit in the Special Tax Fund, the Fiscal Agent shall, as soon as the amount on deposit in the Special Tax Fund is sufficient, deposit in the Reserve Fund the amount, if any, which the District shall direct in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), to be withdrawn from the Special Tax Fund and deposited in the Reserve Fund to make the amount on deposit therein equal to the Reserve Requirement. Thereafter, on or before each Interest Payment Date, the Fiscal Agent shall deposit in the Interest Account and the Principal Account of the Bond Fund the amounts required for payment of interest on or interest on and principal of the Bonds, as provided in the Agreement.

Notwithstanding the preceding provisions, if prior to the September 1 Interest Payment Date in any Bond Year the District determines that Special Tax Revenues will be sufficient to enable the Fiscal Agent to deposit in the Reserve Fund the amount, if any, which is necessary to make the amount on deposit therein equal to the Reserve Requirement and deposit in the Bond Fund the full amount required for deposit to the Interest Account and the Principal Account to pay the interest on and principal of the Bonds on such Interest Payment Date, the District may instruct the Fiscal Agent in an Officer's Certificate, upon which the Fiscal Agent may conclusively rely, to deposit an additional amount in the Administrative Expense Fund which amount shall not exceed the difference between the amount of Special Tax Revenues then on deposit in the Special Tax Fund and the amounts required to be deposited in the Reserve Fund and the Bond Fund before making the required deposits to the Interest Account and the Principal Account of the Bond Fund, and the Fiscal Agent shall deposit such additional amount in the Administrative Expense Fund before depositing any amount to the Reserve Fund or the Interest Account and the Principal Account of the Bond Fund.

On or before the March 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Special Tax Fund is less than the amount of the interest on the Bonds which is due on such Interest Payment Date, the Fiscal Agent shall transfer moneys from the Surplus Account, to the extent of moneys on deposit therein and available for transfer, to and deposit such moneys in the Interest Account of the Bond Fund in an amount not to exceed the deficiency in the amount of other moneys which are on deposit in the Special Tax Fund, and available for transfer to and deposit in the Interest Account to pay the full amount of the interest on the Bonds which is due and payable on such Interest Payment Date. On or before the September 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Special Tax Fund is less than the amount of the interest on and principal of the Bonds which is due on such Interest Payment Date, the Fiscal Agent shall transfer moneys from the Surplus Account, to the extent of moneys on deposit therein and available for transfer, to and deposit such moneys in the Interest Account and the Principal Account in amounts not to exceed the amount of the deficiency in the amount of other moneys which are on deposit in the Special Tax Fund, and available for transfer, to pay the full amount of the interest on and principal of the Bonds which is due and payable on such Interest Payment Date. On or before June 30 of each year, commencing on June 30, 2017 the Fiscal Agent shall notify the District of the amount which is then on deposit in the Surplus Account and of the aggregate amount of the principal of and interest on the Bonds which will become due and payable on March 1 and September 1 of the following calendar year.

On September 2 of each year, beginning on September 2, 2017, the amount, if any, on deposit in the Special Tax Fund (including the amount on deposit in the Surplus Account), together with the amount then on deposit in the Principal Account of the Bond Fund (but not including, however, the amounts, if any, then on deposit in the Interest Account or the Special Tax Prepayments Account), as determined by the District, shall not exceed the greater of (i) one year's earnings on such amounts, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Special Tax Fund (including the Surplus Account), together with the amount then on deposit in the Principal Account, exceeds the maximum amount allowable pursuant to the preceding sentence, as determined by the District and communicated in writing by an Authorized Officer to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), shall be transferred from the Special Tax Fund to and deposited in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement. Any such excess remaining in the Special Tax Fund after any such amount is transferred from the Special Tax Fund to the Reserve Fund shall be transferred from the Special Tax Fund to and deposited in the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been transferred as provided above, the amount on deposit in the Special Tax Fund (including the Surplus Account), together with the amount then on deposit in the Bond Fund (other than such excluded amounts), shall not exceed in the aggregate the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. The Fiscal Agent shall have no obligation to monitor the District's obligations as set forth in this paragraph.

C. Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with the Agreement. Investment Earnings shall be retained in the Special Tax Fund to be used for the purposes of such fund.

Administrative Expense Fund. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the District, and shall be disbursed as provided below.

Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the District or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such Administrative Expense.

Annually, not later than the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amount then remaining in the Administrative Expense Fund that has not been allocated by an Officer's Certificate received by the Fiscal Agent from the District to pay Administrative Expenses which are expected to be incurred

in the succeeding Fiscal Year prior to the receipt by the District of Special Tax Revenues for such succeeding Fiscal Year and transfer such amount to the Surplus Account.

Subject to the provisions above, moneys in the Administrative Expense Fund shall be invested and deposited in accordance with the Agreement. Investment Earnings shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes of such fund.

Costs of Issuance Fund. . Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent and shall be disbursed as provided below for the payment or reimbursement of Costs of Issuance.

Amounts in the Costs of Issuance Fund shall be disbursed to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such requisition, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial requisition delivered to the Fiscal Agent on the Closing Date. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of ninety (90) days from the Closing Date and shall then transfer and deposit any moneys remaining therein, including any Investment Earnings thereon, in the Improvement Fund.

Moneys in the Costs of Issuance Fund shall be invested and deposited in accordance with the Agreement. Investment Earnings shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Bond Fund.

A. Interest Account. On or before each Interest Payment Date the Fiscal Agent shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on the Bonds on such date. No deposit need be made into the Interest Account on any Interest Payment Date if the amount on deposit therein is at least equal to the interest becoming due and payable on the Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having become due and payable on the Outstanding Bonds shall be withdrawn therefrom by the Fiscal Agent and transferred to the Surplus Account.

i. Capitalized Interest Sub-Account. On or before the Interest Payment Dates that occurs on March 1, 2016 and September 1, 2016 the Fiscal Agent shall withdraw from the Capitalized Interest Sub-Account instead of from the Special Tax Fund and transfer to the Interest Account the amount which is necessary to cause the amount on deposit in the Interest Account to be equal to the amount of interest which is due and payable on the Outstanding Bonds on such Interest Payment Date. The amount, if any, on deposit in the Capitalized Interest Sub-Account on September 2, 2016 shall be withdrawn by the Fiscal Agent and transferred to the Surplus Account and the Capitalized Interest Sub-Account shall be closed.

B. Principal Account. On or before each Interest Payment Date that occurs on September 1, the Fiscal Agent shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds becoming due and payable on such date pursuant to the Agreement, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premium) required to be redeemed on such date pursuant to any of the provisions of the Agreement. Except as provided, all moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying

the principal of and premium (if any) on any Bonds upon the redemption thereof pursuant to the Agreement. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having become due and payable, shall be withdrawn therefrom by the Fiscal Agent and transferred to the Surplus Account.

In the event that moneys on deposit in the Special Tax Fund, including moneys on deposit in the Surplus Account, will be insufficient on any Interest Payment Date for the Fiscal Agent to deposit the required amounts in the Interest Account and the Principal Account, as provided above, the Fiscal Agent shall deposit the available funds first to the Interest Account up to the full amount required to cause the aggregate amount on deposit therein to equal the amount of interest becoming due and payable on the Bonds on the Interest Payment Date, and shall then deposit the remaining available funds in the Special Tax Fund to the Principal Account up to the full amount required to cause the aggregate amount on deposit therein to equal the amount, if any, of principal becoming due and payable on the Bonds on the Interest Payment Date. If, after making such deposits to the Interest Account and the Principal Account, and after transferring moneys from the Reserve Fund to such accounts, as provided in the Agreement, the amount on deposit in the Principal Account is insufficient to pay the full amount of the principal of each of the Bonds which is to be redeemed on the Interest Payment Date, the Fiscal Agent shall make a prorated payment of the principal of each of such Bonds as specified in an Officer's Certificate provided to the Fiscal Agent.

On September 2 of each year, beginning on September 2, 2017 the amount, if any, on deposit in the Principal Account (but not including, however, the amounts, if any, on deposit in the Interest Account and the Special Tax Prepayments Account), as determined by the District, together with the amount then on deposit in the Special Tax Fund (including the Surplus Account), shall not exceed the greater of (i) one year's earnings on such amounts, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Principal Account, together with the amounts then on deposit in the Special Tax Fund (including the Surplus Account), exceeds the maximum amount allowable pursuant to the preceding sentence, the excess shall be transferred by the Fiscal Agent, as directed in writing by the District (upon which the Fiscal Agent may conclusively rely), to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining thereafter shall be transferred by the Fiscal Agent to the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been transferred as provided above, the amount on deposit in the Principal Account, together with the amount then on deposit in the Special Tax Fund (including the Surplus Account), shall not exceed the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. The Fiscal Agent shall have no obligation to monitor the District's obligations as set forth in this paragraph.

C. Special Tax Prepayments Account Deposits and Disbursements. Within ten (10) Business Days after receiving a Special Tax Prepayment the District shall deliver the amount thereof to the Fiscal Agent, together with an Officer's Certificate notifying the Fiscal Agent that the amount being delivered is a Special Tax Prepayment which is to be deposited in the Special Tax Prepayments Account. Upon receiving a Special Tax Prepayment from the District and such an Officer's Certificate, the Fiscal Agent shall deposit the amount of the Special Tax Prepayment in the Special Tax Prepayments Account. Such an Officer's Certificate may be combined with the Officer's Certificate which the District is required to deliver to the Fiscal Agent pursuant to the Agreement. A portion of the moneys on deposit in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent, upon receipt of an Officer's Certificate directing such transfer and specifying the amount to be transferred (upon which the Fiscal Agent may conclusively rely), to the Principal Account on the next date for which notice of the redemption of the Bonds can timely be given under the Agreement, and shall be used to redeem the Bonds on the redemption date selected in accordance with the Agreement. The portion of the moneys on deposit in the Special Tax Prepayments Account representing funded interest on a portion of the Outstanding Bonds shall be transferred by the Fiscal Agent, upon receipt of an Officer's Certificate directing such transfer and specifying the amount to be transferred (upon which the Fiscal Agent may conclusively rely), to the Interest Account on or before each Interest Payment Date prior to and including the Interest Payment Date on which the redemption of such Bonds will occur. Pending such transfers, the moneys

on deposit in the Special Tax Prepayments Account shall be invested in Permitted Investments of the type and at such yield as Bond Counsel shall determine is necessary to preserve the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Investment earnings on the moneys on deposit in the Special Tax Prepayments Account shall be retained in such account.

D. Investment. Except as provided above, moneys in the Bond Fund, including all accounts therein, shall be invested and deposited in accordance with the Agreement. Investment Earnings shall be retained in the Bond Fund, except to the extent they are required to be deposited by the Fiscal Agent in the Rebate Fund in accordance with the Agreement.

Costs of Issuance Fund. The Fiscal Agent shall, upon receipt of a payment request in the form set forth in Exhibit C hereto duly executed by an Authorized Representative, disburse money from the Costs of Issuance Fund, if any, on such dates and in such amounts as specified in such requisition to pay the Costs of Issuance related to each series of the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of each series of the Bonds shall be transferred to the Improvement Fund.

Reserve Fund.

A. Establishment of Fund. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

B. Use of Fund. Except as otherwise provided in the Agreement, all amounts on deposit in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Interest Account and the Principal Account of the Bond Fund in the event of any deficiency at any time in either of such accounts of the amount then required for payment of the principal of and interest and any premium on the Bonds or, in accordance with the provisions of the Agreement, for the purpose of redeeming Bonds.

C. Transfer Due to Deficiency in Interest and Principal Accounts. Whenever transfer is made from the Reserve Fund to the Interest Account or the Principal Account due to a deficiency in either such account, the Fiscal Agent shall provide written notice thereof to the District.

D. Transfer of Excess of Reserve Requirement. Whenever, on any September 2, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which pursuant to the Agreement must be rebated to the United States, exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the District of the amount of the excess. The Fiscal Agent shall, subject to the requirements of the Agreement, transfer an amount from the Reserve Fund which will reduce the amount on deposit therein to an amount equal to the Reserve Requirement to the Interest Account and the Principal Account, in the priority specified in the Agreement, to be used for the payment of the interest on and principal of the Bonds on the next succeeding Interest Payment Date in accordance with the Agreement.

E. Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund is equal to or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), transfer the amount in the Reserve Fund to the Interest Account and the Principal Account, in the priority specified in the Agreement, to be applied, on the next succeeding Interest Payment Date, to the payment and redemption, in accordance with the Agreement of all of the Outstanding Bonds. In the event that the amount available to be so transferred from the Reserve Fund to the Interest Account and the Principal Account exceeds the amount required to pay and redeem the Outstanding Bonds, the excess shall be transferred to the District to be used for any lawful purpose of the District.

F. Transfers on Payment of Special Tax Obligations. Whenever the District receives a Special Tax Prepayment, the District shall by an Officer's Certificate notify the Fiscal Agent thereof and of the amount by which the Reserve Fund is to be reduced and which is transferrable from the Reserve Fund to the Principal Account of the Bond Fund, which amount shall be specified in the Officer's Certificate. Each such Officer's Certificate shall be accompanied by a report of an Independent Financial Consultant verifying the accuracy of the calculation of the amount to be transferred from the Reserve Fund to the Principal Account ("Verification"). Upon receipt of each such Officer's Certificate and Verification, upon which the Fiscal Agent may conclusively rely, the Fiscal Agent shall at such time as the amount of such Special Tax Prepayment will be used to redeem Bonds, as provided in the Agreement, transfer the amount specified in such Officer's Certificate to the Principal Account and use such amount, together with the amount of such Special Tax Prepayment, to redeem Bonds, as provided in the Agreement. Notwithstanding the preceding provisions, no amount shall be transferred from the Reserve Fund to the Principal Account if the amount on deposit in the Reserve Fund is, or as a result of such transfer would be, less than the Reserve Requirement.

G. Investment. Moneys on deposit in the Reserve Fund shall be invested in Permitted Investments which do not have maturities extending beyond five (5) years; provided, however, if the Reserve Fund is invested in an investment agreement (as defined in clause (vii) of the definition of Permitted Investments in) or a repurchase agreement (as defined in clause (xi) of such definition) such agreement may have a maturity longer than five (5) years if the Fiscal Agent is authorized by the provisions of such agreement to draw the full amount thereof, without penalty, if required for the purposes of the Reserve Fund. The District shall cause the Permitted Investments, other than such investment agreements, in which moneys on deposit in the Reserve Fund are invested to be valued at fair market value and marked-to-market at least once in each Fiscal Year.

Rebate Fund. There is hereby created, to be held by the Fiscal Agent, as a separate account distinct from all other funds and accounts held by the Fiscal Agent under the Agreement, the Rebate Fund. The Fiscal Agent shall, in accordance with written directions received from an Authorized Officer, deposit into the Rebate Fund moneys transferred by the District to the Fiscal Agent pursuant to the Rebate Certificate or moneys transferred by the Fiscal Agent from the Reserve Fund. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the written direction of the District. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written request and direction of the District, make such payments to the United States.

The Fiscal Agent may rely conclusively upon the District's determinations, calculations and certifications required by the Agreement. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the District's calculations under the Agreement. The Fiscal Agent's sole responsibilities under the Agreement are to follow the written instructions of the District pertaining hereto. The District shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to the Agreement.

The Fiscal Agent shall, upon written request and direction from the District, transfer to or upon the order of the District any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate.

Investment of Funds. Subject in all respects to the provisions of the Agreement, moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold any such moneys in uninvested. The Fiscal Agent shall not have any responsibility for determining the suitability or legality of any Permitted Investments. The Fiscal Agent shall have no obligation to pay additional interest or maximize investment income on any funds held by it. Neither the District nor the Owners of the Bonds shall have any claim of any kind against the Fiscal Agent in connection with investments properly made pursuant to the Agreement. Obligations purchased as an investment of moneys

in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of Investment Earnings in funds and accounts.

The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to the Agreement. For purposes of determining the amount on deposit in any fund or account held under the Agreement, all Permitted Investments or investments credited to such fund or account with the exception of the Reserve Fund shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Subject in all respects to the provisions of the Agreement, investments in any and all funds and accounts may be commingled in a single fund for purposes of making, holding and disposing of investments, notwithstanding provisions in the Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent under the Agreement, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Agreement.

The Fiscal Agent shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of any such investment security in accordance herewith.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District or the City the right to receive brokerage confirmations of securities transactions as they occur, at no additional cost, and the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent shall 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.

Modification or Amendment of Agreement

Amendments Permitted. The Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the Special Tax Revenues, or the moneys on deposit in the Special Tax Fund, the Bond Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), (iii) reduce the percentage of Bonds required for the amendment hereof, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the District and the Fiscal Agent complies with the provisions of the Agreement and the Fiscal Agent may conclusively rely on such opinion.

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

(1) to add to the covenants and agreements of the District in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved to or conferred upon the District in the Agreement;

(2) to make modifications not adversely affecting any Outstanding Bonds in any material respect, as evidenced by the opinion of counsel delivered pursuant to the Agreement;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Agreement, or in regard to questions arising under the Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Agreement, and which shall not materially adversely affect the rights of the Owners, as evidenced by the opinion of counsel delivered pursuant to the Agreement;

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations; or

(5) to pay and discharge the indebtedness of a portion of the Outstanding Bonds (a “Partial Discharge”) pursuant to the Agreement.

Owners’ Meetings. The District may at any time call a meeting of the Owners. In such event, the District is authorized to fix the time and place of any such meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of the meeting.

Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Agreement, to take effect when and as provided in the Agreement. A copy of the Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of the Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Agreement.

Such a Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner provided for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the documents

required by the Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise specifically provided in the Agreement) upon the District and the Owners of all Bonds then Outstanding at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60)-day period.

Disqualified Bonds. Bonds owned or held for the account of the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in the Agreement, and shall not be entitled to vote upon, consent to, or participate in any action provided for in the Agreement; except that in determining whether the Fiscal Agent shall be protected in relying upon any such approval or consent of an Owner, only Bonds which the Fiscal Agent actually knows to be owned or held for the account of the District (excepting any pension or retirement fund) shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination.. Upon request of the Fiscal Agent, the District shall specify to the Fiscal Agent those Bonds disqualified pursuant to the Agreement and the Fiscal Agent may conclusively rely on such certificate.

Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to the Agreement, the Agreement shall 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 shall thereafter be determined, exercised and enforced under the Agreement subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

Endorsement or Replacement of Bonds Issued After Amendments. The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in the Agreement shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for like Bonds then Outstanding, upon surrender of such Bonds.

Amendatory Endorsement of Bonds. The provisions of the Agreement shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Other Covenants of the District

Punctual Payment. The District will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of the Agreement and any Supplemental Agreement to the extent that the Special Tax Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Special Obligation. The Bonds are special obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of 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 which shall not have been so extended or funded.

Against Encumbrances. The District shall not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created in the Agreement for the benefit of the Bonds, except as permitted by the Agreement.

Books and Accounts. The District shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund. Such books of record and accounts shall at all times during business hours, upon reasonable notice, be subject to the inspection of the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Collection of Special Tax Revenues. The District shall comply with all requirements of the Act, including the enactment of necessary Ordinances, so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of the payment or collection of delinquent Special Taxes.

The District shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Act by August 10 of each year (or such later date as may be authorized by the Act or any amendment thereof) that the Bonds are Outstanding, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the tax roll for the Fiscal Year then beginning. Upon the completion of the computation of the amounts of the levy of the Special Taxes, the District shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires in order to include the levy of the Special Taxes on the tax roll. Notwithstanding the preceding provisions of this paragraph, the City Council, acting as the legislative body of the District, may elect, as permitted by the Act, to collect the Special Taxes to be levied for any Fiscal Year directly from the owners of the parcels of taxable property upon which the Special Taxes are levied rather than by transmitting the Special Taxes to the Auditor for collection on the tax roll; provided that, in such event, the District shall otherwise comply with the provisions of the Agreement.

The District shall fix and levy the amount of Special Taxes within the District required for the payment of the principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund, and the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year. The Special Taxes so levied shall not exceed the authorized amounts for the District as provided in the proceedings for the formation of the District.

The Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings pursuant to the Agreement) in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same

times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

The District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.8 of the California Government Code in any manner which would materially and adversely affect the interests of the Owners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax Revenues in any Bond Year to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Levy of Special Taxes for Administrative Expenses. The District covenants that, (a) to the extent that it is legally permitted to do so, it will levy the Special Taxes for the payment of the Administrative Expenses which are expected to be incurred in each Fiscal Year, and (b) it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates for Developed Property (the “Maximum Rates”) below the amounts which are necessary to provide Special Tax Revenues in an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds plus estimated Administrative Expenses for the then current Fiscal Year.

Further Assurances. The District will adopt, make, execute and deliver any and all such further ordinances, resolutions, 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 better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Agreement.

Tax Covenants. The District covenants that:

(a) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “arbitrage bonds” within the meaning of Section 103(b) and Section 148 of the Code;

(b) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest paid with respect to the Bonds;

(c) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(d) It will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(e) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the District contained above shall survive the payment, redemption or defeasance of Bonds pursuant to the Agreement.

Covenant to Foreclose. The District hereby covenants with and for the benefit of the Owners of the Bonds (i) that if the District determines that any parcel subject to the Special Tax is delinquent in the payment of two or more installments of the Special Tax, the District shall, not later than forty-five (45) days after such determination, send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof)

to the property owner. The District shall cause judicial foreclosure proceeding to be commenced not later than ninety (90) days of such determination against any parcel for which a notice of delinquency was given pursuant to the Agreement and for which the Special Tax remains delinquent, and (ii) that it will commence judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings; provided, however, the District shall not be required to order, and cause judicial foreclosure proceedings to be commenced against delinquent properties as long as no deficiency in the Reserve Fund exists (or is projected to exist in order to meet the next upcoming debt service payment) and the District determines that the cost of pursuing such foreclosure is greater than the outstanding delinquency.

Prepayment of Special Taxes. The District shall cause all applications of owners of property in the District to prepay and satisfy the Special Tax obligation for their property to be reviewed by the Special Tax Consultant and shall not accept any such prepayment unless such consultant certifies in writing that following the acceptance of the proposed prepayment by the District and the redemption of Bonds with such prepayment, (a) the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property in the District which following such prepayment will be subject to the levy of the Special Taxes to (ii) Maximum Annual Debt Service on the Bonds which will remain Outstanding following such redemption (*e.g.*, 1.10 to 1.0) plus estimated Administrative Expenses will not be less than such ratio as it existed prior to such prepayment, and (b) the maximum amount of the Special Taxes that may be levied on Developed Property at build-out of the property in the District, as then approved by the District, will be equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service on such Outstanding Bonds.

Calculation of Prepayments. The District will cause all Special Tax Prepayments to be calculated to include the amount of the premium on the Outstanding Bonds that will be redeemed with the Special Tax Prepayment and negative arbitrage on the investment of the Special Tax Prepayment from the date of receipt until the Interest Payment Date upon which the Special Tax Prepayment and the amount to be transferred from the Reserve Fund to the Principal Account pursuant to the Agreement will be used to redeem Outstanding Bonds pursuant to the Agreement. The District will not include in any calculation of the amount of any Special Tax Prepayment for any parcel of taxable property in the District a proportionate amount of the amount then on deposit in the Reserve Fund, if or to the extent such a credit would cause the amount on deposit in the Reserve Fund following such prepayment to be less than the Reserve Requirement.

Continuing Disclosure. The District hereby covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement.

Accountability Measures. The District shall comply with the requirements of Section 53410 of the California Government Code with respect to the deposit and expenditure of the Proceeds of the sale of the Bonds and shall cause the appropriate officer of the District to file a report with the City Council no later than January 2, 2017, and annually thereafter, which shall contain the information required by Section 53411 of the California Government Code with respect to the expenditure of the Proceeds and the status of the construction and acquisition of the Project.

Fiscal Agent

Fiscal Agent. The Bank of New York Mellon Trust Company, N.A., is hereby appointed Fiscal Agent, registrar and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Agreement, and no implied covenants or obligations shall be read into the Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust

business, provided such company shall be eligible under the following paragraph, shall be the successor to the Fiscal Agent without the execution or filing of any paper or any further act, anything in the Agreement to the contrary notwithstanding.

The District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, corporation, national banking corporation, or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such bank, corporation, national banking corporation, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Agreement, combined capital and surplus of such bank, national banking corporation, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the District, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Liability of Fiscal Agent. The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement, or in the exercise of any of its rights or powers.

The Fiscal Agent shall not be responsible for accounting for, or paying to, any party to the Agreement, including, but not limited to the District and the Owners, any returns on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Fiscal Agent under the Agreement.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Agreement at the request or direction of any of the Owners pursuant to the Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnification and releases from liability granted in the Agreement to the Fiscal Agent shall extend to the directors, officers, agents and employees of the Fiscal Agent.

The Fiscal Agent may execute any of the trusts or powers under the Agreement or perform any duties under the Agreement either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in the Agreement to the contrary notwithstanding, in no event shall the Fiscal Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Fiscal Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services under the Agreement); provided, however, that the District shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Fiscal Agent shall not be considered in breach of or in default in its obligations under the Agreement or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

Miscellaneous

Benefits of Agreement Limited to Parties. Nothing in the Agreement, expressed or implied, is intended to give to any person other than the District, the Fiscal Agent and the Owners, any right, remedy or claim under or by reason of the Agreement. Any covenants, stipulations, promises or agreements in the Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Successor is Deemed Included in All References to Predecessor. Whenever in the Agreement or any Supplemental Agreement either the District or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Agreement contained by or on behalf of the District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Discharge of Agreement. If the District shall pay and discharge the indebtedness on all or a portion (a “Partial Discharge”) of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and any premium on such Bonds, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, at or before maturity, an amount of money which, together with the amounts then on deposit in the Bond Fund (including all accounts therein), the Special Tax Fund (including the Surplus Account) and the Reserve Fund, or in the event of a Partial Discharge, the appropriate portion of such amounts, as determined by the District and confirmed by an Independent Financial Consultant, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums, if any; or

(c) by irrevocably depositing with the Fiscal Agent, cash or non-callable Defeasance Securities in such amount as the District shall determine, as confirmed by an Independent Financial Consultant in a report delivered to the Fiscal Agent will, together with the interest to accrue thereon and amounts then on deposit in the Bond Fund (including all accounts therein), the Special Tax Fund (including the Surplus Account) and the Reserve Fund, or in the event of a Partial Discharge, the appropriate portion of such amounts, as determined by the District and confirmed by an Independent Financial Consultant in a report delivered to the Fiscal Agent, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Special Tax Revenues and other funds provided for in the Agreement and all other obligations of the District under the Agreement with respect to such Bonds shall cease and terminate, except the obligation of the District to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, the obligation of the District to pay all amounts owing to the Fiscal

Agent pursuant to the Agreement, and the obligations of the District pursuant to the covenants contained in the Agreement; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent. The satisfaction and discharge of the Agreement as to all of the Outstanding Bonds shall be without prejudice to the rights of the Fiscal Agent to charge and be reimbursed by the District for the expenses which it shall thereafter incur in connection herewith.

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on such Bonds, upon payment of all fees and expenses of the Fiscal Agent, which are not required for such purpose, shall be paid over to the District.

Ownership of Bonds. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal and redemption premium, if any, of any such Bond, and the interest on any such Bond, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

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APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and entered into as of December 3, 2015, by and between Community Facilities District No. 2006-1 of the City of San Clemente (the “District”), and Koppel & Gruber Public Finance, as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the District of its Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds in the aggregate principal amount of \$55,490,000 (the “Bonds”). The Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 et seq. of the California Government Code) (the “Act”), and a Fiscal Agent Agreement dated as of December 1, 2015 (the “Fiscal Agent Agreement”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”). The District and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities and Exchange Act of 1934.

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized terms used but not otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Amended Rate and Method” shall mean the Amended and Restated Rate and Method of Apportionment of Special Tax included as Appendix A to the Official Statement.

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

“Annual Report Date” shall mean the date in each year that is the first day of the month following the eighth month after the end of the District’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean initially, Koppel & Gruber Public Finance, as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Fiscal Agent a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system information about which may be found at the following Internet address: <http://emma.msrb.org/>.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement dated November 18, 2015 relating to the Bonds.

“Owner” shall mean the person in whose name any Bond shall be registered.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

“Special Taxes” shall mean an annual special tax to be levied on certain real property within the District.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report for Fiscal Year 2015-16 shall be satisfied by the Official Statement. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the District, if any, 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 they are not available by that date. If the District’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent and the Participating Underwriter. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the first sentence of subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB as provided herein; and

(ii) file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements of the District, if any, 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.

(b) the following additional items with respect to the Bonds and the property in the District subject to the levy of Special Taxes:

1. the principal amount of Bonds outstanding, and any bonds issued to refund the same as of the September 2 preceding the Annual Report Date;

2. the balance in the Reserve Fund, and a statement of the Reserve Requirement as of the September 30 next preceding the Annual Report Date;

3. the balance in the Improvement Fund as of the September 30 next preceding the Annual Report Date;

4. any changes to the amended rate and method of apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

5. the aggregate assessed value of all parcels within the District on which the Special Taxes are levied in each property classification under the amended rate and method of apportionment, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of units in each property classification under the rate and method of apportionment for the then current fiscal year, a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g. “below 3:1”, “3:1 to 4:1” etc.) and a land ownership summary listing property owners responsible for more than 5% of the annual Special Tax, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date;

6. the Special Tax delinquency rate for all parcels within the District on which the Special Taxes are levied, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of parcels within the District on which the Special Taxes are levied and which are delinquent in payment of Special Taxes, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the District; provided, however, that parcels with aggregate delinquencies of \$10,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category;

7. the status of foreclosure proceedings for any parcels within the District on which the Special Taxes are levied and a summary of the results of any foreclosure sales as of the September 30 next preceding the Annual Report Date;

8. the identity of any property owner representing more than 5% of the annual Special Tax levy who is delinquent in payment of such Special Taxes, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date;

9. the cumulative number of building permits issued within the District as of the September 30 next preceding the Annual Report Date;

10. for the current fiscal year, the actual Special Taxes levied and the maximum Assigned Special Taxes categorized by Developed Property and Undeveloped Property in the District, as such terms are defined in the Amended Rate and Method; and

11. any information not already included under (1) through (10) above that the District is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities District Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues District or related public entities or with respect to which the District or the City of San Clemente is an “obligated person” (as defined by the Rule), which have been made available to the public on the MSRB’s website. The District shall clearly identify each such other document so included by reference.

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

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the District.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) 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, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of

business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional fiscal agent or the change of name of a fiscal agent.

(c) The Fiscal Agent shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event. The Fiscal Agent, in notifying the Disclosure Representative of a Listed Event, shall not be required to make any determinations with respect to such Listed Event, including whether such Listed Event is material or reflects financial difficulties.

(d) If a Listed Event described in subsection (b) of this Section occurs, the District shall determine if such event would be material under applicable federal securities law.

(e) If a Listed Event described in subsection (a) of this Section occurs, or if the District determines that the occurrence of a Listed Event described in subsection (b) of this Section would be material under applicable federal securities law, the District shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notices of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Fiscal Agent Agreement.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's and the Fiscal Agent's obligations under this Disclosure Agreement 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 a filing with the MSRB.

Section 8. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the District and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The initial Dissemination Agent shall be Koppel & Gruber Public Finance. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Fiscal Agent may amend this Disclosure Agreement (and the Fiscal Agent shall agree to any amendment so requested by the District; provided, however, that the Fiscal Agent shall not be obligated to enter into any amendment increasing or affecting its duties, rights or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, 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 the 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 the Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District, the Fiscal Agent or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent), or any Owner 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, the Fiscal Agent or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District, the Fiscal Agent or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Fiscal Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Fiscal Agent thereunder. Neither the Fiscal Agent nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Fiscal Agent or the Fiscal Agent in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, 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 in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 13. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision herein.

Section 15. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the internal laws of the State of California.

Section 16. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

If to the District: Community Facilities District No. 2006-1 of City of San Clemente
c/o City of San Clemente
100 Avenida Presidio
San Clemente, California 92672

If to the Dissemination Agent: Koppel & Gruber Public Finance
34 Via Vera Cruz, #256
San Marcos, California 92078

If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Section 17. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO.
2006-1 OF THE CITY OF SAN CLEMENTE

By: _____
Assistant City Manager

KOPPEL & GRUBER PUBLIC FINANCE, as
Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 2006-1 of the City of San Clemente

Name of Bond Issue: Community Facilities District No. 2006-1 (Marblehead Coastal)
of the City of San Clemente 2015 Special Tax Bonds

Date of Issuance: December 3, 2015

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2006-1 of the City of San Clemente (the "District"), has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 3, 2015, by and between the District and Koppel & Gruber Public Finance, as dissemination agent (the "Dissemination Agent"). The District anticipates that the Annual Report will be filed by _____.

Dated: _____

KOPPEL & GRUBER PUBLIC FINANCE

By: _____
Authorized Signatory

APPENDIX G

FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This DEVELOPER CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and entered into as of December 3, 2015, by and between Koppel & Gruber Public Finance, in its capacity as dissemination agent (the “Dissemination Agent”) and Marblehead Development Partners LLC, a Delaware limited liability company (“Marblehead”), with respect to the \$55,490,000 Community Facilities District No. 2006-1 (Marblehead Coastal) of the City of San Clemente 2015 Special Tax Bonds (the “Bonds”);

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by Marblehead to assist the Underwriter in the marketing of the Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, dated as of December 1, 2015 (the “Fiscal Agent Agreement”), by and between the District (as defined below) and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided however, that in no case shall the District be deemed to be an Affiliate of Marblehead for purposes of this Disclosure Agreement. For purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. Affiliates of Marblehead include, but are not limited to, Taylor Morrison of California, LLC, Taylor Morrison Marblehead Holdings, LLC and Marblehead Joint Venture Partners, LLC.

“Business Day” shall mean any day other than (i) a Saturday or a Sunday or (ii) a day which is a federal or State of California holiday.

“City” means the City of San Clemente, California.

“Development Plan” means Marblehead’s plan for development of its property within the District as described in the Official Statement under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

“Dissemination Agent” means Koppel & Gruber Public Finance, or any successor Dissemination Agent designated in writing by Marblehead, and which has filed with Marblehead and the District a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Agreement.

“District” means Community Facilities District No. 2006-1 of the City of San Clemente.

“EMMA System” means the Electronic Municipal Market Access System of the MSRB or such other electronic system designated by the MSRB (as defined below) or the Securities and Exchange Commission (the “S.E.C.”).

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board and any successor or entity designated as the repository for continuing disclosure filings.

“Official Statement” means the final official statement executed by the District in connection with the issuance of the Bonds.

“Participating Underwriter” or “Underwriter” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds in connection with offering of the Bonds.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the property within the District owned by Marblehead on the date the Bonds are issued.

“Report Date” means May 1 and November 1 of each calendar year.

“Semi-Annual Report” means any Semi-Annual Report provided by Marblehead pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Special Taxes” means the special taxes levied on taxable property within the District and used to pay debt service on the Bonds.

Section 3. Provision of Semi-Annual Reports.

(a) So long as Marblehead's obligations hereunder have not been terminated pursuant to Section 7, Marblehead shall, or upon receipt of the Semi-Annual Report the Dissemination Agent shall, not later than the Report Date, commencing May 1, 2016, provide to the MSRB through the EMMA System a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Participating Underwriter and the District. If, in any year, the Report Date does not fall on a Business Day, such deadline shall be extended to the next following Business Day. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than 15 calendar days prior to the Report Date, Marblehead shall provide the Semi-Annual Report to the Dissemination Agent or shall otherwise notify the Dissemination Agent that Marblehead intends to file the Semi-Annual Report (in which case, delivery of the Semi-Annual Report to the Dissemination Agent shall not be required).

(c) If the Dissemination Agent does not receive a Semi-Annual Report by 15 calendar days prior to the Report Date or is not otherwise notified as described in subparagraph (b), the Dissemination Agent shall send a reminder notice to Marblehead that the Semi-Annual

Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct Marblehead to determine whether its obligations under this Disclosure Agreement have terminated (pursuant to Section 7 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If Marblehead does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the MSRB through the EMMA System by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board through the EMMA System, in substantially the form attached hereto as Exhibit A, with a copy to the District, the Participating Underwriter and Marblehead.

(d) Marblehead shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Participating Underwriter and the District to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Agreement. The Dissemination Agent, the Participating Underwriter and the District may conclusively rely upon such certification of Marblehead and shall have no duty or obligation to review the Semi-Annual Report.

(e) The Dissemination Agent shall:

(i) determine prior to each Report Date the then applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with Marblehead (if the Dissemination Agent is other than Marblehead), the District and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

Section 4. Content of Semi-Annual Reports. Marblehead's Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of Marblehead or related public entities, which have been submitted to the MSRB through the EMMA System or to the Securities and Exchange Commission which are available through the Internet to the public. If the document included by reference is a final official statement, it must be available from the MSRB. Marblehead shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, Marblehead's Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) Pursuant to Section 5(c) below, Marblehead shall give notice, or cause notice to be given, in a timely manner, not in excess of ten (10) Business Days after obtaining knowledge of the occurrence of any of the following Listed Events:

(i) the filing of any proceedings with respect to Marblehead in which Marblehead may be adjudicated as bankrupt or discharged from any or all of their

respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts;

(ii) the filing of any proceedings with respect to an Affiliate in which such Affiliate may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts, if such adjudication could have a material and adverse impact on Marblehead's or an Affiliate's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(iii) failure of Marblehead or any Affiliate that owns Property in the District, to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property prior to the delinquency date;

(iv) filing of a lawsuit against Marblehead or any of its Affiliates (of which Marblehead has notice, such as through service of process), seeking damages which in the reasonable judgment of Marblehead, if successful, could have a material and adverse impact on Marblehead's ability to pay Special Taxes prior to delinquency or to sell or develop the Property;

(v) material damage to or destruction of any of the improvements on the Property;

(vi) any uncured material payment default or other material default by Marblehead or any Affiliate on any loan with respect to the construction of improvements on the Property;

(vii) any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that would have a material adverse effect on Marblehead's most recently disclosed financing plan or Development Plan or on the ability of Marblehead or any Affiliate to pay Special Taxes within the District prior to delinquency;

(viii) any materially adverse significant amendments to land use entitlements for the Property;

(ix) any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on the Property that is known to Marblehead and that is material to the Development Plan;

(x) any previously undisclosed legislative, administrative or judicial challenges to development on the Property that is known to Marblehead and that is material to the Development Plan; and

(xi) any changes, if materially adverse to the Development Plan, in the alignment, design or likelihood of completion of significant public improvements affecting the Property, including major thoroughfares, sewers, water conveyance systems and similar facilities.

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

federal securities law. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If Marblehead determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, Marblehead shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB through the EMMA System, and shall provide a copy of such notice to the District and the Participating Underwriter.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Duration of Reporting Obligation.

All of Marblehead's obligations hereunder shall commence on the date hereof and shall terminate (except for the indemnity provisions provided in Section 12) on the earliest to occur of the following:

(i) if on any date Marblehead and its Affiliates in the aggregate own Property in the District that is responsible for less than twenty percent (20%) of the Special Taxes, as calculated excluding any capitalized interest, levied within the District and the four conditions of development described below Table 8 of the Official Statement are satisfied; or

(ii) upon the legal defeasance, prior redemption or payment in full of all the Bonds.

Marblehead shall give notice of the termination of its obligations under this Disclosure Agreement in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. Marblehead may, from time to time, appoint or engage a Dissemination Agent to assist Marblehead in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Koppel & Gruber Public Finance. The Dissemination Agent may resign by providing (i) thirty days written notice to the District and Marblehead and (ii) upon appointment of a new Dissemination Agent hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, Marblehead may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(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 Marblehead with respect to the Bonds, or type of business conducted;

(b) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Fiscal Agent Agreement with the consent of owners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds; and

(c) the Dissemination Agent or Marblehead shall have delivered copies of the amendment and any opinions delivered under (b) above to the District, the Fiscal Agent and the Underwriter.

In the event of any amendment or waiver of a provisions of this Disclosure Agreement, Marblehead shall describe such amendment in the next Semi-Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by Marblehead.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent Marblehead from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If Marblehead chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, Marblehead shall have no obligation under this Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of Marblehead to comply with any provision of this Disclosure Agreement, the Participating Underwriter and any owner 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 Marblehead to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of Marblehead to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and Marblehead 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 reasonable costs and expenses (including attorneys' fees) of defending against any such claim of liability, but excluding liabilities, costs and expenses due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, Marblehead, the Fiscal Agent, the Bondowners, or any other party. The obligations of Marblehead under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. If the Dissemination Agent is other than the Fiscal Agent or the City's Special Tax Administrator, Marblehead shall be responsible for paying the fees and expenses of the Dissemination Agent for its services provided hereunder, in accordance with its schedule of fees as amended from time to time. If the Dissemination Agent is the Fiscal Agent or the City's Special Tax Administrator, the District shall be responsible for paying the fees and expenses of the Dissemination Agent for its services provided hereunder in accordance with its agreement with the District.

Section 13. Reporting Obligation of Marblehead's Transferees. Marblehead shall, in connection with any sale or transfer of ownership of land within the District to a transferee that is not an Affiliate of Marblehead which will result in the transferee (which term shall include any successors and assigns of Marblehead) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this

Disclosure Agreement. If the sale or transfer of ownership of land within the District to a transferee that is not an Affiliate of Marblehead will result in the transferee (which term shall include any successors and assigns of Marblehead) becoming responsible for the payment of less than twenty percent (20%) of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, the transferee shall not be required to assume any continuing disclosure obligations and Marblehead shall no longer have any responsibility to report on the property sold or transferred to such transferee. So long as Marblehead retains the obligation to the four conditions of development described below Table 8 of the Official Statement, Marblehead shall remain responsible to report on the status of such until such conditions until such conditions are satisfied.

Section 14. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

If to the District:	Community Facilities District No. 2006-1 of City of San Clemente c/o City of San Clemente 100 Avenida Presidio San Clemente, California 92672
If to the Dissemination Agent:	Koppel & Gruber Public Finance 334 Via Vera Cruz, #256 San Marcos, California 92078 Telephone: 760-510-0290
If to the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, California 94104
If to Marblehead:	Marblehead Development Partners LLC 8105 Irvine Center Drive, Suite 1450 Irvine, California 92618 Attention: Phil Bodem Telephone: 949-341-1200

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, Marblehead (its successors and assigns), the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity. All obligations of Marblehead hereunder shall be assumed by any legal successor to the obligations of Marblehead as a result of a sale, merger, consolidation or other reorganization.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

Section 18. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 19. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

Dated: December 3, 2015

MARBLEHEAD DEVELOPMENT PARTNERS LLC,
a Delaware limited liability company

By: Taylor Morrison Marblehead Holdings, LLC,
a Delaware limited liability company,
Its managing member

By: _____

Name: _____

Title: _____

KOPPEL & GRUBER PUBLIC FINANCE,
as Dissemination Agent

By: _____
Authorized Officer

[EXECUTION PAGE OF MARBLEHEAD CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: Community Facilities District No. 2006-1
of the City of San Clemente

Name of Bond Issue: Community Facilities District No. 2006-1 (Marblehead Coastal)
of the City of San Clemente 2015 Special Tax Bonds

Date of Issuance: December 3, 2015

NOTICE IS HEREBY GIVEN that Marblehead has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Marblehead Continuing Disclosure Agreement, dated December 3, 2015. [Marblehead anticipates that the Semi-Annual Report will be filed by _____.]

Dated: _____

KOPPEL & GRUBER PUBLIC FINANCE, as Dissemination
Agent, on behalf of Marblehead Development Partners LLC

cc: _____
Community Facilities District No. 2006-1
of the City of San Clemente

EXHIBIT B

SEMI-ANNUAL REPORT

**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(MARBLEHEAD COASTAL)
OF THE CITY OF SAN CLEMENTE
2015 SPECIAL TAX BONDS**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of December 3, 2015, executed by the undersigned (the "Developer") in connection with the issuance of the above-captioned bonds by Community Facilities District No. 2006-1 of the City of San Clemente (the "Community Facilities District").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 30 days before the date of this Semi-Annual Report).

A. Updated information regarding development status described in Tables 10 through 14 and status of completion of the improvements described in Table 8 of the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Agreement:

B. Any material changes to the description of land use or development entitlements described in the Official Statement for the Bonds or the Semi-Annual Report last filed in accordance with the Disclosure Agreement:

C. Status of Special Tax payments on all parcels of Property owned by the Developer and its Affiliates.

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any material change in the legal structure of the Developer or its Affiliates or the financial condition and financing plan of the Developer or its Affiliates that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report and other than as provided in Section I, describe any development plans or financing plans relating to the Property that are materially different from the proposed development and financing plan described in the Official Statement; provided, however, that Developer's obligation to provide information on Table 9 shall be limited to significant changes to the total estimate of the sources and uses of funds for development of the Property.

IV. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading; provided, however, that the Developer shall have no obligation to update the section of the Official Statement entitled "Development Experience".

Certification

The undersigned Developer hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Developer under the Disclosure Agreement.

ANY OTHER STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER’S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated: _____

MARBLEHEAD DEVELOPMENT PARTNERS LLC,

a Delaware limited liability company

By: Taylor Morrison Marblehead Holdings, LLC,
a Delaware limited liability company,
Its managing member

By: _____

Name: _____

Title: _____

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, 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 Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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 a Standard & Poor's rating of "AA+." 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Bonds 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 prepayments, 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 a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, 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 Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Fiscal Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Fiscal Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Fiscal Agent's DTC account.

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 Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, physical 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, Bonds will be printed and delivered to DTC.

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX I
MARKET ABSORPTION STUDY

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**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(SEA SUMMIT AT MARBLEHEAD)**

MARKET ABSORPTION STUDY

**PREPARED FOR:
CITY OF SAN CLEMENTE
ORANGE COUNTY, CALIFORNIA**



(RECENT DEVELOPMENT ACTIVITY ON THE CFD SITE)

**PREPARED BY:
EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK, PH.D**

AUGUST 4, 2015

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INTRODUCTION

A. OVERVIEW OF THE BOND FINANCING PROGRAM

The City of San Clemente formed Community Facilities District No. 2006-1 to assist with the financing for the public infrastructure that is required to support the development of the residential products in the Planned Community of “Sea Summit at Marblehead”.

CFD No. 2006-1 is located in the northwesterly portion of the City of San Clemente in Orange County. CFD No. 2006-1 encompasses the Planned Community of Sea Summit at Marblehead, which is expected to have four residential projects by Taylor Morrison. Residents will have access to a private resort club and community features will include walking, biking, and jogging trails as well as four new neighborhood parks and over 100 acres of habitat restoration. The expected product mix characteristics are as follows:

- The sale prices, for the homes, with premiums for ocean/canyon views, are expected to amount to some \$1,864,102, on the average, and they have a range of about \$1,087,990 to \$3,569,990.
- The base prices for the homes are expected to amount to some \$1,482,909, on the average, and they have a range of about \$970,990 to \$2,500,990.
- The living areas for the homes amount to some 3,347 sq.ft., on the average, and they have a range of 2,214 to 5,544 sq.ft.

The City of San Clemente retained Empire Economics Inc. (Empire), an economic and real estate consulting firm, to perform a Market Absorption Study for the projects in CFD No. 2006-1, which are being marketed as the Planned Community of Sea Summit at Marblehead. The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the forthcoming homes in CFD No. 2006-1, in order to arrive at conclusions regarding the following:

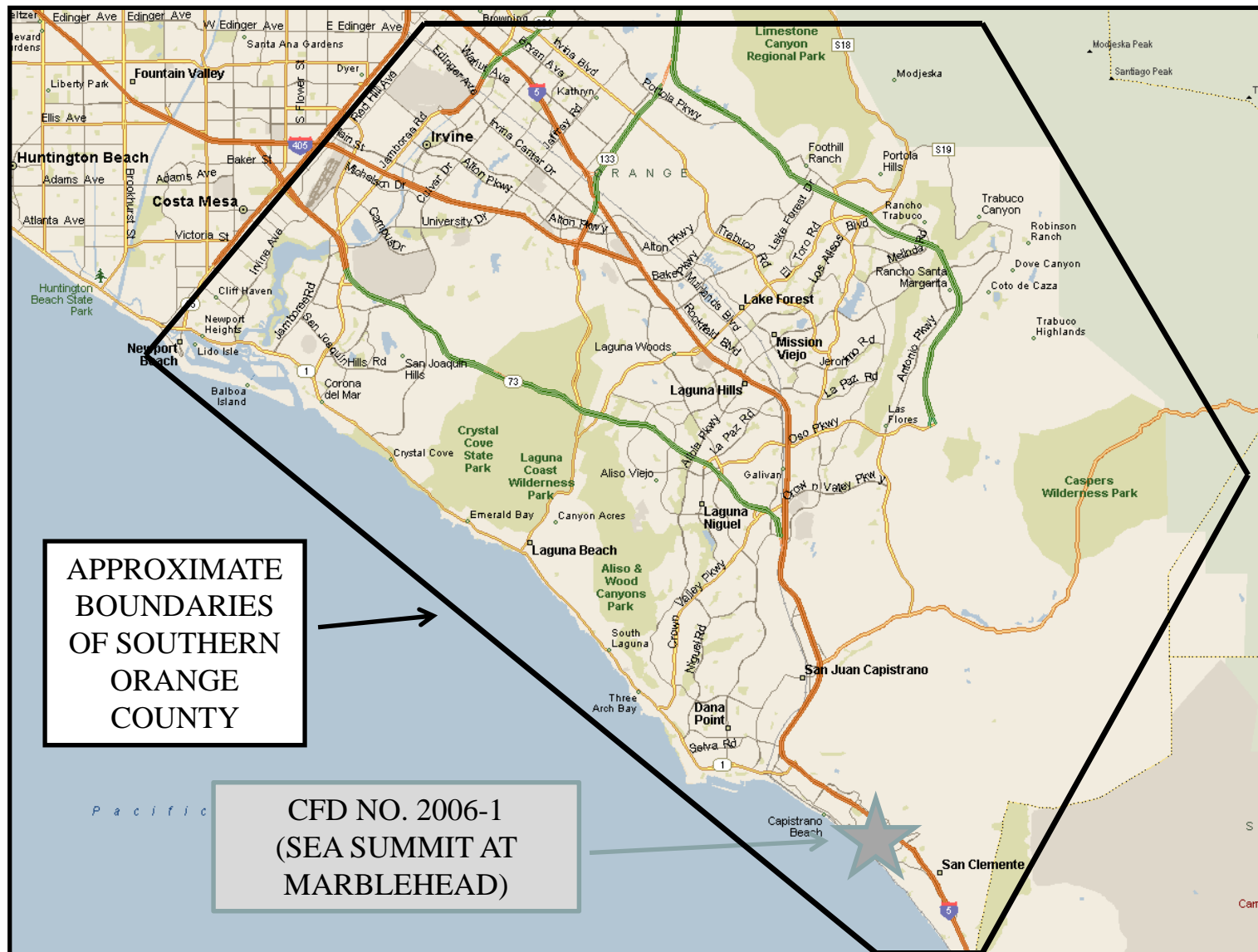
- Estimated absorption schedules for the homes in each of the four projects, from market-entry to build-out, on an annualized basis.
- Discussion of potential economic and real estate risk factors that may adversely impact their marketability.

The relevant geographical areas for the economic and real estate research are as follows:

- Market Region includes all of the cities/communities within Orange County, as a whole
- CFD No. 2006-1 Competitive Market Area encompasses the southern Orange County area (cities/communities southerly of Route 55)

For information on the location of CFD No. 2006-1, please refer to the map on the following page.

**CFD NO. 2006-1 COMPETITIVE MARKET AREA
SOUTHERN ORANGE COUNTY
APPROXIMATE LOCATION OF CFD NO. 2006-1**



B. ROLES OF THE MARKET ABSORPTION STUDY FOR THE BOND FINANCING

The Market Absorption Study for CFD No. 2006-1 has a multiplicity of roles with regards to the Bond Financing; accordingly, these are set-forth below:

Marketing Prospects for the Residential Products

Estimated Absorption Schedules:
Escrow Closings of Homes to Homeowners,
From Market-Entry to Build-Out
Each of the Four Projects

Potential Risk Factors that may Adversely Impact
the Marketability of the Projects

Relationship of the Market Study to the Special Tax Payments

Special Taxes for the Residential Projects/Products

Aggregate Levels of Special Tax Revenues for Bond Sizing

Absorption Rate Determines Shares of Payments:
Developer/Builder vs. Final-Users/Homeowners

Relationship of the Market Absorption Study to the Appraisal/Valuation

Appraisal of Property
Appraiser Uses Absorption Schedules for
Discounted Cash Flow – Present Value

(The Longer the Absorption Time, the Lower the Present Value)

The Issuing Agency along with the Finance Team, can utilize the information found in the Market Absorption Study as well as the Appraisal and Special Tax Revenues to structure the bonds for CFD No. 2006-1.

C. METHODOLOGY UNDERLYING THE MARKET ABSORPTION STUDY FOR CFD NO. 2006-1

The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the homes in CFD No. 2006-1.

I. Expected Product Mix Characteristics

II. Economic and Real Estate Model Underlying the Market Absorption Study

III. Overview of the Development Trends/Patterns and Socioeconomic Factors

IV. Competitive Market Analysis of the Residential Projects

V. Estimated Absorption Schedules for the Projects

Assumptions and Limiting Conditions

D. CERTIFICATION OF INDEPENDENCE

EMPIRE ECONOMICS PROVIDES CONSULTING SERVICES ONLY FOR PUBLIC ENTITIES

The Securities & Exchange Commission has taken action against firms that have utilized their research analysts to promote companies with whom they conduct business, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients, including the City of San Clemente, are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence.

This Certificate states that Empire performs consulting services only for public entities such as the City of San Clemente, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for the property owner/developer/builder.

For example, if a research firm for a specific Community Facilities District were to provide consulting services to both the public entity as well as the property owner/developer/builder, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer/builder.

Accordingly, Empire Economics certifies that the Market Absorption Study for the CFD No. 2006-1 of the City of San Clemente was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Market Absorption Study by the City of San Clemente, not the CFD's developer/builder, Taylor Morrison.
- Empire has not performed any consulting services for the CFD's property owner or the developer/builder during the past twenty+ years.
- Empire will not perform any consulting services for the CFD's property owner or the developer/builder during the next five years.
- Empire's compensation for performing the Market Absorption Study for the CFD is not contingent upon the issuance of bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Market Absorption Study for CFD No. 2006-1 of the City of San Clemente was performed in an independent professional manner.

SECTION I

EXPECTED RESIDENTIAL PRODUCT MIX CHARACTERISTICS

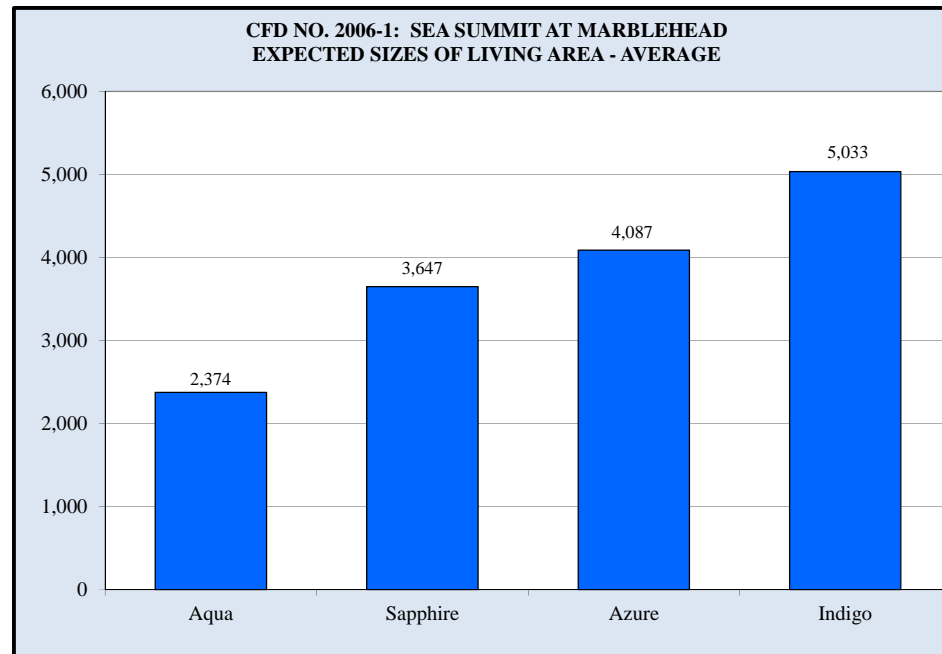
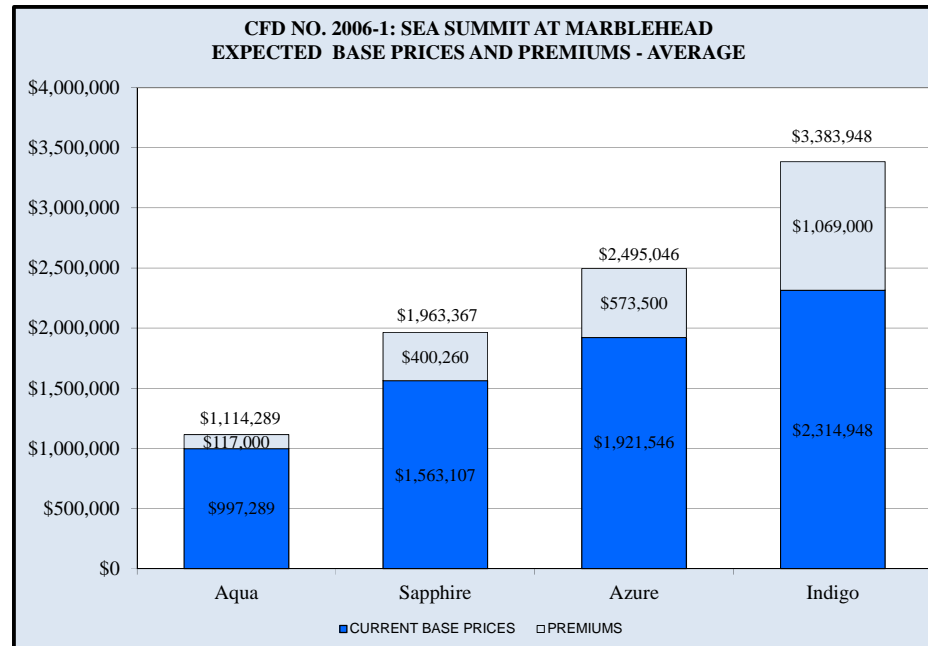
CFD No. 2006-1 (Sea Summit at Marblehead) is expected to have a total of 309 single-family detached homes in four different projects; the specific characteristics of these projects, according to information provided by Taylor Morrison, the developer/builder, are as follows:

- **Aqua** is expected to have 127 single-family homes on lots of about 4,200 sq.ft. Their estimated base prices range from \$970,990 to \$1,035,990, for an overall average of \$997,289. The potential premiums for ocean/canyon views amount to \$117,000, on the average. Their living areas are expected to range from 2,214 sq.ft. to 2,649 sq.ft., for an overall average of 2,374 sq.ft. The value ratio (price/living area), using base prices, amounts to \$420/sq.ft., on the average. Their special taxes are expected to amount to \$7,535 per year, on the average.
- **Sapphire** is expected to have 77 single-family homes on lots of about 5,000 sq.ft. Their estimated base prices range from \$1,527,990 to \$1,598,990, for an overall average of \$1,563,107. The potential premiums for ocean/canyon views amount to \$400,260, on the average. Their living areas are expected to range from 3,460 sq.ft. to 3,873 sq.ft., for an overall average of 3,647 sq.ft. The value ratio, using base prices, amounts to \$429/sq.ft., on the average. Their special taxes are expected to amount to \$11,508 per year, on the average.
- **Azure** is expected to have 81 single-family homes on lots of about 5,800 sq.ft. Their estimated base prices range from \$1,500,990 to \$2,145,990, for an overall average of \$1,921,546. The potential premiums for ocean/canyon views amount to \$573,500, on the average. Their living areas are expected to range from 2,536 sq.ft. to 4,756 sq.ft., for an overall average of 4,087 sq.ft. The value ratio, using base prices, amounts to \$470/sq.ft., on the average. Their special taxes are expected to amount to \$13,081 per year, on the average.
- **Indigo** is expected to have 24 single-family homes on lots of about 7,000 sq.ft. Their estimated base prices range from \$2,195,990 to \$2,500,990, for an overall average of \$2,314,948. The potential premiums for ocean/canyon views amount to \$1,069,000, on the average. Their living areas are expected to range from 4,694 sq.ft. to 5,544 sq.ft., for an overall average of 5,033 sq.ft. The value ratio, using base prices, amounts to \$460/sq.ft., on the average. Their special taxes are expected to amount to \$13,475 per year, on the average.

So, for all of the projects, as a whole, the base prices amount to some \$1,482,909, on the average, and they have a range of \$970,990 to \$2,500,990. The potential premiums for ocean/canyon views amount to \$381,193, on the average, and they have a range of \$117,000 to \$1,069,000. While the living areas amount to some 3,347 sq.ft., on the average, they have a range of 2,214 to 5,544 sq.ft. The overall value ratio, using base prices, amounts to \$443/sq.ft., on the average. Their special taxes are expected to amount to \$10,212 per year, on the average, and they have a range of \$7,535 to \$13,475 per year.

The maximum total tax burden for the homes in CFD No. 2006-1, ad valorem as well as Special Taxes/Assessments, based upon the City of San Clemente's policies, is 1.80% of the prices for the homes. However, the developer's targeted tax burden for CFD No. 2006-1 amounts to about 1.70%, and so it is below the maximum. The estimated base tax rate is some 1.01%, on the average, and the Special Tax rate, based upon the current prices, amounts to some 0.69%, on the average.

For more information on these projects, please refer to the following graphs, table and maps.



**EXPECTED CHARACTERISTICS OF THE FORTHCOMING PROJECTS
CFD NO. 2006-1: SEA SUMMIT AT MARBLEHEAD**

Projects >					Overall	
	Aqua	Sapphire	Azure	Indigo	Totals	Averages
Builder	Taylor Morrison	Taylor Morrison	Taylor Morrison	Taylor Morrison		
Expected Product Type	Single-family Detached	Single-family Detached	Single-family Detached	Single-family Detached		
Lot Sizes - Approximate	4,200	5,000	5,800	7,000		
Housing Units						
Totals	127	77	81	24	309	
Share	41.1%	24.9%	26.2%	7.8%	100.0%	
Marketing Status:						
Closed	0	0	0	0	0	
Future Closings	127	77	81	24	309	
Expected Product Mix						
Plan # 1	26	25	14	8		
Plan # 2	31	26	14	9		
Plan # 3	23	26	17	7		
Plan # 4	22		14			
Plan # 5	25		16			
Plan # 6			6			
Totals	127	77	81	24		309
Living Areas (Sq. Ft.)						
Plan # 1	2,214	3,460	3,775	4,694		
Plan # 2	2,417	3,602	4,135	4,937		
Plan # 3	2,336	3,873	4,064	5,544		
Plan # 4	2,649		4,277			
Plan # 5	2,278		4,756			
Plan # 6			2,536			
Averages	2,374	3,647	4,087	5,033		3,347
Current Base Prices						
Plan # 1	\$970,990	\$1,527,990	\$1,780,990	\$2,195,990		
Plan # 2	\$1,005,990	\$1,560,990	\$1,890,990	\$2,275,990		
Plan # 3	\$995,990	\$1,598,990	\$1,925,990	\$2,500,990		
Plan # 4	\$1,035,990		\$2,010,990			
Plan # 5	\$980,990		\$2,145,990			
Plan # 6			\$1,500,990			
Averages	\$997,289	\$1,563,107	\$1,921,546	\$2,314,948		\$1,482,909
Value Ratios : (Price / Living Area)	\$420	\$429	\$470	\$460		\$443
Average Sales Prices with Premiums	\$1,114,289	\$1,963,367	\$2,495,046	\$3,383,948		\$1,864,102
Premiums	\$117,000	\$400,260	\$573,500	\$1,069,000		\$381,193
Tax Burden						
Ad Valorem - Percent of Price	1.01%	1.01%	1.01%	1.01%		1.01%
Special Taxes \$/Yr - Avg.	\$7,535	\$11,508	\$13,081	\$13,475		\$10,212
* Total Tax Burden %/Price	1.77%	1.75%	1.69%	1.60%		1.70%

**OVERVIEW OF SEA SUMMIT AT MARBLEHEAD
EXPECTED FUTURE DEVELOPMENT**



SECTION II

ECONOMIC AND REAL ESTATE FORECASTING MODEL UNDERLYING THE MARKET ABSORPTION STUDY FOR THE CFD NO. 2006-1 – SEA SUMMIT AT MARBLEHEAD

This section describes the Economic and Real Estate Forecasting Model underlying the Market Absorption Study for the forthcoming residential projects in the CFD No. 2006-1 (Sea Summit at Marblehead); accordingly, the primary components are as follows:

- A. Overview of the Economic and Real Estate Forecasting Model
- B. Critical Components of the Forecasting Model
 - Employment as the Primary Driver of Housing Demand and Prices
 - Mortgage Rates as a Secondary Economic Driver of Housing Demand and Prices
 - Levels of Mortgage Defaults
 - Sales of Existing and New Homes
 - New Residential Development Activity
- C. Recent Employment Trends/Patterns
 - Recent Unemployment Rates: California, Orange County and San Clemente
 - Recent Employment Levels by Industry Sectors
 - Employment Shares by Industry Sectors: City of San Clemente/Orange County
 - City of San Clemente: Payroll by Industry Sectors
- D. Conclusion on Recent/Future Housing Market Conditions

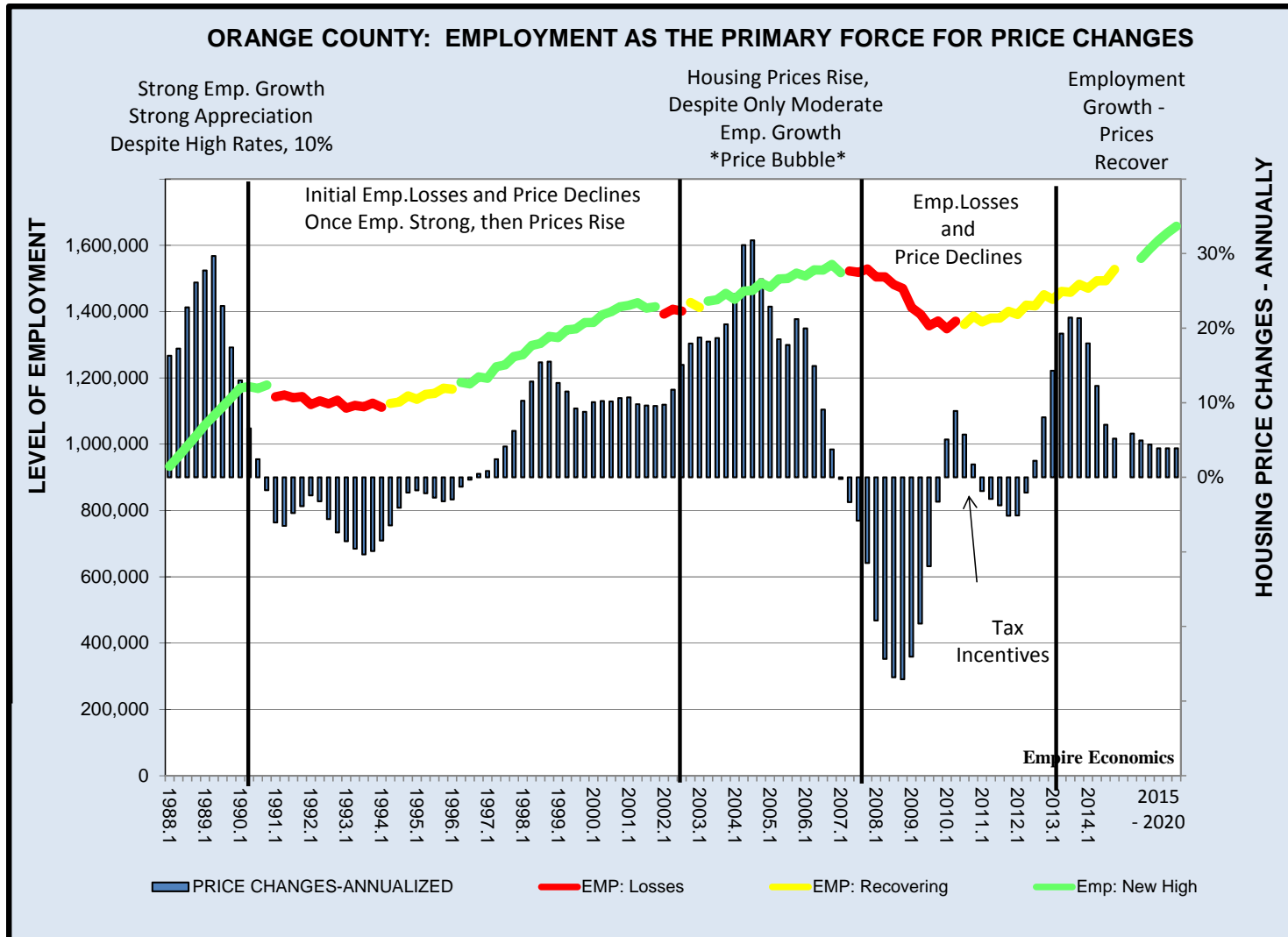
A. OVERVIEW OF THE ECONOMIC AND REAL ESTATE FORECASTING MODEL

RECENT/EXPECTED REAL ESTATE MARKET TRENDS/PATTERNS IN ORANGE COUNTY AND THE CITY OF SAN CLEMENTE



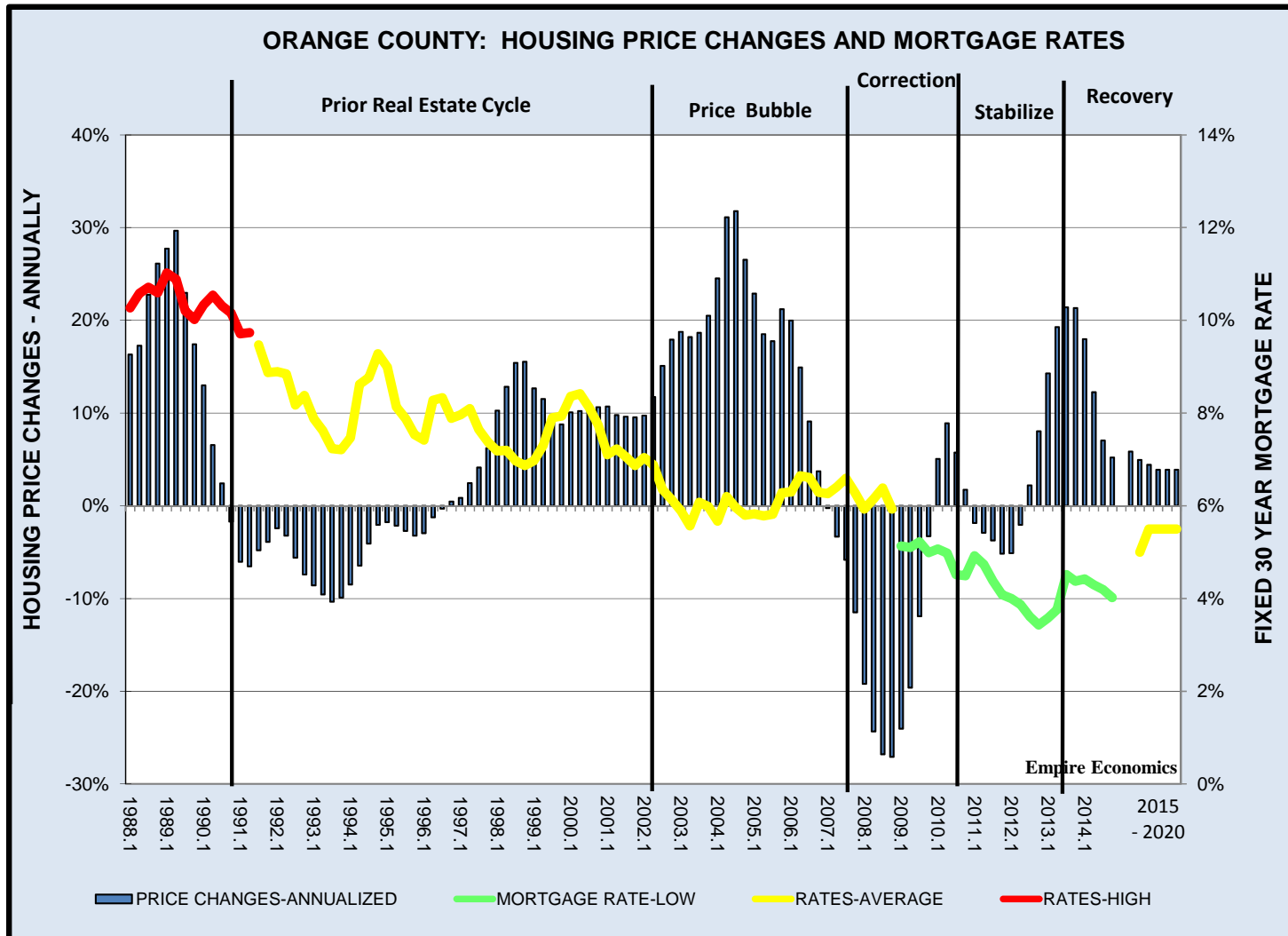
B. CRITICAL COMPONENTS OF THE FORECASTING MODEL

EMPLOYMENT IS THE **PRIMARY ECONOMIC DRIVER** OF HOUSING DEMAND AND PRICE CHANGES
 EMPLOYMENT GROWTH/LOSSES DRIVE DEMAND AND PRICE INCREASES/DECREASES

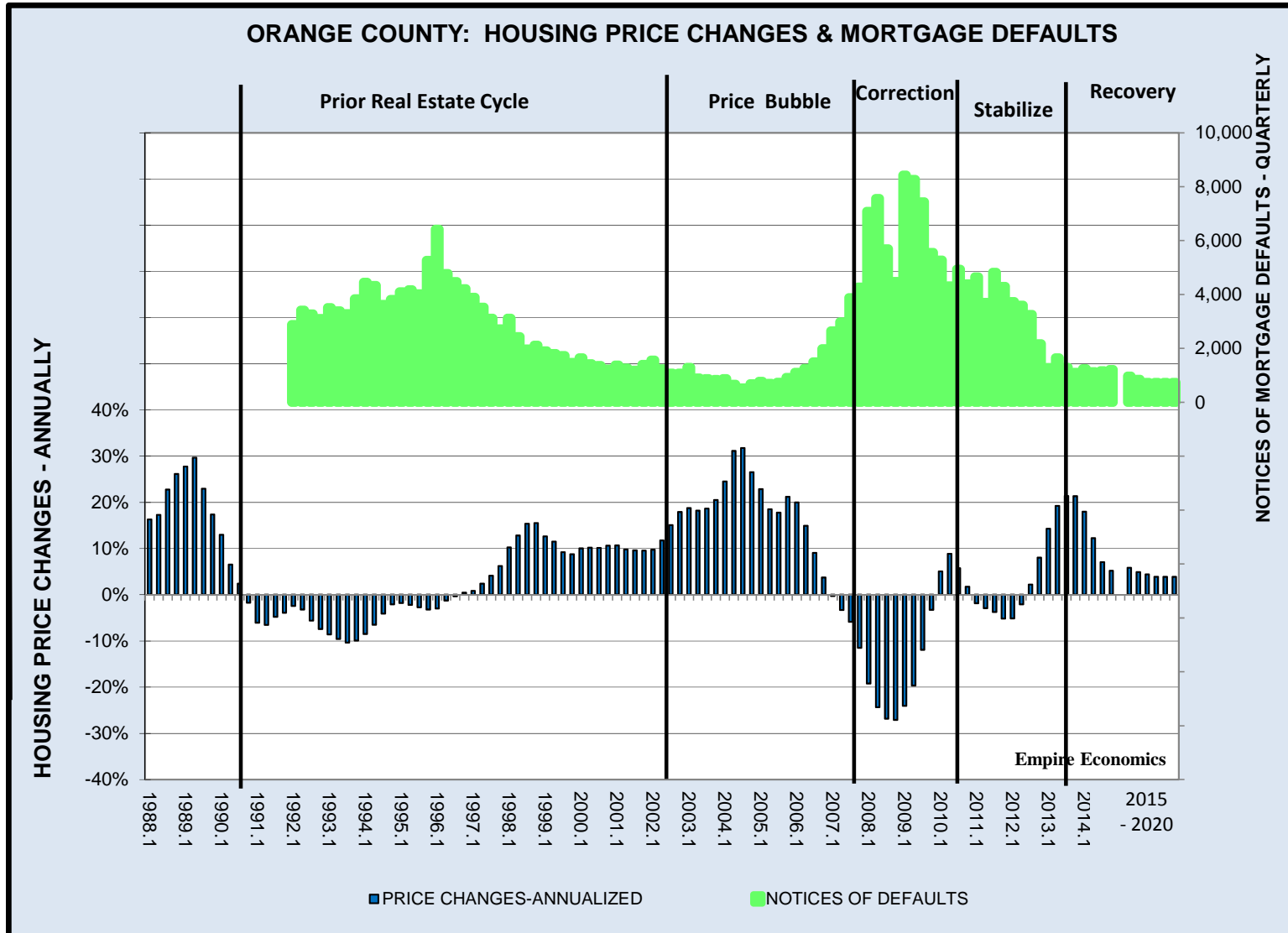


MORTGAGE RATES ARE A SECONDARY ECONOMIC DRIVER OF HOUSING PRICES:

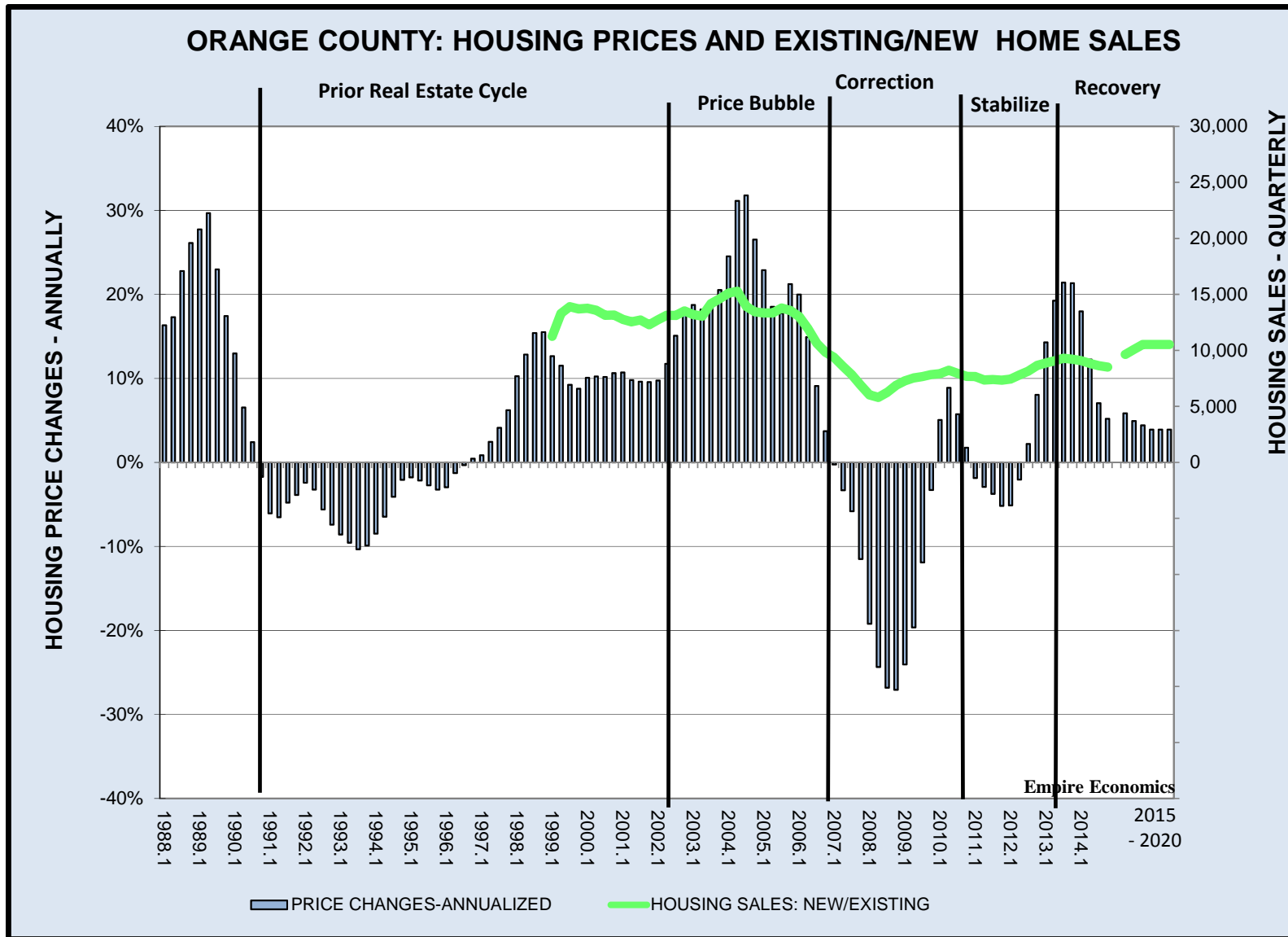
HIGH/LOW MORTGAGE RATES HAVE A MODERATE INFLUENCE ON HOUSING PRICES
LENDING CRITERIA ALSO PLAYS ROLE: LOOSE (2002-2006) VS. TIGHT (2010-2013)



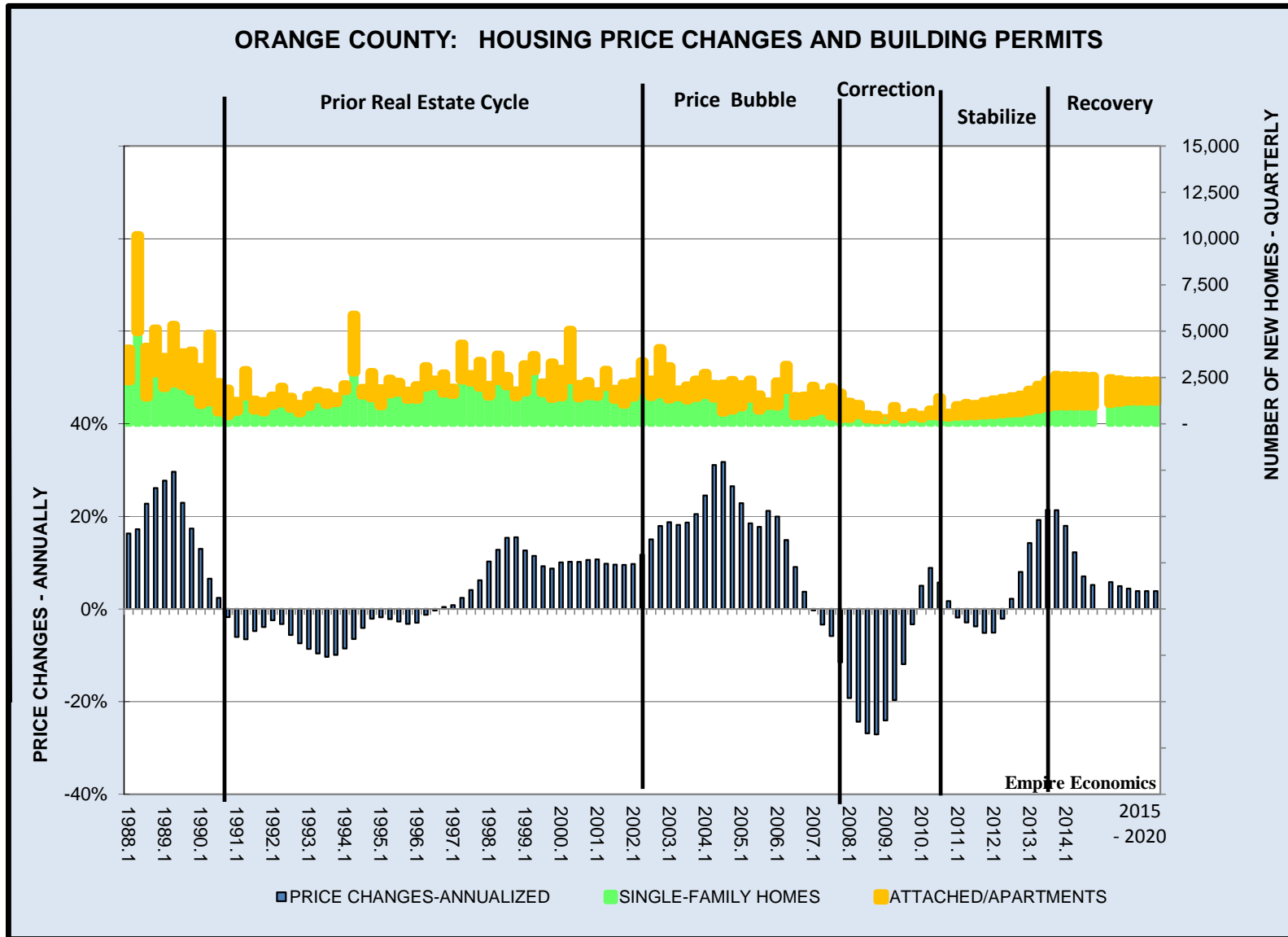
**HIGH LEVELS OF MORTGAGE DEFAULTS CONTRIBUTE TO PRICE DECLINES
DUE TO EXCESS SUPPLY AND PRICE DISCOUNTS**



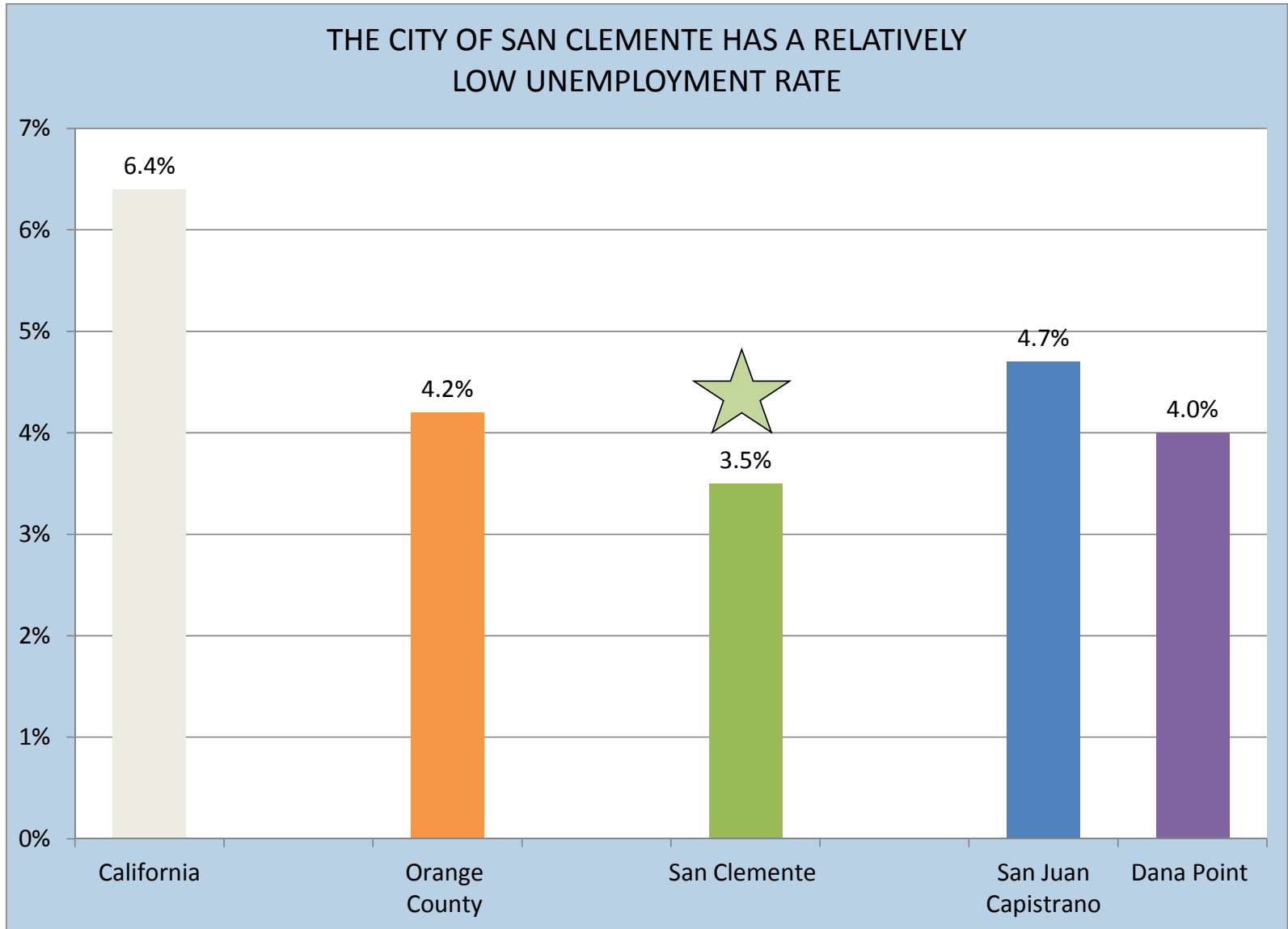
**SALES OF EXISTING AND NEW HOMES ARE DRIVEN
PRIMARILY BY EMPLOYMENT GROWTH BUT ALSO MORTGAGE RATES**



NEW RESIDENTIAL DEVELOPMENT ACTIVITY IS DRIVEN BY EMPLOYMENT GROWTH AND HOUSING PRICE INCREASES



C. RECENT EMPLOYMENT TRENDS/PATTERNS: MAY 2015

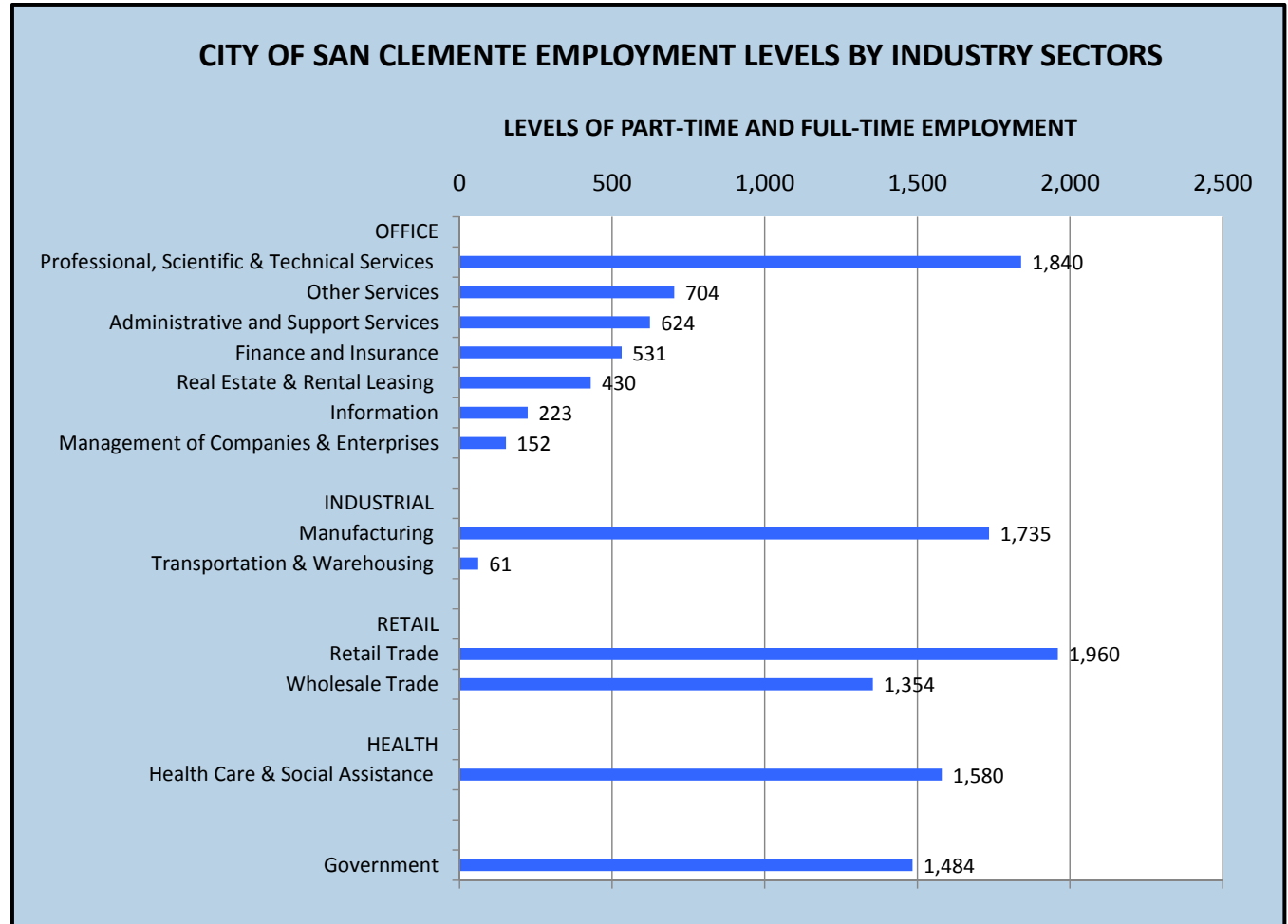


For the City of San Clemente, according to the most recent EDD data for 2014, the sectors with the highest amounts of employment (includes full and part-time employees) are as follows:

Retail Trade.....	1,960
Professional, Sci. & Tech.....	1,840
Manufacturing.....	1,735
Healthcare/Social Assistance...	1,580
Government.....	1,484
Wholesale Trade.....	1,354

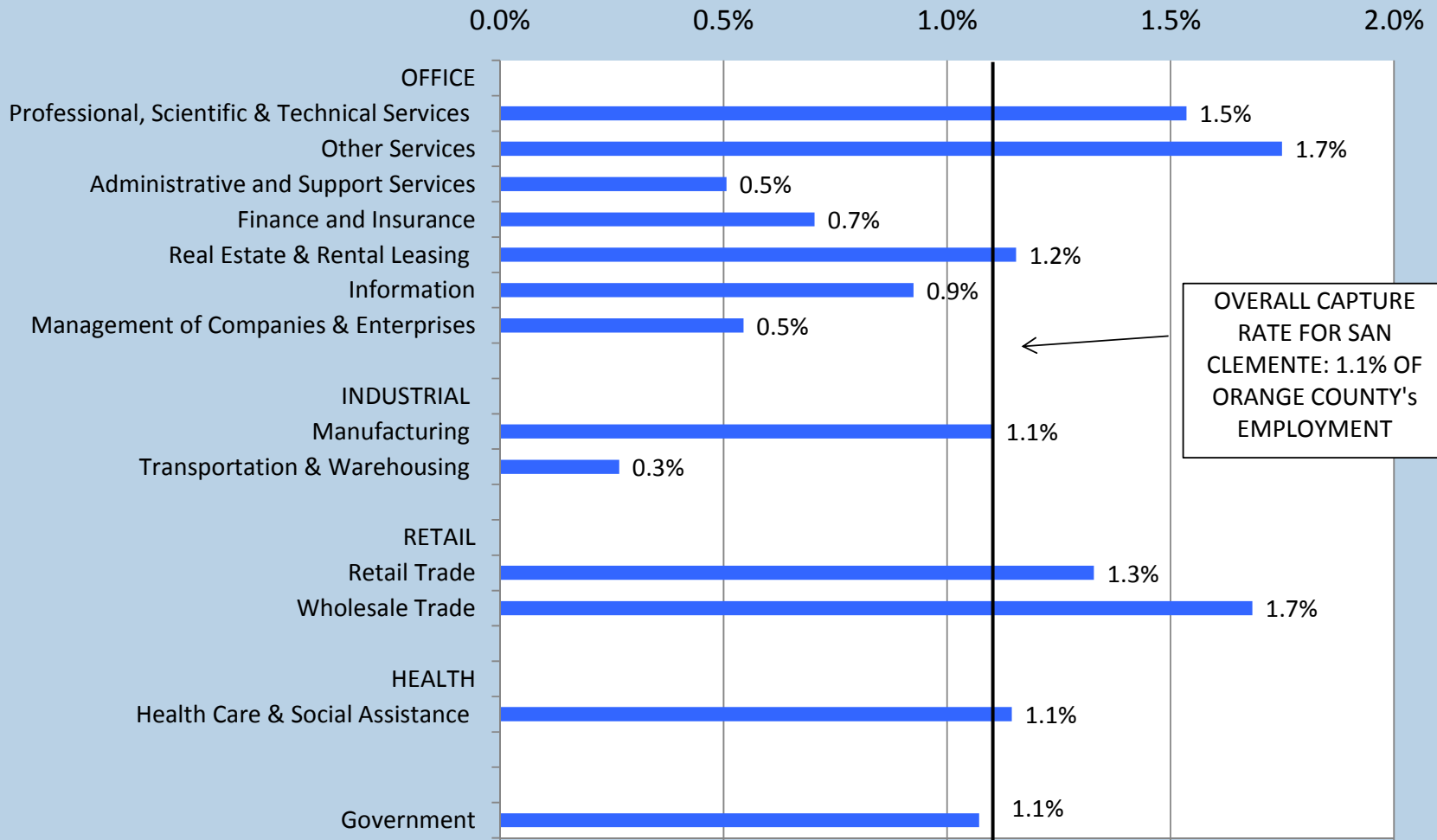
The largest employers in the City of San Clemente according to the City of San Clemente Comprehensive Annual Financial Report for FY Ended June 30, 2014 are as follows:

- Capistrano Unified School District
- Saddleback Memorial Medical Center
- Ralphs
- Fisherman’s Restaurants
- Albertsons
- Walmart
- City of San Clemente
- Target Retail Store
- Lowe’s Home Improvement
- ICU Medical



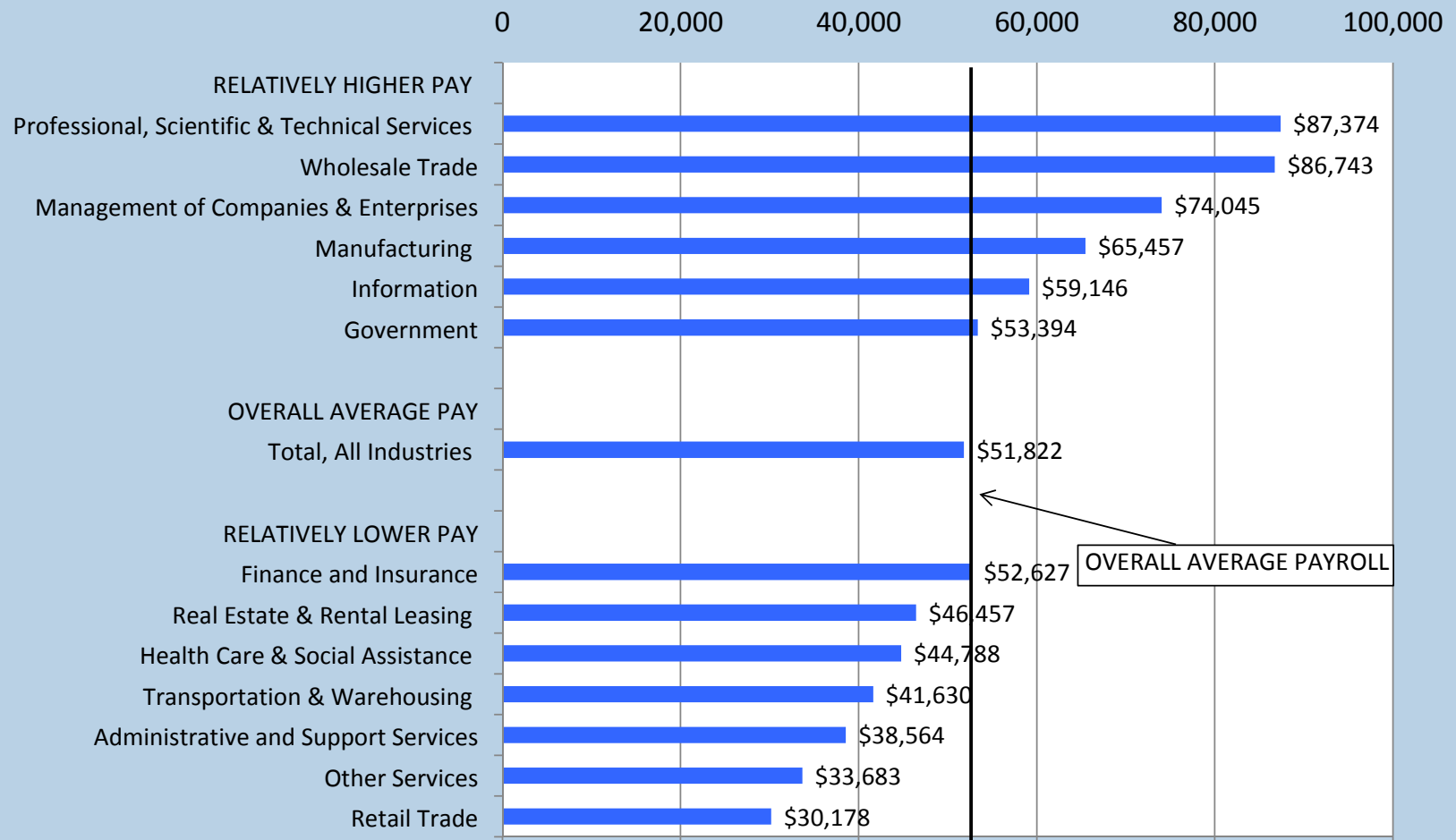
CITY OF SAN CLEMENTE SHARE OF ORANGE COUNTY EMPLOYMENT BY INDUSTRY SECTORS

SHARE OF ORANGE COUNTY FULL-TIME AND PART-TIME EMPLOYMENT



CITY OF SAN CLEMENTE PAYROLL BY EMPLOYMENT INDUSTRY SECTORS

ANNUAL COMPENSATION FOR PART-TIME AND FULL-TIME EMPLOYEES



D. CONCLUSIONS ON RECENT/FUTURE HOUSING MARKET CONDITIONS

The recent trends/patterns in Orange County and the City of San Clemente economies and housing markets, along with Empire's forecast for economic growth and housing demand based upon its Designated Economic and Real Estate Scenario, are now discussed.

Price Appreciation: Starting in 2002, housing prices began to appreciate as mortgage rates declined, and then the rate of appreciation accelerated during 2004 to 2006 due to the pervasive use of non-conventional (creative) financing structures. During this time period, these financing structures and related financing factors, rather than employment growth, were the primary driving forces underlying the extraordinary rate of housing price appreciation for California and also for Orange County.

Price Declines – Negative Equity: During 2007 to 2009, housing prices decreased significantly, pushing a substantial proportion of homeowners who purchased their homes during the price bubble into a position of negative equity, especially those that had high loan to value ratios. The enormous number of homeowners under duress caused an over-supply of homes which, in turn, severely depressed new development activity.

Foundation for Recovery: Since 2009, and continuing through 2012, housing prices were relatively stable, and this enabled the housing market to go through a consolidation phase:

- Many homeowners with negative equity went through the foreclosure and short sales process.
- These homes, in turn, were purchased by new bona-fide homeowners as well as investors that benefited from lower prices. Although mortgage rates were very favorable, mortgage lending criteria were tighter for households and many investors were cash buyers.

Market Recovery During 2013: The housing market experienced a strong level of demand from home purchasers as well as investors who were attracted by the oversold market conditions, and their demand resulted in housing price increases of some 20% for Southern California, including Orange County.

Normal Market Conditions During 2014+: Employment, the traditional driver of housing price appreciation, has recently increased at a moderate rate, and this has enabled the housing market to return to its "historical" rate of price appreciation. However, unlike other recoveries, this recovery is not expected to surpass the recent price bubble peak in the near term due to the following challenging macroeconomic conditions:

- Reducing the Federal Deficit through higher tax rates, reduced deductions and lower spending.
- Federal Reserve Board re-balancing its accounts by selling recently purchased securities.

SECTION III

OVERVIEW OF DEVELOPMENT TRENDS/PATTERNS AND SOCIOECONOMIC FACTORS

This section discusses the employment and residential development trends/patterns in the general vicinity of CFD No. 2006-1 as well as the City of San Clemente, and also the socioeconomic factors that households consider when purchasing a home, such as personal safety as well as educational quality.

A. DEVELOPMENT TRENDS/PATTERNS IN THE CITY OF SAN CLEMENTE AND ITS VICINITY

From a geographical regional perspective, the marketing potential of the forthcoming homes in CFD No. 2006-1 involves an analysis of the existing/active/forthcoming Planned Communities, Retail Centers and Business Parks, in conjunction with the transportation system in the City of San Clemente and its vicinity.

CFD No. 2006-1 is situated at the southern end of Orange County off of the 5 freeway between the Vista Hermosa and Pico exits. The development is expected to have 309 single-family homes and will include a private resort club for residents, four new parks, over 100 acres of habitat restoration and walking, biking, and jogging trails.

Business Parks generate employment growth through their industrial-office development while Planned Communities generate residential development which, in turn, generates a demand for Retail Centers; additionally, the flow of traffic between them is facilitated by the freeways and transportation corridors between them. San Clemente has a moderately sized economic base with some local area Business Parks, including the Rancho San Clemente Business Park several miles inland of the development.

There is a significant retail center under construction adjacent to CFD No. 2006-1 called the Outlets at San Clemente plans to open Phase 1 in Fall 2015. The Outlet Mall Phase 1 is expected to include over 70 stores spanning 325,000 square feet while Phase 2 is expected to include an additional 50 stores spanning 175,000 square feet.

For an overview of the development trends/patterns in the vicinity of CFD No. 2006-1, please refer to the map on the following page.

**OVERVIEW OF DEVELOPMENT PATTERNS IN THE VICINITY OF CFD NO. 2006-1
(NOTE: AERIAL DATED, NOT CURRENT)**



B. CENSUS DATA STATISTICS ON POPULATION, EMPLOYMENT, COMMUTING AND OTHER RELEVANT FACTORS

Empire compiled information on the demographic, economic and other characteristics of the households/businesses in the City of San Clemente using recent Census Data.

The population of the City of San Clemente as of January 1, 2014 amounted to 64,874, and the number of occupied homes was approximately 23,960, for about 2.7 people per household.

There are an estimated 28,825 housing units (occupied and vacant) in the City of San Clemente; their composition is as follows:

- ✓ Single-family detached: 17,501 or 60.7%
- ✓ Single-family attached Townhomes: 2,215 or 7.7%
- ✓ Attached Condominiums/Apartments: 8,411 or 29.2%
- ✓ Mobile Homes: 698 or 2.4%

The number of households members that are 16+ years of age amounts to 52,041; of these, about 34,304 are employed, for a labor force participation rate of about 66%; their distribution by major industry sectors are as follows:

(Note: The following represent employment for San Clemente residents; many of the City's residents commute to firms outside the City.)

- ✓ Professional/Scientific/Other.....6,213
- ✓ Education/Health Care.....4,911
- ✓ Retail Trade.....3,632
- ✓ Manufacturing.....3,247
- ✓ Construction.....3,204

The median household income for households in San Clemente is estimated to be about \$91,304, significantly higher than the median for California of \$61,094.

With regards to the means of transportation used to go to work, the primary mode is car/truck/van which is used by 80%; of these, 86% drive alone and 14% car-pool.

The median commuting time for households in City of San Clemente amounts to 29.5 minutes. The distance from City of San Clemente to Irvine is about 25 miles; of course, driving time depends upon traffic conditions.

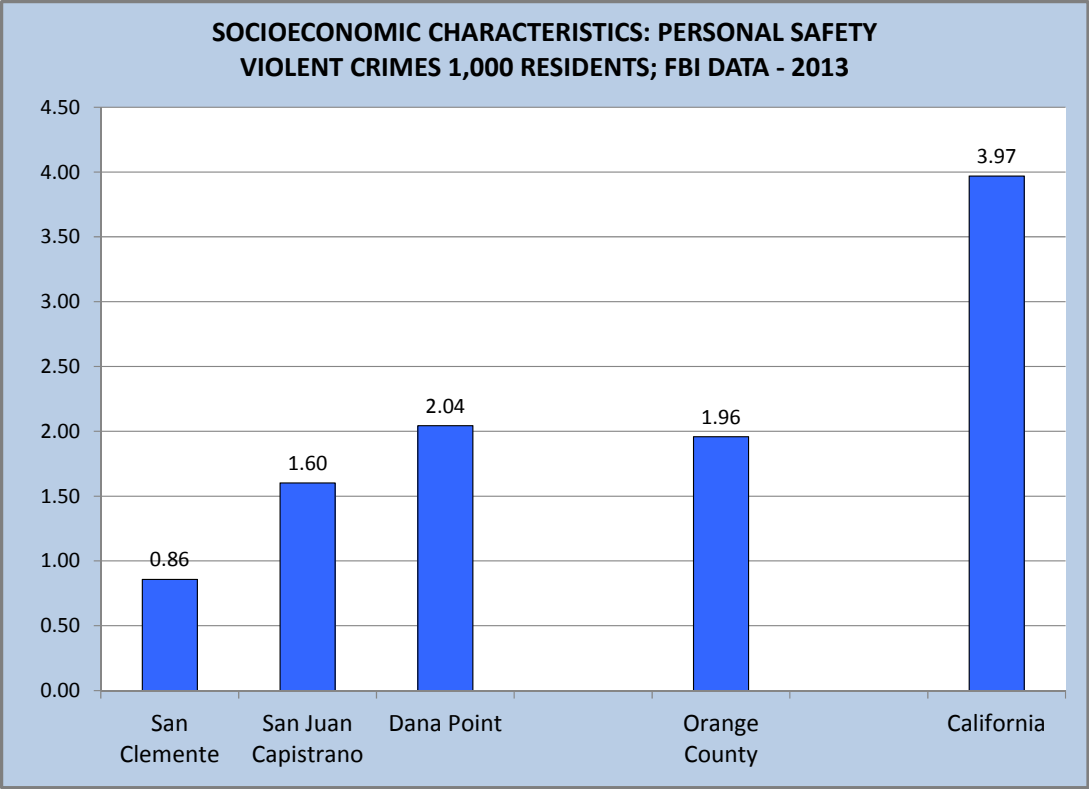
Considering the median commuting time (30 minutes) and the distance to the Irvine employment centers (about 25 miles), many of the households in San Clemente appear to commute to the nearby employment centers in Irvine, as compared to working in the City of San Clemente.

C. SOCIOECONOMIC CHARACTERISTICS: CRIME LEVELS AND THE QUALITY OF SCHOOLS

When households consider the purchase of a home, the primary factors are the location of the residence relative to their place of employment and also the prices that they can afford. Furthermore, secondary socioeconomic factors that are significant include the neighborhood safety as well as the educational quality of the schools; accordingly, these are now discussed.

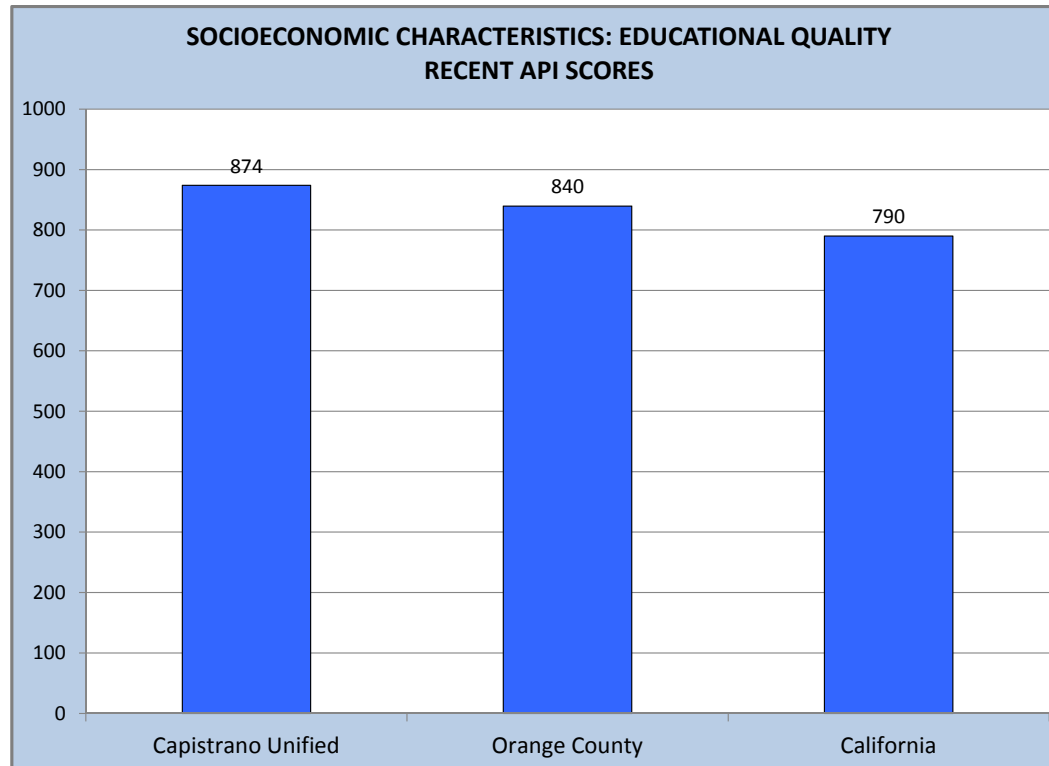
Crime Levels and Safety in the City of San Clemente

To gauge the safety of the CFD No. 2006-1 and the surrounding area, information on crime levels was obtained utilizing the most recent data available (the 2013 calendar year) from the Federal Bureau of Investigation (FBI) Index, with a focus on “Violent Crimes.” Accordingly, the City of San Clemente had a violent crime rate of 0.86 per 1,000 residents in 2013, below that of San Juan Capistrano (1.60), Dana Point (2.04), and Orange County (1.96) as a whole. Furthermore, the City of San Clemente’s violent crime rate was much lower than that for California as a whole, which amounted to 3.97.



Quality of Schools and Education

To gauge the quality of schools in the CFD No. 2006-1 and its surrounding area, information was compiled on educational achievement for all of the school districts in Orange County, utilizing the Academic Performance Index Scores (API), published by the California Department of Education in the most recent report available, dated 2013. Accordingly, the Capistrano Unified School District has an API of 874, higher than the overall average for Orange County of 840 and also higher than the average for California of 790.



Conclusions

From a socioeconomic perspective, the CFD No. 2006-1/City of San Clemente has a significantly lower crime rate and the school district has a higher educational achievement level than for both Orange County and California; accordingly, these positive socioeconomic factors support the demand for the forthcoming homes in CFD No. 2006-1.

SECTION IV

COMPETITIVE MARKET ANALYSIS OF THE RESIDENTIAL PROJECTS IN THE CFD NO. 2006-1 COMPETITIVE MARKET AREA

The purpose of this section is to perform an analysis of the prices, living areas and special taxes for the forthcoming homes in CFD No. 2006-1 as compared to other comparable/competing projects in various Planned Communities in the Competitive Market Area (Southern Orange County), in order to evaluate their competitiveness in the marketplace.

A. IDENTIFICATION OF ACTIVE PLANNED COMMUNITIES WITH COMPARABLE PROJECTS

Market surveys were performed to identify the newly developing Planned Communities in the Competitive Market Area (CMA) and then information was compiled on their characteristics, based upon a consideration of the following factors:

Identification of currently active comparable projects offering “**single-family detached**” homes.

- ✓ Projects that are situated in Planned Communities (PCs).
- ✓ Projects that have similar products types and sizes of living areas to CFD No. 2006-1, single-family detached homes.

Compilation of information on the projects:

- ✓ Number of homes planned and number of escrows closed
- ✓ Current base prices
- ✓ Living Areas
- ✓ Special Taxes/Assessments

Based upon Empire’s market surveys, there are five major Planned Community Areas (PCs) that have currently active projects with detached housing products that are located in the CMA; these are as follows:

- ✓ Greenwood at Tustin Legacy: PC being development by Standard Pacific and Brookfield.
- ✓ Villages of Irvine: PCs being developed by The Irvine Company, located in easterly Irvine.
- ✓ Pavilion Park: PC by Five Point Communities, also located in easterly Irvine.
- ✓ Baker Ranch: PC by Shea/Toll Brothers located in Lake Forest.
- ✓ Talega: San Clemente PC Projects by William Lyon Homes and Stanford Pacific Homes.

Please refer to the map on the following page for locations of these Planned Community Areas.

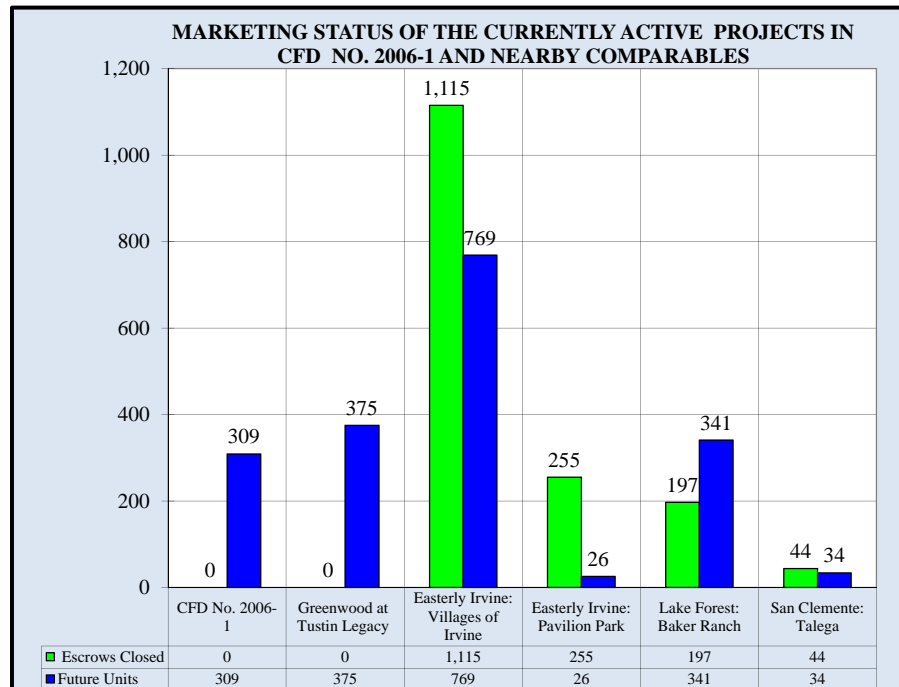


B. COMPETITIVE MARKET ANALYSIS FOR THE FORTHCOMING PROJECTS IN CFD NO. 2006-1

A Competitive Market Analysis of the forthcoming projects in CFD No. 2006-1 is now performed, by comparing their characteristics with the currently active comparable projects in the PCs in the CMA, which includes Greenwood, The Villages of Irvine, Pavilion Park, Baker Ranch, and Talega. Specifically, this involves a comparative analysis of the prices, sizes of living area and Special Taxes for the currently active comparable projects and the projects in CFD No. 2006-1.

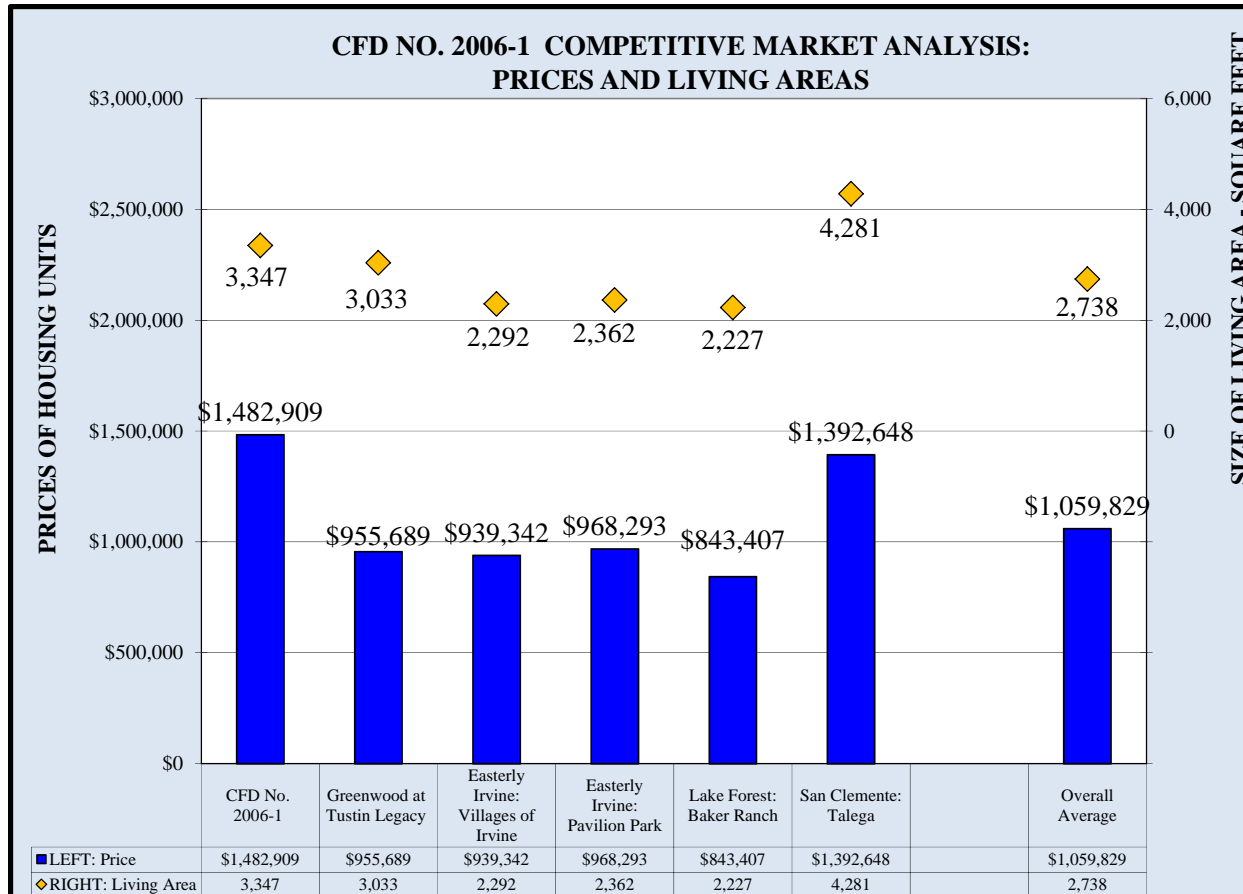
There are a total of 33 active/near-term projects with detached housing products, including 4 in CFD No. 2006-1. Overall, these projects are expected to have 3,465 homes; of these, 1,611 have closed escrows; their marketing status by the various PCs are as follows:

CFD No. 2006-1:	4 near-term projects with an expected 309 homes of which 0 have closed escrows.
Comparables - Greenwood	4 projects with 375 homes of which 0 have closed escrow, so there are 375 more.
Comparables - Villages of Irvine	13 projects with 1,884 homes of which 1,115 have closed escrows, so there are 769 more.
Comparables - Pavilion Park	3 projects with 281 homes of which 255 have closed escrows, so there are only 26 more.
Comparables - Baker Ranch	6 projects with 538 homes of which 197 have closed escrows, so there are 341 more.
Comparables - Talega	3 projects with 78 homes of which 44 have closed escrows, so there are 34 remaining.



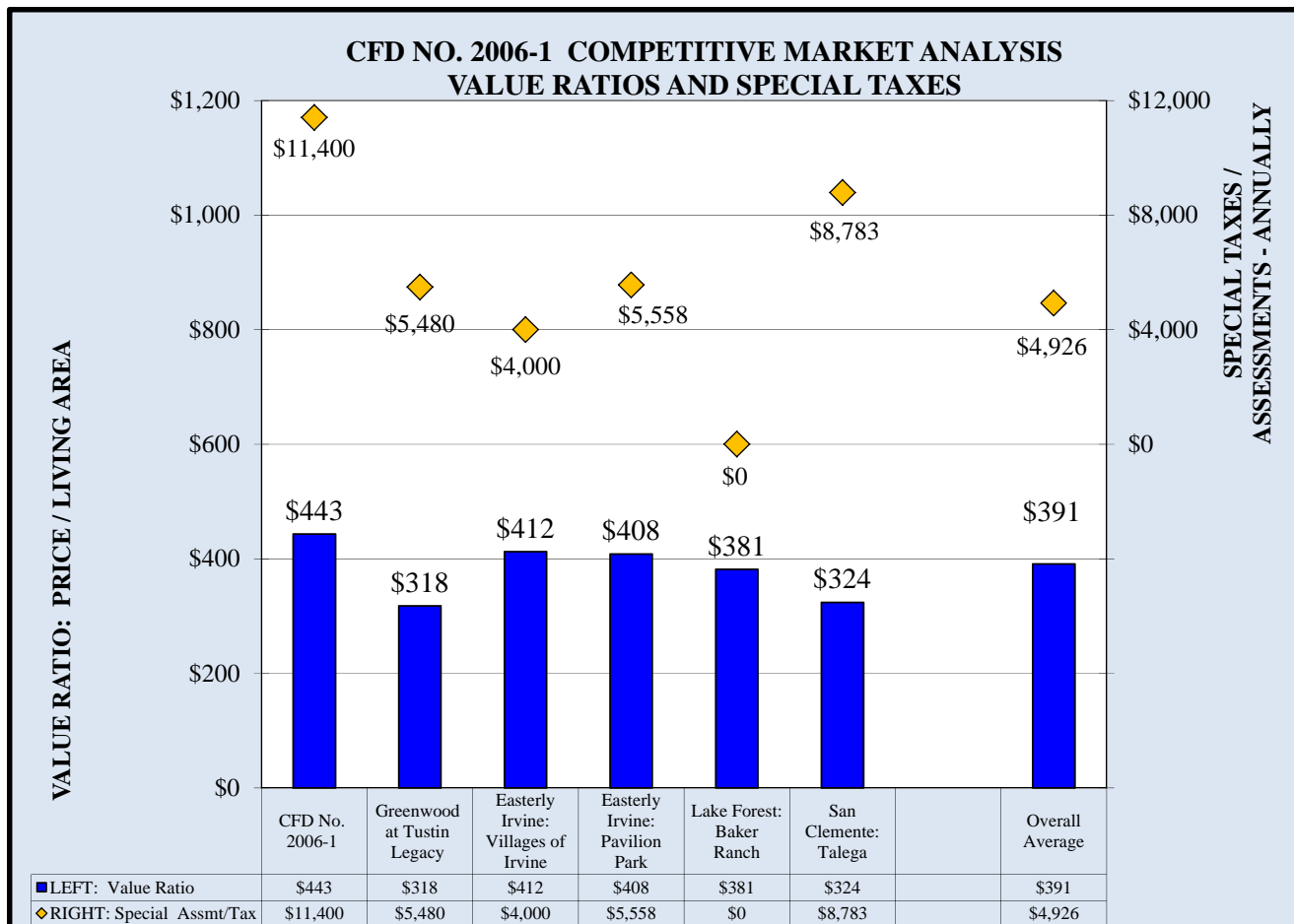
For all of the forthcoming projects in CFD No. 2006-1 and the currently active projects, as a whole, their prices amount to \$1,059,829, on the average, and their living areas amount to 2,738 sq.ft., on the average; their characteristics by the various PCs are as follows:

- CFD No. 2006-1:** Prices of \$1,482,909 for 3,347 sq.ft. of living area
- Comparables - Greenwood:** Prices of \$955,689 for 3,033 sq.ft. of living area
- Comparables - Villages of Irvine:** Prices of \$939,342 for 2,292 sq.ft. of living area
- Comparables - Pavilion Park:** Prices of \$968,293 for 2,362 sq.ft. of living area
- Comparables - Baker Ranch:** Prices of \$843,407 for 2,227 sq.ft. of living area
- Comparables - Talega:** Prices of \$1,392,648 for 4,281 sq.ft. of living area



For all of the projects as a whole, their value ratio (price divided by living area) amounts to \$391/sq.ft. and their Special Taxes amount to \$4,926 per year, or 0.44% of the housing price, on the average; their characteristics by the various PCs are as follows:

- CFD No. 2006-1:** Value ratio of \$443 and Special Taxes of \$11,400 (0.69%)
- Comparables – Greenwood:** Value ratio of \$318 and Special Taxes of \$5,480 (0.57%)
- Comparables - Villages of Irvine:** Value ratio of \$412 and Special Taxes of \$4,000 (0.44%)
- Comparables - Pavilion Park:** Value ratio of \$408 and Special Taxes of \$5,558 (0.58%)
- Comparables - Baker Ranch:** Value ratio of \$381 and No Special Taxes
- Comparables - Talega:** Value ratio of \$324 and Special Taxes of \$8,783 (0.63%)

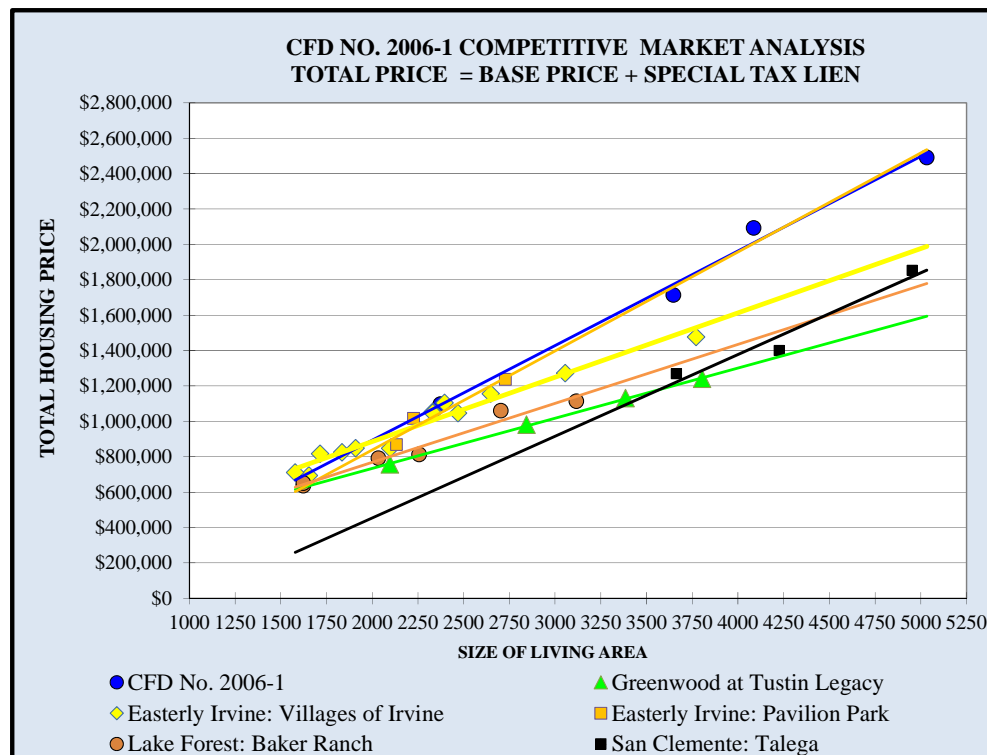


The culmination of the Competitive Market Analysis involves a statistical comparison of the projects in the currently active planned communities (Greenwood, Villages of Irvine, Pavilion Park, Baker Ranch, and Talega) to the projects in CFD No. 2006-1, using their total housing prices (base price plus Special Tax liens) and their sizes of living area.

The projects in CFD No. 2006-1 are represented by blue circles, and the blue line on the graph represents the best fit for these projects. While the other symbols on the graph represent the currently active projects in the comparable PCs: green for Greenwood, yellow for Villages of Irvine, yellow for Pavilion Park, orange for Baker Ranch, and black for Talega.

The projects in CFD No. 2006-1 have a blue trend line which shows that their total housing prices are above/similar to all of the market comparables. Specifically, the Pavilion Park is the closest market comparable for the smallest CFD No. 2006-1 project plan while there are no similarly-priced comparables for the three CFD No. 2006-1 project plans with the highest square feet.

Therefore, the Competitive Market Analysis reveals that the projects in CFD No. 2006-1 are regarded as being similar to the market comparables for products with the smaller sq.ft. but higher than the market comparables for the products with larger sq.ft of living area.

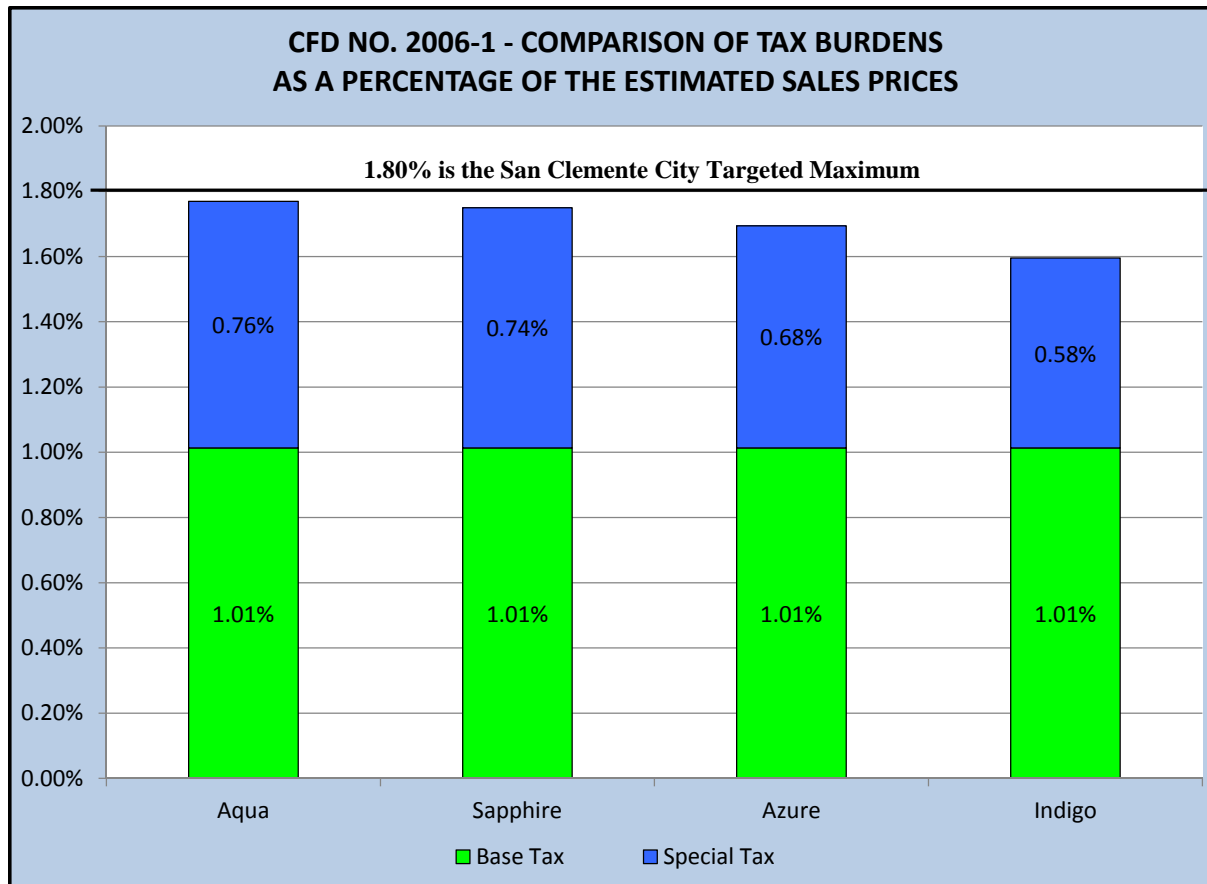


C. COMPARISON OF THE CFD'S TAX BURDENS TO THE CITY 1.80% TARGETED MAXIMUM

The combined base tax and special tax target for the City of San Clemente is 1.80%..

The CFD No. 2006-1 prices were originally set in May 2014 with this target in mind. However, based on an increase in prices from May 2014 to July 2015, the total tax rates have decreased and now range from a low of 1.59% for Indigo to a high of 1.77% for Aqua; each of these is below the 1.80% City of San Clemente tax target.

So, the tax burden is now below the City of San Clemente target of 1.80% for each of the projects.



D. RECENT HOUSING SALES TRENDS AND PRICE PATTERNS FOR RESALE HOMES IN THE CITY OF SAN CLEMENTE

To provide an overview of the recent sales trends and price patterns for the homes in the City of San Clemente, Empire compiled information on re-sales, including their sales years, sales prices and sizes of living areas.

Empire analyzed home sales in the City of San Clemente using the following criteria:

- Homes sold during the past 12 months
- Comparable prices (\$900,000+) and sizes of living area (2,000+ square feet) to the homes in CFD No. 2006-1.

- There were a total 301 home sales during the past twelve months:
 - ✓ The overall average sales price was \$1,420,860 and the overall average living area was 3,255 square feet for a value ratio of \$446.
 - ✓ The average year that the homes were built was 1978, some 37 years ago.

- Recent home sales in 92672 (primarily coastal) had higher prices, lower square footages, higher value ratios than 92673 (primarily inland).

- Recent home sales by price cohorts covering \$1,000,000 to \$3,000,000+ revealed that the number of sales declined significantly once the prices for homes rose above \$2 million.

Recent City of San Clemente Home Resales by Zip Code

Characteristics	Entire	92672	92673
	City	"Coastal"	"Inland"
Homes Sold	301	131	170
Sales Price	\$1,420,860	\$1,509,644	\$1,267,203
Living Area	3,255	3,164	3,511
Value Ratio	\$446	\$481	\$368
Year Built	1978	1974	1986

Price Ranges	Primarily Coastal Areas		Primarily Inland Areas	
	92672		92673	
\$1.0 - 1.5 Million	67	69%	101	75%
\$1.5 - 2.0 Million	19	20%	22	16%
\$2.0 - 2.5 Million	7	7%	10	7%
\$2.5 - 3.0 Million	1	1%	0	0%
\$3.0+ Million	3	3%	2	1%
Totals	97	100%	135	100%

SECTION V

ESTIMATED ABSORPTION SCHEDULES FOR PROJECTS IN CFD NO. 2006-1

The purpose of this section is to estimate the absorption schedules for the forthcoming residential projects in CFD No. 2006-1 (Sea Summit at Marblehead), based upon a consideration of the recent/expected economic and housing market demand/supply conditions.

Coastal projects are typically regarded as having “unique” locations which enable them to command substantial price premiums in the marketplace due to their proximity to the ocean as well as ocean views. By comparison, inland projects encounter significant competition from other projects, and as such are much more price competitive. Although the coastal projects are successful in capturing these coastal premiums in the marketplace, they often require a somewhat longer absorption time, as compared to the inland projects. Accordingly, Sea Summits’ coastal premiums of some \$381,000, which amount to +26% above its base prices, is taken into consideration by Empire in arriving at its estimated absorption schedules.

A. Methodology Underlying the Absorption Forecasts

- The estimated absorption schedule for each of the projects takes into consideration their expected market entry with models opening during Fall 2015 and move-ins commencing in early 2016.
- The expected market demand for homes in the CFD Market Area is based upon recent/expected economic and real estate factors according to the Most Probable Economic Scenario, which is based upon a moderate rate of economic growth which will provide support for the housing market returning to a “normal” level of activity. Furthermore, consideration is given to the potential for higher mortgage rates during the foreseeable future; however, this is counter-balanced by the strong rates of employment growth.
- The City of San Clemente has a strong component of employees in the professional/science/technology sector. Firms located in the City have 1,840 employees while residents of the city working for such firms either in the city or elsewhere amount to 6,213 positions. However, many of these positions outside of the city may be in Irvine employment center area, a 25 mile commute.
- The competitive market analysis of the projects in CFD No. 2006-1 with currently active comparable projects, based upon their base prices, sizes of living areas and special taxes, revealed that the projects in CFD No. 2006-1 generally have the highest total housing prices, and as such they are regarded as being “moderately” competitive in the marketplace.
- Sea Summit has a unique location which has a coastal ambience in close proximity/walking distance to the ocean and many homes will have ocean/canyon views. However, public walkways throughout Sea Summit may cause some privacy concerns for prospective purchasers. Furthermore, the forthcoming Outlet Mall will generate a substantial amount of traffic on nearby streets from the shoppers.

B. Estimated Absorption Schedules for the Residential Projects in CFD No. 2006-1

- **2016:** Based upon Taylor Morrison's anticipated schedule for move-ins commencing by early 2016, Empire estimates 64 home closings
 - ✓ Aqua: 27 homes
 - ✓ Sapphire: 20 homes
 - ✓ Azure: 13 homes
 - ✓ Indigo: 4 homes

- **2017:** Empire expects 74 home closings during this time period, based upon all of the projects being on the marketplace for the entire year.
 - ✓ Aqua: 32 homes
 - ✓ Sapphire: 23 homes
 - ✓ Azure: 15 homes
 - ✓ Indigo: 4 homes

- **2018:** Empire expects 81 home closings during this time period.
 - ✓ Aqua: 35 homes
 - ✓ Sapphire: 25 homes
 - ✓ Azure: 16 homes
 - ✓ Indigo: 5 homes

- **2019:** Empire expects 64 home closings during this time period, as two projects are closed-out.
 - ✓ Aqua: 33 homes, with the project closing-out
 - ✓ Sapphire: 9 homes, with the project closing-out
 - ✓ Azure: 17 homes
 - ✓ Indigo: 5 homes

- **2020:** Empire expects 22 home closings during this time period.
 - ✓ Azure: 17 homes
 - ✓ Indigo: 5 homes

- **2021:** Empire expects the final 4 home closings during this time period, as the final two projects are closed-out.
 - ✓ Azure: 3 homes, with the project closing-out
 - ✓ Indigo: 1 home, with the project closing-out

C. Discussion of Potential Risk Factors

Macroeconomic: Potential adverse changes in overall economic conditions due to some unforeseen event that causes substantial reductions in employment and/or significantly higher mortgage rates.

With regards to potential increases in mortgage rates, the economic - real estate model underlying the estimation of the absorption schedules takes into consideration a gradual increase in mortgage rates during the foreseeable future; the risk factors discussed herein applies to a spike in mortgage rates in a short period of time.

Microeconomic: Adverse changes in south Orange County's housing market; however, such risk factors are regarded as being minimal since CFD No. 2006-1 is well positioned in the marketplace.

Project Related: Potential shifts in the development strategy by the developer/builder, Taylor Morrison, for the projects in CFD No. 2006-1, that are not aligned with market conditions.

CFD No. 2006-1 has four projects, and they all have the same builder, Taylor Morrison, whereas most residential developments with several projects have multiple builders..

High Level of Ad Valorem/Special Taxes: Total taxes are \$29,100, consisting for \$18,887 ad valorem (sales prices with premiums and \$10,212 special taxes, on the average. So, the aggregate level of ad valorem and special taxes combined is considered to be relatively high.

D. Discussion of Potential "Upside" Factors

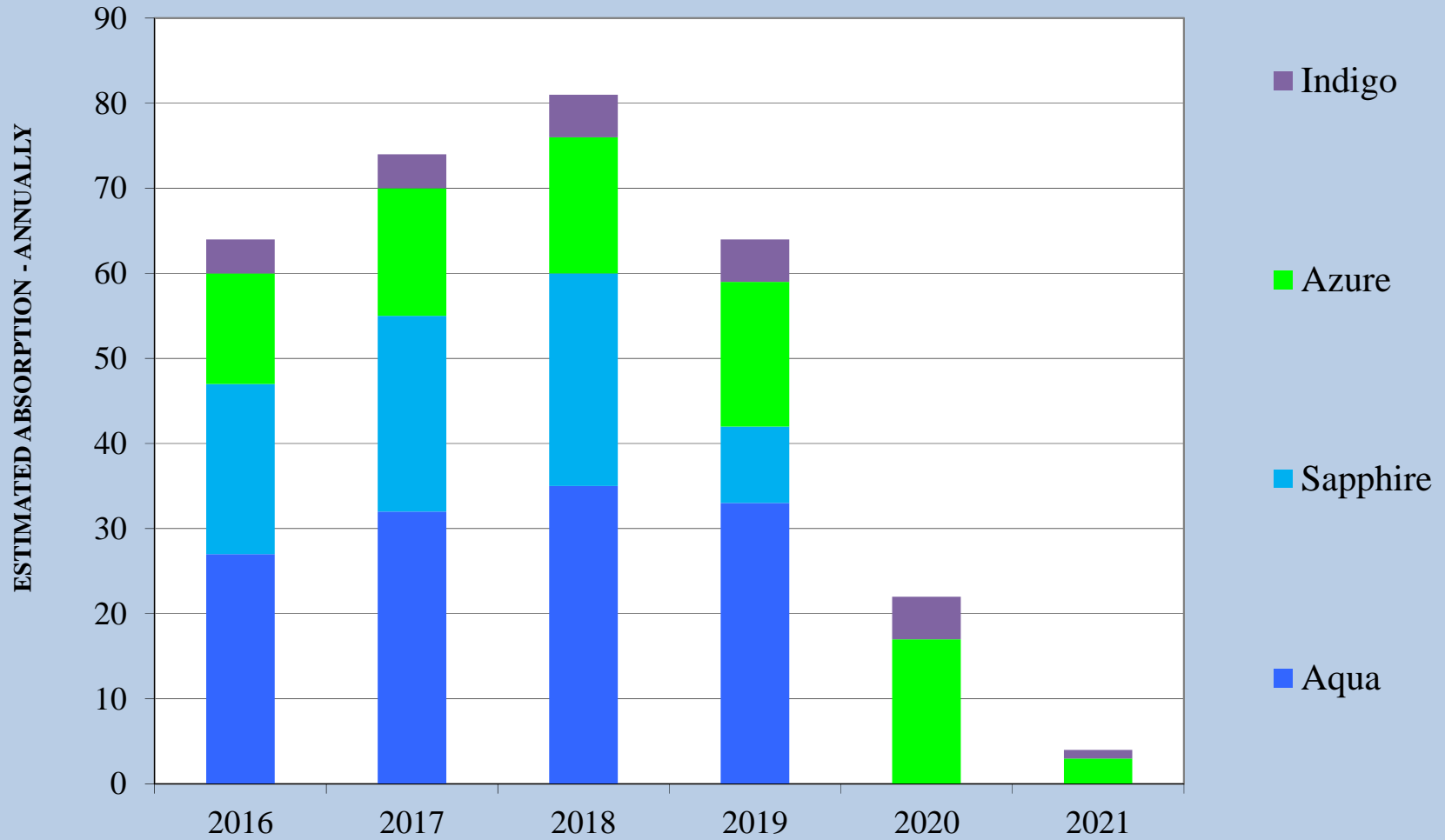
Second Homes Buyers: The absorption estimates set-forth above are based upon the demand for homes in CFD No. 2006-1 generated by the Orange County economy, in general, and San Clemente's economic base, in particular.

Furthermore, another potential source of housing demand may come from households outside of Orange County, potentially international purchasers, who desire a second home in the Orange County coastal area. However, since the demand from such purchasers is subject to complex international and geo-political factors, it is not considered herein.

Finally, the estimated absorption schedules are subject to the additional Assumptions and Qualifications set-forth in the next section.

Please refer to the graph and table on the following pages for additional information on the estimated absorption schedules.

**CFD NO. 2006-1 (SEA SUMMIT AT MARBLEHEAD)
ESTIMATED ABSORPTION SCHEDULES**



ESTIMATED ABSORPTION SCHEDULES
CFD NO. 2006-1 (SEA SUMMIT AT MARBLEHEAD)

					Overall	
Projects >	Aqua	Sapphire	Azure	Indigo	Totals	Averages
Builder	Taylor Morrison	Taylor Morrison	Taylor Morrison	Taylor Morrison		
Expected Product Type	Single-family Detached	Single-family Detached	Single-family Detached	Single-family Detached		
Lot Sizes - Approximate	4,200	5,000	5,800	7,000		
Housing Units						
Totals	127	77	81	24	309	
Share	41.1%	24.9%	26.2%	7.8%	100.0%	
Marketing Status:						
Closed	0	0	0	0	0	
Future Closings	127	77	81	24	309	
Expected Product Mix						
Plan # 1	26	25	14	8		
Plan # 2	31	26	14	9		
Plan # 3	23	26	17	7		
Plan # 4	22		14			
Plan # 5	25		16			
Plan # 6			6			
Totals	127	77	81	24		309
Living Areas (Sq. Ft.)						
Plan # 1	2,214	3,460	3,775	4,694		
Plan # 2	2,417	3,602	4,135	4,937		
Plan # 3	2,336	3,873	4,064	5,544		
Plan # 4	2,649		4,277			
Plan # 5	2,278		4,756			
Plan # 6			2,536			
Averages	2,374	3,647	4,087	5,033		3,347
Current Base Prices						
Plan # 1	\$970,990	\$1,527,990	\$1,780,990	\$2,195,990		
Plan # 2	\$1,005,990	\$1,560,990	\$1,890,990	\$2,275,990		
Plan # 3	\$995,990	\$1,598,990	\$1,925,990	\$2,500,990		
Plan # 4	\$1,035,990		\$2,010,990			
Plan # 5	\$980,990		\$2,145,990			
Plan # 6			\$1,500,990			
Averages	\$997,289	\$1,563,107	\$1,921,546	\$2,314,948		\$1,482,909
Value Ratios : (Price / Living Area)	\$420	\$429	\$470	\$460		\$443
Average Sales Prices with Premiums	\$1,114,289	\$1,963,367	\$2,495,046	\$3,383,948		\$1,864,102
Premiums	\$117,000	\$400,260	\$573,500	\$1,069,000		\$381,193
Tax Burden						
Ad Valorem - Percent of Price	1.01%	1.01%	1.01%	1.01%		1.01%
Special Taxes \$/Yr - Avg.	\$7,535	\$11,508	\$13,081	\$13,475		\$10,212
* Total Tax Burden %/Price	1.77%	1.75%	1.69%	1.60%		1.70%
Projects >	Aqua	Sapphire	Azure	Indigo	Annually	Cumulative
Estimated Absorption Schedules						
2016	27	20	13	4	64	64
2017	32	23	15	4	74	138
2018	35	25	16	5	81	219
2019	33	9	17	5	64	283
2020	0	0	17	5	22	305
2021	0	0	3	1	4	309
		0				
Totals	127	77	81	24	309	

ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Property Boundaries

No survey or engineering analysis of CFD No. 2006-1 property has been made by the market analyst; the District Engineer's report utilized for the Bond is deemed to be reliable. The market analyst assumes the existing boundaries to be correct, that no encroachments exist and assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises, which might affect the valuation, excepting those items which were specifically mentioned in the report.

Maps and Exhibits

Maps and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys, or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.

Title to Property

No opinion as to title is rendered. Data related to ownership and legal description, obtained from governmental records related to the formation of the District that forms the basis for identifying the boundaries of CFD No. 2006-1 are considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is evaluated assuming to be under responsible ownership and competent management and available for development to highest and best use.

Earthquakes and Seismic Hazards

The property which is the subject of this market analysis is within a geographic area prone to earthquakes and seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the market analyst concerning the geologic and/or seismic condition of the subject property. The market analyst assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Soil and Geological Studies

No detailed soil studies or geological studies or reports were made available to the market analyst. Assumptions employed in this report regarding soils and geologic qualities of the subject property have been provided to the client. However, such assumptions are not conclusive and the market analyst assumes no responsibility for soils or geologic conditions discovered to be different from the conditions assumed unless otherwise stated in this report.

Presence and Impact of Hazardous Material

Unless otherwise stated in the report, the market analyst did not become aware of the presence of any hazardous material or substance during the market analyst's general inspection of the subject property. However, the market analyst is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the evaluation of the subject property. The market analyst assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material.

Structural Deficiencies of Improvements

The market analyst has not performed a thorough inspection of the subject property, and except as noted in this report has not found obvious evidence of structural deficiencies in any improvements located on the subject property. Consequently, the market analyst assumes no responsibility for hidden defects or nonconformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professions or governmental agencies were provided to the market analyst. Further, the market analyst is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the market analyst at the time of their inspection.

Environmental and Other Regulations

The property is evaluated assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws, unless otherwise stated, and that there are no lawsuits that may adversely impact the rate of development.

Required Permits and Other Governmental Authority

Unless otherwise stated, the property evaluated is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the evaluation analysis contained in this report is based upon.

Designated Economic Scenario

The Market Absorption Study focuses upon the expected absorption schedule for the products in CFD No. 2006-1 according to the designated economic scenario. Specifically, this scenario represents the economic and real estate conditions for the Market Region and also the Market Area during the foreseeable future according to the most probable conditions, and this is regarded as being appropriate for the Bond Financing. However, the economic and market conditions which actually materialize on a year by year basis may differ from those presented according to the designated economic scenario, as a result of exogenous factors which are difficult to forecast/quantify. Accordingly, the designated scenario should be utilized as an economic framework for evaluating the marketing prospects of the properties within CFD No. 2006-1 rather than a "literal" representation of what is expected to occur on a year/year basis during the foreseeable future.

Provision of the Infrastructure

The Market Absorption Study assumes that the governmental agencies that supply public facilities and services, including water, provide these in a timely manner so that the proposed products/projects in CFD No. 2006-1 can respond to the expected market demand for their products. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builder Responsiveness to Market Conditions

The Market Absorption Study assumes that the property owner/developer/builder in CFD No. 2006-1 respond to the market conditions with products that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, many of the homes in CFD No. 2006-1 have not yet entered the marketplace, and so the specific characteristics of their product types cannot be identified until they actually offer their products. Consequently, to the extent that future products/projects have prices/features that differ from the competitive market standards, then their absorption schedule would need to be modified from those presented according to the designated economic scenario.

Financial Strength of the Projects' Developer/Builder

The Market Absorption Study assumes that the developer/builder in CFD No. 2006-1 (and also their lenders) have sufficient financial strength to adequately fund their projects, including paying their Special Taxes/Assessments, and that they have sufficient financial reserves which could be utilized to supplement their cash flow positions, in the event that adverse economic or market conditions occur.

Accuracy of Information from Others

In preparing this report, the market analyst was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the market analyst for the accuracy of such information and the market analyst assumes no responsibility for information relied upon and later found to have been inaccurate. The market analyst reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Liability of Market Analyst

The liability of Empire Economics, the market analyst responsible for this report, is limited to the client only and to the fee actually received by the market analyst. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussion. The market analyst is in no way to be responsible for any costs incurred to discover or correct any deficiencies or any type present in the property--physical, financial, and/or legal.

Testimony or Court Attendance

Testimony or attendance in court or at any other hearing is not required by reason of rendering this market analysis, unless such arrangements are made a reasonable time in advance of said hearing. Separate arrangements would need to be made concerning compensation for the market analyst's time to prepare for and attend any such hearing.

Right of Publication of Report

Possession of this report, or a copy of it, does not carry with it the right of publication except for the party to whom it is addressed. Without the written consent of the market analyst, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose which is being published in the Official Statement.

Timeliness of the Market Absorption Study

The Market Absorption Study performs a comprehensive analysis of the relevant land-use, economic, residential and commercial market conditions that are expected to influence the marketing success of the products/projects in CFD No. 2006-1. Nevertheless, the Study should be dated within six-months of the Bond Sale, or even sooner, should these land-use and/or economic market as well as real estate conditions change significantly.

APPENDIX A: CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS

Empire Economics is an economic and real estate consulting firm that specializes in conducting market absorption studies on behalf of public entities for residential, commercial, and industrial projects located throughout California, with an emphasis on Master Planned Communities, Business Parks and Retail Centers situated in Southern California, including Orange County, in particular.

During the past thirty years, Empire Economics has performed consulting services on behalf of numerous Issuers for approximately 500 municipal tax-exempt bond issues amounting to more than \$14+ billion.

Empire Economics' experience with municipal tax-exempt issues during the past twenty-five+ years has been as follows:

- ✓ Mello-Roos/Assessment District Financings in which bonds have been sold: Over four hundred Bond Issues amounting to more than \$7.5+ billion. Empire Economics' Market Studies are typically for Planned Communities and Business Parks which have 500-2,000+ housing units and/or 50-100+ commercial-industrial acres.
- ✓ Mortgage Revenue Bond Financings: Fifty+ issues with bonds amounting to more than \$1.7 billion.
- ✓ Socioeconomic Forecast/Market Studies for the \$2.75 billion refundings for the San Joaquin Hills and Foothill/Eastern Transportation Corridors' Toll Roads located in Orange County; the latter was designated as the Municipal Bond Issue of the Year for 1999.
- ✓ Mello-Roos/Assessment District Financings that are presently in their formative stages: over thirty CFDs that have forthcoming Bond Issues amounting to \$500+ million.

Empire Economics has taken an active role in the municipal bond industry by participating in numerous events; some examples are as follows:

- ✓ Treasurer John Chiang, Council of Economic Advisors
- ✓ California Debt Advisory Commission: Land Secured Practices and Policies, Speaker/Panelist
- ✓ League of Cities: Most Recently in Anaheim; Monterey and Palm Desert: Speaker/Panelist
- ✓ UCLA Municipal Bond Financing Seminars: Featured Speaker
- ✓ Municipal Bond Industry Association - Panelist
- ✓ Best Practices for Continuing Disclosure – Panelist
- ✓ Appraisal Standards for Land Secured Financing by CDIAC – Panelist/Contributor
- ✓ Rating Agency and Bond Insurer Presentations – More than 15 Trips to New York City
- ✓ Meetings with Municipal Bond Funds:
- ✓ Mello-Roos Bond Issues – Site Tours
- ✓ San Joaquin Hills and Foothill Eastern Corridors:
- ✓ Bond Buyer Seminar Presentations in New York, Boston, and Chicago to 50+ Bond Funds

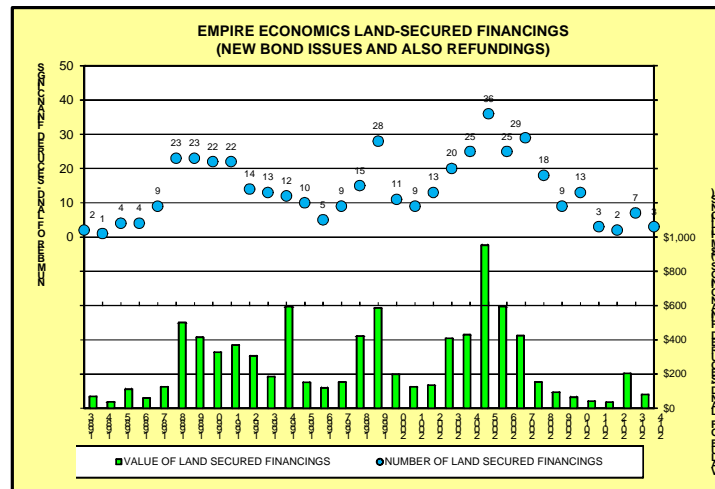
Consequently, the Municipal Bond Funds and Rating Agencies are familiar with Empire Economics and also the Price Point and Market Absorption studies that it has conducted for Planned Communities, Business Parks and Retail Centers in Southern California. This is beneficial to the forthcoming Bond Issues since these Market Studies have enabled Empire Economics to establish a high degree of credibility with the municipal Bond Funds and Rating Agencies. At such events, Empire Economics focuses upon discussing emerging trends/patterns in the economy and real estate markets. **46**

Empire Economics has participated in numerous land secured financings throughout Southern California counties; the distribution of these by counties has been as follows:

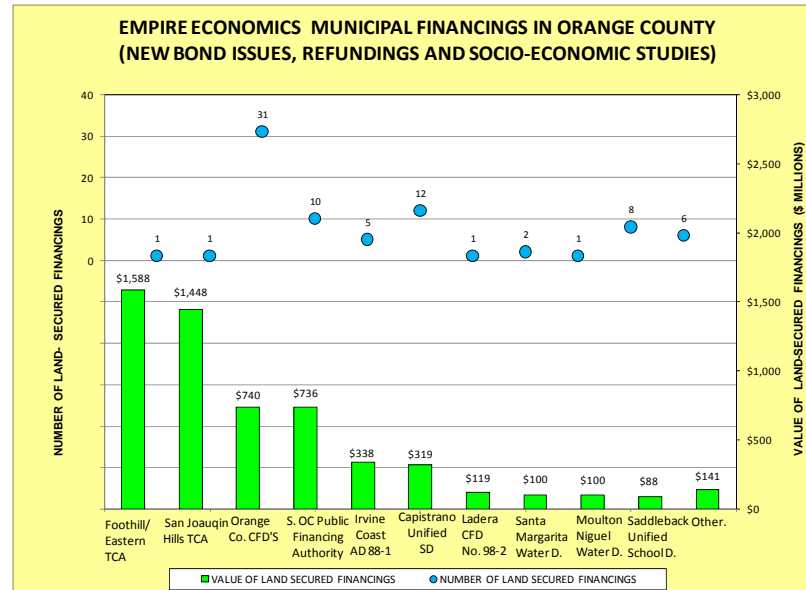
EMPIRE ECONOMICS: LAND-SECURED FINANCINGS



The following graph provides an overview of the number of land secured financings that Empire has been involved with (the left axis) and also the value of these land secured financings (right axis, in \$Millions), during 1983 to March 2014.



During the past thirty years, Empire Economics has completed about ninety studies for land secured municipal bond financing for various Districts located in Orange County.



The following represent some of the major Planned Communities and Business Parks in Orange County for which Empire has provided Market Absorption Consulting Services:

- ✓ City of Irvine: Columbus Grove, Central Park West and the Great Park Neighborhood
- ✓ Aliso Viejo: 18,500 homes and 600 acres of business-retail.
- ✓ Rancho Santa Margarita: 15,000 homes and 500 acres of business-retail
- ✓ Ladera Ranch: 8,100 homes and 150 acres of commercial-retail
- ✓ Talega: 4,000 homes and 75 acres of business-retail
- ✓ Newport Coast: 2,000+ luxury homes and custom lots
- ✓ Heritage Fields by Five Point Communities in easterly Irvine, with an expected 9,500 homes
- ✓ Rancho Mission Viejo 14,000 planned homes; Sendero the first phase with about 940 homes



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