

In the opinion of Rutan & Tucker, LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds. See “CONCLUDING INFORMATION – Tax Exemption” herein.

STATE OF CALIFORNIA

COUNTY OF ORANGE

\$135,835,000**CITY OF IRVINE****COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)****IMPROVEMENT AREA NO. 4****SPECIAL TAX BONDS, SERIES 2016****Dated: Date of Delivery****Due: September 1, as shown on inside cover page**

The City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4, Special Tax Bonds, Series 2016 (the “Series 2016 Bonds”) are being issued under the Mello-Roos Community Facilities Act of 1982 (the “Act”) and the Indenture, dated as of June 1, 2016, by and between City of Irvine Community Facilities District No. 2013-3 (Great Park) (the “District”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and are payable from Special Tax Revenues (as defined herein) derived from Special Taxes (as defined herein) levied on property within Improvement Area No. 4 of the District (“Improvement Area No. 4”) according to the rate and method of apportionment of the Special Taxes approved by the qualified electors of Improvement Area No. 4. Generally, the Special Taxes will be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the Treasurer-Tax Collector of the County of Orange. Pursuant to the Indenture, additional bonds (“Additional Bonds”) for refunding purposes payable from Special Tax Revenues on parity with the Series 2016 Bonds may be issued by the District, as described herein. The Series 2016 Bonds and any such Additional Bonds are collectively referred to as the “Bonds.”

The Series 2016 Bonds are being issued to provide funds (a) to pay the costs of the acquisition and construction of certain public facilities necessary for the development of the District, (b) to fund a reserve fund for the Series 2016 Bonds, (c) to pay certain administrative expenses relating to the Series 2016 Bonds, and (d) to pay the costs of issuing the Series 2016 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Series 2016 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Interest on the Series 2016 Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2017. Purchasers will not receive certificates representing their interest in the Series 2016 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2016 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2016 Bonds. See Appendix G – “BOOK-ENTRY ONLY SYSTEM.”

The Series 2016 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See “THE SERIES 2016 BONDS – Redemption of the Series 2016 Bonds” herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT, PAYABLE, AS PROVIDED IN THE INDENTURE, SOLELY FROM SPECIAL TAX REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR THEREUNDER. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OF IRVINE OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.

MATURITY SCHEDULE

See Inside Cover Page

Investment in the Series 2016 Bonds involves risks which may not be appropriate for some investors. See “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 Series 2016 Bonds. This cover page contains information for quick reference only. It is not a complete summary of the Series 2016 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2016 Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to their validity by Rutan & Tucker, LLP, Bond Counsel to the District, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, for the City and the District by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney and for Heritage Fields El Toro, LLC by Feldman Law Group LLP, Santa Monica, California. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel in connection with the Series 2016 Bonds. It is anticipated that the Series 2016 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about September 29, 2016.

STIFEL

MATURITY SCHEDULE

BASE CUSIP[†]: 46360T

**CITY OF IRVINE
COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)
IMPROVEMENT AREA NO. 4
SPECIAL TAX BONDS, SERIES 2016**

\$46,355,000 Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[†]
2017	\$ 780,000	2.00%	0.75%	DY6
2018	500,000	2.00	1.04	DZ3
2019	625,000	2.00	1.28	EA7
2020	755,000	3.00	1.45	EB5
2021	895,000	3.00	1.59	EC3
2022	1,045,000	4.00	1.74	ED1
2023	1,215,000	4.00	1.86	EE9
2024	1,390,000	4.00	1.95	EF6
2025	1,575,000	4.00	2.08 ^C	EG4
2026	1,775,000	4.00	2.21 ^C	EH2
2027	1,980,000	4.00	2.34 ^C	EJ8
2028	2,195,000	4.00	2.41 ^C	EK5
2029	2,425,000	4.00	2.48 ^C	EL3
2030	2,665,000	4.00	2.53 ^C	EM1
2031	2,920,000	4.00	2.57 ^C	EN9
2032	3,185,000	4.00	2.64 ^C	EP4
2033	3,465,000	4.00	2.69 ^C	EQ2
2034	3,760,000	4.00	2.74 ^C	ER0
2035	4,070,000	4.00	2.80 ^C	ES8
2036	4,395,000	4.00	2.84 ^C	ET6
2037	4,740,000	3.00	3.13	EU3

\$2,485,000 3.00% Term Bonds due September 1, 2041 - Yield: 3.16% - CUSIP No. EV1[†]

\$20,000,000 4.00% Term Bonds due September 1, 2041 - Yield: 2.86%^C - CUSIP No. EW9[†]

\$29,325,000 4.00% Term Bonds due September 1, 2045 - Yield: 2.90%^C - CUSIP No. EX7[†]

\$37,670,000 4.000% Term Bonds due September 1, 2049 - Yield: 2.95%^{CC} - CUSIP No. EY5[†]

[†] CUSIP is a registered trademark of the American Bankers Association. Copyright 2016, Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to serve as a database and does not in any way serve as a substitute for the CUSIP Service Bureau. CUSIP numbers are provided for convenience of reference only. None of the District, the City or the Underwriter takes any responsibility for the accuracy of such numbers.

^C Priced to call date of September 1, 2023.

^{CC} Priced to call date of September 1, 2025.

CITY OF IRVINE

MAYOR AND CITY COUNCIL

Steven S. Choi, Mayor
Lynn Schott, Mayor Pro Tem
Beth Krom, Councilmember
Jeffrey Lalloway, Councilmember
Christina Shea, Councilmember

CITY STAFF

Sean Joyce, City Manager
Sharon Landers, Assistant City Manager
Don Collins, City Treasurer
Molly McLaughlin, City Clerk
Jeffrey T. Melching (Rutan & Tucker, LLP), City Attorney
Grace Leung, Director of Administrative Services
Susan Emery, Director of Community Development
Laurie Hoffman, Director of Community Services
Mike Hamel, Director of Public Safety/Chief of Police
Manuel Gomez, Director of Public Works
Kristin Griffith, Manager of Fiscal Services

SPECIAL SERVICES

Bond Counsel

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Costa Mesa, California

Financial Advisor to the City

Fieldman, Rolapp & Associates
Irvine, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Appraiser

Harris Realty Appraisal
Newport Beach, California

Market Absorption Consultant

Empire Economics, Inc.
Capistrano Beach, California

Special Tax Consultant

David Taussig & Associates, Inc.
Newport Beach, California

No dealer, broker, salesperson or other person has been authorized by the City, the District or the Underwriter to give any information or to make any representations with respect to the City, the District or the Series 2016 Bonds other than the information contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the District 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 Series 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

Certain of the information set forth herein has been obtained from sources which the District believes to be reliable, but such information is not guaranteed by the District as to accuracy or completeness.

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.

All summaries of the Indenture or other documents are made subject to the complete provisions thereof and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith. This Official Statement is submitted in connection with the sale of the Series 2016 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2016 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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City of Irvine
Community Facilities District No 2013-3
Beacon Park
(Great Park)
Improvement Area 4

Great Park

Irvine Blvd

Ridge Valley

Cadence

133 Toll Rd

Boundaries Approximate

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OFFICIAL STATEMENT

\$135,835,000

CITY OF IRVINE

COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)

IMPROVEMENT AREA NO. 4

SPECIAL TAX BONDS, SERIES 2016

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page, table of contents and the Appendices, is to provide certain information concerning the issuance of and sale by City of Irvine Community Facilities District No. 2013-3 (Great Park) (the “District”) of \$135,835,000 aggregate principal amount of its City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4, Special Tax Bonds, Series 2016 (the “Series 2016 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, including the cover page, inside cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Series 2016 Bonds to potential investors is made only by means of the entire Official Statement.

The Series 2016 Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 *et seq.* of the California Government Code (the “Act”) and the Indenture, dated as of June 1, 2016 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

The Series 2016 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and will be dated as of and bear interest from the date of delivery, at the rates set forth on the inside cover page hereof.

In accordance with the provisions of the Indenture, and subject to the conditions specified therein, the District may issue additional bonds (the “Additional Bonds”) for refunding purposes payable on a parity with the Series 2016 Bonds. The Series 2016 Bonds and any such Additional Bonds are collectively referred to as the “Bonds.” See “SECURITY FOR THE SERIES 2016 BONDS – Additional Bonds.”

Pursuant to the Act, the City Council (the “City Council”) of the City of Irvine (the “City”), as the legislative body of the District, has designated eight improvement areas within the District, one of which is denominated Improvement Area No. 4 (“Improvement Area No. 4”). Pursuant to the Act, the qualified electors of Improvement Area No. 4 approved the levy of a special tax (the “Special Tax”) within the boundaries of Improvement Area No. 4. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Summary of District Proceedings.” The Bonds are payable from and secured by a pledge of, a lien on and a security interest in, all of the Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Fund, and the Reserve Fund. See “SECURITY FOR THE SERIES 2016 BONDS” and Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Although the District is authorized to levy special taxes in the other improvement areas within the District, as well as in Improvement Area No. 4, the Bonds are not payable from special taxes levied in any of such other improvement areas. **The Bonds are payable solely from the Special Tax Revenues of Improvement Area No. 4 and the other assets pledged therefor under the Indenture.**

The District consists of approximately 3,108 gross acres of property. Improvement Area No. 4 consists of approximately 219 gross acres of property (of which approximately 91.20 acres are expected to be subject to the Special Tax) located in the northwesterly portion of the District. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – General.”

The District is part of the master-planned development known as the Great Park Neighborhoods (the “Great Park Neighborhoods”). Heritage Fields El Toro, LLC (the “Master Developer”) is the master developer of the Great Park Neighborhoods, which is expected to be developed with up to 9,500 residential units and up to approximately 4,866,200 square feet of non-residential space (including, among other uses, commercial, retail, industrial, and research and development space) in numerous phases over a number of years. The first phase of the development of the Great Park Neighborhoods is located in Improvement Area No. 1 of the District (“Improvement Area No. 1”), which is located in the northwest corner of the District. Improvement Area No. 1 has been developed with 726 for-sale dwelling units, consisting of ten different neighborhoods constructed by eight merchant builders, as well as 221 affordable, age-restricted housing units. As of May 1, 2016, all of such for-sale units had been sold and escrows therefor closed. The second phase of the development of the Great Park Neighborhoods is located in Improvement Area No. 4. Improvement Area No. 4 is being developed with 1,029 for-sale dwelling units, consisting of 15 different neighborhoods being constructed by nine merchant builders. See “PROPERTY OWNERSHIP AND DEVELOPMENT” for descriptions of the Master Developer and merchant builders and the proposed development projects.

The proceeds from the sale of the Series 2016 Bonds will be used (a) to pay the costs of the acquisition and construction of certain public facilities necessary for the development of the District, (b) to fund a reserve fund for the Series 2016 Bonds, (c) to pay certain administrative expenses relating to the Series 2016 Bonds, and (d) to pay the costs of issuing the Series 2016 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Certain risk factors should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2016 Bonds. See “SPECIAL RISK FACTORS.”

The Bonds are special obligations of the District, payable, as provided in the Indenture, solely from Special Tax Revenues and the other assets pledged therefor thereunder. Neither the faith and credit nor the taxing power of the District (except to the limited extent set forth in the Indenture), the City or the State of California (the “State”), or any political subdivision thereof, is pledged to the payment of the Bonds.

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 Exchange 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 “SECURITY FOR THE SERIES 2016 BONDS” and in Appendix A – “APPRAISAL” and Appendix B – “MARKET ABSORPTION STUDY.”

Brief descriptions of the Series 2016 Bonds, the Indenture, the security for the Series 2016 Bonds, the District, the status of development within Improvement Area No. 4 and certain other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Series 2016 Bonds, the Indenture and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Series 2016 Bonds, the Indenture and other documents. Copies of such documents may be obtained from the offices of the City, located at One Civic Center Plaza, Irvine, California 92606.

THE SERIES 2016 BONDS

Authority for Issuance

The Series 2016 Bonds were authorized at a special election held in the District on October 28, 2014. The Series 2016 Bonds will be issued pursuant to the Act and the Indenture.

Description of the Series 2016 Bonds

The Series 2016 Bonds will be issued in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2016 Bonds. Ownership interests in the Series 2016 Bonds may be purchased in book-entry form only, in denominations of \$5,000 or any integral multiple thereof within a single maturity. The Series 2016 Bonds will be dated as of and bear interest from the date of delivery at the rates set forth on the inside cover page hereof.

The principal of the Series 2016 Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2016 Bonds will mature as indicated on the inside cover page hereof, and will be subject to optional and mandatory redemption as set forth herein.

Interest on the Series 2016 Bonds will be paid, in lawful money of the United States, semiannually on March 1 and September 1 of each year (each an “Interest Payment Date”), commencing on March 1, 2017. Interest on the Series 2016 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Series 2016 will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2016 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date (the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day); provided, however, that interest on any Series 2016 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Series 2016 Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which will be given to such Owner not less than ten days prior to such special record date. Notwithstanding the foregoing, so long as DTC or its nominee is the registered owner of the Series 2016 Bonds, interest payments will be made as described in Appendix G – “BOOK-ENTRY ONLY SYSTEM.”

Interest on the Series 2016 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Series 2016 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon will be payable from such Interest Payment Date, (b) a Series 2016 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or (c) interest on any Series 2016 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has previously been paid or duly provided for.

Redemption of the Series 2016 Bonds

Optional Redemption

The Series 2016 Bonds are subject to optional redemption, in whole, or in part in Authorized Denominations, on any Interest Payment Date on or after September 1, 2023, from any source of available funds, at the following redemption prices (expressed as percentages of the principal amount of the Series 2016 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
September 1, 2023 and March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and thereafter	100

Mandatory Redemption from Special Tax Prepayments and One-Time Special Taxes

The Series 2016 Bonds are subject to mandatory redemption, in whole, or in part in Authorized Denominations, on any Interest Payment Date, from and to the extent of Prepaid Special Taxes and One-Time Special Taxes at the following respective Redemption Prices (expressed as percentages of the principal amount of the Series 2016 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Price
March 1, 2017 through March 1, 2024	103%
September 1, 2024 and March 1, 2025	102
September 1, 2025 and March 1, 2026	101
September 1, 2026 and thereafter	100

See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment” and Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” for descriptions of the procedures and mechanism for the prepayment of Special Taxes and the imposition and determination of the amount of the One-Time Special Tax.

Mandatory Sinking Fund Redemption

The Series 2016 Bonds maturing September 1, 2041 bearing interest at a rate of 3.00% per annum are subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 2038, at a Redemption Price equal to the principal amount of such Series

2016 Bonds maturing September 1, 2041 to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
2038	\$490,000
2039	575,000
2040	660,000
2041*	760,000

* Maturity

If some but not all of the Series 2016 Bonds maturing September 1, 2041 bearing interest at a rate of 3.00% per annum are optionally redeemed, the principal amount of Series 2016 Bonds maturing September 1, 2041 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of such Series 2016 Bonds maturing on September 1, 2041 so optionally redeemed, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the District in a Written Certificate of the District filed with the Trustee. If some but not all of such Series 2016 Bonds maturing September 1, 2041 bearing interest at a rate of 3.00% per annum are redeemed from Special Tax prepayments or One-Time Special Tax payments, the principal amount of such Series 2016 Bonds maturing September 1, 2041 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of such Series 2016 Bonds maturing September 1, 2041 so optionally redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee.

The Series 2016 Bonds maturing September 1, 2041 bearing interest at a rate of 4.00% per annum are subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 2038, at a Redemption Price equal to the principal amount of such Series 2016 Bonds maturing September 1, 2041 to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
2038	\$4,560,000
2039	4,845,000
2040	5,145,000
2041*	5,450,000

* Maturity

If some but not all of the Series 2016 Bonds maturing September 1, 2041 bearing interest at a rate of 4.00% per annum are optionally redeemed, the principal amount of such Series 2016 Bonds maturing September 1, 2041 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of such Series 2016 Bonds maturing on September 1, 2041 so optionally redeemed, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the District in a Written Certificate of the District filed with the Trustee. If some but not all of the Series 2016 Bonds maturing September 1, 2041 bearing interest at a rate of 4.00% are redeemed from Special Tax prepayments or One-Time Special Tax payments, the principal amount of such Series 2016 Bonds maturing September 1, 2041 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of such Series 2016 Bonds maturing September 1, 2041 so optionally redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee.

The Series 2016 Bonds maturing September 1, 2045 are subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 2042, at a Redemption Price equal to the principal amount of the Series 2016 Bonds maturing September 1, 2045 to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
2042	\$6,630,000
2043	7,085,000
2044	7,555,000
2045*	8,055,000

* Maturity

If some but not all of the Series 2016 Bonds maturing September 1, 2045 are optionally redeemed, the principal amount of Series 2016 Bonds maturing September 1, 2045 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of the Series 2016 Bonds maturing on September 1, 2045 so optionally redeemed, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the District in a Written Certificate of the District filed with the Trustee. If some but not all of the Series 2016 Bonds maturing September 1, 2045 are redeemed from Special Tax prepayments or One-Time Special Tax payments, the principal amount of Series 2016 Bonds

maturing September 1, 2045 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of the Series 2016 Bonds maturing September 1, 2045 so optionally redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee.

The Series 2016 Bonds maturing September 1, 2049 are subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 2046, at a Redemption Price equal to the principal amount of the Series 2016 Bonds maturing September 1, 2049 to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (September 1)	Principal Amount to be Redeemed
2046	\$ 8,575,000
2047	9,120,000
2048	9,690,000
2049*	10,285,000

* Maturity

If some but not all of the Series 2016 Bonds maturing September 1, 2049 are optionally redeemed, the principal amount of Series 2016 Bonds maturing September 1, 2049 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of the Series 2016 Bonds maturing on September 1, 2049 so optionally redeemed, such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the District in a Written Certificate of the District filed with the Trustee. If some but not all of the Series 2016 Bonds maturing September 1, 2049 are redeemed from Special Tax prepayments or One-Time Special Tax payments, the principal amount of Series 2016 Bonds maturing September 1, 2049 to be subsequently subject to mandatory sinking fund redemption will be reduced by the aggregate principal amount of the Series 2016 Bonds maturing September 1, 2049 so optionally redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee.

Notice of Redemption

So long as DTC is acting as securities depository for the Series 2016 Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first class mail, postage prepaid, by the Trustee to DTC and to the Municipal Securities Rulemaking Board (not to the Beneficial Owners of any Series 2016 Bonds designated for redemption) at least 30 days but not more than 60 days prior to the redemption date. Notice of redemption to the Municipal Securities Rulemaking Board will be given electronically and uploaded to its Electronic Municipal Market Access (EMMA) system. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Series 2016 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of Series 2016 Bonds, unless at the time such notice is given the Series 2016 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of, and accrued interest on, the Series 2016 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District will not be required to redeem such Series 2016 Bonds. In the event a notice of redemption of Series 2016 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2016 Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of Series 2016 Bonds pursuant to such notice of redemption.

Selection of Series 2016 Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the District, (b) with respect to any redemption from Special Tax prepayments or One-Time Special Tax payments, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Series 2016 Bonds

Upon surrender of any Bonds to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds of the same Series in Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption

Notice having been mailed as provided in the Indenture, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the Bonds will become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as provided in the Indenture and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

Debt Service Schedule

The debt service schedule for the Series 2016 Bonds (including mandatory sinking fund redemption on their respective September 1 redemption dates) is set forth below:

Year Ending September 1	Principal	Interest	Total Debt Service
2017	\$ 780,000.00	\$ 4,893,818.33	\$ 5,673,818.33
2018	500,000.00	5,290,950.00	5,790,950.00
2019	625,000.00	5,280,950.00	5,905,950.00
2020	755,000.00	5,268,450.00	6,023,450.00
2021	895,000.00	5,245,800.00	6,140,800.00
2022	1,045,000.00	5,218,950.00	6,263,950.00
2023	1,215,000.00	5,177,150.00	6,392,150.00
2024	1,390,000.00	5,128,550.00	6,518,550.00
2025	1,575,000.00	5,072,950.00	6,647,950.00
2026	1,775,000.00	5,009,950.00	6,784,950.00
2027	1,980,000.00	4,938,950.00	6,918,950.00
2028	2,195,000.00	4,859,750.00	7,054,750.00
2029	2,425,000.00	4,771,950.00	7,196,950.00
2030	2,665,000.00	4,674,950.00	7,339,950.00
2031	2,920,000.00	4,568,350.00	7,488,350.00
2032	3,185,000.00	4,451,550.00	7,636,550.00
2033	3,465,000.00	4,324,150.00	7,789,150.00
2034	3,760,000.00	4,185,550.00	7,945,550.00
2035	4,070,000.00	4,035,150.00	8,105,150.00
2036	4,395,000.00	3,872,350.00	8,267,350.00
2037	4,740,000.00	3,696,550.00	8,436,550.00
2038	5,050,000.00	3,554,350.00	8,604,350.00
2039	5,420,000.00	3,357,250.00	8,777,250.00
2040	5,805,000.00	3,146,200.00	8,951,200.00
2041	6,210,000.00	2,920,600.00	9,130,600.00
2042	6,630,000.00	2,679,800.00	9,309,800.00
2043	7,085,000.00	2,414,600.00	9,499,600.00
2044	7,555,000.00	2,131,200.00	9,686,200.00
2045	8,055,000.00	1,829,000.00	9,884,000.00
2046	8,575,000.00	1,506,800.00	10,081,800.00
2047	9,120,000.00	1,163,800.00	10,283,800.00
2048	9,690,000.00	799,000.00	10,489,000.00
2049	10,285,000.00	411,400.00	10,696,400.00
TOTAL	\$135,835,000.00	\$125,880,768.33	\$261,715,768.33

Source: The Underwriter.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2016 Bonds are set forth in the following table:

Sources:	
Principal Amount of Bonds	\$135,835,000.00
Plus: Net Original Issue Premium	12,410,370.05
Total Sources	\$148,245,370.05
 Uses:	
Project Fund	\$137,204,009.93
Reserve Fund ⁽¹⁾	9,936,896.37
Administrative Expense Fund	50,000.00
Costs of Issuance ⁽²⁾	1,054,463.75
Total Uses	\$148,245,370.05

⁽¹⁾ Equals the Reserve Requirement.

⁽²⁾ Includes Underwriter's discount, amounts to reimburse the City for certain expenses, and legal fees, financial advisory fees and other issuance costs.

THE PROJECT

The Series 2016 Bonds are being issued to finance the acquisition and construction of certain public facilities necessary for the development of the District, which may include street, road and parkway improvements, traffic signals, storm drain improvements, sewer improvements, domestic and recycled water facilities, water improvements and water features, parks, park facilities and parkways, dry utilities to be owned by public utilities, landscaping amenities, irrigation systems and plantings, bridge thoroughfare and railway improvements, water quality treatment systems, wildlife corridors, open space improvements, runway demolition and property acquisition.

Pursuant to the Acquisition Agreement, dated as of March 26, 2013 (the "Acquisition Agreement"), by and between the City, on behalf of itself and the District, and the Master Developer, the District will use a portion of the proceeds of the Series 2016 Bonds to finance the acquisition from the Master Developer of certain facilities to be constructed by the Master Developer as provided in the Acquisition Agreement. Such facilities consist of certain street, road and parkway improvements, traffic signals, park facilities and parkways, dry utilities to be owned by public utilities, landscaping amenities, irrigation systems and plantings, runway demolition and property acquisition. A portion of the proceeds of the Series 2016 Bonds is expected to be used to finance the acquisition by the Irvine Ranch Water District ("IRWD") of certain domestic and recycled water facilities and sewer improvements constructed by the Master Developer as provided in a joint community facilities agreement by and among the City, IRWD and the Master Developer. Another portion of the proceeds of the Series 2016 Bonds is expected to be used to finance the acquisition by the Orange County Flood Control District of certain storm drain and flood control improvements constructed by the Master Developer as provided in a joint community facilities agreement by and among the City, the Orange County Flood Control District and the Master Developer. As of May 1, 2016, the Master Developer had expended approximately \$123 million on the construction of such facilities, a portion of which has been financed with proceeds of bonds of Improvement Area No. 1.

SECURITY FOR THE SERIES 2016 BONDS

General

Pursuant to the Act and the Indenture, the Bonds, including the Series 2016 Bonds, are payable from Special Tax Revenues. “Special Tax Revenues” is defined under the Indenture to mean the proceeds of the Special Taxes received by or on behalf of the District, including any payments and any prepayments thereof, 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, which shall be limited to the amount of said lien, penalties and interest thereon. “Special Taxes” is defined under the Indenture to mean the special taxes levied within the Improvement Area pursuant to the Act, the Rate and Method of Apportionment for the District (the “Rate and Method”), Ordinance No. 14-02 adopted by the City Council of the City on October 28, 2014, and the Indenture. See “– The Teeter Plan” for further information regarding the collection and distribution of delinquent Special Taxes.

The payment of the principal of and interest on the Bonds and any premiums upon redemption thereof will be exclusively paid from the Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Fund, and the Reserve Fund. The amount of Special Taxes that the District may levy in any year is strictly limited by the maximum rates approved by the qualified electors within Improvement Area No. 4, as set forth in the Rate and Method. In addition and pursuant to the Act, under no circumstances may the Special Tax levied in any Fiscal Year against any parcel for which an occupancy permit for private residential use has been issued be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within Improvement Area No. 4 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. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment.” The full text of the Rate and Method is set forth in Appendix C hereto.

Special Tax Revenues deposited in the Administrative Expense Fund and the Rebate Fund are not pledged to the payment of any of the Bonds, and the Administrative Expense Fund and the Rebate Fund will not be construed as a trust fund held for the benefit of the Owners of any Bonds.

The Special Taxes

In the Indenture, the District has covenanted to fix and levy the amount of Special Taxes within Improvement Area No. 4 in each Fiscal Year in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount at least sufficient to yield Special Tax Revenues in the amount required for (a) the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Corresponding Bond Year, (b) any necessary replenishment of the Reserve Fund, and (c) the payment of Administrative Expenses estimated to be paid from such Special Tax Revenues, taking into account the balances in the funds and accounts established under the Indenture.

The amount of Special Taxes the District may levy in any year is strictly limited by the maximum rates approved by the qualified electors within the District. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment” and Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Pursuant to the Rate and Method, the Special Taxes on Developed Property will always be levied at the maximum rates. As defined in the Rate and Method, the term “Developed Property” means all Assessor’s Parcels of Taxable

Property (other than Taxable Public Property and Taxable Property Owner Association Property, if any) for which a building permit permitting the construction thereon has been issued by the City on or before May 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied. It is possible that under certain circumstances the maximum rates could be reduced from current levels. See “– The Teeter Plan” and “SPECIAL RISK FACTORS – Right to Vote on Taxes Act” below.

The Special Taxes authorized to be levied within Improvement Area No. 4 pursuant to the Rate and Method include both (a) annual Special Taxes that were established to pay for authorized facilities (either directly or through the payment of debt service on Bonds issued to finance such facilities) and authorized services, and (b) One-Time Special Taxes that were established to preserve debt service coverage on the Bonds in the event that expected annual Special Taxes are reduced as a result of changes in development within Improvement Area No. 4. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment.”

The Special Taxes (other than the One-Time Special Taxes) will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable (or in such other manner as the City Council shall determine, including direct billing of the affected property owners), and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Pursuant to the Rate and Method, the District will calculate, direct-bill, and expeditiously institute foreclosure action(s), but not more than 60 days from the billing due date, to collect the One-Time Special Taxes. Any One-Time Special Taxes so collected will be applied to the mandatory redemption of Bonds. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment” and Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “THE SERIES 2016 BONDS – Redemption of the Series 2016 Bonds – *Mandatory Redemption from Special Tax Prepayments and One-Time Special Taxes.*”

The District has covenanted that it will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the District will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Although the Special Taxes will be levied against, and constitute a lien against, taxable parcels within the District, they do not constitute a personal indebtedness of the respective property owners. There is no assurance that the 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. See “SPECIAL RISK FACTORS – Special Tax Delinquencies.”

Pledge

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act, the District pledges to the Owners, and grants thereto a lien

on and a security interest in, all of the Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Fund, and the Reserve Fund. Said pledge constitutes a first lien on and security interest in such assets, which immediately attaches to such assets and is effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act. See Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Flow of Funds

No later than ten Business Days after the receipt by the District of any Special Tax Revenues, the District will transfer such Special Tax Revenues to the Trustee, and the Trustee will deposit such Special Tax Revenues (other than any portion of such Special Tax Revenues that represents Prepaid Special Taxes or One-Time Special Taxes) in the Special Tax Fund. On the fifth Business Day immediately preceding each Interest Payment Date, the Trustee will make the following transfers in the following order of priority:

Interest Account. The Trustee will transfer from the Special Tax Fund to the Interest Account of the Bond Fund the amount, if any, necessary to cause the amount on deposit in the Interest Account of the Bond Fund to be equal to the interest due on the Bonds during the remainder of the then current Bond Year.

Principal Account. After having made any transfers required to be made to the Interest Account, as described above, the Trustee will transfer from the Special Tax Fund to the Principal Account of the Bond Fund the amount, if any, necessary to cause the amount on deposit in the Principal Account of the Bond Fund to be equal to the principal, if any, due on the Bonds during the remainder of the then current Bond Year, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds; and

Reserve Fund. After having made any transfers required to be made to the Interest Account and the Principal Account, as described above, the Trustee will transfer from the Special Tax Fund to the Reserve Fund the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement.

Subsequent to depositing (a) in the Interest Account, the amount of interest payable on the Bonds in the then-current Bond Year, (b) in the Principal Account, the principal amount of the Bonds payable in the then-current Bond Year, and (c) in the Reserve Fund, the amount, if any, required to be so deposited therein, as described above, upon receipt of a Written Request of the District, the Trustee will withdraw from the Special Tax Fund and transfer to the Administrative Expense Fund the amount specified in such Written Request of the District as the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses. Within five Business Days of the full funding of the Interest Account, the Principal Account, the Reserve Fund, and the Administrative Expense Fund as described above, the Trustee will transfer from the Special Tax Fund to the City any amount remaining in the Special Tax Fund for allocation, distribution, and payment pursuant to the Amended and Restated Development Agreement.

See Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Reserve Fund

Upon the issuance of the Series 2016 Bonds, an amount equal to the initial Reserve Requirement will be deposited in the Reserve Fund. The Indenture defines the term “Reserve Requirement” to mean, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, (c) 125% of Average Annual Debt Service, and (d) \$8,812,953.16.

Except as otherwise provided in the Indenture, amounts in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of (a) making transfers to the Interest Account in the event of any deficiency at any time in the Interest Account of the amount then required for payment of the interest on the Bonds, (b) making transfers to the Principal Account in the event of any deficiency at any time in the Principal Account of the amount then required for payment of the principal of the Bonds, and (c) redeeming Bonds in accordance with the provisions of the Indenture, as described below.

Whenever Bonds are to be optionally redeemed or redeemed from Special Tax Prepayments or One-Time Special Taxes, a proportionate share, determined pursuant to the Indenture, of the amount on deposit in the Reserve Fund will, on the date on which amounts to redeem such Bonds are deposited in the Redemption Fund or otherwise deposited with the Trustee pursuant to the defeasance provisions of the Indenture, be transferred by the Trustee from the Reserve Fund to the Redemption Fund or to such deposit held by the Trustee and shall be applied to the redemption of said Bonds; provided, however, that such amount will be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed).

Whenever the sum of the balances in the Reserve Fund, the Special Tax Fund, the Bond Fund and the Redemption Fund equals 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 Trustee will give written notice thereof to the Community Facilities District and, upon receipt of a Written Request of the District, transfer the amount in the Reserve Fund to the Interest Account, Principal Account and/or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

If, as a result of the scheduled payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, the Trustee will transfer an amount equal to the amount of such reduction to the Interest Account; provided, however, that such amount will be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement.

See Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Additional Bonds for Refunding

At the time of the designation of Improvement Area No. 4, property owners approved the issuance of bonded indebtedness in an amount not to exceed \$150,000,000.

The Indenture provides that the District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2016 Bonds) payable from Special Tax Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued thereunder, but only subject to the conditions specified in the Indenture, including the condition that the District shall have received a certificate or certificates from an Independent Consultant certifying that (a) such Additional Bonds are being issued to refund previously issued Bonds, and (b) Annual Debt Service in each Bond Year, calculated for all Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds which are Outstanding immediately prior to the issuance of such Additional Bonds. See Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for a summary of the other conditions precedent that must be satisfied in order to issue Additional Bonds.

Existing Liens

Currently, no other assessment liens or special taxes are imposed upon property within Improvement Area No. 4 by other taxing entities. However, the lien for the Special Taxes is co-equal to the lien for general property taxes and would be co-equal to the lien for any future community facilities districts or assessment districts. The District is unaware of any present or contemplated community facilities district, assessment district or improvement district that includes property within Improvement Area No. 4 other than as set forth herein. See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Direct and Overlapping Debt.”

Covenant for Superior Court Foreclosure

In the event of a delinquency in the payment of any installment of Special Taxes, the District is authorized by the Act to order institution of an action in the Superior Court of the State to foreclose any lien therefor. In such action the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The District is a participant in the Teeter Plan of the County of Orange (the “County”), which is an alternative method for the distribution of secured property taxes to local agencies. See “– The Teeter Plan” below. So long as the District remains a participant in the County’s Teeter Plan and is paid under the Teeter Plan for all Special Taxes levied, the proceeds of any foreclosure sale will be paid to the County’s Teeter Plan and not to the District. The County’s Teeter Plan does not apply to One-Time Special Taxes.

Such judicial foreclosure proceedings are not mandatory. However, in the Indenture, the District covenants that it will, within 150 days of a delinquency in the payment of any Special Taxes (other than One-Time Special Taxes), forthwith undertake and diligently prosecute foreclosure proceedings to collect such delinquent amounts; provided, however, that if the amount collected from any source, including Teeter Payments, is greater than 92.5% of the aggregate amount of annual Special Taxes (other than One-Time Special Taxes) levied and the Reserve Requirement is fully satisfied, the District will not be required to undertake such foreclosure proceedings, unless it is determined that any single property owner is delinquent in excess of \$10,000 in the payment of the Special Taxes applicable to such property owner’s property in which case the District will diligently institute, prosecute and pursue such foreclosure proceedings against such property. Upon the redemption or sale of the real property responsible for such delinquencies, the District will deposit in the Special Tax Fund the net proceeds of such redemption or sale.

In the Indenture, the Community Facilities District covenants that it will, within 60 days of a delinquency in the payment of any One-Time Special Taxes, forthwith undertake and diligently

prosecute foreclosure proceedings to collect such delinquent amounts. Upon the redemption or sale of the real property responsible for such delinquencies, the Community Facilities District will deposit in the Redemption Fund the net proceeds of such redemption or sale.

The ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation. See “SPECIAL RISK FACTORS – Bankruptcy,” “– Payments by FDIC and Other Governmental Agencies” and “– Billing of Special Taxes.”

If the County’s Teeter Plan (see “The Teeter Plan” below) is terminated (or if the County fails to make payments to the District when due under the Teeter Plan) and the Reserve Fund is depleted, there could be a default or a delay in payments to the Owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act, the District may adjust the Special Taxes levied on all taxable property within Improvement Area No. 4 to provide an amount required to pay debt service, including defaulted interest and principal payments, on the Bonds and to replenish the Reserve Fund.

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the District) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

Market Absorption Study

In order to provide information with respect to the potential market demand for the proposed development within Improvement Area No. 4, Empire Economics, Inc. (the “Market Absorption Consultant”) has prepared a Market Absorption Study for Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4, dated April 25, 2016 (the “Absorption Study”). The Absorption Study analyzes the 1,029 for sale homes, in 15 residential project areas, being developed in Improvement Area No. 4. The Absorption Study concludes that all 1,029 homes will be sold and their escrows closed by mid-2018. See Appendix B – “MARKET ABSORPTION STUDY” for a discussion of the specific assumptions and methodology employed by the Market Absorption Consultant and a more detailed discussion of its conclusions.

Property Values

An appraisal of the property in Improvement Area No. 4, dated May 13, 2016 (the “Appraisal”), was prepared by Harris Realty Appraisal (the “Appraiser”). The Appraisal Report was

prepared to estimate the market value of the land in Improvement Area No. 4 subject to the Special Tax in its “as is” condition (the “Market Value”) as of May 1, 2016 (the “Date of Value”). See the Appraisal included in Appendix A hereto for a description of the assumptions made and the valuation methodology used by the Appraiser.

Twenty final maps have been recorded within Improvement Area No. 4, the property within which is being developed with 1,029 for-sale dwelling units, consisting of 15 different neighborhoods being constructed by nine merchant builders. As of the Date of Value, escrows had closed for 207 dwelling units that had been sold to individual homeowners, 44 model units had been completed, 306 units were under construction and the lots for the remaining 472 units were in physically finished condition. As of the Date of Value, Merchant Builders and a land bank in partnership with one of the Merchant Builders owned all lots and units that were not owned by individual homeowners. Subsequent to the Date of Value, additional units have been conveyed to individual homeowners. See Table No. 7 for a description of property ownership as of July 1, 2016.

The Market Value, as of the Date of Value, for the 207 sold units in individual ownerships in Improvement Area No. 4 is estimated in the Appraisal to be \$213,000,000.

The following table sets forth the Market Value, as of the Date of Value, estimated in the Appraisal for the 44 completed model units, the 306 units under construction and the 472 physically finished lots in Improvement Area No. 4.

Neighborhood	Property Owner	Condition	Number of Units	Estimated Market Value
Brio	Shea	Models	2	\$ 1,320,000
		Under Construction	22	10,032,000
		Finished Lots	42	12,600,000
				<u>\$23,952,000</u>
Opus	Warmington	Under Construction	18	\$ 7,808,400
		Finished Lots	42	11,760,000
				<u>\$19,568,400</u>
Primrose	D.R. Horton	Models	3	\$ 2,100,000
		Under Construction	19	9,800,000
		Finished Lots	60	19,200,000
				<u>\$31,100,000</u>
Rowland	Lennar California	Models	4	\$ 2,580,000
		Under Construction	22	9,804,000
		Finished Lots	60	17,400,000
				<u>\$29,784,000</u>
Harper	Lennar California	Models	3	\$ 2,520,000
		Under Construction	18	12,096,000
		Finished Lots	42	17,850,000
				<u>\$32,466,000</u>
Ellwood	Richmond American	Models	3	\$ 2,670,000
		Under Construction	43	25,276,000
		Finished Lots	13	5,785,000
				<u>\$33,731,000</u>
Melody	Lennar California	Models	4	\$4,130,000
		Under Construction	13	9,705,500
		Finished Lots	13	7,020,000
				<u>\$20,855,000</u>
Rosemont	K. Hovnanian Rosemont ⁽¹⁾	Models	3	\$ 3,300,000
		Under Construction	10	7,480,000
		Finished Lots	53	31,270,000
				<u>\$42,050,000</u>
Larkspur	Lennar California	Models	3	\$ 3,640,500
		Under Construction	16	14,076,600
		Finished Lots	25	16,875,000
				<u>\$34,592,100</u>
Welton	Taylor Morrison	Models	3	\$ 2,895,000
		Under Construction	25	15,536,500
		Finished Lots	11	5,445,000
				<u>\$23,876,500</u>

⁽¹⁾ Includes lots owned by a land bank in partnership with K. Hovnanian. See “PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *K. Hovnanian*.”

Neighborhood	Property Owner	Condition	Number of Units	Estimated Market Value
Oakmont	CalAtlantic ⁽²⁾	Models	3	\$ 3,420,000
		Under Construction	19	14,820,000
		Finished Lots	19	11,590,000
				<u>\$29,830,000</u>
Juniper	Pulte	Models	3	\$ 3,711,000
		Under Construction	22	17,565,400
		Finished Lots	23	14,950,000
				<u>\$36,226,400</u>
Silvermist	K. Hovnanian Silvermist ⁽¹⁾	Models	4	\$ 5,940,000
		Under Construction	11	12,325,500
		Finished Lots	27	21,600,000
				<u>\$39,865,500</u>
Torrey	CalAtlantic ⁽³⁾	Models	3	\$ 4,290,000
		Under Construction	29	29,887,000
		Finished Lots	16	11,744,000
				<u>\$45,921,000</u>
Legend	CalAtlantic ⁽²⁾	Models	3	\$ 5,370,000
		Under Construction	19	22,912,000
		Finished Lots	26	23,530,000
				<u>\$51,812,000</u>
Total (Rounded)				<u>\$495,000,000</u>

⁽¹⁾ Includes lots owned by a land bank in partnership with K. Hovnanian. See “PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *K. Hovnanian*.”

⁽²⁾ Title to property held in the name of Ryland, a subsidiary of CalAtlantic. See “PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*.”

⁽³⁾ Title to property held in the name of Standard Pacific Corp., which name, as of October 1, 2015, was changed to CalAtlantic Group, Inc. See “PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*.”

Source: Appraisal.

The 207 sold units in individual ownerships in Improvement Area No. 4 were valued by the Appraiser using the actual sales prices of the units. Each of the 44 model units in Improvement Area No. 4 was valued by the Appraiser based on the average base sales price of the floor plan for such unit. The 306 units in various states of completion in Improvement Area No. 4 were valued by the Appraiser based on the Appraiser’s inspection of the property and estimate of the percent thereof that had been completed. Such percentage was applied to the actual sales prices of the average size dwelling unit for the specified product, with an upward adjustment for current market conditions and demand.

The 472 finished lots in Improvement Area No. 4 were valued by the Appraiser using a combination of a direct comparison approach (*i.e.*, a calculation of value based on sales prices for recent sales of comparable land in a similar condition) and a static residual analysis (*i.e.*, a calculation of land value by deducting costs, including direct costs of construction, marketing, taxes, and overhead, as well as required profit margin to attract an investor in light of the risks and uncertainties of the project, from the average base price for a specific product).

The estimated Market Value of the taxable property within Improvement Area No. 4 is the sum of the estimated Market Value of the 207 units in individual ownerships (\$213,000,000), plus the estimated Market Value of the completed model units, units under construction and physically finished lots (\$495,000,000, rounded). Thus, based on the above-summarized analyses and the assumptions set forth in the Appraisal, the Appraiser estimated the Market Value of the property subject to the Special Tax within Improvement Area No. 4, as of the Date of Value, to be approximately \$708,000,000 (rounded).

See Appendix A for a description of the assumptions made and a more detailed description of the valuation methodologies used by the Appraiser to arrive at the “as is” Market Value of the property within Improvement Area No. 4 subject to the Special Tax.

Direct and Overlapping Debt

Contained within Improvement Area No. 4 are overlapping local agencies providing public services. Some of such local agencies have outstanding bonds or authorization to issue bonds payable from taxes or special assessments. Additional indebtedness could be authorized by other public agencies at any time.

Water District Debt

The property in the District receives water and sewer service from IRWD, the Irvine Ranch Water District, and is located within IRWD’s Improvement District Nos. 112 and 212 (collectively, the “IRWD Improvement Districts”). The qualified electors authorized IRWD to issue not to exceed \$28,512,300 aggregate principal amount of general obligation bonds for Improvement District No. 112 and \$108,711,000 aggregate principal amount of general obligation bonds for Improvement District No. 212. IRWD has issued \$5,470,000 principal amount of general obligation bonds for Improvement District No. 112 and \$15,700,000 principal amount of general obligation bonds for Improvement District No. 212.

IRWD Improvement District bonds are general obligation bonds payable from *ad valorem* taxes; the amount of the tax levy on each parcel is based on the assessed valuation of the land only. The District cannot predict the amount of authorized but unissued bonds for IRWD Improvement Districts that will ultimately be issued by IRWD, nor can it predict when such debt will be issued or the debt service payments thereon.

Direct and Overlapping Debt Summary

Set forth in the table below is a summary of the direct and overlapping debt payable from taxes or special assessments in Improvement Area No. 4.

Table No. 1
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Direct and Overlapping Debt Summary

Overlapping Debt⁽¹⁾	2015-2016 Total Levy⁽²⁾	Amount of Levy on Parcels in Improvement Area No. 4	Percent of Levy on Parcels in Improvement Area No. 4	Total Debt Outstanding	Improvement Area No. 4 Share of Total Debt Outstanding
Metropolitan Water District of Southern California ⁽³⁾	\$11,218,622	\$17,313	0.1543%	\$92,865,000	\$143,315
IRWD I.D. No. 112 (Land Only) ⁽⁴⁾	\$399,909	\$156,710	39.1863%	\$5,379,000	\$2,143,492
IRWD I.D. No. 212 (Land Only) ⁽⁴⁾	\$599,863	\$368,624	61.4513%	\$14,731,000	\$9,201,717
				Total Overlapping Debt	\$11,488,524
				Plus: Series 2016 Bonds	135,835,000
				Estimated Share of Direct and Overlapping Debt Allocable to Improvement Area No. 4	\$147,323,524
				Appraised Value ⁽⁵⁾	\$708,000,000
				Estimated Appraised Value-to-Lien Ratio	4.81 to 1 ⁽⁵⁾

⁽¹⁾ Includes ad valorem taxes and special taxes that support any type of outstanding debt.

⁽²⁾ Based on the Fiscal Year 2015-16 levy provided by the County of Orange.

⁽³⁾ Bonds outstanding as of March 1, 2016.

⁽⁴⁾ Allocation based on the Improvement Area No. 4's share of the Fiscal Year 2015-16 assessed values of the IRWD Improvement Districts. Bonds outstanding as of June 30, 2016. The tax levy is based on the assessed value of the land only (i.e., the value of any improvements is not included).

⁽⁵⁾ From Appraisal.

Source: David Taussig & Associates, Inc.; County of Orange Auditor/Controller's Office; Metropolitan Water District of Southern California; City of Irvine.

Other Potential Debt

The District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within Improvement Area No. 4 which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within Improvement Area No. 4. Furthermore, nothing prevents the owners of property within Improvement Area No. 4 from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or ad valorem taxes, such assessments, special taxes and ad valorem taxes will be secured by liens on the property within Improvement Area No. 4 on a parity with the lien of the Special Taxes.

Accordingly, the debt on the property within Improvement Area No. 4 could increase, without any corresponding increase in the value of the property therein, and thereby reduce the estimated value-to-lien ratio that exists at the time the Series 2016 Bonds are issued. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within Improvement Area No. 4 to pay the Special Taxes when due. See “SPECIAL RISK FACTORS – Cumulative Burden of Parity Taxes, Special Assessments.”

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See “SPECIAL RISK FACTORS – Appraised Values.”

Estimated Value-to-Lien Ratios

The values, direct and overlapping debt and total tax burden on property vary among parcels within Improvement Area No. 4. The \$135,835,000 principal amount of Series 2016 Bonds constitutes direct debt for the property in Improvement Area No. 4. As set forth in Table No. 1 under “Direct and Overlapping Debt – *Direct and Overlapping Debt Summary*” above, there is approximately \$11,488,524 of other outstanding public indebtedness applicable to property in Improvement Area No. 4. Thus, the estimated direct and overlapping debt allocable to the property in Improvement Area No. 4 is approximately \$147,323,524.

The Market Value of the property in Improvement Area No. 4 as of May 1, 2016, as estimated by the Appraiser in the Appraisal, is \$708,000,000, which is approximately 4.81 times the sum of the principal amount of the Series 2016 Bonds, plus the amount of all the other outstanding public indebtedness allocable thereto, under the assumptions described in Table No. 1.

The foregoing value-to-lien ratio represents the estimated average for the property within Improvement Area No. 4 as a whole; the actual ratios for individual parcels of land within Improvement Area No. 4 may vary significantly.

No assurance can be given that the foregoing value-to-lien ratio will be maintained during the period of time that the Series 2016 Bonds are Outstanding. The District has no control over future property values or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. See “SPECIAL RISK FACTORS – Appraised Values” and “– Value-to-Lien Ratios.”

Sample Tax Bills

The following table sets forth sample property tax bills for several categories of Residential Property that is Developed Property, based on estimated Fiscal Year 2016-17 tax rates.

Table No. 2
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Estimated Fiscal Year 2016-17 Tax Rates
Detached Residential Property

Estimated Assessed Valuation and Property Taxes	Percent of Total Assessed Value	Estimated Amount					
		4,450 – 4,669 SF	3,950 – 4,199 SF	3,450 – 3,699 SF	2,950 -3,199 SF	2,450 – 2,699 SF	1,950 – 2,199 SF
Estimated Home Price ⁽¹⁾		\$1,986,900	\$1,669,990	\$1,432,990	1,266,990	\$1,089,990	\$865,990
Less: Homeowner's Exemption		(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)	(\$7,000)
Estimated Net Assessed Value		\$1,979,900	\$1,662,990	\$1,425,990	\$1,259,990	\$1,082,990	\$858,990
AD VALOREM PROPERTY TAXES ⁽²⁾							
Base Property Tax Rate	1.00000%	\$19,799	\$16,630	\$14,260	\$12,600	\$10,830	\$8,590
MWD Bonds	0.00350	69	58	50	44	38	30
IRWD Bonds (Land Only)	0.03750	742	624	535	472	406	322
Total General Property Taxes	1.04100%	\$20,611	\$17,312	\$14,845	\$13,116	\$11,274	\$8,942
ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES ⁽³⁾							
Mosquito, Fire and Ant Assessment		\$ 6.02	\$ 6.02	\$ 6.02	\$ 6.02	\$ 6.02	\$ 6.02
Vector Control Charge		1.92	1.92	1.92	1.92	1.92	1.92
MWD Standby Charge		10.08	10.08	10.08	10.08	10.08	10.08
Irvine USD – Assessment		57.65	57.65	57.65	57.65	57.65	57.65
City of Irvine LLD No. 1		101.52	101.52	101.52	101.52	101.52	101.52
Improvement Area No. 4 Special Tax ⁽⁴⁾		13,886.28	12,549.06	\$10,687.56	9,207.54	7,682.64	6,161.82
Total Assessment, Special Taxes, and Parcel Charges		\$ 14,063	\$ 12,726	\$ 10,865	\$ 9,385	\$ 7,860	\$ 6,339
PROJECTED TOTAL PROPERTY TAXES		\$ 34,674	\$ 30,038	\$ 25,709	\$ 22,501	\$ 19,134	\$15,281
Projected Total Effective Tax Rate (as % of Estimated Home Price)		1.7451%	1.7987%	1.7941%	1.7760%	1.7554%	1.7646%

⁽¹⁾ Based on pricing data provided by Empire Economics. Pursuant to the terms of the Amended and Restated Development Agreement, the pricing assumptions developed by Empire Economics are based on an effective tax rate of 2.00% that includes the projected ad-valorem tax rate for the Irvine Ranch Water District of 0.40% of the land value.

⁽²⁾ Based on Fiscal Year 2015-16 ad valorem rates, assuming land value equals 50% of total assessed value. Actual Fiscal Year 2016-17 rates may differ.

⁽³⁾ Based on Fiscal Year 2015-16 assessment rates. Actual Fiscal Year 2016-17 rates may differ.

⁽⁴⁾ Based on Fiscal Year 2016-17 Special Tax rates. Rates subject to an increase of 2% per year.

Numbers may not sum due to rounding.

Source: David Taussig and Associates, Inc.; City of Irvine; and County of Orange Auditor/Controller's Office.

Table No. 3
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Estimated Fiscal Year 2016-17 Tax Rates
Attached Residential Property

Estimated Assessed Valuation and Property Taxes	Percent of Total Assessed Value	Estimated Amount		
		2,220 – 2,399 SF	1,800 – 1,999 SF	1,400 – 1,599 SF
Estimated Home Price ⁽¹⁾		\$760,876	\$697,990	\$635,830
Less: Homeowner's Exemption		(\$7,000)	(\$7,000)	(\$7,000)
Estimated Net Assessed Value		\$753,876	\$690,990	\$628,830
AD VALOREM PROPERTY TAXES ⁽²⁾				
Base Property Tax Rate	1.00000%	\$7,539	\$6,910	\$6,288
MWD Bonds	0.00350	26	24	22
IRWD Bonds (Land Only)	0.03750	283	259	236
Total General Property Taxes	1.04100%	\$7,848	\$7,193	\$6,546
ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES ⁽³⁾				
Mosquito, Fire and Ant Assessment		\$ 3.00	\$ 3.00	\$ 3.00
Vector Control Charge		1.92	1.92	1.92
MWD Standby Charge		10.08	10.08	10.08
Irvine USD – Assessment		38.68	38.68	38.68
City of Irvine LLD No. 1		101.52	101.52	101.52
Improvement Area No. 4 Special Tax ⁽⁴⁾		5,883.00	5,221.38	4,455.36
Total Assessment, Special Taxes, and Parcel Charges		\$ 6,038	\$ 5,377	\$ 4,611
PROJECTED TOTAL PROPERTY TAXES		\$13,886	\$12,570	\$11,157
Projected Total Effective Tax Rate (as % of Estimated Home Price)		1.8250%	1.8009%	1.7547%

⁽¹⁾ Based on pricing data provided by Empire Economics. Pursuant to the terms of the Amended and Restated Development Agreement, the pricing assumptions developed by Empire Economics are based on an effective tax rate of 2.00% that includes the projected ad-valorem tax rate for the Irvine Ranch Water District of 0.40% of the land value.

⁽²⁾ Based on Fiscal Year 2015-16 ad valorem rates, assuming land value equals 50% of total assessed value. Actual Fiscal Year 2016-17 rates may differ.

⁽³⁾ Based on Fiscal Year 2015-16 assessment rates. Actual Fiscal Year 2016-17 rates may differ.

⁽⁴⁾ Based on Fiscal Year 2016-17 Special Tax rates. Rates subject to an increase of 2% per year.

Numbers may not sum due to rounding.

Source: David Taussig and Associates, Inc.; City of Irvine; and County of Orange Auditor/Controller's Office.

The Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of the Teeter Plan by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors of the County adopted the Teeter Plan on June 29, 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the District, on the secured roll.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See “SPECIAL RISK FACTORS – Teeter Plan Termination.” The County has not previously discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a *pro rata* adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, the County’s Teeter Plan may help protect the Owners of the Bonds from the risk of delinquencies in Special Taxes. See “SPECIAL RISK FACTORS – Teeter Plan Termination.”

THE DISTRICT AND IMPROVEMENT AREA NO. 4

General

The District was established in accordance with the Act and constitutes a legally constituted governmental entity separate and apart from the City. Pursuant to the Act, the City Council designated Improvement Area No. 4 as an improvement area within the District. The District is located in the northeastern portion of the City, south of Highway 133 and east of Interstate 5. Improvement Area No. 4 is located in the northwesterly portion of the District. Improvement Area No. 4 consists of approximately 219 gross acres of land, of which approximately 91.20 acres are expected to be subject to the Special Tax.

Improvement Area No. 4 is expected to be developed with 1,029 for-sale dwelling units, consisting of 15 different neighborhoods. See “PROPERTY OWNERSHIP AND DEVELOPMENT.”

Summary of District Proceedings

Pursuant to the Act, the City Council of the City adopted Resolution No. 13-16 on February 12, 2013, stating its intention to establish the District. Following public hearings conducted pursuant to the provisions of the Act, the City Council of the City adopted Resolution No. 13-33 on March 26, 2013 establishing the District.

Pursuant to the Act, the City Council of the City adopted Resolution No. 14-106 on September 9, 2014, stating its intention to designate Improvement Area No. 4 as an improvement area within the District, and to authorize the levy of special taxes within the boundaries of Improvement Area No. 4. On the same date, the City Council of the City adopted Resolution No. 14-107, stating its intention to have the District incur bonded indebtedness for Improvement Area No. 4 in an amount up to \$150,000,000.

Following public hearings conducted pursuant to the provisions of the Act, the City Council of the City adopted Resolution No. 14-117 on October 14, 2014 designating Improvement Area No. 4 within the District. On the same date, the City Council of the City also adopted Resolution No. 14-118 determining the necessity to have the District incur bonded indebtedness for Improvement Area No. 4 in an amount up to \$150,000,000. Both resolutions called for a special election to submit propositions to authorize the levy of the Special Tax within Improvement Area No. 4 and the incurring of bonded indebtedness for Improvement Area No. 4 to the qualified electors of Improvement Area No. 4.

At a special election held on October 14, 2014, the owners of the property within the boundaries of Improvement Area No. 4 authorized the District to incur bonded indebtedness for Improvement Area No. 4 in an amount up to \$150,000,000 and approved the Rate and Method.

Although the District is authorized to levy special taxes in the other improvement areas within the District, as well as in Improvement Area No. 4, the Bonds are not payable from special taxes levied in any of such other improvement areas. *The Bonds are payable solely from the Special Tax Revenues of Improvement Area No. 4 and the other assets pledged therefor under the Indenture.*

The Special Tax is excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the

qualified electors as set forth in the Act. The City Council, on behalf of the District, has the power and is obligated to cause the levy and collection of the Special Tax each year upon property located in Improvement Area No. 4. The City Council, on behalf of the District, will levy in each Fiscal Year the Special Taxes, as permitted by the Act. See Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The District is a legally constituted governmental entity established pursuant to the Act for the sole purpose of financing public facilities and services. Pursuant to the Act, the City Council is the legislative body of the District.

Rate and Method of Apportionment

Annual Special Tax

The District is legally authorized and has covenanted to cause the levy of the Special Taxes within Improvement Area No. 4 in an amount determined according to a methodology, *i.e.*, the Rate and Method, which the qualified electors of Improvement Area No. 4 approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in Improvement Area No. 4 as more particularly described herein. The full text of the Rate and Method is set forth in Appendix C hereto.

Capitalized terms used in the following description of the Rate and Method and not otherwise defined in the Indenture or herein have the meanings ascribed thereto in the Rate and Method.

The Rate and Method classifies all Taxable Property, *i.e.*, all assessor’s parcels in Improvement Area No. 4 not exempt pursuant to law or the Rate and Method, into five categories: Developed Property, Final Mapped Property, Undeveloped Property, Taxable Public Property and Taxable Property Owner Association Property. The amount of Special Taxes that Improvement Area No. 4 may levy is limited by the Maximum Annual Special Taxes set forth in the Rate and Method.

The term “Developed Property” is defined under the Rate and Method to mean, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the final subdivision map was recorded on or prior to January 1 of the prior Fiscal Year and a building permit for new construction was issued after January 1, 2014 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied. Developed Property is further classified into 36 categories (each a “Land Use Class”): (a) 18 categories of Detached Residential Property (with such categories based on the square footage of residential floor area), (b) eleven categories of Attached Residential Property (with such categories based on the square footage of residential floor area), (c) one category of Affordable Units, which are not subject to the Special Tax, and (d) six categories of Non-Residential Property (with such categories based on the primary use of such property, as reflected in the building permit therefor). The Maximum Annual Special Tax for Developed Property for Fiscal Year 2015-16 for each Land Use Class is set forth in the Rate and Method (attached Appendix C hereto). The Maximum Annual Special Tax for each Land Use Class of Developed Property increases, commencing on July 1, 2016 and on July 1 of each Fiscal Year thereafter through the Fiscal Year in which the fortieth anniversary of the date on which the Series 2016 Bonds were sold occurs (*i.e.*, Fiscal Year 2056-57), by an amount equal to 2% of the amount in effect for the previous Fiscal Year; a portion of such Maximum Annual Special Tax then terminates and the remaining Maximum Annual Special Tax increases by an amount equal to 3% of the amount in effect for the previous Fiscal Year. In instances where an

assessor's parcel contains more than one Land Use Class, the Maximum Annual Special Tax on such parcel will be the sum of the Maximum Annual Special Taxes for all Land Use Classes located on such parcel.

The term "Final Mapped Property" is defined under the Rate and Method to mean, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Public Property and Taxable Property Owner Association Property, located in a Final Subdivision as of January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, but no earlier than January 1, 2013. The term "Undeveloped Property" is defined under the Rate and Method to mean, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Public Property and Taxable Property Owner Association Property. Under the Rate and Method, the Intermediate Maximum Annual Special Tax for Final Mapped Property and Undeveloped Property is \$58,721 per acre for Fiscal Year 2015-16, which amount increases, on July 1, 2016 and on July 1 of each Fiscal Year thereafter, by an amount equal to 2% of the Intermediate Maximum Annual Special Tax for the previous Fiscal Year. Under the Rate and Method, the Maximum Annual Special Tax for Final Mapped Property, Undeveloped Property, Taxable Public Property and Taxable Property Owner Association Property is \$92,112 per acre for Fiscal Year 2015-16, which amount increases, on July 1, 2016 and on July 1 of each Fiscal Year thereafter, by an amount equal to 2% of the Maximum Annual Special Tax for the previous Fiscal Year.

The term "Developed Property Annual Special Tax Requirement" is defined under the Rate and Method to mean, for any Fiscal Year, the Maximum Annual Special Tax on Developed Property. The term "Final Mapped Property/Undeveloped Property Annual Special Tax Requirement" is defined under the Rate and Method to mean that amount required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all Bonds and any Subordinate CFD No. 2013-3 (IA No. 4) Bonds, (iii) pay for Administrative Expenses, (iv) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year, and (v) pay the Guaranteed Amount, less (vi) an amount equal to the Developed Property Annual Special Tax Requirement, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator, so long as the amount required is not less than zero. The term "Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement" is defined under the Rate and Method to mean that amount required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all Bonds and any Subordinate CFD No. 2013-3 (IA No. 4) Bonds, (iii) pay for Administrative Expenses, (iv) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year, less (v) an amount equal to the Developed Property Annual Special Tax Requirement, less (vi) the amount of the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement levied on Final Mapped Property and Undeveloped Property in such Fiscal Year, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator, so long as the amount required is not less than zero.

The term "Guaranteed Amount" refers to a portion of the Special Taxes to be used to pay for various authorized services. Such portion is to be remitted to the City only after the payment, or the provision for payment, of annual debt service on the Bonds and any necessary replenishment of the Reserve Fund.

Commencing with Fiscal Year 2015-2016 and for each following Fiscal Year, the City Council will levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Maximum Annual Special Tax for Developed Property.

Second: Determine the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement and Proportionately levy the Special Tax on each Assessor's Parcel of Final Mapped Property until the amount levied on Final Mapped Property is equal to the lesser of (i) the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement, or (ii) 100% of the Intermediate Maximum Annual Special Tax for Final Mapped Property.

Third: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until the amount levied on Undeveloped Property is equal to the lesser of (i) the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement less the amount levied pursuant to the second step above, or (ii) 100% of the Intermediate Maximum Annual Special Tax for Undeveloped Property.

Fourth: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement after the first three steps have been completed, then the Special Tax levy on each Assessor's Parcel of Final Mapped Property and Undeveloped Property shall be increased in equal percentages from the Intermediate Maximum Annual Special Tax up to 100% of the Maximum Annual Special Tax for Final Mapped Property and Undeveloped Property until the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement is satisfied.

Fifth: Determine the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement and Proportionately levy the Special Tax on each Assessor's Parcel of Taxable Property Owner Association Property until the amount levied on Taxable Property Owner Association Property is equal to the lesser of (i) the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement or (ii) 100% of the Maximum Annual Special Tax for Taxable Property Owner Association Property.

Sixth: If additional monies are needed to satisfy the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement after the fifth step has been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until the amount levied on Taxable Public Property is equal to the lesser of (i) the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement less the amount levied pursuant to the sixth step above, or (ii) 100% of the Maximum Annual Special Tax for Taxable Public Property.

The Special Tax was established to pay for both authorized facilities and authorized services, with a portion of the Special Tax terminating at the time described in the Rate and Method and the portion of the Special Tax for services being levied in perpetuity. The portion of the Special Tax that will be terminated as set forth in the Rate and Method may be prepaid under certain circumstances,

and is defined in the Rate and Method as the “Prepayable Portion” of the Special Tax. The obligation of an Assessor’s Parcel to pay the Prepayable Portion of the Special Tax may be fully or partially prepaid and permanently satisfied as described in the Rate and Method, provided that a prepayment may be made only for Assessor’s Parcels of Developed Property, or an Assessor’s Parcel of Final Mapped Property or Undeveloped Property for which a building permit for construction has been issued after January 1, 2014, and only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. The Prepayable Portion of the Residential Property Special Tax is 75.92% of the Maximum Annual Special Tax. The Prepayable Portion of the Non-Residential Property Special Tax is 74.20% of the Maximum Annual Special Tax.

One-Time Special Tax

The Rate and Method provides for the levy of a One-Time Special Tax at the time of a request for a Compliance Letter or a building permit for an Assessor’s Parcel of Residential Property if, as a result of changes in the number of Dwelling Units in a Land Use Class reflected in such request, the amount of Annual Special Taxes that can be levied would be reduced. Generally, if such changes in development affecting a Land Use Class result in (a) the total number of Dwelling Units for such Land Use Class exceeding the total number of Dwelling Units for that Land Use Class as listed in the Bond Issuance Development Phase Table included as Table 2 to the Rate and Method, or (b) the total number of Dwelling Units anticipated to be constructed within Improvement Area No. 4 being decreased to below the Total Number of Expected Dwelling Units reflected in the Bond Issuance Development Phase Table, and if such changes result in the Annual Special Taxes that could be levied being less than the Annual Special Taxes that could have been levied if such changes had not occurred (such reduced amount of such Annual Special Taxes, the “Shortfall”), the One-Time Special Tax will be levied on each Assessor’s Parcel expected to be developed with a Dwelling Unit in such Land Use Class, other than any of such Assessor’s Parcels that the CFD Administrator has, in accordance with the Rate and Method, previously determined that a One-Time Special Tax is not to be levied thereon (which determination has not been nullified pursuant to the Rate and Method), such that the aggregate amount of the One-Time Special Taxes so levied on such Assessor’s Parcels is sufficient to redeem the Bonds, the debt service on which could have been supported by the Shortfall. See Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If such One-Time Special Tax is levied, the proceeds thereof will be applied to the redemption of Bonds. See “THE SERIES 2016 BONDS - Redemption of the Series 2016 Bonds - Mandatory Redemption from Special Tax Prepayments and One-Time Special Taxes.”

Each of the Merchant Builders (defined below) has informed the Community Facilities District that such Merchant Builder does not expect to change its development plan, as described herein, in a way that would result in its developing a number of Dwelling Units in any Land Use Class that is different than that presently contemplated. In that case, there would be no levy of the One-Time Special Tax on any property within Improvement Area No. 4. However, by way of example, if, instead of development proceeding in Improvement Area No. 4 as presently contemplated by the Merchant Builders, the development actually undertaken caused each of the remaining Dwelling Units for which a building permit had not been issued as of July 18, 2016 to be assigned to the Land Use Class with the smallest Dwelling Units (viz., Land Use Class 18 for Detached Residential Property and Land Use Class 29 for Attached Residential Property), the result would be that One-Time Special Taxes aggregating approximately \$10,200,000 would be levied on the property within Improvement Area No. 4. Such aggregate amount represents an average amount

of approximately \$42,875 for each parcel within Improvement Area No. 4 for which a building permit has not yet been issued. As noted above, such One-Time Special Taxes would be applied to the redemption of the Series 2016 Bonds.

Value Limitations

The Rate and Method provides a Value Limitation for Residential Property and Non-Residential Property. In effect, the Value Limitations specifies that the Maximum Annual Special Taxes for a Land Use Class, together with Overlapping Liens, cannot exceed the amount set forth in the Rate and Method. The amount so set forth for Residential Property is a function of the expected base sales price of the units and the amount so set forth for Non-Residential Property is a function of the appraised value per square foot or Acre of such property. The Rate and Method requires that the Value Limitation be tested (once only), prior to the issuance of the first series of non-subordinated Bonds and, if the Value Limitation is not met for a Land Use Class, that the Maximum Annual Special Taxes for such Land Use Class be reduced, permanently, to a level that will cause the Value Limitation for that Land Use Class to be met. David Taussig & Associates, the third-party consultant engaged by the City in accordance with the Rate and Method, calculated the Value Limitation for each Land Use Class and, based on such calculations, the City determined that a reduction in the Maximum Annual Special Taxes for each of Land Use Classes 9, 13, 19, 20 and 21 was required. In accordance with the Rate and Method, the City and the Community Facilities District have executed a Certificate to Amend Annual Special Tax, which, pursuant to the Rate and Method, implements the reduction in the Maximum Annual Special Taxes for such Land Use Classes. A copy of such Certificate to Amend Annual Special Tax is included in Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” An Amended Notice of Special Tax Lien reflecting such reductions was recorded with the County Recorder on August 31, 2016 as Document No. 2016000416244. The Annual Special Tax amounts set forth in the tables herein reflect such reductions.

Debt Service Coverage

The following table sets forth projected debt service coverage for the Series 2016 Bonds from Special Tax Revenues.

Table No. 4
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Projected Debt Service Coverage

Fiscal Year Ending June 30	Maximum Special Taxes⁽¹⁾	Debt Service ⁽²⁾	Debt Service Coverage
2017	\$ 7,524,832	\$ 5,673,818	132.62%
2018	7,675,329	5,790,950	132.54
2019	7,828,835	5,905,950	132.56
2020	7,985,412	6,023,450	132.57
2021	8,145,120	6,140,800	132.64
2022	8,308,022	6,263,950	132.63
2023	8,474,183	6,392,150	132.57
2024	8,643,667	6,518,550	132.60
2025	8,816,540	6,647,950	132.62
2026	8,992,871	6,784,950	132.54
2027	9,172,728	6,918,950	132.57
2028	9,356,183	7,054,750	132.62
2029	9,543,306	7,196,950	132.60
2030	9,734,172	7,339,950	132.62
2031	9,928,856	7,488,350	132.59
2032	10,127,433	7,636,550	132.62
2033	10,329,982	7,789,150	132.62
2034	10,536,581	7,945,550	132.61
2035	10,747,313	8,105,150	132.60
2036	10,962,259	8,267,350	132.60
2037	11,181,504	8,436,550	132.54
2038	11,405,134	8,604,350	132.55
2039	11,633,237	8,777,250	132.54
2040	11,865,902	8,951,200	132.56
2041	12,103,220	9,130,600	132.56
2042	12,345,284	9,309,800	132.61
2043	12,592,190	9,499,600	132.55
2044	12,844,034	9,686,200	132.60
2045	13,100,914	9,884,000	132.55
2046	13,362,933	10,081,800	132.55
2047	13,630,191	10,283,800	132.54
2048	13,902,795	10,489,000	132.55
2049	14,180,851	10,696,400	132.58

⁽¹⁾ Based on the levy of the Maximum Annual Special Tax on all Developed Property, assuming development as presently anticipated by the Master Developer and the Merchant Builders and set forth in Table No. 2 of the Rate and Method. If development is altered in a way that would reduce the aggregate amount of Maximum Annual Special Taxes that could be levied, the Rate and Method provides for the levy of a One-Time Special Tax that will be applied to the redemption of Bonds. See "THE DISTRICT AND IMPROVEMENT AREA NO. 4 - Rate and Method of Apportionment." Pursuant to the Rate and Method, the Special Taxes on Developed Property are always levied at the Maximum Annual Special Tax Rates.

⁽²⁾ Debt Service is the debt service for the Corresponding Bond Year for the Fiscal Year shown in the first column (i.e., the Bond Year that commences in such Fiscal Year).

Numbers may not sum due to rounding.

Source: David Taussig and Associates, Inc.; Stifel

The District is authorized to levy the Special Taxes within Improvement Area No. 4 to finance certain public facilities and certain services. Special Tax Revenues become available in any Bond Year to pay the costs of authorized services only after amounts sufficient to pay debt service in such Bond Year, to replenish the Reserve Fund, if necessary, and to provide for the payment of Administrative Expenses have been set aside therefrom. See “SECURITY FOR THE SERIES 2016 BONDS – Flow of Funds.” Pursuant to the Rate and Method, the Special Taxes will be levied on Developed Property in each Fiscal Year at the Maximum Annual Special Tax rates. The amount of Special Taxes levied in excess of the amount required to pay debt service on the Series 2016 Bonds is intended to provide amounts to pay Administrative Expenses and the costs of authorized services. The “Guaranteed Amount” referred to in the Rate and Method is the amount of the Special Tax Revenues that is to be available to pay the costs of authorized services.

PROPERTY OWNERSHIP AND DEVELOPMENT

The information provided under this caption has been included because it may be considered relevant to an informed evaluation and analysis of the Series 2016 Bonds and Improvement Area No. 4. No assurance can be given, however, that the proposed development of the property within Improvement Area No. 4 will occur, or that it will occur in a timely manner or in the configuration or to the density described herein, or that the Master Developer, the Merchant Builders (defined below), any affiliates thereof, or any other property owner described herein will or will not retain ownership of its property within Improvement Area No. 4. Neither the Series 2016 Bonds nor the Special Taxes are personal obligations of any property owner within Improvement Area No. 4. The Series 2016 Bonds are secured solely by the Special Tax Revenues and certain other assets pledged therefor under the Indenture. The following information regarding ownership and planned development of Improvement Area No. 4 has been provided by the Master Developer or the respective Merchant Builders. No representation is made by the District as to the accuracy or adequacy of such information so provided.

The Great Park Neighborhoods

History

The property in Improvement Area No. 4 is part of the larger privately-owned master-planned project known as the Great Park Neighborhoods. The Master Developer, Heritage Fields El Toro, LLC, is the master developer of the Great Park Neighborhoods. The Great Park Neighborhoods are located in large part on property that once housed Marine Corps Air Station, El Toro (“MCAS El Toro”).

MCAS El Toro was commissioned in 1943. Throughout its history, MCAS El Toro served the United States as a training facility in peacetime and a staging area for support of overseas military missions in times of conflict. In 1993, the Base Realignment and Closure Commission recommended its closure. The base formally closed on July 2, 1999.

The County was designated the Local Redevelopment Authority for development of a Community Reuse Plan to guide future development of the former base. Initially, the County supported the development of an international airport on the former base property. Through a series of propositions, the airport plan was alternately approved and then defeated. On March 5, 2002, the voters in the County passed a measure that called for a multi-purpose central park instead of airport use.

In March 2003, the County agreed to a property tax transfer agreement with the City paving the way for annexation, which was approved in November 2003 by the Local Agency Formation Commission. The City completed annexation of MCAS El Toro on January 14, 2004.

Sale by the Navy

In February 2005, the Department of the Navy (“DON”) held an online auction for the sale of MCAS El Toro. In February 2005, the final bid of approximately \$650 million was accepted for the four parcels of land comprising the former MCAS El Toro. The winning bidder was Heritage Fields LLC (“HFLLC”).

On or about July 12, 2005, HFLLC purchased, or leased with a right to future conveyance, approximately 3,723 acres from the DON which constituted a significant portion of the former MCAS El Toro. Concurrently with HFLLC’s acquisition of the property, the City and HFLLC executed the Original Development Agreement dated July 12, 2005. Pursuant to the Original Development Agreement, HFLLC paid the City \$200 million in development fees.

On or about July 12, 2005, HFLLC transferred certain real property consisting of approximately 1,117 acres in fee title or as a lease in expectation of a fee title to the City for purposes of creating a great metropolitan park known as the Orange County Great Park (the “Orange County Great Park”). On July 12, 2005 and July 2, 2013, HFLLC also conveyed approximately 294 acres and 136 acres, respectively, to the City for other purposes.

Hazardous Waste

In 1990, the United States Environmental Protection Agency (the “EPA”) listed MCAS El Toro on the National Priorities List (the “NPL”). In 2005 and 2006, the EPA clarified that 1,013 acres of the Great Park Neighborhoods, including Improvement Area No. 4, had never been impacted by hazardous waste of any kind and were, therefore, not part of the EPA’s initial NPL determination. On January 21, 2014, the EPA formally deleted approximately 1,959 acres of additional property at MCAS El Toro from the NPL. Approximately 59 acres of the Great Park Neighborhoods, approximately 507 acres of City property and approximately 167 acres of County property remain on the NPL.

Proposed Development

Subsequent to its purchase thereof, HFLLC conveyed the Great Park Neighborhoods to the Master Developer. The Master Developer is an indirect subsidiary of HFLLC.

In connection with the acquisition of the property from the DON, HFLLC borrowed approximately \$775 million from El Toro, LLC, an affiliate of Lehman Brothers Holdings Inc. (“Lehman”). The borrowing was secured by a note (the “Note”) and deed of trust. In 2008, Lehman filed for bankruptcy. As part of the bankruptcy settlement, State Street Bank & Trust Company (“State Street”) acquired the Note from Lehman. Concurrently with the acquisition of the Note by State Street, the Master Developer worked with State Street on a restructuring of the Note and the provision of additional capital. In late December 2010, State Street and the Master Developer agreed on a restructuring that reduced the outstanding debt balance on the Note to \$210 million and provided the Master Developer with a \$180 million line of credit. The Master Developer has paid the Note and line of credit in full and State Street’s deed of trust has been released.

On December 27, 2010, the Master Developer, the City and the Redevelopment Agency of the City of Irvine, entered into the Amended and Restated Development Agreement (“ARDA”). On December 27, 2010, the Master Developer and the City entered into the Amended and Restated Master Implementation Agreement (“ARMIA”), which addresses, in part, the manner in which the Master Developer is to design and construct the backbone infrastructure serving both the Great Park Neighborhoods and the Orange County Great Park. On March 26, 2013, the Master Developer and the City entered into an Acquisition Agreement that sets out the procedures for financing various improvements through the District.

It is anticipated that the Great Park Neighborhoods will consist of up to 9,500 residential units and up to approximately 4,866,200 square feet of non-residential space (including, among other uses, commercial, retail, industrial, and research and development space). The development will be constructed in numerous phases over time. The first phase is located in Improvement Area No. 1, the second phase is located in Improvement Area No. 4.

The residential and non-residential uses generally surround the publicly-owned Orange County Great Park, which, upon completion, is currently anticipated to contain an approximately 175-acre sports park with soccer fields, baseball fields, softball fields, volleyball courts, tennis courts, sports courts, and dedicated parking, an 18-hole golf course, driving range, and clubhouse, an approximately 40-acre Bosque feature, which features may include a dog park, a cultural amphitheater area, children play area, and trails and walkways, the restored Agua Chinon creek, approximately 33 acres of trails and walkways and approximately 71 acres of agricultural property.

The Master Developer

Heritage Fields El Toro, LLC, the Master Developer, is a Delaware limited liability company that is managed by FivePoint Communities Management, Inc., a subsidiary of FivePoint Holdings, LLC (“FivePoint”). Lennar Corporation (NYSE: LEN), one of the nation’s largest homebuilders, is FivePoint’s biggest investor.

Led by Chairman and Chief Executive Officer, Emile Haddad, FivePoint is the largest developer of mixed-use communities in coastal California, based on the total number of residential homesites permitted under existing entitled zoning. Along with the Great Park Neighborhoods in Orange County, FivePoint also owns interests in and manages The San Francisco Shipyard and Candlestick Point in San Francisco County, and Newhall Ranch in Los Angeles County. Each of these communities will feature multi-generational housing, parks, green space and a blend of office, retail and commercial properties. The communities will collectively provide 40,000 residential homes (including approximately 6000 affordable housing units) and 20 million square feet of commercial space, along with approximately 15,000 acres of public parks and open space, and 10 new primary and secondary schools.

In addition to the four communities in which FivePoint owns interests, it manages other strategic long-term, master-planned communities owned by Lennar in California, including Treasure Island in San Francisco.

Sales to Merchant Builders

After formation of the District and the designation of Improvement Area No. 4, the Master Developer sold 1,029 home sites in Improvement Area No. 4 to nine different merchant builders (the “Merchant Builders”), which are developing the property in Improvement Area No. 4 under the

following names: (a) Shea Homes Limited Partnership (“Shea”), (b) Warmington Residential California, Inc. (“Warmington”), (c) Continental Residential Inc., doing business as “D.R. Horton, America’s Builder” (“D.R. Horton”), (d) Lennar Homes of California, Inc. (“Lennar California”), (e) Richmond American Homes of Maryland, Inc. (“Richmond American”), (f) K. Hovnanian at Beacon Park Area 129, LLC, a California limited liability company (“K. Hovnanian Rosemont”) and K. Hovnanian at Beacon Park Area 137, LLC, a California limited liability company (“K. Hovnanian Silvermist” and, together with K. Hovnanian Rosemont, “K. Hovnanian”), (g) Taylor Morrison of California, LLC (“Taylor Morrison”), (h) CalAtlantic Group, Inc. (“CalAtlantic Group”) and Ryland Homes of California, Inc., a subsidiary of CalAtlantic Group (“Ryland” and together with CalAtlantic Group, “CalAtlantic”), and (i) Pulte Home Corporation (“Pulte”).

The Master Developer currently owns approximately 20 acres of property within Improvement Area No. 4 that are expected to be conveyed to a homeowners’ association (the “Future Homeowners’ Association Property”). The Future Homeowners’ Association Property is expected to be exempt from the Improvement Area No. 4 Special Taxes. Because the Future Homeowners’ Association Property is not expected to be taxed and the sizing of the Series 2016 Bonds assumes no revenues from such property, the status of and development plans for the Future Homeowners’ Association Property are not discussed herein.

The Master Developer’s development plan for the property within Improvement Area No. 4 contemplates developing the parcels to the stage of completed merchant builder pads, with all perimeter infrastructure completed to the parcel boundaries as well as common area improvements. The Master Developer’s development plan is substantially complete and there is no outstanding work to be performed by the Master Developer with respect to the property conveyed to the Merchant Builders.

Subdivision Map Status

All of the Merchant Builders' property in Improvement Area No. 4 is being developed in accordance with the following Final Tract Maps, each of which has been recorded as of its respective date shown below:

**Table No. 5
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Final Tract Maps**

Merchant Builder	Neighborhood	Total Number of Lots	Final Maps⁽¹⁾	Final Maps Recorded
Shea	Brio	76	17724; 17734	09/09/2014 10/20/2014
Warmington	Opus	60	17724; 17736	09/09/2014 10/10/2014
D.R. Horton	Primrose	105	17735; 17741	10/10/2014 10/21/2014
Lennar California	Rowland	107	17733; 17740	10/10/2014 10/21/2014
Lennar California	Harper	84	17732	10/09/2014
Lennar California	Melody	62	17725; 17742	09/09/2014 10/21/2014
Lennar California	Larkspur	69	17725; 17730	09/09/2014 10/09/2014
Richmond American	Ellwood	71	17725; 17744	09/09/2014 10/22/2014
K. Hovnanian	Rosemont	76	17725; 17729	09/09/2014 10/10/2014
K. Hovnanian	Silvermist	51	17726; 17737	09/09/2014 10/10/2014
Taylor Morrison	Welton	53	17725; 17738	09/09/2014 10/10/2014
CalAtlantic ⁽²⁾	Oakmont	49	17725; 17731	09/09/2014 10/09/2014
CalAtlantic ⁽³⁾	Torrey	63	17726; 17728	09/09/2014 10/20/2014
CalAtlantic ⁽²⁾	Legend	48	17726; 17739	09/09/2014 10/10/2014
Pulte	Juniper	55	17726; 17743	09/09/2014 10/22/2014
		1,029		

⁽¹⁾ Final Map Nos. 17724, 17725 and 17726 contain model homes owned by the Merchant Builders indicated.

⁽²⁾ Title to property held in the name of Ryland, a subsidiary of CalAtlantic. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

⁽³⁾ Title to property held in the name of Standard Pacific Corp., which name, as of October 1, 2015, was changed to CalAtlantic Group, Inc. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

Source: Master Developer.

Utilities

It is expected that water and sanitary sewer services for the property in Improvement Area No. 4 will be provided by IRWD, that stormwater drainage services will be provided by the Orange County Flood Control District and the City and that electric service will be provided by Southern California Edison.

Improvement Area No. 4

Development

The property in Improvement Area No. 4 has been graded and major infrastructure (sewer, water, storm drains, utilities and arterial roads) and a six acre park, including recreation facilities and landscaping, has been completed by the Master Developer. In addition, nine merchant builders in 15 different neighborhoods have completed all 1,029 single-family residential lots to a finished condition, completed model homes and commenced vertical construction on a significant number of homes. A grand opening for the project occurred on August 15, 2015. As of July 18, 2016, 791 building permits had been issued for lots within Improvement Area No. 4.

See the map of the neighborhoods in Improvement Area No. 4 on the following page.

IRVINE BLVD

RIDGE VALLEY

ROSEMONT
K. HOVNANIAN HOMES

TORREY
CALATLANTIC HOMES

LARKSPUR
LENNAR

HARPER
LENNAR

ROWLAND
LENNAR

OAKMONT
CALATLANTIC HOMES

BRIO
SHEA HOMES

BEACON PARK

PRIMROSE
D.R. HORTON

OPUS
WARMINGTON RESIDENTIAL

SILVERMIST
K. HOVNANIAN HOMES

BEACON PARK SCHOOL (K-8)
OPENING AUGUST 2016

WELTON
TAYLOR MORRISON

ROWLAND
LENNAR

LEGEND
CALATLANTIC HOMES

PRIMROSE
D.R. HORTON

ELLWOOD
RICHMOND AMERICAN HOMES

JUNIPER
PULTE HOMES

GREAT PARK NEIGHBORHOODS
(FUTURE DEVELOPMENT AREA)

PROPOSED NEIGHBORHOOD PARK

CADENCE

GREAT PARK NEIGHBORHOODS
(FUTURE DEVELOPMENT AREA)

ORANGE COUNTY GREAT PARK
(BOSQUE)

BOSQUE

RIDGE VALLEY



Ownership

The table below shows the ownership, as of May 1, 2016, of the property within Improvement Area No. 4 being developed by the Merchant Builders, and the number of units expected to be constructed. As of May 1, 2016, the Master Developer owned approximately 20 acres of property within Improvement Area No. 4 that is expected to be conveyed to a homeowners' association.

Table No. 6
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Property Ownership
As of May 1, 2016

Merchant Builder	Neighborhood	Units Owned by Individual Homeowners	Units in Escrow	Remaining Merchant Builder Units/Lots	Total
Shea	Brio	10	14	52	76
Warmington	Opus	0	0	60	60
D.R. Horton	Primrose	24	6	75	105
Lennar California	Rowland	21	5	81	107
	Harper	21	4	59	84
	Melody	32	8	22	62
	Larkspur	25	6	38	69
Richmond American	Ellwood	12	59	0	71
K. Hovnanian ⁽¹⁾	Rosemont	10	12	54	76
	Silvermist	9	16	26	51
	Welton	14	16	23	53
CalAtlantic	Oakmont ⁽²⁾	8	7	34	49
	Torrey ⁽³⁾	15	12	36	63
	Legend ⁽²⁾	0	5	43	48
Pulte	Juniper	7	21	27	55
		208	191	630	1,029

⁽¹⁾ Includes lots owned by a land bank in partnership with K. Hovnanian. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *K. Hovnanian*."

⁽²⁾ Title to property held in the name of Ryland, a subsidiary of CalAtlantic. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

⁽³⁾ Title to property held in the name of Standard Pacific Corp., which name, as of October 1, 2015, was changed to CalAtlantic Group, Inc. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

Source: Merchant Builders

The table below shows the ownership, as of July 1, 2016, of the property within Improvement Area No. 4 being developed by the Merchant Builders, and the number of units expected to be constructed. As of July 1, 2016, the Master Developer owned approximately 20 acres of property within Improvement Area No. 4 that is expected to be conveyed to a homeowners' association.

Table No. 7
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Property Ownership
As of July 1, 2016

Merchant Builder	Neighborhood	Units Owned by Individual Homeowners	Units in Escrow	Remaining Merchant Builder Units/Lots	Total
Shea	Brio	16	14	46	76
Warmington	Opus	0	0	60	60
D.R. Horton	Primrose	33	4	68	105
Lennar California	Rowland	29	2	76	107
	Harper	26	9	49	84
	Melody	37	14	11	62
	Larkspur	28	5	36	69
Richmond American	Ellwood	25	44	2	71
K. Hovnanian ⁽¹⁾	Rosemont	11	18	47	76
	Silvermist	14	17	20	51
Taylor Morrison	Welton	22	14	17	53
CalAtlantic	Oakmont ⁽²⁾	12	7	30	49
	Torrey ⁽³⁾	21	9	33	63
	Legend ⁽²⁾	3	8	37	48
Pulte	Juniper	13	22	20	55
		290	187	552	1,029

⁽¹⁾ Includes lots owned by a land bank in partnership with K. Hovnanian. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *K. Hovnanian*."

⁽²⁾ Title to property held in the name of Ryland, a subsidiary of CalAtlantic. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

⁽³⁾ Title to property held in the name of Standard Pacific Corp., which name, as of October 1, 2015, was changed to CalAtlantic Group, Inc. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

Source: Merchant Builders

Value-to-Lien Analysis by Property Owner

The table below sets forth a value-to-lien analysis by property owner for Improvement Area No. 4, based on ownership and development as of May 1, 2016.

Table No. 8
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Value-to-Lien Analysis by Property Owner
As of May 1, 2016

<u>Property Owner</u>	<u>Neighborhood</u>	<u>Number of Units/Models/ Lots as of May 1, 2016⁽¹⁾</u>	<u>Market Value as of May 1, 2016⁽²⁾</u>	<u>Projected Fiscal Year 2016-2017 Maximum Annual Special Tax ⁽³⁾</u>	<u>% of Total Projected Maximum Annual Special Tax</u>	<u>Estimated Share of Series 2016 Bonds⁽⁴⁾</u>	<u>Projected Aggregate Value-to-Lien Ratio⁽⁵⁾</u>
Shea	Brio	66	\$23,952,000	\$320,098	4.25%	\$5,759,136	4.16
Warmington	Opus	60	19,568,400	332,981	4.43%	5,990,923	3.27
D.R. Horton	Primrose	82	31,100,000	417,241	5.54%	7,506,905	4.14
Lennar California	Harper/ Larkspur/Rowland	223	117,697,600	1,383,152	18.38%	24,885,338	4.73
Richmond American	Ellwood	59	33,731,000	386,028	5.13%	6,945,328	4.86
K. Hovnanian ⁽⁵⁾	Rosemont/ Silvermist	108	81,915,500	984,973	13.09%	17,721,406	4.62
Taylor Morrison	Welton	39	23,876,500	286,804	3.81%	5,160,103	4.63
CalAtlantic	Oakmont/ Legend ⁽⁶⁾ / Torrey ⁽⁷⁾	137	127,563,000	1,497,561	19.90%	\$ 26,943,772	4.73
Pulte	Juniper	48	36,226,400	454,870	6.04%	8,183,914	4.43
Total for Merchant Builders		822	\$495,630,400	\$6,063,709	80.58%	\$109,096,825	4.54
Individual Homeowners		207	\$213,000,000	\$1,461,123	19.42%	\$26,288,175	8.10
Totals:		1,029	\$708,630,400	\$7,524,832	100.00%	\$135,385,000	5.23

⁽¹⁾ From information provided by Merchant Builders.

⁽²⁾ From Appraisal.

⁽³⁾ Assumes buildout as projected by Merchant Builders.

⁽⁴⁾ The share of Series 2016 Bonds allocation is based on the projected Maximum Annual Special Tax for Fiscal Year 2016-17.

⁽⁵⁾ Includes lots owned by a land bank in partnership with K. Hovnanian. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *K. Hovnanian.*"

⁽⁶⁾ Title to property held in the name of Ryland, a subsidiary of CalAtlantic. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic.*"

⁽⁷⁾ Title to property held in the name of Standard Pacific Corp., which name, as of October 1, 2015, was changed to CalAtlantic Group, Inc. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic.*"

Numbers may not sum due to rounding.

Source: David Taussig & Associates; Stifel.

Projected Maximum Annual Special Tax by Property Owner

The table below sets forth the projected Fiscal Year 2016-17 Maximum Annual Special Tax by property owner for Improvement Area No. 4, based on ownership as of May 1, 2016.

**Table No. 9
Improvement Area No. 4
of City of Irvine Community Facilities District No. 2013-3 (Great Park)
Projected Fiscal Year 2016-17 Maximum Annual Special Tax by Property Owner**

Property Owner⁽¹⁾	Neighborhood	Number of Units/Models/Lots as of May 1, 2016⁽²⁾	Projected Fiscal Year 2016-2017 Maximum Annual Special Tax⁽³⁾	% of Total Projected Maximum Annual Special Tax
Individual Homeowners	Various	207	\$1,461,123	19.42%
Shea	Brio	66	320,098	4.25
Warmington	Opus	60	332,981	4.43
D.R. Horton	Primrose	82	417,241	5.54
Lennar California Homes	Rowland/Harper/ Melody/Larkspur	223	1,383,152	18.38
Richmond American	Ellwood	59	386,028	5.13
K. Hovnanian ⁽⁴⁾	Rosemont/Silvermist	108	984,973	13.09
Taylor Morrison	Welton	39	286,804	3.81
CalAtlantic	Oakmont/Legend ⁽⁵⁾ Torrey ⁽⁶⁾	137	1,497,561	19.90
Pulte	Juniper	48	454,870	6.04
Total		1,029	\$7,524,832	100.00%

⁽¹⁾ Does not include the approximately 20 acres of property owned by the Master Developer that are expected to be conveyed to a homeowners' association. Upon such conveyance, such property will be exempt from the Special Taxes.

⁽²⁾ From information provided by Merchant Builders.

⁽³⁾ Maximum Annual Special Taxes assume buildout as of projected by Merchant Builders.

⁽⁴⁾ Includes lots owned by a land bank in partnership with K. Hovnanian. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *K. Hovnanian*."

⁽⁵⁾ Title to property held in the name of Ryland, a subsidiary of CalAtlantic. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

⁽⁶⁾ Title to property held in the name of Standard Pacific Corp., which name, as of October 1, 2015, was changed to CalAtlantic Group, Inc. See "PROPERTY OWNERSHIP AND DEVELOPMENT – The Merchant Builders – *CalAtlantic*."

Numbers may not sum due to rounding.

Source: David Taussig & Associates; Stifel.

The Master Developer expects that approximately 20 acres of the property owned by it will be conveyed to a homeowners' association. Upon conveyance thereof to the homeowners' association, such property will be exempt from the Special Tax.

The Merchant Builders

The following descriptions of the proposed development of the property in Improvement Area No. 4 by the Merchant Builders beyond the stage of development reached by the Master Developer is based on information that was provided to the District by the Merchant Builders. Except to the limited extent indicated below, none of the Merchant Builders has provided the District with any information about its development plan, its financing for such plan, its experience or its abilities, nor has any such Merchant Builder participated in any other way in the issuance of the Series 2016 Bonds. Furthermore, the District has not made, and will not make, any investigation of the Merchant Builders or any other purchaser or potential purchaser of any property within Improvement Area No. 4. Therefore, no representation is made herein as to the experience, abilities or financial resources of the Merchant Builders or any other such purchasers or potential purchasers or as to the likelihood that such Merchant Builder or any other such purchasers or potential purchasers will be successful in developing the property within Improvement Area No. 4. Purchasers of the Series 2016 Bonds should not assume that the Merchant Builders or any other persons or entities that purchase property within Improvement Area No. 4 will have the experience, abilities or financial resources necessary to successfully develop such parcels beyond the stage of development reached by the Master Developer.

Shea

General

Shea Homes Limited Partnership, a California limited partnership, is referred to herein as Shea. Since 1881, beginning in Portland, Oregon with a plumbing contractor business, the Shea family has expanded to start, own and operate various businesses, including homebuilding, heavy construction, venture capital, home mortgage, insurance and commercial property. Shea is based in Walnut, California, and has been in the business of building homes in California since 1968. Shea was formed on January 4, 1989, pursuant to an agreement of partnership. The partnership agreement was most recently amended March 23, 2016, by and between J.F. Shea, G.P., a Delaware general partnership, as general partner, and Shea's limited partners, which are comprised of various entities and trusts, with ultimate beneficial ownership held by with various members of the Shea family.

Copies of Shea's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Shea's website at www.sheahomes.com. Such internet address is included for reference only, and the information on such 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 such internet site.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve Shea's property in Improvement Area No. 4 has been completed. Shea estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$15.4 million, including costs of home construction, landscaping, options, fees, warranties, taxes, selling expenses, and general/administrative expense.

Shea has financed, and is financing, its development activities on its property in Improvement Area No. 4 through internal sources, including cash on hand and home sales proceeds. Shea believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of Shea’s property within Improvement Area No. 4 will be available when needed. Neither Shea nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Shea’s property in Improvement Area No. 4. Any contributions by Shea or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete Shea’s planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Brio

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Brio is set forth below.

Development	Plan	Number of Lots	Home Square Footage	Homeowner Owned	Base Sales Price ⁽¹⁾
Brio	1	38	1,465	6	\$619,900
	2	38	1,963	4	\$705,900
Total		76		10	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Warmington

General

Warmington Residential California, Inc., referred to herein as Warmington, is a privately held homebuilder dating back to 1926, when William C. Warmington began building homes in and around Hollywood, California. Today, the Warmington group of companies is comprised of Warmington, Warmington Properties, Inc., a California corporation, and Chateau Interiors & Design. The Warmington group of companies is currently active in nine markets within California, Nevada and Arizona. In addition to its corporate headquarters and Southern California division offices, which are located in Costa Mesa, California, Warmington has division offices in San Ramon, California and Las Vegas, Nevada.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve Warmington’s property in Improvement Area No. 4 has been completed. Warmington estimates the costs remaining to complete construction of the homes that have yet to be completed, or that have been completed but not closed escrow, to be approximately \$9.5 million, including costs of home construction, landscaping, options, fees, warranties, taxes, selling expenses, and general and administrative expenses.

To date, financing of land acquisition, site development and home construction costs related to Warmington’s property in Improvement Area No. 4 have been provided through equity contributions and non-recourse construction financing provided by Comerica Bank. Warmington believes that such funding sources, together with home sales revenues, will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of Warmington’s property within Improvement Area No. 4 will be available when needed. Neither Warmington nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Warmington’s property in Improvement Area No. 4. Any contributions by Warmington or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete Warmington’s planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Opus

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Opus is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Opus	1	20	1,820	0	\$680,000
	2	10	1,961	0	\$705,000
	2X	10	2,076	0	\$730,000
	3	10	2,228	0	\$765,000
	3X	10	2,452	0	\$785,000
Total		<u>60</u>		<u>0</u>	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

D.R. Horton

General

Continental Residential Inc., doing business as “D.R. Horton, America’s Builder,” is referred to herein as D.R. Horton. D.R. Horton is a subsidiary of D.R. Horton, Inc., a Delaware corporation (“D.R. Horton, Inc.”), a public company whose common stock is traded on the New York Stock Exchange under the symbol “DHI.” Founded in 1978 and headquartered in Fort Worth, Texas, D.R. Horton, Inc. constructs and sells homes in 27 states and 79 metropolitan markets of the United States under the names of D.R. Horton, America’s Builder, Express Homes, Emerald Homes, Breland Homes, Regent Homes, Crown Communities and Pacific Ridge Homes.

The development of the Primrose project within Improvement Area No. 4 is currently being undertaken by the Inland Empire Division of D.R. Horton, Inc.

D.R. Horton, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the Securities and Exchange Commission (the “SEC”). Such filings, including particularly, D.R. Horton, Inc.’s Annual Report on Form 10-K for the Fiscal Year ended September 30, 2015, as filed with the SEC on November 10, 2015, and D.R. Horton, Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2016, as filed with the SEC on July 26, 2016, set forth certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries, including D.R. Horton, as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including D.R. Horton, Inc. The address of such internet web site is www.sec.gov. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by D.R. Horton, Inc. pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of D.R. Horton, Inc.’s Annual Report and each of its other quarterly and current reports, including any amendments, are also available from D.R. Horton, Inc.’s website at www.drhorton.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve D.R. Horton’s property in Improvement Area No. 4 has been completed. D.R. Horton estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$16.6 million, including costs of home construction, site improvements, options, fees, warranties, professional services, indirect costs, commissions and concessions.

To date, D.R. Horton has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area No. 4 through home sales and internally generated funds. D.R. Horton expects to use home sales and internal funding to complete its development within Improvement Area No. 4. However, home sales revenues for D.R. Horton’s project in Improvement Area No. 4 are not segregated and set aside for completing its project in Improvement Area No. 4. Home sales revenue is collected daily from D.R. Horton Inc.’s divisions for use in operations, to pay down debt and for other corporate purposes and may be diverted to other D.R. Horton Inc. needs at the discretion of D.R. Horton Inc.’s management. Notwithstanding the foregoing, D.R. Horton believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of D.R. Horton’s property within Improvement Area No. 4 will be available when needed. Neither D.R. Horton nor any other entity or person is under any legal obligation of any kind to expend funds for the development of D.R. Horton’s property in Improvement Area No. 4. Any contributions by D.R. Horton or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to

complete D.R. Horton’s planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Primrose

A summary of the proposed units by product type, the estimated sizes, the number owned by homeowners, and the base selling prices, as of May 1, 2016, for Primrose is set forth below.

Development	Plan	Number of Lots	Home Square Footage	Homeowner Owned	Base Sales Price ⁽¹⁾
Primrose	1	35	1,705-1,739	8	\$708,990
	2	35	1,657-1,664	7	\$657,990
	3	35	2,034	9	\$759,990
Total		105		24	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Lennar California

General

Lennar Homes of California, Inc., referred to herein as Lennar California, is based in Aliso Viejo, California, and has been in the business of developing residential real estate communities in California since 1995. Lennar California is owned by U.S. Home Corporation, a Delaware corporation (“U.S. Home”). U.S. Home is wholly owned by Lennar Corporation (“Lennar Corporation”), which was founded in 1954 and has been publicly traded under the symbol “LEN” since 1971. Lennar Corporation is one of the nation’s largest home builders, operating under a number of brand names, including Lennar California and U.S. Home. Lennar California develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar California maintains an interest. Lennar California has an indirect minority ownership interest in the Master Developer.

Lennar Corporation is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly Lennar Corporation’s Annual Report on Form 10-K for the fiscal year ended November 30, 2015, as filed with the SEC on January 22, 2016, and Quarterly Report on Form 10-Q for the quarter ended May 31, 2016, as filed with the SEC on July 1, 2016, set forth certain data relative to the consolidated results of operations and financial position of Lennar Corporation and its subsidiaries as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Lennar Corporation. The address of such internet web site is www.sec.gov. All documents subsequently filed by Lennar Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Lennar Corporation’s Annual Report and each of its other quarterly and current reports, including any amendments, are also available from Lennar Corporation’s website at www.lennar.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve Lennar California’s property in Improvement Area No. 4 has been completed. Lennar California estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$69.8 million, including costs of home construction, landscaping, options, fees, warranties, taxes, selling expenses, and general/administrative expense.

To date, Lennar California has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area No. 4 through home sales and internally generated funds. Lennar California expects to use home sales and internal funding to complete its development within Improvement Area No. 4. However, home sales revenue for Lennar California’s project in Improvement Area No. 4 is not segregated and set aside for completing its project in Improvement Area No. 4. Home sales revenue is made available to Lennar Corporation for use in operations, to pay down debt and for other corporate purposes and may be diverted to other Lennar Corporation needs at the discretion of Lennar Corporation’s management. Notwithstanding the foregoing, Lennar California believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of Lennar California’s property within Improvement Area No. 4 will be available when needed. Neither Lennar California nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Lennar California’s property in Improvement Area No. 4. Any contributions by Lennar California or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete Lennar California’s planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Rowland

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Rowland is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Rowland	1	32	1,661	7	\$629,990
	2	11	1,748	0	\$672,990
	3	32	1,837	6	\$697,990
	4	32	2,076	8	\$717,990
Total		107		21	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Harper

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Harper is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Harper	1	30	1,701	9	\$809,990
	2	30	1,941	8	\$844,990
	3	24	2,019	4	\$879,990
Total		84		21	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Melody

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Melody is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Melody	1	15	2,321	7	\$999,990
	2	15	2,407	9	\$1,034,990
	3	17	2,678	10	\$1,094,990
	4	15	2,774	6	\$1,090,990
Total		62		32	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Larkspur

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Larkspur is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Larkspur	1	20	2165	10	\$1,114,990
	2	25	2823	8	\$1,229,990
	3	24	3160	7	\$1,339,990
Total		69		25	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Richmond American

General

Richmond American Homes of Maryland, Inc., a Maryland corporation, referred to herein as Richmond American, is a wholly-owned subsidiary of M.D.C. Holdings, Inc., a Delaware corporation (“MDC”). MDC is a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol “MDC.” Richmond American and its predecessor entity have been building homes in California since 1986. Richmond American’s Southern California operations are based in Irvine, California.

MDC has two primary operations: homebuilding and financial services. MDC’s homebuilding operations consist of wholly-owned subsidiary companies that build and sell homes under the name “Richmond American Homes.” MDC’s financial services operations include subsidiary companies that provide mortgage financing, place title insurance and homeowner insurance for Richmond American homebuyers, and provide general liability insurance for MDC subsidiaries and most of the Richmond American subcontractors.

MDC is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly, MDC’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC on February 3, 2016, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, as filed with the SEC on August 3, 2016, set forth certain data relative to the consolidated results of operations and financial position of MDC and its subsidiaries as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including MDC. The address of such internet web site is www.sec.gov. All documents subsequently filed by MDC pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of MDC’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are also available from MDC and Richmond American’s website at www.richmondamerican.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve Richmond American’s property in Improvement Area No. 4 has been completed. Richmond American estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$18.5 million, including costs of home construction, options, fees, warranties, interest, commissions, offsite improvements, indirect costs, marketing and other general/administrative expense.

To date, Richmond American has financed its land acquisition, site development and home construction costs related to its property in Improvement Area No. 4 through internally generated funds. Richmond American expects to use homes sales revenue and internally generated funds to

complete development of its property in Improvement Area No. 4. Richmond American believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of Richmond American’s property within Improvement Area No. 4 will be available when needed. Neither Richmond American nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Richmond American’s property in Improvement Area No. 4. Any contributions by Richmond American or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete Richmond American’s planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Ellwood at Beacon Park

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Ellwood is set forth below.

Development	Plan	Number of Lots	Home Square Footage	Homeowner Owned	Base Sales Price ⁽¹⁾
Ellwood	S636	22	2,081	2	\$865,990
	S637	25	2,230	6	\$905,990
	S638	24	2,329	4	\$926,990
Total		71		12	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

K. Hovnanian

General

K. Hovnanian at Beacon Park Area 129, LLC, a California limited liability company, referred to herein as K. Hovnanian Rosemont, was formed for the purposes of developing the Rosemont neighborhood in Improvement Area No. 4. K. Hovnanian at Beacon Park Area 137, LLC, a California limited liability company, referred to herein as K. Hovnanian Silvermist, was formed for the purpose of developing the Silvermist neighborhood. K. Hovnanian Communities, Inc. is the sole member of both K. Hovnanian Rosemont and K. Hovnanian Silvermist. K. Hovnanian Communities, Inc. is wholly-owned by K. Hovnanian Developments of California, Inc., which is a wholly-owned subsidiary of Hovnanian Enterprises, Inc., a Delaware corporation, which is based in Red Bank, New Jersey. Hovnanian Enterprises, Inc. is a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol “HOV.”

Hovnanian Enterprises, Inc. is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly Hovnanian Enterprises, Inc.’s Annual Report on Form 10-K for the fiscal year ended October 31, 2015, as filed with the SEC on December 18, 2015, and Quarterly Report on Form 10-Q for the quarter ended April

30, 2016, as filed with the SEC on June 3, 2016, set forth certain data relative to the consolidated results of operations and financial position of Hovnanian Enterprises, Inc., and its subsidiaries as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Hovnanian Enterprises, Inc. The address of such internet web site is *www.sec.gov*. All documents subsequently filed by Hovnanian Enterprises, Inc., pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Hovnanian Enterprises, Inc.'s Annual Report and each of its other quarterly and current reports, including any amendments, are also available from Hovnanian Enterprises, Inc.'s website at *www.khov.com*.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve K. Hovnanian's property in Improvement Area No. 4 has been completed. K. Hovnanian Rosemont estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$19.8 million, including costs of home construction, landscaping, options, fees, warranties, taxes, selling expenses, and general/administrative expense. K. Hovnanian Silvermist estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$14.72 million, including costs of home construction, landscaping, option fees, warranties, taxes, selling expenses, and general/administrative expense.

To date, K. Hovnanian Rosemont has financed its land acquisition and various site development related to its property in Improvement Area No. 4 through home sales and funding through K. Hovnanian Rosemont's land bank (described below) and financed its home construction costs related to its property in Improvement Area No. 4 through home sales. K. Hovnanian Rosemont expects to use home sales revenue and funding through the land bank to complete its development within Improvement Area No. 4. However, home sales revenue for K. Hovnanian Rosemont's project in Improvement Area No. 4 is not segregated and set aside for the payment of costs required to complete its activities in Improvement Area No. 4. Home sales revenue is collected and used to pay costs of operations for K. Hovnanian and its affiliates, to pay down debt and for other corporate purposes, and may be diverted to pay costs other than the costs of completing K. Hovnanian Rosemont's activities in Improvement Area No. 4 at the discretion of K. Hovnanian's management. Notwithstanding the foregoing, K. Hovnanian believes that such funding sources will be sufficient to complete its proposed development in the Rosemont neighborhood of Improvement Area No. 4 as described herein.

On December 22, 2014, CDCG 3 HOV LP, a Delaware limited partnership ("CDCG"), purchased 76 lots from Heritage Fields El Toro, LLC. K. Hovnanian Rosemont holds the right to purchase such lots according to a takedown schedule between August 1, 2015 and March 1, 2017. Such right has been secured by a substantial down payment from K. Hovnanian Rosemont to CDCG. As of May 1, 2016, K. Hovnanian Rosemont has purchased 37 of such lots and CDCG owns the remaining 39 lots.

To date, K. Hovnanian Silvermist has financed its land acquisition and various site development costs related to its property in Improvement Area No. 4 through home sales and funding through K. Hovnanian Silvermist's land bank (described below) and financed home construction costs related to its property in Improvement Area No. 4 through home sales and funding under K. Hovnanian Silvermist's revolving credit facility (described below). K. Hovnanian Silvermist expects to use home sales, funding through the land bank and funding under the revolving credit facility to complete its development within Improvement Area No. 4. However, home sales revenue for K. Hovnanian Silvermist's project in Improvement Area No. 4 are not segregated and set aside for the payment of costs required to complete its activities in Improvement Area No. 4. Home sales revenue is accumulated and used to pay costs of operations for K. Hovnanian and its affiliates, to pay down debt and for other corporate purposes, and may be diverted to pay costs other than the costs of completing K. Hovnanian Silvermist's activities in Improvement Area No. 4 at the discretion of K. Hovnanian's management. Notwithstanding the foregoing, K. Hovnanian believes that such funding sources will be sufficient to complete its proposed development in the Silvermist neighborhood of Improvement Area No. 4 as described herein.

On January 7, 2016, K. Hovnanian Silvermist sold 27 finished residential lots to CDCG 3 HOV Portfolio LP, a Delaware limited partnership, an affiliate of CDCG ("CDCG Portfolio"). K. Hovnanian Silvermist obtained the right to repurchase such lots according to a takedown schedule between April 1, 2016 and January 1, 2017. Such right has been secured by a substantial down payment from K. Hovnanian Silvermist to CDCG Portfolio. Such takedowns will occur prior to the start of construction on each respective lot. As of May 1, 2016, K. Hovnanian Silvermist has repurchased three of such lots and CDCG Portfolio owns 24.

On March 20, 2015, K. Hovnanian Silvermist entered into a Revolving Credit Agreement with First Bank, a Missouri state chartered bank. On January 6, 2016, such loan was modified to accommodate the land bank with CDCG Portfolio. Such loan partially funds construction of the homes on lots that K. Hovnanian Silvermist owns. As of May 1, 2016, K. Hovnanian Silvermist had a loan balance of \$6,495,376 and a maximum available loan of \$15,000,000.

CDCG and CDCG 3 HOV Portfolio LP, a Delaware limited partnership are portfolio companies of Community Development Capital Group III LP (the "Fund"), a private fund advised by GSO Capital Partners LP, which is an affiliate of The Blackstone Group L.P. The Fund, through various affiliates, provides structured lot options to public and private homebuilders and, since 2012, the Fund and related entities have invested over \$1 billion with land bank investments in numerous major US housing markets.

No assurance can be given that amounts necessary to fund the remaining planned development of K. Hovnanian Silvermist's property or K. Hovnanian Rosemont's property within Improvement Area No. 4 will be available when needed. None of K. Hovnanian Silvermist, K. Hovnanian Rosemont, K. Hovnanian Communities, Inc., K. Hovnanian Developments of California, Inc., Hovnanian Enterprises, Inc., or any other entity or person, is under any legal obligation of any kind to expend funds for the development of K. Hovnanian Silvermist's property or K. Hovnanian's Rosemont's property in Improvement Area No. 4. Any contributions by K. Hovnanian Silvermist, K. Hovnanian Rosemont or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete K. Hovnanian Silvermist's planned development or K. Hovnanian Rosemont's development within Improvement Area No. 4, the remaining portions of K. Hovnanian Silvermist's planned development

or K. Hovnanian’s planned development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Rosemont

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Rosemont is set forth below.

Development	Plan	Number of Lots	Home Square Footage	Homeowner Owned	Base Sales Price ⁽¹⁾
Rosemont	5091	16	1,901-1,902	3	\$1,071,990
	5092	29	2,542-2,553	3	\$1,161,990
	5093	31	3,018-3,031	4	\$1,266,990
Total		76		10	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Silvermist

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Silvermist is set forth below.

Development	Plan	Number of Lots	Home Square Footage	Homeowner Owned	Base Sales Price ⁽¹⁾
Silvermist	5094	13	2,744-2,749	4	\$1,424,990
	5095	7	3,674-3,682	2	\$1,432,990
	5096	13	3,747	1	\$1,454,990
	5097	18	3,996	2	\$1,669,990
Total		51		9	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Taylor Morrison

General

Taylor Morrison of California, LLC, a California limited liability company, referred to herein as Taylor Morrison, owns the lots in Improvement Area No. 4 upon which homes are or were constructed prior to sales to homeowners. Taylor Morrison California was organized and qualified to do business in on December 14, 2007, and is the owner of record for all property solely owned by Taylor Morrison in the State of California, including the lots in Improvement Area No. 4. Taylor Morrison Services, Inc., a Delaware corporation qualified in California, is the sole member of Taylor Morrison.

Taylor Morrison California’s ultimate parent is Taylor Morrison Home Corporation (“TMHC”). The Class A common stock of TMHC is listed on the New York Stock Exchange under

the symbol TMHC. With principal executive offices located in Scottsdale, Arizona, TMHC was formed in 2012 and holds Taylor Morrison entities 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 and in California in 1946.

TMHC is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly, TMHC's Annual Report on Form 10-K for the Fiscal Year ended December 31, 2015, as filed with the SEC on February 25, 2016, and TMHC's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016, as filed with the SEC on May 4, 2016, set forth certain data relative to the consolidated results of operations and financial position of TMHC and its subsidiaries, including Taylor Morrison, as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including TMHC. The address of such internet web site is www.sec.gov. In addition, copies of TMHC's Annual Report and each of its other quarterly and current reports, including any amendments, are also available on the investor relations tab of the Taylor Morrison website at www.taylormorrison.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve Taylor Morrison's property in Improvement Area No. 4 has been completed. Taylor Morrison California estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$10 million, including costs of home construction, landscaping, options, fees, warranties, taxes, selling expenses, and general/administrative expenses.

Taylor Morrison finances its land acquisition, site development and home construction costs through its operations and the operations of TMHC's subsidiaries. Taylor Morrison believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of Taylor Morrison's property within Improvement Area No. 4 will be available when needed. None of Taylor Morrison, TMHC or any other entity or person is under any legal obligation of any kind to expend funds for the development of Taylor Morrison's property in Improvement Area No. 4. Any contributions by Taylor Morrison or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete Taylor Morrison's planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See "SPECIAL RISK FACTORS – Failure to Develop Property."

Welton

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Welton is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Welton	1	14	2,188	3	\$870,990
	2	11	2,412	3	\$990,990
	3	28	2,739	8	\$1,065,990
Total		53		14	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

CalAtlantic

General

CalAtlantic Group, Inc., referred to herein as CalAtlantic, is a homebuilder incorporated in Delaware in 1991, with principal executive offices located in Irvine, California. Ryland Homes of California, Inc., a Delaware corporation, referred to herein as Ryland, is a wholly-owned subsidiary of CalAtlantic. CalAtlantic is a publicly traded company with its stock listed on the New York Stock Exchange under the symbol “CAA.”

The development of the Torrey, Legend and Oakmont projects within Improvement Area No. 4 is currently being undertaken by the Southern California Coastal Division of CalAtlantic and marketed under the CalAtlantic name.

CalAtlantic is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly CalAtlantic’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC on February 29, 2016, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, as filed with the SEC on July 29, 2016, set forth certain data relative to the consolidated results of operations and financial position of CalAtlantic and its subsidiaries as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including CalAtlantic. The address of such internet web site is www.sec.gov. All documents subsequently filed by CalAtlantic pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of CalAtlantic’s annual report, quarterly reports and current reports, including any amendments, are also available from CalAtlantic’s website at www.calatlantichomes.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Prior Tax Delinquencies - Ryland

The following describes tax delinquencies of Ryland or its prior parent, The Ryland Group, Inc., a Maryland corporation (“Ryland Group”), occurring before the October 1, 2015 merger of Ryland Group with and into Standard Pacific Corp., with Standard Pacific Corp. being the surviving entity. Immediately following the merger, Standard Pacific Corp. changed its name to CalAtlantic.

Rogers Mill. In March 2010, a lot in the Ryland Group’s Rogers Mill community in Greenville, South Carolina was sold for non-payment of taxes. Ryland does not know whether the unpaid taxes included special taxes or assessments that secured the payment of bonds and that were levied or assessed against such property.

The Palms at Nocatee. In October 2012, the Tolomato Community Development District (the “Tolomato CDD”) filed a foreclosure suit for the delinquent payment of assessments relating to Ryland Group’s The Palms at Nocatee community in Duval County, Florida. Prior to that date an answer was due in such foreclosure action, the subject property was sold to DFH Land, LLC. That sale closed in February 2013 and the foreclosure action was dismissed with prejudice. At or subsequent to the closing of that sale, the delinquent assessments were paid to the Tolomato CDD or the applicable bonds were refinanced.

Rolling Hills. On or around July 1, 2014, Ryland Group received a letter from counsel to the Rolling Hills Community Development District (the “Rolling Hills CDD”) notifying Ryland Group that it failed to pay special assessment securing the Series 2006B Capital Improvement Revenue Bonds (the “2006B Bonds”) issued by the Rolling Hills CDD on five lots owned by Ryland Group within the Rolling Hills CDD. The letter further stated that the Rolling Hills CDD intended to initiate foreclosure proceedings against such lots for the amount of approximately \$111,000, which included accelerated principal and interest for the Series 2006B Bonds, plus additional penalties and interest, if Ryland Group didn’t pay the entire amount due, inclusive of penalties and interest, within ten days of the date of the letter. In addition to failing to pay the Rolling Hills CDD Assessments, Ryland Group did not pay property taxes on the lots and tax certificates were sold by Clay County. The owner of the tax certificates may apply for a tax deed in accordance with the requirements of Florida law. Although Ryland Group made prior attempts to sell the five lots, such attempts were unsuccessful. Ryland Group had no intention to redeem the tax certificates or pay the past due Rolling Hills CDD assessments, and it is highly likely the lots were foreclosed by the Rolling Hills CDD or tax deeded to one or more third parties.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve CalAtlantic’s property in Improvement Area No. 4 has been completed. CalAtlantic and Ryland estimate the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$46.1 million, including costs of home construction, development costs, fees, indirect costs, selling expenses, and model costs.

To date, CalAtlantic and its wholly-owned subsidiary Ryland have financed land acquisition and various site development and home construction costs related to its property in Improvement Area No. 4 through internally generated funds. CalAtlantic and Ryland expect to use home sales, internal funding and funding under CalAtlantic’s revolving credit facility, described below, to complete development activities in Improvement Area No 4. However, home sales revenue for

CalAtlantic's projects in Improvement Area No. 4 are not segregated and set aside for the payment of costs required to complete its activities in Improvement Area No. 4. Home sales revenue is accumulated and used to pay costs of operations for CalAtlantic and its subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, and may be diverted to pay costs other than the costs of completing CalAtlantic's activities in Improvement Area No. 4 at the discretion of CalAtlantic's management. Notwithstanding the foregoing, CalAtlantic believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

As of June 30, 2016, CalAtlantic was party to a \$750 million unsecured revolving credit facility (the "Revolving Facility"), which matures in October 2019. The Credit Facility has an accordion feature under which the aggregate commitment may be increased up to \$1.2 billion, subject to the availability of additional bank commitments and certain other conditions. The Revolving Facility contains certain covenants and conditions that may limit the amount that CalAtlantic may borrow or have outstanding at any time. As of June 30, 2016, there were no amounts outstanding under the Revolving Facility; as of such date there were outstanding letters of credit issued under the Revolving Facility totaling \$113.4 million, leaving \$636.6 million available under the Revolving Facility to be drawn as of such date. CalAtlantic's ability to renew the Revolving Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and CalAtlantic's financial condition and strength.

No assurance can be given that amounts necessary to fund the remaining planned development of CalAtlantic's property within Improvement Area No. 4 will be available when needed. For example, borrowings under the Revolving Facility may not be available and home sales revenue, which is accumulated daily for use in operations by CalAtlantic, including to fund costs of other direct and indirect subsidiaries, to pay debt service on outstanding debt and for other corporate purposes, may be diverted to pay costs other than the costs of completing CalAtlantic's activities in Improvement Area No. 4 at the discretion of CalAtlantic's management. Neither CalAtlantic nor any other entity or person is under any legal obligation of any kind to expend funds for the development of CalAtlantic's property in Improvement Area No. 4. Any contributions by CalAtlantic or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete CalAtlantic's planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See "SPECIAL RISK FACTORS – Failure to Develop Property."

Oakmont

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Oakmont is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Oakmont	1	19	2,524	3	\$1,098,900
	2	13	2,783	2	\$1,142,900
	3	17	3,064	3	\$1,247,900
Total		49		8	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Torrey

A summary of the proposed units by product type, the estimated sizes, the number of homes owned by homeowners, and the base selling prices, as of May 1, 2016, for Torrey is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Torrey	1	19	3,314	5	\$1,444,900
	2	21	3,559	4	\$1,498,900
	3	23	3,646	6	\$1,529,900
Total		63		15	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Legend

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Legend is set forth below.

<u>Development</u>	<u>Plan</u>	<u>Number of Lots</u>	<u>Home Square Footage</u>	<u>Homeowner Owned</u>	<u>Base Sales Price⁽¹⁾</u>
Oakmont	1	14	4,337	0	\$1,760,900
	2	15	4,408	0	\$1,813,900
	3	19	4,587	0	\$1,865,900
Total		48		0	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

Pulte

General

Pulte Home Corporation, a Michigan corporation, is referred to herein as Pulte. Pulte is a subsidiary of PulteGroup, Inc. (“PulteGroup”), a publicly-held holding company based in Atlanta, Georgia, whose subsidiaries engage primarily in the homebuilding business. The company also has mortgage banking operations, conducted principally through Pulte Mortgage LLC and title operations. PulteGroup is a Michigan corporation organized in 1956 whose common stock trades on the New York Stock Exchange under the symbol “PHM.”

Through its brand portfolio that includes Centex, Pulte Homes, Del Web, DiVosta Homes and John Weiland Homes and Neighborhoods, PulteGroup and its subsidiaries offer a wide variety of home designs, including single-family detached, townhouses, condominiums, and duplexes at different prices and with varying levels of options and amenities to the company’s major customer groups: entry-level, move-up, and active adult. Over its history, PulteGroup and its subsidiaries have delivered over 655,000 homes. As of December 31, 2015, PulteGroup, through its subsidiaries, conducted operations in approximately 50 markets located throughout 26 states.

PulteGroup is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly PulteGroup’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the SEC on February 8, 2016, and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, as filed with the SEC on July 21, 2016, set forth certain data relative to the consolidated results of operations and financial position of PulteGroup and its subsidiaries, including Pulte, as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including PulteGroup. The address of such internet web site is www.sec.gov. All documents subsequently filed by PulteGroup pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of PulteGroup’s Annual Report and each of its other quarterly and current reports, including any amendments, are also available from PulteGroup’s website at www.pultegroup.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are 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 such internet sites.

Financing Plan

As of May 1, 2016, all infrastructure needed to serve Pulte’s property in Improvement Area No. 4 has been completed. Pulte estimates the costs remaining to complete construction of the homes that have not closed escrow to be approximately \$18 million, including costs of home construction, landscaping, options, fees, warranties, taxes, selling expenses, and general/administrative expense.

To date, Pulte has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area No. 4 with cash generated from its home building operations and, where necessary, internal corporate financing from its parent entity,

PulteGroup. Pulte believes that such funding sources will be sufficient to complete its proposed development in Improvement Area No. 4 as described herein.

No assurance can be given that amounts necessary to fund the remaining planned development of Pulte’s property within Improvement Area No. 4 will be available when needed. Neither Pulte nor any other entity or person is under any legal obligation of any kind to expend funds for the development of Pulte’s property in Improvement Area No. 4. Any contributions by Pulte or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete Pulte’s planned development within Improvement Area No. 4, the remaining portions of such development may not be completed. See “SPECIAL RISK FACTORS – Failure to Develop Property.”

Juniper

A summary of the units by product type, the estimated sizes, the number owned by homeowners and the base selling prices, as of May 1, 2016, for Juniper is set forth below.

Development	Plan	Number of Lots	Home Square Footage	Homeowner Owned	Base Sales Price ⁽¹⁾
Juniper	1	10	2,897	1	\$1,205,880
	2	21	3,150	4	\$1,275,880
	3	24	3,328	2	\$1,330,888
Total		55		7	

⁽¹⁾ Base sales prices are as of May 1, 2016 and are exclusive of any premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered. There can be no assurance that base sales prices in the future will not differ from the historical base sales prices set forth in the table.

SPECIAL RISK FACTORS

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 Series 2016 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more events discussed herein could adversely affect the value of the property in Improvement Area No. 4. Moreover, the occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 4 to pay their Special Taxes when due. Such a failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of the Series 2016 Bonds.

The Series 2016 Bonds Are Limited Obligations

The Bonds are special obligations of the District, payable, as provided in the Indenture, solely from Special Tax Revenues and the other assets pledged therefor thereunder. Neither the faith and credit nor the taxing power of the District (except to the limited extent set forth in the Indenture), the City or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

Although the District is authorized to levy special taxes in the other improvement areas within the District, as well as in Improvement Area No. 4, the Bonds are not payable from special taxes levied in such other improvement areas. *The Bonds are payable solely from the Special Tax Revenues of Improvement Area No. 4 and the other assets pledged therefor under the Indenture.*

Funds for the payment of the principal of, and interest on, the Bonds are derived from Special Taxes levied in Improvement Area No. 4. The Special Taxes collected by the District could be insufficient to pay debt service on the Bonds due to non-payment of annual Special Taxes or insufficient proceeds received from the sales of land within Improvement Area No. 4 due to delinquencies. The District's obligation with respect to delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings with respect to parcels for which Special Taxes are delinquent under the circumstances described in the Indenture. See "SECURITY FOR THE SERIES 2016 BONDS – Covenant for Superior Court Foreclosure."

Maximum Annual Special Tax Rates

Within the limits of the Rate and Method, the City Council may adjust the Special Tax levied on all property within Improvement Area No. 4 to provide the amount required each year to pay Annual Debt Service, to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay Administrative Expenses. Pursuant to the Rate and Method, the Special Taxes on Developed Property will always be levied at the maximum annual rates. However, the amount of the Special Tax that may be levied against each category of Final Mapped Property and Undeveloped Property is subject to the maximum tax rate set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that said maximum tax rates would be sufficient to pay the amounts required to be paid pursuant to the Indenture. See "THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment" and Appendix C – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in Improvement Area No. 4 will be based on whether such parcel is publicly owned or otherwise exempt from Special Taxes and whether such parcel is developed or not and, for Developed Property, on the type of structure and square footage of the residential unit.

The Rate and Method specifies a multi-step process for determining the amount of the Special Tax to be levied in order to equal the amount needed to satisfy the applicable Developed Property Annual Special Tax Requirement, Final Mapped Property/Undeveloped Property Annual Special Tax Requirement, or the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement (as applicable, the "Annual Special Tax Requirement"). Basically, each category of Developed Property will be taxed at the applicable Maximum Annual Special Tax rates, regardless of the Annual Special Tax Requirement. If additional monies are needed to satisfy the Annual Special Tax Requirement, the Special Tax will be levied on Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property, as provided in the Rate and Method, until the Annual Special Tax Requirement is satisfied. See "THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment." In no event, however, may the Special Tax levied exceed the Maximum Annual Special Tax. Taxation of property owners at rates higher than presently anticipated could have an impact on the willingness and ability of the property owners to pay such Special Taxes when due.

The Rate and Method exempts from the Special Tax property classified as Property Owner Association Property, Public Property and Church Property, up to the number of acres of exempt property specified for each category, and Affordable Housing, Moderate Affordable Units and

Moderate Affordable Senior Units, so long as the total number of such units within the Improvement Area No. 4 does not exceed the number specified in the Rate and Method. The tax exempt status of such property will be assigned by the CFD Administrator in the chronological order in which property becomes Public Property, Property Owner Association Property, Church Property, Affordable Housing, Moderate Affordable Units or Moderate Affordable Senior Units. The Act provides that if any property within Improvement Area No. 4 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Taxes 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 operative effect of these provisions have not been tested in the courts. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, or another public agency, subject to the limitation of the maximum Special Taxes, which is not subject to increase pursuant to the Rate and Method, the Special Taxes will be reallocated to the properties within Improvement Area No. 4, other than Developed Property, which pursuant to the Rate and Method is always taxed at the maximum Special Tax rate. This would result in the owners of such properties paying a greater amount of the Special Tax and could have an adverse effect on the timely payment of the Special Tax.

See “THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment” and Appendix C – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The Special Taxes are not Personal Obligations of the Property Owners

The obligation to pay the Special Taxes does not constitute a personal obligation of the current or subsequent owners of the property in Improvement Area No. 4. Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Orange County Superior Court. See “SECURITY FOR THE SERIES 2016 BONDS – Covenant for Superior Court Foreclosure.” There is no assurance that any current or subsequent owner of a parcel subject to Special Taxes will be able to pay the Special Taxes, or that such owner will choose to pay such installments even though financially able to do so.

Special Tax Delinquencies

The Special Taxes (other than the One-Time Special Taxes) will be billed to properties within Improvement Area No. 4 on the *ad valorem* property tax bills sent to owners of such properties by the County. Such Special Tax installments will be due and payable and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments. For so long as the County continues on the Teeter Plan, the County is obligated to pay the District 100% of the amount of the Special Taxes actually levied on the County tax rolls in Improvement Area No. 4, regardless of any delinquencies. However, the County is required to terminate the Teeter Plan if two-thirds of the participants so petition the Board of Supervisors of the County and may discontinue the Teeter Plan as to Improvement Area No. 4 if the District’s delinquency rate exceeds 3%. See “– Teeter Plan Termination” and “SECURITY FOR THE SERIES 2016 BONDS – The Teeter Plan.” The Teeter Plan does not cover the collection of the One-Time Special Taxes which, if levied, will be hand-billed.

Significant delinquencies in the payment of annual Special Tax installments, or delays in the prosecution of foreclosure proceedings to collect such Special Taxes, could result in the depletion of the Reserve Fund and default in payment of debt service on the Series 2016 Bonds. See “SECURITY FOR THE SERIES 2016 BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions that apply, and the procedures that the District is obligated to follow, under the Indenture in the event of delinquencies in the payment of Special Taxes. See “– Payments by FDIC or Other Federal Agencies” and “– Bankruptcy” below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six month period after termination of such military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Concentration of Ownership

The timely payment on the Series 2016 Bonds depends upon the willingness and ability of the landowners to pay the Special Tax installments when due. As of May 1, 2016, the Merchant Builders owned property responsible for approximately 78.9% of the Special Taxes projected to be levied for Fiscal Year 2016-17. Conditions may affect the willingness of the landowners, or any successors, to pay Special Tax installments on property and there is no assurance that the owners will pay such Special Tax installments even if financially able to do so.

Failure to Develop Property

There can be no assurance that the means and incentive to conduct land development operations within Improvement Area No. 4 will not be adversely affected by a deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy.

Undeveloped property is less valuable per acre than developed property, especially if there are no plans to develop such property or if there are severe restrictions on the development of such property. Undeveloped property also provides less security to the Owners of the Series 2016 Bonds 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 Improvement Area No. 4 as currently proposed would result in a level of diversification within Improvement Area No. 4 that is less than currently planned, which could expose the Owners of the Series 2016 Bonds to additional risk. The timely payment of Special Taxes levied on undeveloped property depends primarily upon the ability and willingness of landowners to pay such taxes when due. As of May 1, 2016, the Merchant Builders owned property responsible for approximately 26.3% of the Special Taxes projected to be levied for Fiscal Year 2016-17 on property classified as Undeveloped Property or Final Mapped Property under the Rate and Method. A slowdown in or cessation of the development of land within Improvement Area No. 4 could reduce the ability and willingness of such owners to

make Special Tax payments, and could greatly reduce the value of such property in the event it has to be foreclosed upon to collect delinquent special taxes. See “– Bankruptcy” below for a discussion of certain limitations on the ability of the District to pursue judicial foreclosure proceedings with respect to taxpayers with delinquent Special Taxes.

Appraised Values

The Appraisal was prepared for the purpose of estimating the Market Value, as of May 1, 2016, of the land and improvements within Improvement Area No. 4 subject to the Special Tax, on the basis of certain assumptions. See the Appraisal in Appendix A hereto for a description of the analysis used and assumptions made by the Appraiser.

No assurance can be given that the market values of property in Improvement Area No. 4 set forth in the Appraisal will be maintained during the period of time the Series 2016 Bonds are Outstanding. The market values of the property in Improvement Area No. 4 can be adversely affected by a variety of factors, including, but not limited to, the occurrence of one or more of the special risk events discussed herein. A decrease in the market values of property in Improvement Area No. 4 may lessen the ability or willingness of the owners of such property to pay Special Taxes when due. Prospective purchasers of the Series 2016 Bonds should not assume that the property within Improvement Area No. 4 could be sold for the appraised amount described herein at the present time or at a foreclosure sale for delinquent Special Taxes.

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan, as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County’s Teeter Plan may help protect Owners from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Taxes. See “SECURITY FOR THE SERIES 2016 BONDS – The Teeter Plan.”

Bankruptcy

The payment of Special Taxes and the ability of the District to foreclose the lien of a delinquent Special Tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditor’s rights or by the laws of the State relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of Series 2016 Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings with respect to an owner of taxable property within Improvement Area No. 4 would not cause the Special Taxes to become extinguished, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value

of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Series 2016 Bonds and the possibility of delinquent tax installments not being paid in full. The prosecution of foreclosure proceedings could also be delayed for other reasons, including crowded court calendars and procedural delaying tactics.

Disclosures to Future Purchasers

The District has recorded a Notice of Special Tax Lien with respect to the Special Tax in the Office of the County Recorder of the County. 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 homebuyer or lender will consider such obligation for Special Taxes in the purchase of a home or the lending of money secured thereby. Failure to disclose the existence of the Special Taxes or the full amount of the *pro rata* share of debt on the land in Improvement Area No. 4 may affect the willingness and ability of future owners of land within Improvement Area No. 4 to pay the Special Taxes when due.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the district.

Under provisions of the Act, the Special Taxes, other than the One-Time Special Tax, are to be billed to the properties within Improvement Area No. 4 which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of such Special Taxes in the future. See “SECURITY FOR THE SERIES 2016 BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Natural Disasters and Potential Drought Conditions

The property within Improvement Area No. 4, like property in all California communities, may be subject to unpredictable seismic activity, wildfires or flooding in the wake of fires or in the event of unseasonable rainfall. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. Known active faults that could cause significant

ground shaking in Improvement Area No. 4 include, but are not limited to, the San Andreas Fault, the Newport Beach/Inglewood Fault (which fault runs from Culver City to the coastline just south of Newport Beach), the Elsinore Fault (located approximately 14 miles northeast of the property within Improvement Area No. 4) and the San Joaquin Hills Fault (located to the west, along the coastline south of Huntington Beach and north of Dana Point). In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in Improvement Area No. 4. The occurrence of seismic activity, fires or flooding in or around Improvement Area No. 4 could result in substantial damage to properties in Improvement Area No. 4 which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes when due.

From time to time the desert southwest and much of California experiences extended drought conditions. In recent years, rainfall and snowpack have been below historic normal conditions. Water service within the District is provided by IRWD whose supply comes from local groundwater wells in the Orange County Groundwater Basin, and the Irvine and Lake Forest sub-basins and from imported water purchased through the Municipal Water District of Orange County (MWDOC) from the Metropolitan Water District of Southern California (MWD), a regional water wholesaler that delivers imported water from Northern California and the Colorado River.

Hazardous Substances

The market value of the property in Improvement Area No. 4 is subject to diminution upon the future release or discovery thereon of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions 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) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, would be to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the property within Improvement Area No. 4, as set forth in the Appraisal does not reflect the presence of any hazardous substance or the possible liability of any owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, and is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 4 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.

Further, it is possible that liabilities may arise in the future with respect to any of the land within Improvement Area No. 4 resulting from the existence, currently, 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 adversely affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

Payments by FDIC or Other Federal Agencies

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government sponsored entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels in Improvement Area No. 4 is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed upon by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes or assessments.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings involving Orange County, California, in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale. Owners of the Series 2016 Bonds should assume that the District will be unable to foreclose on any parcel owned by the FDIC. According to County records, as of May 1, 2016, no property in Improvement Area No. 4 was owned by the FDIC.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property in Improvement Area No. 4 is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or in the event a private deed of trust secured by such a parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property 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 an instrumentality of the federal government such as Fannie Mae or Freddie Mac 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.

The District's remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Cumulative Burden of Parity Taxes, Special Assessments

The Special Taxes constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes 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 District does not have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments payable from all or a portion of the property within Improvement Area No. 4. In addition, the owners of property within Improvement Area No. 4 may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. Any such special taxes may have a lien on such property on a parity with the lien of the Special Taxes. See "SECURITY FOR THE SERIES 2016 BONDS – Direct and Overlapping Debt."

Value-to-Lien Ratios

The estimated value-to-lien ratios set forth herein under the caption "SECURITY FOR THE SERIES 2016 BONDS – Estimated Value-to-Lien Ratios" are based on the Market Values of the taxable property in Improvement Area No. 4 as of May 1, 2016, as set forth in the Appraisal, and the direct and overlapping debt allocable to property in Improvement Area No. 4, as set forth in Table No. 1 herein. No assurance can be given that such value-to-lien ratios will be maintained over time. As discussed herein, many factors which are beyond the control of the District could adversely affect the property values within Improvement Area No. 4. The District also has no control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. See "– Cumulative Burden of Parity Taxes, Special Assessments" and "SECURITY FOR THE SERIES 2016 BONDS – Direct and Overlapping Debt." A decrease in the property values in Improvement Area No. 4 or an increase in the parity liens on property in Improvement Area No. 4, or both, could result in a lowering of the value-to-lien ratios of the property in Improvement Area No. 4.

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Series 2016 Bonds or to preserve the tax-exempt status of the Series 2016 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2016 Bonds and of the Indenture 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, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. Additionally, the Series 2016 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. 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.

Right to Vote on Taxes Act

On November 5, 1996, the voters of the State approved Proposition 218, commonly referred to as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC ("Article XIIC") and XIID to the California Constitution, which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges.

Among other things, Section 3 of Article XIII 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 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. Accordingly, although the matter is not free from doubt, it is likely that Article XIIC 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 Series 2016 Bonds.

It may be possible, however, for voters or the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2016 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels or which reduces the Special Taxes applicable to Developed Property, thereby increasing the Special Taxes levied on other categories of property. Therefore, no assurance can be given with respect to the levy of Special Taxes for services or administrative expenses. 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 Series 2016 Bonds.

The interpretation and application of Article XIIC 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. See "SPECIAL RISK FACTORS – Limitations on Remedies."

Redemption of Series 2016 Bonds from Prepaid Special Taxes and One-Time Special Taxes

The Series 2016 Bonds are subject to mandatory redemption, in whole, or in part in Authorized Denominations, on any Interest Payment Date, from and to the extent of Prepaid Special Taxes and One-Time Special Taxes. See "THE SERIES 2016 BONDS – Redemption of the Series 2016 Bonds" and "THE DISTRICT AND IMPROVEMENT AREA NO. 4 – Rate and Method of Apportionment."

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION – Tax Exemption,” interest on the Series 2016 Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Series 2016 Bonds were issued, as a result of acts or omissions of the District in violation of the Code. Should such an event of taxability occur, the Series 2016 Bonds are not subject to redemption and will remain Outstanding until maturity or until redeemed under the optional redemption or mandatory redemption provisions of the Indenture.

Limited Liquidity of the Series 2016 Bonds

The District has not applied for, and does not expect to receive, a rating on the Series 2016 Bonds from any nationally recognized rating organization. This fact, coupled with the fact that the Series 2016 Bonds are secured by Special Taxes payable by a relatively small number of landowners, may limit the secondary market for, and therefore the liquidity of, the Series 2016 Bonds.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2016 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Series 2016 Bonds might be affected as a result of such an audit of the Series 2016 Bonds (or by an audit of similar bonds or securities).

LITIGATION

At the time of delivery of and payment for the Series 2016 Bonds, the District will certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or, to the best knowledge of the District, threatened against the District in any material respect affecting the existence of the District or Improvement Area No. 4 or the titles of the District’s officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Series 2016 Bonds or challenging directly or indirectly the proceedings to levy the Special Taxes or to issue the Series 2016 Bonds.

CONTINUING DISCLOSURE

Pursuant to an agreement (the “Continuing Disclosure Agreement”) with The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee, the District has covenanted for the benefit of the Owners of the Series 2016 Bonds to provide certain financial information and operating data relating to the Series 2016 Bonds, the District, ownership of the property in Improvement Area No. 4 that is subject to the Special Tax, the occurrence of delinquencies in payment of the Special Tax, and the status of foreclosure proceedings, if any, respecting Special Tax delinquencies (the “District Disclosure Report”), and to provide notices of the occurrence of certain enumerated events. The financial information and operating data is required to be provided annually. A form of the Continuing Disclosure Agreement is included in Appendix F – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” The District Disclosure Reports are to be provided by the District not later than March 1 of each year, commencing March 1, 2017. The District Disclosure Reports will be filed by the District through the Electronic Municipal Market Access (EMMA) website of the MSRB, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Securities and Exchange Commission Rule

15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”). These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12. The District has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events.

The District is a legally constituted governmental entity separate and apart from the City. However, pursuant to the Act, the City Council is the legislative body of the District. The City Council is also the legislative body of certain other community facilities districts established by the City Council and is the board of directors for a financing authority established pursuant to the City’s Municipal Code. During the last five years (a) the financial statements for Fiscal Year 2010-11 were not timely filed for an issue of then-outstanding limited obligation improvement bonds of the City, (b) for Fiscal Year 2010-11, a content requirement (the amount on deposit in the improvement fund) pursuant to continuing disclosure undertakings for each of the City’s limited obligation improvement bond issues was not met, and (c) significant event notices of changes in bond ratings resulting from changes in ratings to bond insurers or credit enhancers were not timely filed in accordance with the continuing disclosure undertakings for an issue of limited obligation improvement bonds of the City and three issues of assessment revenue bonds of such financing authority.

UNDERWRITING

The Series 2016 Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Series 2016 Bonds for \$147,755,906.30, which represents the principal amount of the Series 2016 Bonds, plus a net original issue premium of \$12,410,370.05, less an underwriter’s discount of \$489,463.75. The purchase contract for the Series 2016 Bonds provides that the Underwriter will purchase all of the Series 2016 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Series 2016 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

CONCLUDING INFORMATION

Legal Opinions

The law firm of Rutan & Tucker, LLP, Costa Mesa, California, has been engaged by the City as Bond Counsel in connection with the issuance and sale of the Series 2016 Bonds. In addition, Rutan & Tucker, LLP serves as City Attorney pursuant to an on-going contract with the City.

The validity of the Series 2016 Bonds and certain other legal matters are subject to the approving opinion of Rutan & Tucker, LLP, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel’s opinion is set forth in Appendix D hereto and will accompany the Series 2016 Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, for the City and the District by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney, and for Heritage Fields El Toro, LLC by Feldman Law Group LLP, Santa Monica, California. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel in connection with the Series 2016 Bonds.

Financial Advisor

Fieldman, Rolapp & Associates has acted as Financial Advisor solely to the City and the District in connection with the issuance of the Series 2016 Bonds.

Financial Interests

The fees of Disclosure Counsel, Underwriter's Counsel and the Financial Advisor are contingent upon issuance of the Series 2016 Bonds. From time to time, Rutan & Tucker, LLP and Orrick, Herrington & Sutcliffe LLP represent the City on matters unrelated to the Series 2016 Bonds.

Tax Exemption

In the opinion of Rutan & Tucker, LLP, Bond Counsel to the District, based on existing statutes, regulations, rulings and judicial decisions and assuming continuing compliance by the District with certain covenants in the documents and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of Series 2016 Bond proceeds, interest on the Series 2016 Bonds is not includable in the gross income of the owners of the Series 2016 Bonds for purposes of federal income taxation. Failure to comply with such covenants and requirements may cause such interest to be included income retroactively to the date of issuance.

Interest on the Series 2016 Bonds will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; however, such interest on the Series 2016 Bonds may be included as an adjustment in the calculation of the alternative minimum taxable income of a corporation and may therefore affect such corporation's alternative minimum tax and environmental tax liabilities.

Ownership of tax-exempt obligations may result in collateral income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion with respect to any of such consequences and, accordingly, prospective purchasers of the Series 2016 Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

In the further opinion of Bond Counsel, interest on the Series 2016 Bonds will be exempt from personal income taxes imposed by the State of California. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

No Ratings

Neither the District nor the City has made, and neither contemplates making, any application to any rating agency for the assignment of a rating to the Series 2016 Bonds.

Miscellaneous

The quotations from, and the summaries and explanations of the Indenture and statutes and other documents contained herein do not purport to be complete, and reference is made to such documents and statutes for the full and complete statements of their respective provisions.

This Official Statement is submitted only in connection with the sale of the Series 2016 Bonds by the District. This Official Statement does not constitute a contract with the purchasers of the Series 2016 Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been duly authorized by the District.

**CITY OF IRVINE COMMUNITY
FACILITIES DISTRICT NO. 2013-3
(GREAT PARK)**

By: _____ /s/ Sean Joyce
City Manager

APPENDIX A
APPRAISAL

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APPRAISAL REPORT

***CITY OF IRVINE
COMMUNITY FACILITIES DISTRICT NO. 2013-3
(GREAT PARK) IMPROVEMENT AREA NO. 4
2016 SPECIAL TAX BONDS***

Prepared for:

CITY OF IRVINE
1 Civic Center Plaza
Irvine, CA 92623-9575

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

May 2016

Harris Realty Appraisal

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

May 13, 2016

Ms. Grace Leung
Director of Administrative Services
CITY OF IRVINE
PO Box 19575
1 Civic Center Plaza
Irvine, CA 92623-9575

Re: City of Irvine Community Facilities District No. 2013-3
(Great Park) Improvement Area No. 4.

Dear Ms. Leung:

In response to your authorization, we have prepared a self-contained appraisal report which addresses the property within the boundaries of the City of Irvine, Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4 ("Improvement Area No. 4"). This appraisal includes an estimate of Market Value for all the land and improvements subject to a special tax levy. Improvement Area No. 4 is proposed for 1,029 for-sale market rate dwelling units. The market rate dwelling units are subject to special tax and included in this appraisal assignment. The land is in various stages of unit construction from physically finished lots to completed and sold dwelling units. All of the buildable land, to be subject to special tax, in Improvement Area No. 4 was sold to ten merchant builders between December 2014 and June 2015. There are 20 recorded final maps proposed for 15 different products to be built by 10 merchant builders. Lennar Homes owns land proposed for four products, K. Hovnanian owns land proposed for two products and Ryland Homes and Standard Pacific Corp. (currently known as CalAtlantic Homes) own land proposed for three products. Fourteen products entered the market with sales on August 15, 2015. As of the date of value, 207 dwelling units had closed escrows to individual homeowners. In total, 1,029 for-sale dwelling units are planned for Improvement Area No. 4.

Ms. Grace Leung
May 13, 2016
Page Two

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), Improvement Area No. 4 is valued in bulk, representing a discounted value to each ownership as of May 1, 2015, the date of value. The sold dwelling units are valued based on their recent sales price for each dwelling unit. The aggregate of the values, represents the Market Value of the entire property within Improvement Area No. 4, subject to a special tax levy.

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 May 1, 2015.

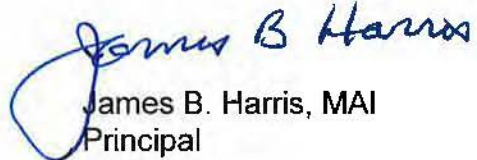
IMPROVEMENT AREA NO. 4
SEVEN HUNDRED EIGHT MILLION DOLLARS
\$708,000,000

The self-contained appraisal report that follows sets forth the results of the data and analyses upon which our opinions of value are, in part, predicated. This appraisal report has been prepared for the City of Irvine for use in the sale of City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4 Special Tax Bonds. The intended users of this appraisal report are the City, its underwriters, 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 Irvine
Community Facilities District No 2013-3
Beacon Park
(Great Park)
Improvement Area 4

Great Park

Irvine Blvd

Cadence

Ridge Valley

133 Toll Rd

Boundaries Approximate

0943 050116

SUMMARY OF FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL May 1, 2016
DATE OF REPORT May 13, 2016
DISTRICT NAME City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4 (referred to herein as "Improvement Area No. 4")
INTEREST APPRAISED Fee Simple Estate, subject to special tax

PROJECT NAMES, MERCHANT BUILDERS, LEGAL DESCRIPTIONS AND SITE CONDITION

Product Name
Merchant Builder
Tract & Lot Nos. **Site & Unit Condition**

BEACON PARK

Ellwood 12 Completed and sold DUs
Richmond American 3 Completed models
Tr 17744 43 DUs under construction
13 Finished lots

Melody 32 Completed & sold DUs
Lennar Homes 4 Completed models
Tr 17742 13 DUs under construction
13 Finished lots

Rowland 21 Completed & sold DUs
Lennar Homes 4 Completed models
Tr 17740 & 17733 22 DUs under construction
60 Finished lots

Primrose 23 Completed & sold DUs
DR Horton 3 Completed models
Tr 17741 & 17733 19 DUs under construction
60 Finished lots

Welton 14 Completed & sold DUs
Taylor Morrison 3 Completed models
Tr 17738 25 DUs under construction
11 Finished lots

Brio 10 Completed & sold DUs
Shea Homes 2 Completed models
Tr 17734 22 DUs under construction
42 Finished lots

Juniper 7 Completed & sold DUs
Pulte Homes 3 Completed models
Tr 17743 22 DUs under construction
23 Finished lots

Legend 0 Completed & sold DUs
Ryland Homes 3 Completed models
Tr 17739 19 DUs under construction
26 Finished lots

SUMMARY OF FACTS AND CONCLUSIONS

PROJECT NAMES, MERCHANT BUILDERS, LEGAL DESCRIPTIONS AND SITE CONDITION CONT.	Product Name Merchant Builder Tract & Lot Nos.	Site & Unit Condition
	Silvermist K. Hovnanian Tr 17737	9 Completed & sold DUs 4 Completed models 11 DUs under construction 27 Finished lots
	Harper Lennar Homes Tr 17732	21 Completed & sold DUs 3 Completed models 18 DUs under construction 42 Finished lots
	Oakmont Ryland Homes Tr 17731	8 Completed & sold DUs 3 Completed models 19 DUs under construction 19 Finished lots
	Larkspur Lennar Homes Tr 17730	25 Completed & sold DUs 3 Completed models 16 DUs under construction 25 Finished lots
	Torrey Standard Pacific Tr 17728	15 Completed & sold DUs 3 Completed models 29 DUs under construction 16 Finished lots
	Rosemont K. Hovnanian Tr 17729	10 Completed & sold DUs 3 Completed models 10 DUs under construction 53 Finished lots
	Opus Warmington Tr 17736	0 Completed & sold DUs 6 Models Under Construction 12 DUs under construction 42 Finished lots

A lot by lot summary for the 207 sold dwelling units is included in the Addenda.

HIGHEST AND BEST USE

Continued development of 15 residential products proposed for 1,029+ for-sale dwellings.

VALUATION CONCLUSION

CFD No. 2013-3 Improved Area No. 4

Market Value- \$708,000,000

207 Individual Ownerships: \$213,000,000

10 Merchant Builder Ownerships: \$495,000,000

(44 built models & 306 DUs under construction: \$267,000,000

472 physically finished lots: \$228,000,000)

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HRA

INTRODUCTION

Purpose of the Report

The purpose of this appraisal is to estimate the "as is" Market Value for the *fee simple estate, subject to special tax liens* for all the taxable property within the City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4, (referred to herein as "Improvement Area No. 4"). Improvement Area No. 4 is proposed for 1,029 for-sale market rate dwelling units. The market rate dwelling units are subject to special tax and included in this appraisal assignment.

The properties subject to special tax are under the ownerships of 10 merchant builders: Ryland Homes of California, Inc.; Taylor Morrison of California, LLC, Warmington BP Associates, LLC, CDCG 3 Hov LP, K. Hovnanian at Beacon Park Area 137, LLC, Continental Residential, Inc., Standard Pacific Corp., Shea Homes Limited Partnership; Richmond American Homes of Maryland, Inc.; Pulte Homes Corporation; Lennar Homes of California, Inc.; and 207 individual homeowners. The homebuilder Lennar Homes is a related entity to the developer, Heritage Fields El Toro, LLC (the "Developer"). The appraiser's are aware that in late 2015 there was a merger between Ryland Homes and Standard Pacific Corp. However, based on our search of the public records and interview with a representative from CalAtlantic Homes, the land within Beacon Park has not transferred to the new ownership of CalAtlantic Group, Inc. Based on a review of grant deeds for the two products owned by Ryland Homes, Legend and Oakmont, the transfers of the dwellings are shown from Ryland Homes of California, Inc. However, the Standard Pacific product, Torrey, appears to be transferring from CalAtlantic Group, Inc. As of the date of value, the Developer no longer owns any property within Improvement Area No. 4 that is expected to be subject to the special tax.

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 Irvine.

HRA

Function of the Report and Intended Use

It is our understanding that this appraisal report is to be used for Improvement Area No. 4 bond financing purposes only. The subject property is described 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 Improvement Area No. 4 is \$150,000,000.

Client and Intended Users of the Report

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

Scope of the Assignment

According to specific instructions from the City and the CDIAAC guidelines, the total value conclusion includes the "as is" estimate of Market Value under the ownerships of the 10 merchant builders and 207 homeowners. The estimated values of the finished lots and units under construction, for each merchant builder ownership, will represent the "as is" bulk value to each ownership. Any lands designated for park, open space or civic uses within Improvement Area No. 4 and not subject to tax are not included in this assignment.

According to the report for Improvement Area No. 4 prepared by David Taussig & Associates, Inc., the subject property, Improvement Area No. 4, consists of 219± gross acres. The subject property is the second community to be improved within the master planned community known as "The Great Park Neighborhoods". The development within Improvement Area No. 4 is known as "Beacon Park". Improvement Area No. 4 includes 20 final tract maps proposed for 15 products. Fourteen of the 15 products opened for home sales on August 15, 2015. The remaining product to open for sales is known as Opus, which is currently under construction by Warmington Homes. The 6 models and 12 production dwellings within the Opus product are under construction as of the date of value. Sales to homeowners is expected in August 2016.

HRA

Of the 14 products currently in a sales program within the District, 13 products have closed escrows to homeowners.

We have analyzed the subject property based upon the existing and 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 Irvine (zoning information, building permit trends), City of Irvine 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 information was gathered from Improvement Area No. 4's Special Tax Consultant, the Developer, merchant builders and interviews.
2. Inspected the subject's neighborhood, proposed and existing products and similar products for consideration of Highest and Best Use of the proposed lots/sites.
3. Residential attached and detached dwelling unit sales, within the subject's primary and secondary market areas were analyzed. 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 May 1, 2016. The date of the appraisal report is May 13, 2016.

Date of Inspection

The subject property was inspected on several occasions, with the most recent on May 6, 2016.

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.

HRA

Property Identification

Improvement Area No. 4 is located in the City of Irvine in Orange County, California in the northeasterly portion of the City. Improvement Area No. 4 is one of four improvement areas within City of Irvine Community Facilities District No. 2013-3 (Great Park) (the "CFD"). The subject property is the second residential community to be developed in the CFD and is known as "Beacon Park", Improvement Area No. 4. The CFD, in its entirety, consists of 3,108 gross acres of land generally bordered to the southwest by Interstate 5, to the northwest by the Eastern Transportation Corridor, to the northeast by the Foothill Transportation Corridor and to the southeast by Alton Parkway. Of the 3,108 gross acres, 913.2 acres are expected to be developed into uses subject to the Special Tax. At the time of formation of the CFD, the expected build out of CFD No. 2013-3 was for approximately 4,894 residential units and 5,226,600 square feet of non-residential uses. The current plans for the property within the CFD are for development of approximately 9,500 dwelling units, and 4,433,200 square feet of non-residential uses.

Improvement Area No. 4 is generally located south of Irvine Boulevard, east of the Eastern Transportation Corridor (S-133) and north of Trabuco Road in the City of Irvine. Improvement Area No. 4 is proposed for 1,029 for-sale market rate residential dwelling units. The market rate dwelling units are subject to special tax and included in this appraisal assignment. Please refer to the CFD location map on the next page, which identifies the CFD and the improvement areas, including Improvement Area No. 4. Only the property subject to special tax within Improvement Area No. 4 is included in this appraisal assignment. The balance of the CFD, including exempt property, is not a part of this appraisal assignment and not included in the valuation.

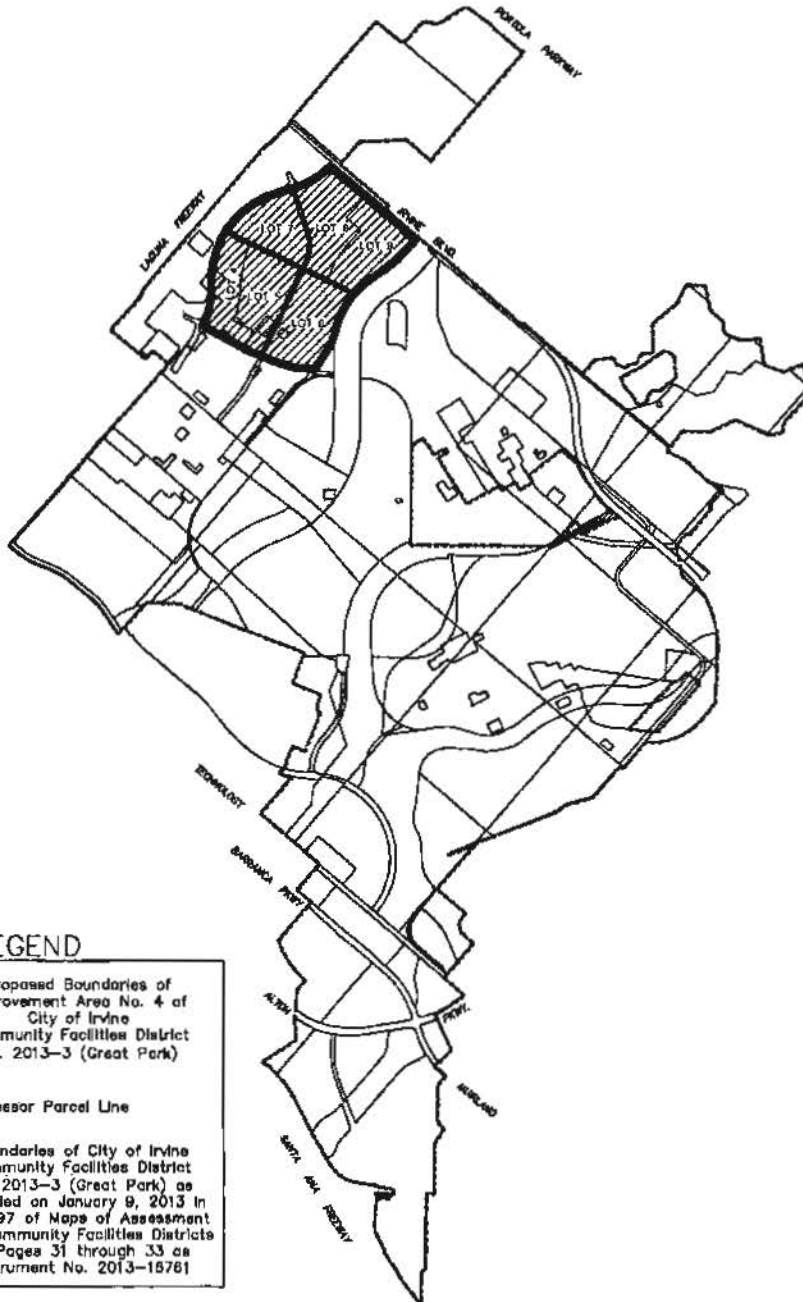
Legal Description and Ownership

Please refer to the Addenda of this report for a summary of ownerships and legal descriptions for the 207 sold dwelling units. Pages 6 and 7 summarize the legal descriptions and ownerships for the model homes, units under construction and finished lots.




94 50

SHEET 2 OF 2

PROPOSED BOUNDARIES OF
 IMPROVEMENT AREA No. 4 OF
 CITY OF IRVINE
 COMMUNITY FACILITIES DISTRICT No. 2013-3
 (Great Park)
 COUNTY OF ORANGE, STATE OF CALIFORNIA



LEGEND

-  Proposed Boundaries of Improvement Area No. 4 of City of Irvine Community Facilities District No. 2013-3 (Great Park)
-  Assessor Parcel Line
-  Boundaries of City of Irvine Community Facilities District No. 2013-3 (Great Park) as recorded on January 9, 2013 in Book 97 of Maps of Assessment and Community Facilities Districts at Pages 31 through 33 as Instrument No. 2013-18761

Prepared by David Toussig & Associates, Inc. with information from the City of Irvine.

94 50

**City of Irvine CFD No. 2013-3 Improvement Area 4
Summary of Ownership, Legal Description & Lot Condition**

Product Name & Ownership	*Sale Date	Blue-top Lot Sales Price	Product	Total Lot: Tract No.	As of May 1, 2016 Lot Nos. Per Ownership	As of May 1, 2016 Condition of Lots/Dwellings	5/1/2016 Totals	
Eltwood (Richmond American)								
Richmond American Homes of Maryland, Inc	12/24/2014	\$29,252,071	Det Condo	71	17744	Lot 1 Units 3 -57	Nearly Built, U/C & Physically Finished Lots	55
					17725	Lot 15 Units 1-4	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17744	Lot 1 Units 1, 2, 58-67	Built and Sold to Individual Homeowners	12
Melody (Lennar Homes)								
Lennar Homes of California, Inc	12/24/2014	\$31,076,266	Det Condo	62	17742	Lots 1 & 2 Units 17-28, 30, 44, 47-57	Nearly Built, U/C & Physically Finished Lots	25
					17725	Lot 14 Units 1-5	4 Model Homes & 1 Physically Finished Lot	5
Individual Ownerships					17742	Lots 1 & 2 Units 1-16, 29, 31-43, 45, 46	Built and Sold to Individual Homeowners	32
Rowland (Lennar Homes)								
Lennar Homes of California, Inc	12/24/2014	\$32,989,650	Townhomes	107	17740	Lot 1 Units 12, 14, 18, 20, 22-49, 51, 52	Nearly Built, U/C & Physically Finished Lots	34
					17733	Lot 1 Units 1-52	4 Model Homes & 48 Physically Finished Lots	52
Individual Ownerships					17740	Lot 1 Units 1-11, 13, 15-17, 19, 21, 50, 53-55	Built and Sold to Individual Homeowners	21
Primrose (DR Horton)								
Continental Residential Inc.	12/23/2014	\$34,500,000	TH/3-Plex	105	17741	Lot 1 Units 6, 11, 13, 14, 18, 19, 26, 31-54	Nearly Built, U/C & Physically Finished Lots	31
					17735	Lots 1 & 2 Units 1-51	3 Model Homes & 48 Physically Finished Lots	51
Individual Ownerships					17741	Lot 1 Units 1-5, 7-10, 12, 15-17, 20-25, 27-30	Built and Sold to Individual Homeowners	23
Welton (Taylor Morrison)								
Taylor Morrison of California, LLC	1/6/2015	\$26,000,000	Det Condo	53	17738	Lots 1 & 2 Units 1-26, 32, 37, 43-49	Nearly Built, U/C & Physically Finished Lots	35
					17724	Lot 13 Units 1-4	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17738	Lots 1 & 2 Units 27-31, 33-36, 38, 39, 40-42	Built and Sold to Individual Homeowners	14
Brio (Shea Homes)								
Shea Homes Limited Partnership	12/19/2014	\$23,500,036	Duplex	76	17734	Lots 1 & 2 Units 1-24, 28, 29, 37-72	Nearly Built, U/C & Physically Finished Lots	62
					17724	Lot 3 Units 1-4	2 Model Homes & 2 Physically Finished Lots	4
Individual Ownerships					17734	Lot 2 Units 25-27, 30-36	Built and Sold to Individual Homeowners	10
Juniper (Pulte)								
Pulte Home Corporation	12/23/2014	\$37,369,145	Det /5,100SF	55	17743	Lots 4, 8-13, 15-51	Nearly Built, U/C & Physically Finished Lots	44
					17726	Lots 5-8	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17743	Lots 1, 2, 3, 5, 6, 7, 14	Built and Sold to Individual Homeowners	7
Legend (Ryland Homes)								
Ryland Homes of California, Inc	6/2/2015	\$42,072,000	Det./6,300SF	48	17739	Lots 1-44	Nearly Built, U/C & Physically Finished Lots	44
					17726	Lots 13-16	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					N/A	None	Built and Sold to Individual Homeowners	0
Silvermist (K. Hovnanian)								
K. Hovnanian at Beacon Park Area 137, LLC	12/22/2014	\$44,525,040	Det./6,300SF	51	17737	Lots 1-25, 28, 29, 32, 34, 36, 40-46	Nearly Built, U/C & Physically Finished Lots	37
					17726	Lots 1-4, 17	4 Model Homes & 1 Physically Finished Lot	5
Individual Ownerships					17737	Lots 26, 27, 30, 31, 33, 35, 37-39	Built and Sold to Individual Homeowners	9

City of Irvine CFD No. 2013-3 Improvement Area 4
 Summary of Ownership, Legal Description & Lot Condition

Product Name & Ownership	*Sale Date	Blue-top Lot Sales Price	Product	Total Lots	Tract No.	As of May 1, 2016 Lot Nos. Per Ownership	As of May 1, 2016 Condition of Lots/Dwellings	5/1/2016 Totals
Harper (Lennar Homes)								
Lennar Homes of California, Inc.	12/19/2014	\$31,250,694	Det Condo	84	17732	Lots 1 & 2 Units 1-23, 26-28, 33, 47, 48, 50, 52-84	Nearly Built, U/C & Physically Finished Lots & 3 Model Homes	63
Individual Ownerships					17732	Lots 1 & 2 Units 24, 25, 29-32, 34-46, 49, 51	Built and Sold to Individual Homeowners	21
Oakmont (Ryland Homes)								
Ryland Homes of California, Inc	12/22/2014	\$29,252,951	Det /4,650SF	49	17731	Lots 4, 5, 7, 9, 13-45	Nearly Built, U/C & Physically Finished Lots	37
					17725	Lots 9-12	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17731	Lots 1-3, 6, 8, 10-12	Built and Sold to Individual Homeowners	8
Larkspur (Lennar Homes)								
Lennar Homes of California, Inc	12/19/14	\$44,247,882	Det /5,040SF	69	17730	Lots 1-25, 27-31, 38, 46, 48-54, 58	Nearly Built, U/C & Physically Finished Lots	40
					17725	Lots 1-4	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17730	Lots 26, 32-37, 39-45, 47, 55-57, 59-65	Built and Sold to Individual Homeowners	25
Torrey (Standard Pacific)								
Standard Pacific Corp.	12/22/2014	\$43,773,221	Det /5,700SF	63	17728	Lots 8, 10, 12-44, 46-53, 55	Nearly Built, U/C & Physically Finished Lots	44
					17726	Lots 9-12	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17728	Lots 1-7, 9, 11, 45, 54, 55, 57-59	Built and Sold to Individual Homeowners	15
Rosemont (K. Hovnanian)								
CDCG 3 Hov LP	12/22/2014	\$47,375,000	Det /4,500SF	76	17729	Lots 4-64, 69	Nearly Built, U/C & Physically Finished Lots	62
					17725	Lots 5-8	3 Model Homes & 1 Physically Finished Lot	4
Individual Ownerships					17729	Lots 1-3, 65-68, 70-72	Built and Sold to Individual Homeowners	10
Opus (Warmington)								
Warmington BP Associates, LLC	4/30/2015	\$13,700,000	Townhomes	60	17736	Lots 1 & 2 Units 1-54	U/C & Physically Finished Lots	54
					17724	Lot 4	U/C 6 Model Homes	6
Individual Ownerships					N/A	None	Built and Sold to Individual Homeowners	0

* See Addenda for Individual Buyers Names, Sale Dates and Sales Prices

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Property History

The unsold land and improvements proposed for residential development within Improvement Area No. 4 are under the ownerships of 10 merchant builders. According to a review of the grant deeds, all of the developable land within CFD No. 2013-3, IA 4 was sold to the 10 merchant builders in between December 2014 and June 2015. According to the Developer, all the properties transferred in a blue-top lot condition. Please refer to the Valuation of Finished Lots section of this report for a summary of all the merchant builder land sales. According to a review of public records and published articles, the Developer, or related entities, has owned the land for approximately 10 years.

The appraiser's are aware that in late 2015 there was a merger between Ryland Homes and Standard Pacific Corp. However, based on our search of the public records and interview with a representative from CalAtlantic Homes, the land within Beacon Park has not transferred to the new ownership of CalAtlantic Group, Inc. Based on a review of grant deeds for the two products owned by Ryland Homes, Legend and Oakmont, the transfers of the dwellings are shown from Ryland Homes of California, Inc. However, the Standard Pacific product, Torrey, appears to be transferring dwellings from CalAtlantic Group, Inc.

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.

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

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- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- (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.

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 Value³

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 *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.

Fee Simple Estate⁴

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

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

³ *Appraisals Standard for Land-Secured Financings*, published by CDIAAC, 2004, Page 10

⁴ *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 140

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Fee Simple Estate Subject to Special Tax and Special Assessment Liens⁵

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.

Finished Lot

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

Physically Finished Lot

Physically finished lot requiring development impact fees and possibly minor site work before development can proceed.

Blue-top Lot

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

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

Assumptions and Limiting Conditions of the Appraisal

The date of value, for which the opinions of Market Value are expressed in this report, is May 1, 2016. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

⁵ California Debt and Investment Advisory Commission, Page 9

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The developer has provided a very brief summary of the site costs for Improvement Area No. 4. It is a specific assumption of this appraisal report and value estimates that the developer, Heritage Fields El Toro, LLC, will complete construction of all the required master backbone infrastructure, including Ridge Valley, Cadence and Bosque; including landscaping and walls for Ridge Valley North, Cadence, Bosque and common areas. The developer has reported that less than \$4,000,000 of the site costs remain.

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.

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 have not been provided with soils or geotechnical reports for review. Improvement Area No. 4 has been improved to at least a physically finished lot condition. Of the total 1,029 lots, 557 lots are improved with unit construction, from framing to completed and sold dwelling units. *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 have been provided with a supplemental environmental report prepared for the property within the CFD. *For purposes of this appraisal, it is assumed that there are no environmental issues and the build-out of Improvement Area No. 4 can be completed as currently planned.*

The appraisers have been provided with preliminary title reports for Improvement Area No. 4. The title policies are for the land under the ownerships of the merchant builders. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely affect the value of the subject property.

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.

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Your appraisers inspected as far as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. 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 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

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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 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 exterior of the subject properties; however, no opinion as to structural soundness of proposed or existing improvements or conformity to City, County, or any other agency building code is made. No responsibility for undisclosed structural deficiencies or 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 and Associates to control the uses and distribution of each appraisal report signed by such Member or Associates. 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 Irvine, its underwriters and legal counsel may publish this report in the Preliminary and Final Official Statements for Community Facilities District No. 2013-3, Improvement Area No. 4.**

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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.

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 Irvine and the subject market area.

Orange County

Orange County, California 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, 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 1,250,000 new residents since 1980 as illustrated in the following table. The most recently released population data indicates that as of January 2016, the countywide population stood at 3,183,000 residents. Annual population gains from natural increase and immigration have ranged from 25,900 to 35,300 persons annually, over the last five years. The population changes represent annual changes of

Regional Map



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0.9% to 1.1%. The County population experienced a negative 4.1% adjustment in the year 2010. This was due to the U.S. Census. The U.S. Census actual counts were significantly less than the prior State of California projections. The County's population increased 5.6% from 2010 to 2016. The 2015 population finally exceeded the prior record high population of 3,139,000, which occurred in 2009.

**Population Trends
1980-2016¹**

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
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	3,029,900	19,668	0.6%
2012	3,055,800	25,900	0.9%
2013	3,081,800	26,000	0.9%
2014	3,114,000	32,200	1.0%
2015	3,147,700	33,700	1.1%
2016	3,183,000	35,300	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 most 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 sales rate and median dwelling prices declined over 40% from the peak of June 2007 to early 2009. As of March 2016, the median price increased over 70% from the lows of early 2009, but is still about 3% below the peak. Over the last 12± months, the number of sales and the median price has shown modest growth. Year over year increases in sales are basically

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level, while prices have increased 6.8%. However, compared to October 2015, median prices are basically level.

Employment

As of March 2016, Orange County had an unemployment rate of 4.0%, compared to the California rate of 5.6%. One year ago, in March 2015, the unemployment rate was 4.6%. The annual average rate for 2014 was 5.5%. This indicates a 13.0% decrease in the unemployment rate in one year and a 27.3% 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 March 2016.

	<u>Labor Force</u>	<u>Unemployment</u>
California	19,028,200	5.6%
Orange County	1,607,300	4.0%

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 1,382,400 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. During 2015 47,200 jobs were added, an increase of 3.2% to 1,542,700 jobs. The job losses between 2007 and 2010 wiped out about 11 years of job growth. The 2015 annual employment level is at a new record high level.

Employment Trends 1983-2015

<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%
2015	1,542,700	47,200	3.2%

¹ 2014 benchmark

Source: Employment Development Department – 5/16

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	18,135
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 CAFR, 2015

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.

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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 5/16

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, prior to the 2007/2008 economic recession. 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; an 8.9% increase. This increase continued through 2004 with retail sales at \$35.44 billion, 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

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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, a 4.5% gain. In 2011, retail sales increased 9.3% to \$35,587,795,000. 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. Retail sales for the first three-quarters of 2014 increased 3.7% over the first three-quarters of 2013 to \$30,399,784,000. Annual retail sales for 2014 have not been reported.

Retail Sales Trends¹ 1985-2013

<u>Year</u>	<u>Taxable Retail Sales (000's)</u>	<u>Average Annual Change Number (000's)</u>	<u>Percent</u>
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

5/16

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		
	Mar. 2015	Mar. 2016	Pct. Chg.	Mar. 2015	Mar. 2016	Pct. Chg.
Los Angeles	6,706	6,610	-1.4%	\$478,000	\$506,000	5.6%
Orange County	3,156	3,181	0.8%	\$585,000	\$625,000	6.8%
Riverside	3,418	3,583	4.8%	\$305,000	\$330,000	8.2%
San Bernardino	2,347	2,528	7.7%	\$260,000	\$272,000	4.6%
San Diego	3,477	3,547	2.0%	\$455,000	\$478,000	5.1%
Ventura	883	921	4.3%	\$461,750	\$497,000	7.6%
Southern California	19,987	20,370	1.9%	\$425,000	\$449,000	5.6%

Source: CoreLogic 4/16

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 March 2016 sales were the highest March sales in three years. The change in sales was up 34.5% from February 2016 and up 1.9% from March 2015. However, the March sales were 14.6% below the March average of 23,849 since 1988. The region's median sale price gains have been in single digits over the last 23 months, following 22 months of double-digit increases. Southern California's March median sale price was 11.1% below the peak median price of \$505,000 reached in July 2007.

In all, 3,181 homes in the County sold in March 2016, which is a increase of 0.8% from March 2015 (Southern California had an increase in sales of 1.9%). The County's March 2016 median price of \$625,000 is up 2.5% from February 2016. Over the past year, the median sales price increased 6.8%, according to CoreLogic. This is a vast improvement from the 20% to 25% annual declines on a monthly basis in 2007 and 2008. The March 2016 median price of \$625,000 was 3.1% below the peak price of \$645,000 in June 2007, and almost 70% higher than the January 2009 cyclical low

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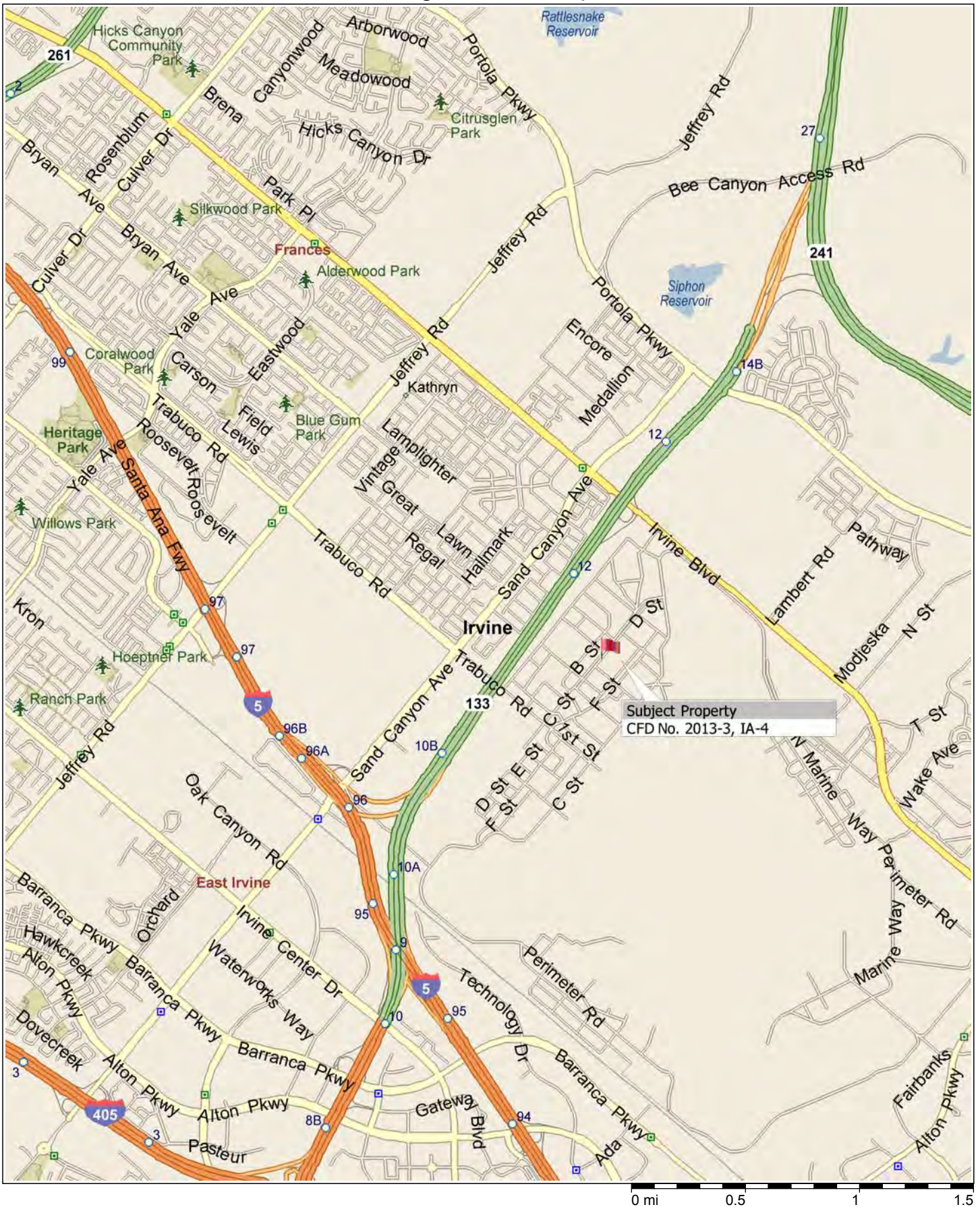
median price of \$370,000. Due to the rebounding strength in the new home market, the issuance of new home building permits in the County in 2012 was 70%± higher than the average number of permits issued over the previous five years. During 2013, single-family building permits increased to 3,783 from the 2012 total of 2,846 permits, about 33%. During 2014, single-family building declined 7.0% to 3,519 permits. Building permits for 2015 totaled 3,523, up 0.1% from 2014.

City of Irvine

The City of Irvine is located in central Orange County. The City incorporated on December 28, 1971, though the City's origins date back to the 1860's. It is adjacent to Tustin and Santa Ana to the west, Lake Forest to the east, Newport Beach to the south and the unincorporated area of Orange County to the north. The more rural unincorporated areas of Orange County are located northeast of the City limits. Irvine is accessible from the Santa Ana Freeway (I-5), the San Diego Freeway (I-405), and the Costa Mesa Freeway (S-55). Three toll roads are adjacent to the City. Please refer to the next page for a neighborhood map.

In 1864, James Irvine and two partners purchased a large ranch, which had been assembled through Mexican and Spanish land grants. In 1876, Irvine bought out his partners. In 1894, Irvine's son, James Irvine II, incorporated the land holdings as The Irvine Company. For decades, the ranch was used for agriculture and grazing. But as urbanization continued to move south from Los Angeles County during the early 1960s, the company's directors announced plans to undertake a comprehensive planning effort that would guide the ranch's future development. Through the years, the company's land holdings have diminished as homes have been sold and as land deemed sensitive for environmental or public recreational uses has been conveyed to governmental agencies to ensure preservation and public access. Today, approximately 44,000 acres remain under the company's ownership.

Neighborhood Map



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The City of Irvine is the geographical and historical heart of The Irvine Ranch. Irvine has a population as of January 1, 2016 of 258,400 persons, a 21.7% increase since 2010. The City's most prominent business center is Irvine Spectrum, one of the County's major business, research and technology centers. It is comprised of 5,000 acres of land and 38,000,000 square feet of office, commercial and industrial uses. The Greater Irvine Spectrum Area employs approximately 80,000 people at approximately 3,500 companies. Core growth industries are automotive design, biotech, broadband, computers and computer peripherals, computer software, and medical devices. The City's major retail center, Irvine Spectrum Center, contains approximately 1,200,000 square feet of rental space, with over 140 retail stores, restaurants and entertainment venues. Irvine also is home to the University of California, Irvine, one of the Country's best public research universities, built on land donated by The Irvine Company to the University of California.

Irvine has shared in the rapid growth of the region, particularly during the 1970s, 1980s and 1990s. Nearly all of this population growth has been the result of people moving to the newer job markets in Orange County. Irvine has a current population of about 258,400 persons according to the California Department of Finance. This is over four times the 1980 population of 62,100 persons. The primary cause of the population growth is home buyers attracted to the newer residential developments, in an excellent school district, within the City's remaining vacant acreage. The City has about 95,000 housing units, with about 56% as single-family units and 44% multi-family units. Almost 60% of the housing units are owner occupied.

Population

As of the 2000 Census, Irvine had a population of 143,072 persons or a 30% increase over its 1990 population. The 2010 Census reported a population of 212,375, a 48.2% increase over 2000. As estimated by the State of California, the City's January 1, 2016 population was 258,400 persons an increase of 21.7% in six years.

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Income Levels

The City of Irvine has an income distribution substantially higher than the countywide distribution. The median household income for Irvine is \$91,231, which is significantly higher than the countywide figure.

**City of Irvine
Household Income Distribution 2015**

<u>Income Range</u>	<u>Households</u>	<u>Percent</u>
Less than \$15,000	9,462	10.85%
\$15,000 - \$24,999	4,408	5.05%
\$25,000 - \$34,999	4,040	4.63%
\$35,000 - \$49,999	6,081	6.97%
\$50,000 - \$74,999	11,986	13.75%
\$75,000 - \$99,999	11,724	13.47%
\$100,000 - \$124,999	10,389	11.91%
\$125,000 - \$149,999	7,406	8.49%
\$150,000 - \$199,999	9,581	10.99%
\$200,000 - \$249,999	3,721	4.27%
\$250,000 - \$499,999	5,963	6.84%
\$500,000 or more	<u>2,422</u>	<u>2.70%</u>
Total	87,201	100.0%
Median Household Income		\$91,231
Average Household Income		\$117,254

Source: Claritas

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Retail Sales

In 2011, the City generated retail sales of \$2,662,813,000 or 7.5% of the County's total retail sales. The retail sales increased 19.3% from the City's 2000 level, while the County increased 29.5% during the same period. The City's 2011 retail sales increased 10.6% from 2010, after three years of declines in 2008, 2009 and 2010. Annual sales for 2012 increased 9.4% to \$2,912,317,000 and 2013 sales increased 9.6% to \$3,191,085,000. During the first three-quarters of 2014 retail sales increased 3.8% to \$2,443,017,000 from the first three-quarters of 2013.

Employment

As of March 2016, the City of Irvine had an employment level of 125,800 persons. The unemployment rate for the City was 3.0%, which was 1.0% lower than the County as of March 2016. The top ten private employers in the City are shown on the

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following table. The information is from the City of Irvine. The largest employer in the City, by far, is the University of California, Irvine. The City of Irvine, although not in the top 10 employers, has over 1,085 employees.

Major Employers In Irvine	
<u>Companies/Institution</u>	<u>Employment</u>
University of CA Irvine	19,625
Irvine Unified School District	4,709
Blizzard Entertainment Inc.	2,622
Broadcom	2,604
Edwards Lifesciences Corp	2,575
Parker Hannifin	2,400
Nationstar Mtg	1,556
Glidwell Lab	1,538
24 Hr Fitness	1,426
Thales Avionics	1,424

City of Irvine - CAFR - 2016

The major commercial/industrial planning areas in the City include the Irvine Business Complex (IBC) on the west side of the City, and the Irvine Spectrum on the east side. These are the major tax and employment bases. Consistent with residential planning areas, both employment areas are developed with strict landscape and architectural standards imposed by the City.

The IBC, located near the Orange County Airport, covers the 2,700± acres originally called the Irvine Industrial Complex West. The name change reflects a zoning change that paved the way for development of office buildings and hotels. This is the largest master-planned industrial park in the nation. The Irvine Business Complex is a portion of the greater airport area.

The IBC has undergone major land use changes over the past several years. Over the past ten years the City has envisioned a portion of the IBC changing from a predominantly low-density office and industrial district, to a pedestrian-friendly, mixed-use complex. In July of 2010 the City Council approved an EIR and Overlay Zoning Code for the IBC. According to the City, as of April 1, 2016, there are currently 8,075

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existing residential units; 2,138 residential units under construction; 4,618 approved residential units; and 1,882 pending residential units for approval. There is a potential for an additional 81 residential units. Forty-nine residential projects have been proposed for the IBC. Twenty-three are completed, seven are under construction, eleven are approved and eight are under review. In addition, there are approximately 4,200 businesses and approximately 98,000 employees.

The Irvine Spectrum is a 5,000+-acre employment base adjacent to the confluence of the San Diego and Santa Ana Freeways. The Spectrum contains 38+ million square feet of commercial space, and 3,500+ companies that employ 80,000+ employees. Within the Irvine Spectrum, the 257-acre Irvine Technology Center is a center for high technology oriented industry and the 227-acre Irvine Bioscience Center provides for the City's growing medical and science industries. The Irvine Bioscience Center includes the 200-bed Hoag Medical Center Hospital and the Kaiser Permanente Hospital. Working with the University of California-Irvine, these centers are planned to make Irvine a focal point of technology. In the middle of the Spectrum development is the 373-acre Irvine Center, which now consists primarily of office space and includes hotels, restaurants, cinemas and retail services. The Irvine Spectrum Center also contains 1.2 million square feet of stores, restaurants and theaters. The center attracts over 15 million visitors per year.

The 900-acre Irvine Industrial Center provides a large existing light industrial base. The Spectrum 5 and Spectrum 6 areas are currently being developed and are planned for 500 acres of light industrial and high technology land uses. The Spectrum section of Irvine is expected to provide 100,000 new jobs over the next 15 to 20 years.

On the north side of the I-5 Freeway, in Planning Area 35, is the Irvine Auto Center. The center is a portion of Spectrum 2. The Irvine Auto Center is the oldest and largest auto center in Orange County. The center contains almost 50 acres of land and almost 500,000 square feet of dealerships and other auto related uses.

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The University of California at Irvine is a major employer in its own right, providing about 15,000 local jobs, but its ties to the private sector have given rise to a massive R&D business park adjacent to the campus called University Research Park. At full build-out, the park will contain approximately 2.4 million square feet of buildings and is already home to 40+ firms including Cisco Systems Inc., America Online, Skyworks Solutions, Inc. and Intel Corporation. Broadcom has a 700,000 square foot campus, but is currently building a 2,000,000 square foot campus in the Spectrum, north of the I-5 freeway.

Adjacent to the City of Irvine is the 600-acre mixed-use development, known as Newport Center. This development, offering significant ocean views, is one of Southern California's most sought after office locations. Newport Center includes 4.0 million square feet of office space, two major hotels, and Fashion Island, a 1.2 million square foot retail center. Major employers in Newport Center include the Irvine Company, Pacific Life, Prudential Securities, Inc., PIMCO, Stradling Yocca Carlson and Rauth, and O'Melveny and Myers, LLP.

Transportation

Irvine has very good freeway access provided by Interstate 405 (San Diego Freeway), which runs through the southern portion of the City and Interstate 5 (Santa Ana Freeway), the major north/south freeway in California. These freeways merge together at a major interchange situated in the southeast portion of the City. Both freeways intersect with State Highway 55 (Costa Mesa Freeway) to the west and northwest. From there, the Costa Mesa Freeway extends north to State Highway 91 (Riverside Freeway) providing access into Riverside and San Bernardino counties and west into Los Angeles. The Costa Mesa Freeway continues southwest from Irvine to Costa Mesa and Newport Beach. The Santa Ana Freeway generally bisects the City. It extends northwest to Los Angeles and further to Ventura County and central California. To the south, as the San Diego Freeway, it provides access to San Clemente and ultimately to San Diego and the international border with Mexico.

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Also available are the toll roads: the Eastern Transportation Corridor, the San Joaquin Hills Transportation Corridor and the Foothill Transportation Corridor (FTC) that run from the Riverside Freeway near Anaheim to South Orange County.

Access to the neighborhood is primarily via the FTC (S-241) and the S-133. From the S-133 access is via Irvine Boulevard. From the FTC, access is from Portola Parkway. The John Wayne Orange County airport is located 8.0 miles southwest. The S-73 Toll Road is located 6.5 miles south.

Immediate Neighborhood

The subject properties are located in Beacon Park, the second community to be improved within the master planned community known as "The Great Park Neighborhoods". There are 15 products within Beacon Park, 14 of which opened for sales on August 15, 2015. The remaining product, known as Opus by Warmington Homes, is expected to open for sales in August 2016. The 14 products have met with average to good market response with absorption rates generally around 3± dwelling units per product per month. Beacon Park, is planned for 1,029 for-sale dwelling units. The balance of the "Great Park Neighborhoods" is located to the east and south of the subject properties. The residential and non-residential uses of the Great Park neighborhoods generally surround the City owned Orange County Great Park, which are planned to include a 175 acre sports park, an 18-hole - 188 acre golf course, a 40 acre Bosque feature, 33 acres of trails and walkways, 71 acres of agricultural property and a 178 acre wildlife corridor.

The planned community of Portola Springs, developed by The Irvine Company, is located to the north and east of the subject properties. Portola Springs contains 2,600+ gross acres and has entitlements for a future neighborhood shopping center and a total of 3,980 dwelling units in six neighborhoods. Neighborhoods 1, 2 and 4 are sold-out and Neighborhood 5 is in an active sales program. Neighborhood 6, adjacent to Pavilion Park, is also in an active sales program.

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The planned communities of Woodbury and Woodbury East, developed by The Irvine Company, are located about one mile southwest of the subject in the area bounded by Irvine Boulevard, Jeffrey Road, Trabuco Road, and the Eastern Transportation Corridor. Woodbury contains 600± gross acres and is mostly developed with approximately 1,833 apartments, 2,220 "for sale" dwelling units, and a 450,000 square foot retail center anchored by Ralph's, Walgreens, Staples, LA Fitness, and The Home Depot. Home sales at Woodbury commenced in late 2004. At this time, there is one actively selling project at Woodbury. The developer (The Irvine Company) has also completed three apartment projects (Woodbury Lane, Woodbury Square, and Woodbury Place) totaling 1,085 rental units.

Woodbury East consists of 95± gross acres of land located on the southwest side of Irvine Boulevard between Sand Canyon Avenue and the Eastern Transportation Corridor. The development plan for Woodbury East includes the completed 402-unit Esperanza apartment project and six "for sale" housing products totaling 544 dwelling units. The six products have sold out.

The Stonegate and Stonegate East planned communities, developed by The Irvine Company, are located about one-half mile west of the subject between Irvine Boulevard and Portola Parkway. Stonegate East includes 27 acres and a private high school which is in operation. Stonegate East has been improved with three for-sale residential developments, which are sold out. Stonegate is a larger community containing over 335 developable acres. Total for-sale products are currently planned for 2,128 dwelling units. The first two apartment projects opened in 2008. The planned community opened for sales in April 2011. As of the date of value, most of the products are sold out with a few projects still in a sales mode at the northwest corner of Stonegate.

Orchard Hills, developed by The Irvine Company, is a proposed residential community and is located north of Portola Parkway, east of Culver Drive. Orchard Hills contains about 1,300± gross acres and is proposed for 2,654± dwellings.

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Neighborhoods 1 and 2 are currently being marketed. These two residential neighborhoods are about 60% sold out. The balance of Orchard Hills, is in a raw condition with avocado groves. An existing neighborhood shopping center is located at the northwest corner of Culver Drive and Portola Parkway. An existing apartment project is adjacent to the west of the shopping center.

Cypress Village, developed by The Irvine Company, is located north of the I-5 Freeway between Jeffrey Road and Sand Canyon Avenue. This planning area contains about 305 acres and is proposed for 4,617 residential units. Of the 4,617 total dwelling units planned, 2,562 are apartment units. Of those, 2,162 apartment units are built. The for-sale products opened for sales in May 2013 and have met with very good market response. Five products are sold out. A total of four products are currently selling.

The Santa Ana (I-5) Freeway is located 2± miles to the southwest of Beacon Park. The Eastern (S-133) Transportation Corridor borders the subject on the west. The Foothill (S-241) Transportation Corridor is located to the north and east of the subject. The Eastern Foothill Transportation Corridor is accessible via an interchange at Irvine Boulevard and the Foothill Transportation Corridor is accessible via an interchange Portola Parkway. In this area, the S-241 generally serves as the dividing line between urbanized Orange County and the Santa Ana Mountains. Most of the area northeasterly of the corridor consists of hilly to mountainous terrain and includes Limestone Canyon Regional Park and other areas which will be preserved as permanent open space by The Nature Conservancy.

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 employment has increased over the last year, population figures have shown continued growth and local unemployment has consistently been below the national and state averages. The rebound from the previous recession had shown significant gains in population and

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employment numbers. Most economists predict a continuation of expansion, as the impact from 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 recession lows. As of May 2, 2016 the Dow Jones Industrial Average (DJIA) was at a level of 17,900±. The S&P 500 is near historical highs, near 2,100.

Orange County has experienced an increase of 6.8%± in median home price from a year ago. The median home price in Orange County was \$625,000 in March 2016. Home prices continue to increase; however, the percentage change is stabilizing on a year-over-year basis. The year over year change in the sales rate have moderated over the last year, but are expected to increase in spring of 2016.

The City provides excellent schools and community amenities, 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 continues to recover from the past recession, a return to more normal growth should continue. The industrial and retail development of the Irvine Business Complex and the Spectrum in Irvine has generated strong interest in the area.

SITE ANALYSIS

General and Location

The subject of this appraisal is identified as all the taxable property within Improvement Area No. 4 of CFD No. 2013-3. The subject property is the second residential improvement area to be developed within the CFD, which is currently comprised of four improvement areas. The CFD in its entirety consists of 3,108 gross acres of land generally bordered to the southwest by Interstate 5, to the northwest by the Eastern Transportation Corridor, to the northeast by the Foothill Transportation Corridor and to the southeast by Alton Parkway. Improvement Area No. 4, referred to as Beacon Park, is proposed for 1,029 for-sale market rate dwelling units.

According to the Community Facilities District Report dated October 9, 2014, prepared by David Taussig & Associates, Inc., Improvement Area No. 4 consists of 219+ gross acres to be developed with 1,029 dwelling units ranging in size from 1,400 square feet to 4,700 square feet. The subject property is comprised of 20 recorded final tract maps. Please refer to Page 5 for a boundary map of the CFD.

Current Site Condition

Site condition for Improvement Area No. 4 includes land from physically finished lots to completed, sold and occupied dwelling units. According to the merchant builders, 14 of the 15 products opened for sales on August 15, 2015. The last product to open for sales, Opus by Warmington Homes, is expected to open in August 2016. According to information provided by the Developer, merchant builders and public records, 207 dwelling units have closed escrow to individual homeowners as of the date of value. In addition, there are 44 completed model homes and 99 homes generally complete but that have not closed escrow. Dwellings under construction include 70 units improved to color stucco coat with roofs complete, 14 units improved to scratch stucco coat with roofs under construction, and 123 dwelling units framed to wrapped. Included with the 123 dwellings under construction from framed to wrapped are the 6 model homes for the Opus product. The balance of the Improvement Area includes 472 physically finished lots.

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Please refer to the table on the following page that summarizes the 15 products in Improvement Area No. 4, merchant builders, number of dwelling units and site construction. Page 37 illustrates the locations of the 15 products within Beacon Park.

Size and Shape

Improvement Area No. 4 consists of 219± gross acres according to the CFD report. Improvement Area No. 4 is irregular in shape.

The 15 products are comprised of 20 recorded final tract maps. Six of the tract maps are for the four attached products; four of the maps are for the four detached condominium products; seven maps are for the seven detached products with lots ranging from 4,500 square feet to 6,300 square feet. There are three additional tract maps that include the model home complexes.

Soils and Geology

The appraisers were not provided a soil report for Improvement Area No. 4. However, as of the date of value, all of the lots were improved to at least physically finished lots. Most of the adjacent lands have been built-out with numerous residential, retail, office and industrial buildings. This appraisal is based on the specific assumption that the property is suitable for development as proposed and supported by our highest and best use analysis. This appraisal report is also based on the assumption that there are no hazardous materials contaminating the soil. No representation is made by the appraisers concerning the soil conditions.

Topography/Drainage

In general, the subject property consists of level terrain. It is assumed for purposes of this appraisal that the Developer and merchant builders have fulfilled all grading/ drainage requirements of the City of Irvine.

SUMMARY OF SITE AND UNIT CONSTRUCTION (May 1, 2016)

Project Name Merchant Builder	Product Tract Map	Total Planned	CONSTRUCTION STATUS							Unit Size Range
			Closed Escrow	Models (unsold)	Near Complete	Color Coat	Brown Coat	Framed- Wrapped	Finished Lot	
Ellwood Richmond American	Det. Condo <i>Tr 17744</i>	71	12	3	7	12	0	24	13	2,081 2,329
Melody Lennar Homes	Det. Condo <i>Tr 17742</i>	62	32	4	5	4	4	0	13	2,321 2,774
Rowland Lennar Homes	Townhomes <i>Tr 17740 & 17733</i>	107	21	4	10	0	0	12	60	1,661 2,076
Primrose DR Horton	3-Plex <i>Tr 17741 & 17735</i>	105	23	3	7	12	0	0	60	1,657 2,034
Welton Taylor Morrison	Det. Condo <i>Tr 17738</i>	53	14	3	2	7	0	16	11	2,188 2,739
Brio Shea Homes	Duplex <i>Tr 17734</i>	76	10	2	10	0	0	12	42	1,465 1,963
Juniper Pulte Homes	Detached <i>Tr 17743</i>	55	7	3	0	10	0	12	23	2,897 3,328
Legend Ryland Homes	Detached <i>Tr 17739</i>	48	0	3	5	3	2	9	26	4,337 4,582
Silvermist K. Hovnanian	Detached <i>Tr 17737</i>	51	9	4	6	5	0	0	27	2,796 4,002
Harper Lennar Homes	Det. Condo <i>Tr 17732</i>	84	21	3	18	0	0	0	42	1,701 2,019
Oakmont Ryland Homes	Detached <i>Tr 17731</i>	49	8	3	6	4	0	9	19	2,524 3,064
Larkspur Lennar Homes	Detached <i>Tr 17730</i>	69	25	3	8	0	8	0	25	2,165 3,160
Torrey Standard Pacific	Detached <i>Tr 17728</i>	63	15	3	14	7	0	8	16	3,314 3,836
Rosemont K. Hovnanian	Detached <i>Tr 17729</i>	76	10	3	1	6	0	3	53	1,902 3,031
Opus Warmington	Townhomes <i>Tr 17736</i>	60	0	u/c	0	0	0	18 <i>(6 models)</i>	42	1,820 2,452
Totals:		1,029	207	44	99	70	14	123	472	

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IRVINE BLVD

RIDGE VALLEY

ROSEMONT
K. HOVNANIAN HOMES

TORREY
CALATLANTIC HOMES

LARKSPUR
LENNAR

HARPER
LENNAR

ROWLAND
LENNAR

OAKMONT
CALATLANTIC HOMES

BRIO
SHEA HOMES

BEACON PARK

PRIMROSE
D.R. HORTON

OPUS
WARMINGTON RESIDENTIAL

SILVERMIST
K. HOVNANIAN HOMES

BEACON PARK SCHOOL (K-8)
OPENING AUGUST 2016

WELTON
TAYLOR MORRISON

ROWLAND
LENNAR

LEGEND
CALATLANTIC HOMES

PRIMROSE
D.R. HORTON

MELODY
LENNAR

ELLWOOD
RICHMOND AMERICAN HOMES

JUNIPER
PULTE HOMES

ORANGE COUNTY GREAT PARK (BOSQUE)

GREAT PARK NEIGHBORHOODS (FUTURE DEVELOPMENT AREA)

PROPOSED NEIGHBORHOOD PARK

CADENCE

GREAT PARK NEIGHBORHOODS (FUTURE DEVELOPMENT AREA)

RIDGE VALLEY

BOSQUE

PACER

PARAMOUNT

MONGOOSE

NEWINGTON

BEACON

CALDERON

RADIAL

NICKEL

BOA

BEACON

PARAMOUNT

CRUISER

LEGEND

DERAILER

JUNIPER

ELECTRA

TORREY

LEGEND

TURNER

SMALL WHEEL

SIDEWAYS

OAKMONT

DIAMONDBACK

TANDEM

RADIAL

RAKE

AIMS

CULTIVATE

TINKER

MUSTARD

GRASSBLADE

KENNARD

WAGON

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THATCH

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Zoning and Entitlements

Improvement Area No. 4 is located within the City of Irvine's General Planning Area 51, known as Orange County Great Park. Planning Area 51 is comprised of 8 Districts and a Sports Park. The subject property is within District 1, Beacon Park, Master Plan - District 1 North 3rd Modification (Amended Tentative Tract No. 17283). A Portion of Great Park Neighborhoods - Development District 1 North - PA 51, was approved March 5, 2015 by the City of Irvine. The proposed 1,029 dwelling units as summarized in this report are allowable uses.

All of the property included in Improvement Area No. 4 is zoned for the existing and proposed uses. There are 1,029 existing and proposed dwelling units with recorded final tract maps. All of the 20 Final Tract Maps recorded in September and October 2014.

Access and Circulation

Regional access to the area is provided by the Santa Ana (I-5) Freeway, and San Diego (I-405) Freeway, the Foothill Transportation Corridor and the Eastern Transportation Corridor. Interstate 5 and Interstate 405, run in a southeasterly direction from Los Angeles through Orange County, bisecting Irvine and continuing southeast to San Diego. Access to the subject's immediate area is via the Foothill and Eastern Transportation Corridors, located northeast and northwest of the CFD. The Eastern Transportation Corridor is accessible via interchange facilities at Irvine Boulevard. The Foothill Transportation is accessible via Portola Parkway.

It appears that the interior streets, which include cul-de-sac type streets, offer adequate access to the existing and proposed dwellings and minimize traffic. The streets within the development are asphalt paved, with concrete curbs and gutters.

Easements

The appraisers have received copies of pro-forma title reports dated at the time of the land sales to merchant builders. As previously discussed, all of the property was

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transferred to 10 merchant builders between December 2014 and June 2015. In addition, as of the date of value, 207 completed dwelling units have closed escrow to individual homeowners. *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 Improvement Area No. 4. The utilities required to support the subject property to its highest and best use are provided by the following companies/agencies:

Electricity:	Southern California Edison
Natural Gas:	Southern California Gas Company
Telephone:	AT&T
Fire:	Orange County Fire Authority
Police:	City of Irvine
Transit:	Orange County Transit District
Water:	Irvine Ranch Water District
Sewer:	Irvine Ranch Water District

Earthquake, Flood Hazards, and Nuisances

The subject property, as of the date of valuation, was not located in a designated Alquist-Priolo Earthquake Fault Zone as determined by the State of California, Division of Mines and Geology. However, all of Southern California is subject to seismic activity.

The subject property is located in a Zone "X" flood designated area according to Federal Emergency Management Agency Community Panel No. 06059C0305J and No. 06059C0315J, effective date December 3, 2009. This designation references an area of minimal flooding, which is outside the 0.2% annual change floodplain. Flood insurance is not required. No other nuisances or hazards were observed on physical inspection of the subject properties as of the date of value.

Hazardous Material/Toxic Waste

Physical inspection of the subject property did not indicate evidence of on-site hazardous materials and/or toxic waste. Improvement Area No 4's 219± gross acres

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include physically finished lots and dwellings built or under construction. **A specific assumption of this appraisal report and values is that the soil is suitable for existing development and as proposed, and no evidence of hazardous materials or toxic waste exist.**

Environmental Issues

The appraisers have been provided a copy of the Heritage Fields Project 2012 GPA/ZC Second Supplemental Environmental Impact Report (SSEIR) prepared by the City of Irvine, dated October 2013. The conclusions of the report state that the project description included in the Draft SSEIR is just the latest revision to an environmental analysis that already includes and finalizes all previous revisions in one (ongoing) EIR and still contemplates development of private uses together with a multi-purpose Great Park. It further states that the original Project (the entire Great Park master planned community) was approved in a programmatic EIR in 2003 that analyzed development of private uses together with a multi-purpose Great Park. In 2005 the Development Agreement (and later the Amended and Restated Development Agreement or "ARDA") described and vested final development rights consistent with the original EIR and also contemplated development of private uses together with a multi-purpose Great Park. Subsequent environmental analyses refined the original EIR and project, and in each case the analysis and mitigation were incorporated and merged into the EIR.

Specific to the subject property, Beacon Park has 219± gross acres of the total 3,108± gross acres of the Great Park master planned community. There are recorded final tract maps for the build-out of Improvement Area No. 4. All of the land is improved to at least a physically finished lot condition with over 50% of Improvement Area No. 4 with units under construction or completed. The property is reportedly not impacted by any negative environmental issues.

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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 the City of Irvine.
Truck:	11 major trucking lines serve Orange County.
Air:	John Wayne Airport (8+ miles), LAX (50+ miles)
Bus:	Orange County Transit District, Dial-A-Ride, Park-N-Ride.
Water:	Long Beach Harbor/Port of Los Angeles (50+ miles).
Major Highways:	Santa Ana Freeway (Interstate 5) San Diego Freeway (Interstate 405) Eastern Transportation Corridor (S-133) Foothill Transportation Corridor (S-241).

Schools

The subject property, and the build-out of the Great Park master planned community, are within the city limits of Irvine. One of the main attractions for the residents of Irvine is the excellent schools. The Irvine Unified School District is considered to be one of the best school districts in the State. Based on surveys with sales persons at the subject developments, the location of Beacon Park, within the Irvine Unified School District, is of significant importance to their homebuyers. The residents of Beacon Park are currently slated to attend Canyon View Elementary School, Jeffrey Trail Middle School and Northwood High School. Currently under construction is the Beacon Park School (K- 8th grade) scheduled to open during the 2016/2017 school year. Portola High School is also under construction and scheduled to open for the 2016/2017 school year. Both schools are within the Irvine Unified School District.

Taxes and Special Taxes

Pursuant to Proposition 13, passed in California in 1978, current Assessed Values of properties may or may not have any direct relationship to current Market Values. Real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year plus bonds, if any. If the property is sold, real estate taxes are normally subject to

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modification to the then current Market Value. The current ad valorem tax rate is estimated at 1.041%.

Depending on house size, the FY 2016/2017 maximum Special Tax per dwelling unit within Improvement Area No. 4 is estimated to range from \$2,928 to \$17,344. The total overall tax rate is estimated around 1.75% to 1.8% of value. This is common in the market area where new product, subject to special taxes, has been built over the past 30± years. A survey of the subject's market area revealed that special assessment districts or community facilities districts encumber most of the competing residential subdivisions.

For the 2015/2016 Tax Year (with an "as of" date of January 1, 2015), the total Assessed Value for CFD No. 2013-3, Improvement Area No. 4 is reported to be \$442,314,288.

According to the District's Special Tax Consultant, the total property tax for FY 2015/16 was \$1,297,699.90. Reportedly, 7 of the 435 parcels had delinquent taxes. ***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 Improvement Area No. 4.***

IMPROVEMENT DESCRIPTION

General

Improvement No. 4 is proposed for a total development of 1,029 dwellings within 15 products. Ten merchant builders are building within Beacon Park. There are four attached products, four detached condominium products and seven detached products on lots ranging from 4,500 square feet to 6,300 square feet. All but the Opus product opened for sale on August 15, 2015. The Opus product is expected to open for sales in August 2016. As of the date of value, six model homes and 12 production homes within the Opus product were in the framing stage of construction. Fourteen of the total 15 products are under construction and consist of land in physically finished lot condition to completed dwelling units. Thirteen products have closed escrows to homeowners. The Legend product has nearly complete dwellings that are scheduled to start closing escrows in May 2016.

The appraisers have not been provided with specifications for the existing or proposed improvements within Improvement Area No. 4. The appraisers have information from the various builder's web sites and brochures from the sales offices. The table on the following page summarizes the various products, merchant builders, floor plans and base sales prices as of the date of value. The base sales prices listed on the following page are from the sales brochures or base prices as provided by the merchant builders, which ever was lower.

The following list is of some of the general construction specifications for the detached single-family homes in Beacon Park. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features are similar to currently selling projects and meet market demand for product in the subject's market area.

Construction

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

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Improvement Description Beacon Park

Product Name/ Builder	Total Units	Lot Size (SF)	Bdrm/Ba	Stories/ Garage	Base Sales Price	Unit Size	\$/Sq. Ft.
<i>Models Built and Production Homes Under Construction - Opened for Sales August 2015</i>							
Brio	76	Duplex	3/2	1/2	\$619,900	1,465	\$423.14
Shea Homes			3/2.5	2/2	\$705,900	1,963	\$359.60
Primrose	105	TH	3/2	2/2	\$657,990	1,657	\$397.10
DR Horton		3-Plex	3/3	2/2	\$708,990	1,705	\$415.83
			3/3.5	2/2	\$759,990	2,034	\$373.64
Rowland	107	TH	2/2.5	3/2	\$609,990	1,661	\$367.24
Lennar Homes			3/3.5	3/2	\$649,990	1,748	\$371.85
			3/3.5	3/2	\$669,990	1,837	\$364.72
			3/3.5	3/2	\$689,990	2,076	\$332.37
Harper	84	Det.	3/2.5	2/2	\$809,990	1,701	\$476.18
Lennar Homes		Condo	3/2.5	2/2	\$839,990	1,941	\$432.76
			4/3	2/2	\$879,990	2,019	\$435.85
Ellwood	71	Det.	4/3	2/2	\$865,990	2,081	\$416.14
Richmond American		Condo	4/3.5	2/2	\$905,990	2,230	\$406.27
			4/3.5	2/2	\$926,990	2,329	\$398.02
Welton	53	Det.	3/2.5	2/2	\$870,990	2,188	\$398.08
Taylor Morrison		Condo	4/3	2/2	\$990,990	2,412	\$410.86
		3,780 SF	4/4	2/2	\$1,065,990	2,739	\$389.19
Melody	62	Det.	4/4	2/2	\$984,990	2,321	\$424.38
Lennar Homes		Condo	4/4	2/2	\$1,089,990	2,407	\$452.84
			4/4	2/2	\$1,021,990	2,678	\$381.62
			4/4.5	2/2	\$1,072,990	2,774	\$386.80
Rosemont	76	Detached	3/2.5	2/2	\$1,025,990	1,902	\$539.43
K. Hovnanian		4,500 SF	4/4	2/2	\$1,101,990	2,544	\$433.17
			4/4.5	2/2	\$1,208,990	3,031	\$398.87
Larkspur	69	Detached	4/3	1/2	\$1,114,990	2,165	\$515.01
Lennar Homes		5,040 SF	5/5	2/2	\$1,219,990	2,825	\$431.85
			5/5.5	2/2	\$1,334,990	3,160	\$422.47

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Improvement Description Beacon Park

Product Name/ Builder	Total Units	Lot Size (SF)	Bdrm/Ba	Stories/ Garage	Base Sales Price	Unit Size	\$/Sq. Ft.
Oakmont	49	Detached	3/4	2/2	\$1,098,900	2,524	\$435.38
Ryland Homes		4,550 SF	3/3.5	2/2	\$1,142,900	2,783	\$410.67
			4/4	2/2	\$1,247,900	3,064	\$407.28
Silvermist	51	Detached	4/4.5	1/2	\$1,424,990	2,796	\$509.65
K. Hovnanian		6,300 SF	4/4.5	2/2	\$1,432,990	3,673	\$390.14
			5/5.5	2/2	\$1,454,990	3,714	\$391.76
			5/5.5	2/2	\$1,669,990	4,002	\$417.29
Juniper	55	Detached	4/3.5	2/2	\$1,226,880	2,897	\$423.50
Pulte Homes		5,100 SF	4/4.5	2/2	\$1,294,880	3,150	\$411.07
			4/4.5	2/2	\$1,339,880	3,328	\$402.61
Torrey	63	Detached	4/4.5	2/3	\$1,429,900	3,314	\$431.47
Standard Pacific		5,700 SF	4/4.5	2/3	\$1,484,900	3,559	\$417.22
			4/4.5	2/3	\$1,521,900	3,646	\$417.42
Legend	48	Detached	5/5.5	2/2	\$1,757,900	4,337	\$405.33
Ryland Homes		6,300 SF	5/5.5	2/2	\$1,808,900	4,408	\$410.37
			5/5.5	2/2	\$1,860,900	4,587	\$405.69
Models & 12 Production Homes Under Construction - Opening planned for August 2016							
Opus	60	TH	N/A	N/A	\$680,000	1,820	\$373.63
Warmington Homes			N/A	N/A	\$705,000	1,961	\$359.51
			N/A	N/A	\$730,000	2,076	\$351.64
			N/A	N/A	\$765,000	2,228	\$343.36
			N/A	N/A	\$785,000	2,452	\$320.15

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Foundations

Foundations are poured concrete. Particle board 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 and composition shingle.

Windows

Vinyl dual glazed windows.

Floor Covering

Floor coverings are wall-to-wall carpet in all living areas. Entries are of ceramic tile.

Interior Finish

Custom trowelled ceiling and painted drywall.

Heating/HVAC

Central air conditioning and gas forced air heating.

Kitchens

Kitchens will be equipped with natural maple or birch wood Euro-styled frameless cabinetry, and granite countertops. Each kitchen will include appliances in stainless steel that include professional range, electric self-cleaning double oven, dishwasher, built-in microwave and stainless steel sink.

Bathrooms

Bathrooms will have double sinks with ceramic tile countertops, and tile surround in shower and tub.

Garage

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

Laundry Facilities

Interior laundry areas.

Exterior

Side and rear yard fencing. Detached condominiums include front yard landscape and irrigation.

Options

Numerous options and upgrades are available including flooring, cabinet, appliance package and countertop upgrades. Most options and upgrades provided at competing, similar quality developments were offered.

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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.

Homeowners Association

The homeowner's association dues are reported to range between \$141.00 and \$216.00 per month, depending on floor plan size. The HOA will be responsible for maintaining all of the common areas within the Master Association including all recreation facilities, streets, landscaping and open space lots. The attached products have a sub-association with monthly dues ranging from \$174.00 to \$249.50 per unit per month.

Conclusion of the Improvements

Based on the review of the product information and physical inspection of the 14 currently selling products within Beacon Park, we are of the opinion that the quality of the products is good and will generally meet buyer expectations for the subject's marketplace.

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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 property included in Improvement Area No. 4 is proposed for the existing and proposed uses with 20 recorded final tract maps. The subject of this appraisal includes 219± gross acres of land proposed for 1,029 dwellings. As of the date of value, all of Improvement Area No. 4 is entitled for the existing and proposed

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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uses. The net developable density is approximately 11 units per acre. The existing and proposed improvements are legal and conforming uses.

Physical and Locational Considerations

The physical and locational characteristics of the subject property are considered good for the proposed uses. The proposed uses conform to the various zoning specifications as approved by the City of Irvine. The subject properties are a natural extension of existing residential developments located in the City of Irvine. The Irvine area is established and offers a large employment base near Improvement Area No. 4. Prior to the recent recession and deterioration in the residential market, there was strong demand for the proposed developments as evidenced by sales of merchant builder land and dwelling units in the planned communities. 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 Irvine markets. According to the Orange County Register, Irvine has been the fastest selling new home, non-retirement community in the United States for each of the past four years.

The physical and locational characteristics of the subject properties are considered very good. All necessary utilities are reported to be available to the sites with capacity to service the existing and proposed developments. The site's access and configuration are good. Topography is generally level. The subject parcels 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 Improvement Area No. 4.

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.

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Market Conditions and Feasibility

The financial feasibility of the development of Improvement Area No. 4 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 Improvement Area No. 4.

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 4± years, 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%. The March 2016 median price is 6.8% higher than the March 2015 median price. The March 2016 median price of \$625,000 is 3.1%± below the June 2007 peak of \$645,000. It appears that the upward pressure on price due to demand outpacing supply could be moderating. Over the past 12 months, sales increased by 0.8%, from 3,156 sales in March 2015 to 3,181 sales in March 2016. The March 2016 median home price increased 6.3% from \$585,000 to \$625,000 over the 12 month time frame. This is the highest March median price since 2013, but 14.6% below the average March price since 1988.

As of mid-April 2016, there were only 5,862 existing and new homes for sale in Orange County. This is the same as the March 2015 inventory and 37% below the 12-year average of 9,238 dwellings in the inventory. Absorption of all homes currently on the market is estimated at 55 days, much lower than the typical four to six month absorption going back to 2004. The current inventory, albeit about two-thirds of the average between 2005 and 2016, supports a much more sustainable market than what was seen one to two years ago.

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According to the Metrostudy report dated fourth quarter of 2015, homebuilders sold 951 new homes in the Orange County market, which represents an 18.4% decrease from the new home sales one year ago. This represents a 25.5% decrease for detached homes, while the attached new home closings decreased by 0.6%. On an annual rolling 12-month basis, for all of 2015, new detached home closings in Orange County are down 14.4% from 2014.

The median sale price of all new homes closed during the fourth quarter of 2015 was at \$881,200, an increase of 8.3%± from the fourth quarter of 2014. The detached median sale price increased 13.8% to \$1,088,000, while the attached median sale price increased 8.0% to \$587,500 over the past 12 months.

According to Metrostudy, at the end of Q4 2015 there were 115 active detached subdivisions in the Orange County market, representing an increase of 8 subdivisions from one year ago. At the end of Q4 2015, there were 2,199 available detached units, which include model homes, completed dwellings and dwellings in various stages of construction. Based on the most recent closing data, this represents a 10.3 month supply of inventory of dwellings. According to Metrostudy there are 2,824 finished lots in the County which represents an 11.0 month supply of finished lots.

Metrostudy locates the City of Irvine within the Central submarket of Orange County. This area also includes the cities of Anaheim, Buena Park, Cypress, Fountain Valley, Orange, Tustin and Westminster. The Central submarket region accounted for 348 detached sales during the fourth quarter of 2015, or a 55.9% market share of the Orange County market. This sales rate is down 25.5% from the fourth quarter 2014 sales rate. Another indication of the moderating market is that for the fourth quarter of 2015, the Central submarket had average quarterly sales per project of 5.4 units. One year ago, the sales rate was at 7.8 units per month. Over all of 2015, the Central submarket reported 1,523 closings compared to 1,688 for the 12 months ending December 2014, a 9.8% decrease. The rolling 12-month closing rate per subdivision was at 28.6 units per year in Q4 2014 dropping to 23.1 units per year in Q4 2015,

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representing a 19.3% decrease. Compared to Q3 2015 rolling 12 month closings, Q4 2015 declined 6.9% from 1,636 closings to 1,523 closings.

The median detached sales price in the Central submarket has decreased 8.2% from \$1,064,000 in Q4 2014 to \$977,600 in Q4 2015. The median detached unit size increased 6.0%± from 2,531 square feet to 2,682 square feet. The median price per square foot for a detached dwelling increased from \$415 to \$441 over the past 12 months. This is the highest price per square foot submarket in Orange County. The North Coastal area is the second highest at \$430 per square foot for a detached dwelling. The attached dwelling units increased in median price per square foot from \$349 to \$357 in Q4 2015, a 2.2% increase in price per square foot.

During the fourth quarter of 2015, the subject's submarket sold 2 detached dwellings between \$500,000 and \$599,999; 6 detached dwellings between \$600,000 and \$699,999; 26 detached dwellings between \$700,000 and \$799,999; and 314 detached dwellings over \$800,000. The submarket sold 10 attached dwellings between \$300,000 and \$399,999; 53 attached dwellings between \$400,000 and \$499,999; 88 attached dwellings between \$500,000 and \$599,999; 42 attached dwellings between \$600,000 and \$699,999; and 6 attached dwellings over \$700,000.

Within the Central submarket there are 53 active detached projects and 20 active attached products at the end of Q4 2015. This is 5 more than the end of Q4 2014 for detached products and three more for attached products. For detached products, the subject's submarket area reports 117 completed models, 205 units as built but unsold inventory units and 881 unsold units under construction. This is an 8.5± month absorption time for the completed dwellings and units under construction. Total inventory which includes units built, under construction and model homes totals 1,203 units which equates to a 9.5 month supply at the current sales rate. One year ago total detached inventory was at 997 units, and the absorption time based on last year's sales rate was 7.1 months. Both total inventory and absorption time have increased over the one-year period.

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For attached dwellings, there are 39 completed models, 48 units of completed but unsold dwellings and 370 dwellings under construction. This is an 8.4 month absorption period for the completed and under construction dwellings. Total inventory totals 457 dwellings, which equates to a 9.2 month absorption period, at the current sales rate. One year ago, total attached absorption totaled 392 units and the absorption time based on last year's sales rate was 6.7 months. Both total inventory and absorption time have increased over the past one-year period.

According to an interest rate survey published weekly in the Los Angeles Times, the typical 30-year, fixed rate conforming loan is around 3.6% as of the date of this report. Mortgage rates have been in the 3.5% to 3.8%± range over the past month. Six months previously, rates were in the 3.5% to 4.0% 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 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 four pages illustrates the currently selling attached and detached projects within the subject's market area. The detached products are generally selling around 3± to 4± units per month. The attached products are selling around 3± to 7± units per month with two new products that opened in February and March, 2016 reporting sales of 12.0 and 17.3 units per month. The 14 individual products within CFD No. 2013-3, Improvement Area No. 4 range from 1.0 unit per month to 8.1 units per month.

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

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Comparable Residential Project Summary
Attached and Detached Single Family Homes
City of Irvine
May 9, 2016

<u>No.</u>	<u>Product & Builder</u>	<u>Units</u>	<u>Product Type</u>	<u>Base 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>
ATTACHED PROJECTS									
<i>Beacon Park</i>									
1	Rowland Lennar Homes Beacon Park	107	TH	\$609,990 \$649,990 \$669,990 \$689,990	1,661 1,748 1,837 2,076	\$367.24 \$371.85 \$364.72 \$332.37	31	26 Aug-15	3.0
2	Brio Shea Homes Beacon Park	76	Duplex	\$616,900 \$705,900	1,465 1,963	\$421.09 \$359.60	40	25 Aug-15	2.8
3	Primrose D.R. Horton Beacon Park	105	TH 3-plex	\$657,990 \$708,990 \$759,990	1,657 1,705 2,034	\$397.10 \$415.83 \$373.64	42	31 Aug-15	3.5
<i>Portola Springs</i>									
4	Indigo California Pacific Homes Portola Springs	171	TH	\$500,000 \$635,000 \$689,000 \$694,000	1,178 1,542 1,775 1,813	\$424.45 \$411.80 \$388.17 \$382.79	24	20 Feb-16	7.7
5	The Vine William Lyon Homes Portola Springs	106	TH	\$487,000 \$507,000 \$497,000 \$567,000 \$587,000 \$602,000 \$614,000 \$619,000	1,235 1,240 1,248 1,400 1,499 1,566 1,632 1,660	\$394.33 \$408.87 \$398.24 \$405.00 \$391.59 \$384.42 \$376.23 \$372.89	38	14 Feb-16	5.0
6	Willow KB Homes Portola Springs	156	TH	\$492,990 \$502,990 \$522,990 \$592,990	1,258 1,263 1,614 1,868	\$391.88 \$398.25 \$324.03 \$317.45	76	62 Jan-15	3.8
<i>Eastwood Village</i>									
7	Avaion Irvine Pacific Eastwood Village	156	Flats	\$499,000 \$571,000 \$619,000	1,161 1,343 1,544	\$429.80 \$425.17 \$400.91	45	34 Feb-16	12.0

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Comparable Residential Project Summary
Attached and Detached Single Family Homes
City of Irvine
May 9, 2016

<u>No.</u>	<u>Product & Builder</u>	<u>Units</u>	<u>Product Type</u>	<u>Base 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>
8	Helena Irvine Pacific Eastwood Village	142	TH	\$650,000 \$670,000 \$680,000 \$690,000	1,557 1,632 1,645 1,714	\$417.47 \$410.54 \$413.37 \$402.57	29	29 Mar-16	17.3
DETACHED PROJECTS									
Beacon Park									
9	Harper Lennar Homes Beacon Park	84	Detached Condo	\$809,990 \$839,990 \$879,990	1,701 1,941 2,019	\$476.18 \$432.76 \$435.85	39	25 Aug-15	2.7
10	Melody Lennar Homes Beacon Park	62	Detached Condo	\$984,990 \$1,089,990 \$1,021,990 \$1,072,000	2,321 2,407 2,678 2,774	\$424.38 \$452.84 \$381.62 \$386.45	51	40 Aug-15	4.5
11	Ellwood Richmond American Homes Beacon Park	71	Detached Condo	\$865,990 \$905,990 \$926,990	2,081 2,230 2,329	\$416.14 \$406.27 \$398.02	71	71 Aug-15	8.1
12	Welton Taylor Morrison Homes Beacon Park	53	Detached Condo 3,800 SF	\$870,990 \$990,990 \$1,065,990	2,188 2,412 2,739	\$398.08 \$410.86 \$389.19	39	30 Aug-15	3.4
13	Rosemont K. Hovanian Homes Beacon Park	72	4,500 SF	\$1,025,990 \$1,101,990 \$1,208,990	1,902 2,544 3,031	\$539.43 \$433.17 \$398.87	28	21 Sep-15	2.5
14	Larkspur Lennar Homes Beacon Park	69	5,040 SF	\$1,114,990 \$1,219,990 \$1,334,990	2,165 2,823 3,160	\$515.01 \$432.16 \$422.47	41	31 Aug-15	3.5
15	Oakmont Ryland Homes Beacon Park	49	4,550 SF	\$1,098,900 \$1,142,900 \$1,247,900	2,524 2,783 3,064	\$435.38 \$410.67 \$407.28	32	15 Aug-15	1.7
16	Juniper Pulte Homes Beacon Park	55	5,100 SF	\$1,226,880 \$1,294,880 \$1,339,880	2,897 3,150 3,328	\$423.50 \$411.07 \$402.61	47	30 Aug-15	3.4

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Comparable Residential Project Summary
Attached and Detached Single Family Homes
 City of Irvine
 May 9, 2016

No.	Product & Builder	Units	Product Type	Base Price Range	Size Range	\$/Sq. Ft. Range	No. Released	No. Sold Start Dt.	Overall Mo. Abs.
17	Silvermist K. Hovanian Homes Beacon Park	51	6,300 SF	\$1,424,990 \$1,432,990 \$1,454,990 \$1,669,990	2,796 3,673 3,714 4,002	\$509.65 \$390.14 \$391.76 \$417.29	29	28 Aug-15	3.2
18	Torrey Standard Pacific Beacon Park	63	5,700 SF	\$1,429,900 \$1,484,900 \$1,521,900	3,314 3,559 3,646	\$431.47 \$417.22 \$417.42	63	27 Aug-15	3.1
19	Legend Ryland Homes Beacon Park	48	6,300 SF	\$1,757,900 \$1,808,900 \$1,860,900	4,337 4,408 4,587	\$405.33 \$410.37 \$405.69	19	5 Dec-15	1.0
Stonegate									
20	Lafayette Richmond American Homes Stonegate	111	4,700 SF	\$1,155,990 \$1,186,990 \$1,231,990	2,443 2,692 2,853	\$473.18 \$440.93 \$431.82	104	100 Mar-15	7.0
21	Arcadia TRI Pointe Homes Stonegate	127	4,000 SF	\$1,199,000 \$1,281,000 \$1,269,000	2,909 3,149 3,202	\$412.17 \$406.80 \$396.31	127	121 Jul-13	3.5
22	Palo Alto KB Homes Stonegate	61	3,960 SF	\$1,212,990 \$1,239,990 \$1,304,990	3,002 3,102 3,380	\$404.06 \$399.74 \$386.09	55	25 Jun-15	2.4
Portola Springs									
23	Citrine California Pacific Homes Portola Springs	71	Detached Condo	\$632,000 \$596,000 \$647,000 \$668,000	1,792 1,460 1,600 1,596	\$352.68 \$408.22 \$404.38 \$418.55	71	67 Sep-15	9.0
24	Silverleaf California Pacific Homes Portola Springs	147	Detached Condo	\$660,000 \$680,000 \$700,000	1,636 1,640 1,664	\$403.42 \$414.63 \$420.67	18	14 Feb-16	5.4
25	Sage KB Homes Portola Springs	125	Detached Condo	\$738,380 \$808,380 \$805,380	1,697 1,959 1,975	\$435.11 \$412.65 \$407.79	103	97 Jun-14	4.3

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Comparable Residential Project Summary
Attached and Detached Single Family Homes
City of Irvine
May 9, 2016

<u>No.</u>	<u>Product & Builder</u>	<u>Units</u>	<u>Product Type</u>	<u>Base 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>
26	Legado Brookfield Residential Portola Springs	103	Detached	\$789,305	2,040	\$386.91	32	20 Feb-16	8.1
			Condo	\$830,203	2,185	\$379.96			
				\$862,105	2,258	\$381.80			
				\$876,600	2,344	\$373.98			
27	Cressa The New Home Company Portola Springs	95	4,000 SF	\$961,800	2,440	\$394.18	24	19 Feb-16	7.3
				\$1,020,800	2,600	\$392.62			
				\$1,075,800	2,815	\$382.17			
Eastgate Village									
28	Petaluma Irvine Pacific Eastwood Village	107	Detached	\$818,000	1,684	\$485.75	48	48 Feb-16	17.4
			Condo	\$856,000	1,810	\$472.93			
				\$872,000	1,898	\$459.43			
29	Marin Irvine Pacific Eastwood Village	157	Detached	\$872,000	1,948	\$447.64	34	28 Feb-16	9.9
			Condo	\$944,000	2,244	\$420.68			
				\$975,000	2,309	\$422.26			
				\$949,000	1,955	\$485.42			
				\$970,000	2,288	\$423.95			
30	Belvedere Irvine Pacific Eastwood Village	135	3,550 SF	\$1,126,000	2,402	\$468.78	29	24 Mar-16	14.3
				\$1,177,000	2,605	\$451.82			
				\$1,254,200	2,873	\$436.55			
				\$1,327,000	2,952	\$449.53			
31	Piedmont Irvine Pacific Eastwood Village	71	7,800 SF	\$999,000	2,165	\$461.43	18	15 Mar-16	8.3
				\$1,100,000	2,500	\$440.00			
				\$1,130,000	2,546	\$443.83			

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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 Improvement Area No. 4, the appraisers reviewed an independent prepared absorption analysis that relates to the entire build-out of Improvement Area No. 4. This independent study is titled Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4 Market Absorption Study, prepared for the City of Irvine and prepared by Empire Economics, Inc., dated April 25, 2016.

The study analyzes the 15 existing products within Beacon Park. The report reflects 172 closed sales as of April 2016. The report forecasts future closings of 361 dwellings during the remainder of 2016. During 2017, additional closings are estimated at 399 dwellings. The remaining 97 dwellings are expected to close escrow by mid-2018. Based on the absorption analysis prepared by Empire Economics, the estimated average monthly absorption per project is 1.5 to 6.7 units, with an overall absorption of 2.2 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 acceptable 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 the planned communities in the City of Irvine 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.

During the housing boom between 2002 and 2005, the Orange County market area and particularly the City of Irvine was well received by home buyers. Builders

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continued to offer projects with larger and more expensive homes. Prices continued to increase until 2006.

Market conditions during 2008/2009 were very difficult times for developers and merchant builders. The cost to develop the sites could be greater than the estimated finished lot values, which indicates that the proposed developments were not feasible. This was evidenced in 2011/2012 by the Irvine Company starting its "Executive Builder Program." In this program, the developer retains ownership of the land until the dwelling is sold to individual homeowners. At that time, the dwelling unit was double escrowed to the ultimate homeowner.

When a change in market conditions occurs, it is often the case that the prior proposed products are not the Highest and Best Use of the land. Merchant builders respond to market conditions with smaller, less amenitized dwellings. In an upward trending market, the profits realized on existing land transactions can be double what were in the original proforma. Similarly, in a downward trending market profit margins are significantly lower than the proforma and in some cases builders continue to build just to cover the company's general and administrative (G & A) expenses.

As illustrated on the preceding absorption table, numerous projects opened for sales in 2015 and 2016. Product that entered the market during 2011/2012 were generally sold out due to the explosion of sales activity during 2012, 2013, and 2014. As the rebounding market continued, products that entered the market during 2013 and 2014, have generally sold out. The return to an active residential market after the housing crash and economic recession has created significant merchant builder activity.

Based on current market demand, it appears that current development meets current market demand. It is our opinion that continued development of detached products between 1,700 and 4,600 square feet and attached product between 1,400 and 2,450 square feet, provides the highest land value and is, therefore, maximally productive.

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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 opinion of the appraisers that the highest and best use for the subject property, as vacant and as improved, is for residential development of attached and detached dwellings similar to what is currently under construction in Beacon Park. In general, the current 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 single-family detached and attached for-sale products are considered the highest and best use of the property. The market has improved significantly and continually over the past 4+ years. The forecast for continued economic growth is considered sustainable for the foreseeable future.

As Improved and Proposed

The proposed and existing uses are a legal use of the properties and the value of the properties as improved far exceed the value of the sites if vacant. This means that the proposed and existing improvements will contribute substantial value to the sites. Based on these considerations, it is our opinion that the existing and 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 or blue-top lot value.

The purpose of this appraisal assignment is to estimate Market Value for the taxable property within Improvement Area No. 4. As summarized in the Site Analysis and Improvement Description sections of this report, there are 14 products in an active sales program with the final product scheduled to open for sales in August 2016. Within Improvement Area No. 4, 1,029 dwelling units, subject to the special tax, are built, under construction or planned. Of those, 207 have closed escrow to individual homeowners. The sold dwelling units closed between October 2015, and the date of value.

The dwellings that have sold within Beacon Park over the past 7± months have been valued utilizing the actual sales price, due to the stabilizing market over the time frame of sales.

The 44 completed model units are valued based on the average base sales price for that product, as of the date of value. As discussed, there are 306 dwelling units in various states of unit construction as of the date of value. The units under construction are valued based on our inspection of the property. An estimate of completion (stated as a percent) for each unit is estimated as of the date of value. As illustrated in the highest and best use section of this report, demand and acceptance for the subject products has been average to good since opening in August 2015. Given current market conditions and demand for the subject products, additional value is considered warranted for the units under construction. The estimated completion is applied to the average size dwelling unit for the specific product.

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

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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 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 balance of Improvement Area No. 4 consists of 472 physically finished lots. All of the lots are within tracts of currently developing subdivisions. The 14 products have been in an active sales program since mid-August 2015. The merchant builder land within Improvement Area No. 4 is valued by the Direct Comparison Approach with similar recent merchant builder land sales and the Static Residual Analysis. The Static Residual Analysis more closely reflects current market conditions. The Static Residual Analysis is considered a reliable method for estimating finished lot value for actively selling products.

VALUATION OF DWELLING UNITS

Valuation of Completed and Sold Dwelling Units

As previously discussed, within 15 products, 557 dwelling units are built or under construction. Of those, 207 have closed escrow to individual homeowners. Included in the 557 dwelling units that are built or under construction are 44 completed model homes and 6 model homes under construction. The sold dwelling units closed escrow between October 2015 and the date of value, May 1, 2016, according to information provided by the developer, merchant builders, public records and recorded grant deeds. A unit by unit summary of sales is included in the Addenda of this report. The data includes, product, buyer's name, date of sale, legal description and sales price.

The dates of sale for the 207 dwelling units have occurred within 7± months of the date of value. Market conditions have been generally stable for the subject products over this timeframe. Sales have continued to be average to good. The appraisers have relied on the 2015 and 2016 sales in the valuation of the sold dwelling units.

As discussed within this report, the residential market significantly improved between 2012 and 2015. While sales have moderated over the past 12± months, sales prices remain supported. The reported median price as of March 2016 by CoreLogic is \$625,000, just 3.1% below the June 2007 peak of \$645,000. Sales rates reflect the typical month over month sales increases and continuing slight year-over-year gains. March sales were 37.4% greater than February 2016 sales. Year over year, sales gained less than 1%.

The following table summarizes the 207 closed sales included in the analysis. The sales are categorized by product, along with the number of sales and average sales price. The appraisers were not provided with individual unit sizes for the closed escrows, therefore for general information purposes, we have used the average unit size to estimate price per square foot. The estimated Market Value for the 207 dwelling units is \$213,000,000, rounded.

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Summary of Subject Sales October 2015 – May 1, 2016

<u>Product</u>	<u>No. of Sales</u>	<u>Avg. S/F</u>	<u>Avg. S/P</u>	<u>Avg.\$/SF</u>
Ellwood	12	2,213	\$887,000	\$400.81
Melody	32	2,545	\$1,031,197	\$405.19
Rowland	21	1,831	\$675,441	\$368.89
Primrose	23	1,799	\$716,413	\$398.23
Welton	14	2,446	\$1,048,680	\$428.73
Brio	10	1,714	\$699,050	\$407.85
Juniper	7	3,125	\$1,340,929	\$429.10
Silvermist	9	3,546	\$1,592,111	\$448.99
Harper	21	1,887	\$830,811	\$440.28
Oakmont	8	2,790	\$1,205,125	\$431.94
Larkspur	25	2,717	\$1,192,000	\$438.72
Torrey	15	3,506	\$1,666,800	\$475.41
Rosemont	10	2,492	\$1,145,850	\$459.81

Market Value 207 Individual Ownerships

<u>Product/Builder</u>	<u>Dwellings Sold</u>	<u>Value Estimate</u>
Ellwood/Richmond American	12 Dwellings	\$10,644,000
Melody/Lennar Hms	32 Dwellings	\$32,998,306
Rowland/Lennar Hms	21 Dwellings	\$14,184,253
Primrose/DR Horton	23 Dwellings	\$16,477,500
Welton/Taylor Morrison	14 Dwellings	\$14,681,525
Brio/Shea Hms	10 Dwellings	\$6,990,500
Juniper/Pulte Hms	7 Dwellings	\$9,386,500
Silvermist/K Hovnanian	9 Dwellings	\$14,329,000
Harper/Lennar Hms	21 Dwellings	\$17,447,027
Oakmont/Ryland Hms	8 Dwellings	\$9,641,000
Larkspur/Lennar Hms	25 Dwellings	\$29,800,000
Torrey/Standard Pacific	15 Dwellings	\$25,002,000
Rosemont/K. Hovnanian	10 Dwellings	<u>\$11,458,500</u>
	207 Sold Dwellings	\$213,040,111
	Rd.	\$213,000,000

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Valuation of Model Homes and Dwelling Units Under Construction

In addition to the 207 completed and sold dwelling units, there are 44 completed model homes within Improvement Area No. 4. The model homes are valued based on 100% completion of the average size unit for each product.

There are a total of 306 dwelling units in various stages of unit construction within the 15 products of Improvement Area No. 4. The table on page 34 summarizes the number of dwelling units per product in the various stages of unit construction. In total, there are 99 dwelling units near completion, 70 dwelling units improved to color coat with roofs complete, 14 dwelling units improved to scratch coat with roofs under construction and 123 dwelling units framed to wrapped. For purposes of this appraisal, the appraisers have estimated the percent complete at 80% for the nearly complete dwelling units, 70% for the dwellings improved to color coat, 65% for the dwellings improved to scratch coat and 60% for the dwellings framed to wrapped.

The table on the following pages summarizes the estimated Market Value for the 44 model homes and 306 dwelling units under construction for each merchant builder ownership. As indicated the total estimated Market Value for the 350 dwellings is \$267,000,000, rounded.

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MODEL HOMES & DWELLINGS UNDER CONSTRUCTION					
Merchant Builder Ownerships					
Product	Ownership	Condition of Units	Estimated % Complete	Avg. Base S/P Per Project	Estimated Value
No. of Units					
<i>Rowland - Lennar Homes of California, Inc.</i>					
4	Models		100%	\$645,000	\$2,580,000
10	Nearly complete		80%	\$645,000	\$5,160,000
12	Framed to wrapped		60%	\$645,000	\$4,644,000
<i>Melody - Lennar Homes of California, Inc.</i>					
4	Models		100%	\$1,032,500	\$4,130,000
5	Nearly complete		80%	\$1,032,500	\$4,130,000
4	Color stucco, roofs complete		70%	\$1,032,500	\$2,891,000
4	Brown coat, roofs under construction		65%	\$1,032,500	\$2,684,500
<i>Harper - Lennar Homes of California, Inc.</i>					
3	Models		100%	\$840,000	\$2,520,000
18	Nearly complete		80%	\$840,000	\$12,096,000
<i>Larkspur - Lennar Homes of California, Inc.</i>					
3	Models		100%	\$1,213,500	\$3,640,500
8	Nearly complete		80%	\$1,213,500	\$7,766,400
8	Brown coat, roofs under construction		65%	\$1,213,500	\$6,310,200
					\$58,552,600
<i>Brio - Shea Homes Limited Partnership</i>					
2	Models		100%	\$660,000	\$1,320,000
10	Nearly complete		80%	\$660,000	\$5,280,000
12	Framed to wrapped		60%	\$660,000	\$4,752,000
					\$11,352,000
<i>Primrose - Continental Residential Inc. (DR Horton)</i>					
3	Models		100%	\$700,000	\$2,100,000
7	Nearly complete		80%	\$700,000	\$3,920,000
12	Color stucco, roofs complete		70%	\$700,000	\$5,880,000
					\$11,900,000
<i>Opus - Warmington BP Associates, LLC</i>					
18	Framed to wrapped		60%	\$723,000	\$7,808,400
					\$7,808,400
<i>Ellwood - Richmond American Homes of Maryland, Inc.</i>					
3	Models		100%	\$890,000	\$2,670,000
7	Nearly complete		80%	\$890,000	\$4,984,000
12	Color coat, roofs complete		70%	\$890,000	\$7,476,000
24	Framed to wrapped		60%	\$890,000	\$12,816,000
					\$27,946,000
<i>Welton - Taylor Morrison of California, LLC</i>					
3	Models		100%	\$965,000	\$2,895,000
2	Nearly complete		80%	\$965,000	\$1,544,000
7	Color coat, roofs complete		70%	\$965,000	\$4,728,500
16	Framed to wrapped		60%	\$965,000	\$9,264,000
					\$18,431,500

MODEL HOMES & DWELLINGS UNDER CONSTRUCTION				
Merchant Builder Ownerships				
Product Ownership	Condition of Units	Estimated % Complete	Avg. Base S/P Per Project	Estimated Value
No. of Units				
<i>Rosemont - CDCG 3 Hov LP (K. Hovnanian)</i>				
3	Models	100%	\$1,100,000	\$3,300,000
1	Nearly complete	80%	\$1,100,000	\$880,000
6	Color coat, roofs complete	70%	\$1,100,000	\$4,620,000
3	Framed to wrapped	60%	\$1,100,000	\$1,980,000
<i>Silvermist - K. Hovnanian at Beacon Park Area 137, LLC</i>				
4	Models	100%	\$1,485,000	\$5,940,000
6	Nearly complete	80%	\$1,485,000	\$7,128,000
5	Color coat, roofs complete	70%	\$1,485,000	\$5,197,500
				\$29,045,500
<i>Oakmont - Ryland Homes of California, Inc.</i>				
3	Models	100%	\$1,140,000	\$3,420,000
6	Nearly complete	80%	\$1,140,000	\$5,472,000
4	Color coat, roofs complete	70%	\$1,140,000	\$3,192,000
9	Framed to wrapped	60%	\$1,140,000	\$6,156,000
<i>Legend - Ryland Homes of California, Inc.</i>				
3	Models	100%	\$1,790,000	\$5,370,000
5	Nearly complete	80%	\$1,790,000	\$7,160,000
3	Color coat, roofs complete	70%	\$1,790,000	\$3,759,000
2	Brown coat, roofs under construction	65%	\$1,790,000	\$2,327,000
9	Framed to wrapped	60%	\$1,790,000	\$9,666,000
				\$46,522,000
<i>Juniper - Pulte Home Corporation</i>				
3	Models	100%	\$1,237,000	\$3,711,000
10	Color coat, roofs complete	70%	\$1,237,000	\$8,659,000
12	Framed to wrapped	60%	\$1,237,000	\$8,906,400
				\$21,276,400
<i>Torrey - Standard Pacific Corp.</i>				
3	Models	100%	\$1,430,000	\$4,290,000
14	Nearly complete	80%	\$1,430,000	\$16,016,000
7	Color coat, roofs complete	70%	\$1,430,000	\$7,007,000
8	Framed to wrapped	60%	\$1,430,000	\$6,864,000
				\$34,177,000
350	Total Models Homes and Dwelling Units Under Construction			\$267,011,400
	10 Merchant Builders			
			Rounded to:	\$267,000,000

VALUATION OF PHYSICALLY FINISHED LOTS

General Information

The land without unit construction within Improvement Area No. 4 includes lots within 15 residential products. As discussed, Improvement Area No. 4 has land from physically finished lots to completed and occupied dwelling units. This section of the appraisal report will value the 472 physically finished lots, as of the date of value. The valuation assumes development of the 472 lots will be for the continuation of the products as currently proposed.

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. The subject land sales recorded between December 2014 and June 2015. As discussed in this report, the residential market was relatively stable through 2015 and has continued during the first four months of 2016. In addition to the subject's 15 land sales, we have included information for 10 recent merchant builder land sales in Irvine. These sales are all phased take-downs of small increments of lots. Only the sales price for blue-top lots was made available to the appraisers. Phased take-downs should indicate a higher price per lot than a larger purchase of an entire tract. 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 currently selling products of Improvement Area No. 4 are analyzed. The results of both the Direct Comparison Approach and the Static Residual Analysis are considered in estimating finished lot values for the 472 lots within Improvement Area No. 4.

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

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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 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 proposed dwelling unit for the residential land. Please refer to the following pages that summarizes the subject land sales and recent phased take-downs in Irvine.

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 the subject's merchant builder parcels. The comparable land sales have 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 merchant builders for the subject land sales. 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 remained relatively stable. As discussed throughout this report, over the past 18± months, the residential market throughout California and specifically Orange County has experienced a decrease in sales activity with stable 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.

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
Subject Properties - Beacon Park								
No. 1 Brio Great Park	Shea Homes Limited Partnership Heritage Fields El Toro, LLC Tracts 17734 & 17724	12/19/2014	Duplex 14.1 U/Ac	76	\$23,500,036	\$309,211	\$353,211	Blue-top Lots 1,714 SF Avg. Home Size
No. 2 Primrose Great Park	Continental Residential Inc. Heritage Fields El Toro, LLC Tracts 17741 & 17735	12/23/2014	TH 3-plex 15.1 U/Ac	105	\$34,500,000	\$328,571	\$353,972	Blue-top Lots 1,799 SF Avg. Home Size
No. 3 Rowland Great Park	Lennar Homes of California, Inc. Heritage Fields El Toro, LLC Tracts 17740 & 17733	12/23/2014	TH 3-plex 18.1 U/Ac	107	\$32,989,650	\$308,314	\$357,272	Blue-top Lots 1,831 SF Avg. Home Size
No. 4 Opus Great Park	Warmington BP Associates, LLC Heritage Fields El Toro, LLC Tracts 17736 & 17724	4/30/2015	TH 12.6 U/Ac	60	\$13,700,000	\$228,333	\$295,733	Blue-top Lots 2,107 SF Avg. Home Size
No. 5 Harper Great Park	Lennar Homes of California, Inc. Heritage Fields El Toro, LLC Tract 17732	12/19/2014	Det. Condo 12.8 U/Ac	84	\$31,250,694	\$372,032	\$434,348	Blue-top Lots 1,887 SF Avg. Home Size
No. 6 Ellwood Great Park	Richmond American Homes Heritage Fields El Toro, LLC Tracts 17744 & 17725	12/24/2014	Det. Condo 10.8 U/Ac	71	\$29,252,071	\$412,001	\$467,696	Blue-top Lots 2,213 SF Avg. Home Size
No. 7 Welton Great Park	Taylor Morrison of California, LLC Heritage Fields El Toro, LLC Tracts 17738 & 17724	1/6/2015	Det. Condo 8.1 U/Ac	53	\$26,000,000	\$490,566	\$519,585	Blue-top Lots 2,446 SF Avg. Home Size
No. 8 Melody Great Park	Lennar Homes of California, Inc. Heritage Fields El Toro, LLC Tracts 17742 & 17725	12/24/2014	Det. Condo 8.6 U/Ac	62	\$31,076,266	\$501,230	\$577,475	Blue-top Lots 2,545 SF Avg. Home Size
No. 9 Rosemont Great Park	CDCG 3 Hov LP Heritage Fields El Toro, LLC Tracts 17729 & 17725	12/22/2014	4,500 SF Lots 7.4 U/Ac	76	\$47,375,000	\$623,355	\$637,355	Blue-top Lots 2,492 SF Avg. Home Size
No. 10 Larkspur Great Park	Lennar Homes of California, Inc. Heritage Fields El Toro, LLC Tracts 17730 & 17725	12/19/2014	5,040 SF Lots 7.5 U/Ac	69	\$44,247,882	\$641,274	\$705,399	Blue-top Lots 2,717 SF Avg. Home Size
No. 11 Oakmont Great Park	Ryland Homes of California, Inc. Heritage Fields El Toro, LLC Tracts 17731 & 17725	12/22/2014	4,560 SF Lots 7.9 U/Ac	49	\$29,252,951	\$596,999	\$650,570	Blue-top Lots 2,790 SF Avg. Home Size
No. 12 Silvermist Great Park	K. Hovnanian at Beacon Park Heritage Fields El Toro, LLC Tracts 17737 & 17726	12/22/2014	6,300 SF Lots 5.6 U/Ac	51	\$44,525,000	\$873,039	\$935,039	Blue-top Lots 3,546 SF Avg. Home Size

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. 13 Juniper Great Park	Pulte Home Corporation Heritage Fields El Toro, LLC Tracts 17737 & 17726	12/23/2014	5,100 SF Lots 6.7 U/Ac	55	\$37,369,145	\$679,439	\$753,793	Blue-top Lots 3,125 SF Avg. Home Size	
No. 14 Torrey Great Park	Standard Pacific Corp. Heritage Fields El Toro, LLC Tracts 17737 & 17726	12/22/2014	5,700 SF Lots 5.9 U/Ac	63	\$43,773,221	\$694,813	\$749,900	Blue-top Lots 3,506 SF Avg. Home Size	
No. 15 Legend Great Park	Ryland Homes of California, Inc. Heritage Fields El Toro, LLC Tracts 17737 & 17726	6/2/2015	6,300 SF Lots 5.8 U/Ac	48	\$42,072,000	\$876,500	\$932,542	Blue-top Lots 4,444 SF Avg. Home Size	
City of Irvine Communities									
No. 16 SWC Portola & Arrowhead Portola Springs	KB Home Irvine Community Dev. Co.	6/2014 5/2015	Cluster Det. 8.9 U/Ac	125	\$51,741,750	\$413,934	N/A	Blue-top Lots 2 phased take-downs	
No. 17 Scented Violet & Rose Arch Cypress Village	California Pacific Homes Irvine Community Dev. Co.	August 2014 Sept. 2014	Cluster Det. 15.3 U/Ac	80	\$25,680,032	\$321,000	N/A	Blue-top Lots 8 phased take-downs	
No. 18 Night Mist & Tulip Cypress Village	California Pacific Homes Irvine Community Dev. Co.	August 2014 April 2017	TH 16.9 U/Ac	148	\$36,748,100	\$248,298	N/A	Blue-top Lots 15 phased take-downs	
No. 19 Evening Sun & Tulip Cypress Village	California Pacific Homes Irvine Community Dev. Co.	Sept. 2014 Sept. 2015	TH 14.0 U/Ac	81	\$24,270,111	\$299,631	N/A p	Blue-top Lots 6 phased take-downs	
No. 20 Native Spring Arrowhead Portola Springs	TriPointe Homes Irvine Community Dev. Co.	May 2014	TH 19.3 U/Ac	112	\$22,837,472	\$203,906	N/A	Blue-top Lots	
No. 21 Outwest & Nature Walk Portola Springs	William Lyon Homes Irvine Community Dev. Co.	March 2016 June 2017	Condos 15.1 U/Ac	106	\$29,099,650	\$274,525	N/A	Blue-top Lots 7 phased take-downs	
No. 22 Still Night Northern Point Portola Springs	California Pacific Homes Irvine Community Dev. Co.	Nov. 2015 June 2019	TH 15.6 U/Ac	167	\$46,929,338	\$281,014	N/A	Blue-top Lots 15 phased take-downs	
No. 23 Modjeska & Walkingstick Portola Springs	California Pacific Homes Irvine Community Dev. Co.	Nov. 2015 Dec. 2018	Cluster Det.	147	\$45,886,050	\$312,150	N/A	Blue-top Lots 19 phased take-downs	
No. 24 Walkingstick & Modjeska Portola Springs	New Home Company Irvine Community Dev. Co.	Nov. 2015 March 2018	Detached	95	\$51,612,170	\$543,286	N/A	Blue-top Lots 13 phased take-downs	
No. 25 Modjeska Walkingstick Portola Springs	Brookfield Homes Irvine Community Dev. Co.	April 2016 March 2018	Detached Motorcourt	103	\$46,563,622	\$452,074	N/A	Blue-top Lots 15 phased take-downs	

HRA

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.

Time of Sale

Since the time of the land sales, the residential market in the subject's area has continued to be good. During the past recession, home prices were severely negatively impacted. During 2012, the market appeared to begin to stabilize. Between mid-2012 and 2014 home sales have significantly increased, along with sales prices. However, over the past 12 to 18 months, home sales began to moderate followed by relatively stable sales prices. A review of the merchant builders base sales prices and current sales prices over the 8± month sales period, prices have generally remained similar. In general, the products have experienced a slight increase in sales prices, although incentives appear to have increased for some products over a similar timeframe. Therefore, no adjustment to the sales prices appears warranted.

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

The location adjustment is based on proximity to existing infrastructure, amenities and employment. The sales are located in Irvine and considered similar. No adjustment is indicated.

HRA

Entitlement/Map Status

All of the sales are entitled. No adjustment is required.

Tax Rate

The subject property is expected to have an average overall tax rate of around 1.75% to 1.80% of base sales price. This rate is consistent with the sales in Irvine.

Lot Size

The comparables and the subject properties have varying densities and minimum lot sizes that range from attached townhomes, to detached condominiums, to detached lots up to 6,300 square feet. No adjustment is required.

Condition of Lots

The subject land sales in Beacon Park included information to estimate a finished lot price for each sale. There are minimum costs associated with the physically finished lots within Improvement Area No. 4, other than impact fees due at building permit. We have estimated \$20,000 per lot for attached products and \$25,000 per lot for detached condominiums and detached lots

When proposed product information is known the better indication of land value can be estimated by the Static Residual Analysis which reflects current dwelling sales prices and market conditions. The following paragraphs begin the discussion of the Static Residual Analysis for the subject's currently selling products.

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.

HRA

This analysis is useful for projects that will have a typical holding period of one to 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, and has been tested by the market, which makes this analysis particularly meaningful.

The analysis uses an estimated average base sales price, less incentives, 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. This analysis is most helpful when significant lot and or view premiums are not present. 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 a slight stall in a sales program, premiums are typically the first to be negotiated away.

End-product Sales Prices

The analysis uses the average base sales price without lot premiums. For the actively selling projects we have estimated the average base sales price, and deducted typical incentives, for use in the analysis. Current incentives in the subject's market appear to have increased for some products over the 8+ month sales period. We have conservatively estimated the higher end of the range for used in the analysis.

Direct Development Costs

The merchant builders have provided direct construction costs to build their product. We have interviewed local builders in the Orange County market area for estimates of direct construction costs for similar products. Based on our understanding of

HRA

the existing and proposed quality of construction, home size and functional utility, conservative estimates of direct construction costs are used in this analysis.

Indirect construction costs, such as insurance, real estate taxes, architecture and engineering costs, loan fees and permits have been estimated at 4% 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 4% 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 6% of sales price. This category covers such expenses as advertising and sales commissions and home warranties. This estimate is typical and consistent with the market for product in master planned communities.

Developer Profit

The line item for profit reflects the required margin to attract an investor in light of the risk and uncertainties of the specific project. This analysis assumes a finished lot and no on-site construction. Therefore, additional risk of development is unknown.

Based on surveys of builders, current profit requirements are typically between 8% and 12% of revenues, with occasional responses as high as 15%. These profit estimates are for projects that can be constructed and sold out in a 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. The finished lots in Improvement Area No. 4 are proposed for the continuation of the existing attached and detached products in an area of good demand. Based on a review of the absorption for the subject products and competing subdivisions, a sales rate of 3± units per month for the products appears supportable.

HRA

The line item for profit is based on a typical holding period sought by merchant builders; that of 1 to 2 years. Based on current market conditions and the outlook for the next 12 to 24 months, a 7% to 8% line item for profit, would seem appropriate for a 1 to 2-year holding period for the attached and detached products. Consideration is given to the product type, absorption and sales price.

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 5% 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 product in Improvement Area No. 4.

**Brio
Shea Homes
Finished Lot Value**

	Floor Plan	Size	Base Price	
	1	1,465	\$619,900	
	2	1,963	\$705,900	
	Average	1,714	\$662,900	
Incentives			\$3,000	
				<u>Land Ratio</u>
<i>Duplex</i>				
Average Retail Value of Improvements		\$659,900	\$385.01 (Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	1,714			
Direct Building Cost Per Sq. Ft.	\$95.00	\$162,830		
Indirect Construction Costs	4.00%	\$26,396		
General & Administrative Costs	4.00%	\$26,396		
Marketing and Warranty Costs	6.00%	\$39,594		
Builder's Profit	8.00%	\$52,792		
Interest During Holding Period	5.00%	\$32,995		
Costs to bring to Finished Lot		<u>None</u>		
		\$318,897		
Finished Lot Estimate of Value		<u>\$320,000</u>		
			Finished Lot	48%

HRA

**Primrose
DR Horton
Finished Lot Value**

Floor Plan	Size	Base Price
1	1,657	\$657,990
2	1,705	\$708,990
3	2,034	\$759,990
Average	1,799	\$708,990

Incentives **\$10,000**

Land
Ratio

Townhome 3-plex

\$698,990 \$388.62
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	1,799	
Direct Building Cost Per Sq. Ft.	\$95.00	\$170,873
Indirect Construction Costs	4.00%	\$27,960
General & Administrative Costs	4.00%	\$27,960
Marketing and Warranty Costs	6.00%	\$41,939
Builder's Profit	8.00%	\$55,919
Interest During Holding Period	5.00%	\$34,950
Costs to bring to Finished Lot		<u>None</u>

\$339,389

Finished Lot Estimate of Value

\$340,000

Finished Lot 49%

**Rowland
Lennar Homes
Finished Lot Value**

Floor Plan	Size	Base Price
1	1,661	\$609,990
2	1,748	\$649,990
3	1,837	\$669,990
4	2,076	\$689,990
Average	1,831	\$654,990

Incentives **\$10,000**

Land
Ratio

Townhomes

\$644,990 \$352.36
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	1,831	
Direct Building Cost Per Sq. Ft.	\$90.00	\$164,745
Indirect Construction Costs	4.00%	\$25,800
General & Administrative Costs	4.00%	\$25,800
Marketing and Warranty Costs	6.00%	\$38,699
Builder's Profit	8.00%	\$51,599
Interest During Holding Period	5.00%	\$32,250
Costs to bring to Finished Lot		<u>None</u>

\$306,098

Finished Lot Estimate of Value

\$306,000

Finished Lot 47%

**Opus
Warmington Homes
Finished Lot Value**

Floor Plan	Size	Base Price	
1	1,820	\$680,000	
2	1,961	\$705,000	
3	2,076	\$730,000	
4	2,228	\$765,000	
5	2,452	\$785,000	
Average	2,107	\$733,000	
Incentives			\$10,000
			<u>Land Ratio</u>
<i>Townhomes</i>			
		\$723,000	\$343.08 (Per sq. ft.)
Average Retail Value of Improvements			
Average Dwelling Size (Sq. Feet)	2,107		
Direct Building Cost Per Sq. Ft.	\$95.00	\$200,203	
Indirect Construction Costs	4.00%	\$28,920	
General & Administrative Costs	4.00%	\$28,920	
Marketing and Warranty Costs	6.00%	\$43,380	
Builder's Profit	8.00%	\$57,840	
Interest During Holding Period	5.00%	\$36,150	
Costs to bring to Finished Lot		<u>None</u>	
		\$327,587	
Finished Lot Estimate of Value		<u>\$327,500</u>	
			Finished Lot 45%

**Harper
Lennar Homes
Finished Lot Value**

Floor Plan	Size	Base Price
1	1,701	\$809,990
2	1,941	\$839,990
3	2,019	\$879,990
Average	1,887	\$843,323

Incentives **\$5,000**

Land
Ratio

Detached Condominium

\$838,323 \$444.26
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	1,887	
Direct Building Cost Per Sq. Ft.	\$86.00	\$162,282
Indirect Construction Costs	4.00%	\$33,533
General & Administrative Costs	4.00%	\$33,533
Marketing and Warranty Costs	6.00%	\$50,299
Builder's Profit	8.00%	\$67,066
Interest During Holding Period	5.00%	\$41,916
Costs to bring to Finished Lot		<u>None</u>

\$449,694

Finished Lot Estimate of Value

\$450,000

Finished Lot 54%

**Ellwood
Richmond American
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,081	\$865,990
2	2,230	\$905,990
3	2,329	\$926,990
Average	2,213	\$899,657

Incentives **\$10,000**

Land
Ratio

Detached Condominium

\$889,657 \$401.95
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	2,213	
Direct Building Cost Per Sq. Ft.	\$80.00	\$177,067
Indirect Construction Costs	4.00%	\$35,586
General & Administrative Costs	4.00%	\$35,586
Marketing and Warranty Costs	6.00%	\$53,379
Builder's Profit	8.00%	\$71,173
Interest During Holding Period	5.00%	\$44,483
Costs to bring to Finished Lot		<u>None</u>

\$472,383

Finished Lot Estimate of Value

\$472,000

Finished Lot 53%

HRA

**Welton
Taylor Morrison
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,188	\$870,990
2	2,412	\$990,990
3	2,739	\$1,065,990
Average	2,446	\$975,990

Incentives **\$10,000**

Land
Ratio

Detached Condominium

\$965,990 \$394.87
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	2,446	
Direct Building Cost Per Sq. Ft.	\$75.00	\$183,475
Indirect Construction Costs	4.00%	\$38,640
General & Administrative Costs	4.00%	\$38,640
Marketing and Warranty Costs	6.00%	\$57,959
Builder's Profit	8.00%	\$77,279
Interest During Holding Period	5.00%	\$48,300
Costs to bring to Finished Lot		<u>None</u>

\$521,698

Finished Lot Estimate of Value

\$520,000

Finished Lot 54%

**Melody
Lennar Homes
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,321	\$984,990
2	2,407	\$1,089,990
3	2,678	\$1,021,990
4	2,774	\$1,072,990
Average	2,545	\$1,042,490

Incentives **\$10,000**

Land
Ratio

Detached Condominium

\$1,032,490 \$405.69
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	2,545	
Direct Building Cost Per Sq. Ft.	\$75.00	\$190,875
Indirect Construction Costs	4.00%	\$41,300
General & Administrative Costs	4.00%	\$41,300
Marketing and Warranty Costs	6.00%	\$61,949
Builder's Profit	8.00%	\$82,599
Interest During Holding Period	5.00%	\$51,625
Costs to bring to Finished Lot		<u>None</u>

\$562,843

Finished Lot Estimate of Value

\$563,000

Finished Lot 55%

HRA

**Rosemont
K. Hovnanian
Finished Lot Value**

Floor Plan	Size	Base Price
1	1,902	\$1,025,990
2	2,544	\$1,101,990
3	3,031	\$1,208,990
Average	2,492	\$1,112,323

Incentives **\$15,000**

Land
Ratio

Detached 4,500 SF Lots

\$1,097,323 \$440.28
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	2,492	
Direct Building Cost Per Sq. Ft.	\$80.00	\$199,387
Indirect Construction Costs	4.00%	\$43,893
General & Administrative Costs	4.00%	\$43,893
Marketing and Warranty Costs	6.00%	\$65,839
Builder's Profit	7.00%	\$76,813
Interest During Holding Period	5.00%	\$54,866
Costs to bring to Finished Lot		<u>None</u>

\$612,633

Finished Lot Estimate of Value

\$613,000

Finished Lot 56%

**Larkspur
Lennar Homes
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,165	\$1,114,990
2	2,825	\$1,219,990
3	3,160	\$1,334,990
Average	2,717	\$1,223,323

Incentives **\$10,000**

Land
Ratio

Detached 5,040 SF Lots

\$1,213,323 \$446.62
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	2,717	
Direct Building Cost Per Sq. Ft.	\$75.00	\$203,750
Indirect Construction Costs	4.00%	\$48,533
General & Administrative Costs	4.00%	\$48,533
Marketing and Warranty Costs	6.00%	\$72,799
Builder's Profit	7.00%	\$84,933
Interest During Holding Period	5.00%	\$60,666
Costs to bring to Finished Lot		<u>None</u>

\$694,109

Finished Lot Estimate of Value

\$694,000

Finished Lot 57%

**Oakmont
Ryland Homes
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,524	\$1,098,900
2	2,783	\$1,142,900
3	3,064	\$1,247,900
Average	2,790	\$1,163,233

Incentives **\$25,000**

Land
Ratio

Detached 4,550 SF Lots

\$1,138,233 \$407.92
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	2,790	
Direct Building Cost Per Sq. Ft.	\$75.00	\$209,275
Indirect Construction Costs	4.00%	\$45,529
General & Administrative Costs	4.00%	\$45,529
Marketing and Warranty Costs	6.00%	\$68,294
Builder's Profit	7.00%	\$79,676
Interest During Holding Period	5.00%	\$56,912
Costs to bring to Finished Lot		<u>None</u>

\$633,018

Finished Lot Estimate of Value

\$633,000

Finished Lot 56%

HRA

**Silvermist
K. Hovnanian
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,796	\$1,424,990
2	3,673	\$1,432,990
3	3,714	\$1,454,990
4	4,002	\$1,669,990
Average	3,546	\$1,495,740

Incentives **\$10,000**

Land
Ratio

Detached 6,300 SF Lots

\$1,485,740 \$418.96
(Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	3,546	
Direct Building Cost Per Sq. Ft.	\$78.00	\$276,608
Indirect Construction Costs	4.00%	\$59,430
General & Administrative Costs	4.00%	\$59,430
Marketing and Warranty Costs	6.00%	\$89,144
Builder's Profit	7.00%	\$104,002
Interest During Holding Period	5.00%	\$74,287
Costs to bring to Finished Lot		<u>None</u>

Finished Lot Estimate of Value **\$822,840**
\$823,000

Finished Lot **55%**

HRA

**Juniper
Pulte Homes
Finished Lot Value**

Floor Plan	Size	Base Price
1	2,897	\$1,226,880
2	3,150	\$1,294,880
3	3,328	\$1,339,880
Average	3,125	\$1,287,213

Incentives **\$50,000**

Land
Ratio

Detached 5,100 SF Lots

	\$1,237,213	\$395.91 (Per sq. ft.)
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Average Dwelling Size (Sq. Feet)	3,125	
Direct Building Cost Per Sq. Ft.	\$78.00	\$243,750
Indirect Construction Costs	4.00%	\$49,489
General & Administrative Costs	4.00%	\$49,489
Marketing and Warranty Costs	6.00%	\$74,233
Builder's Profit	7.00%	\$86,605
Interest During Holding Period	5.00%	\$61,861
Costs to bring to Finished Lot		<u>None</u>

	\$671,788	
Finished Lot Estimate of Value	<u>\$672,000</u>	

Finished Lot 54%

**Torrey
Standard Pacific Homes
Finished Lot Value**

Floor Plan	Size	Base Price	
1	3,314	\$1,429,900	
2	3,559	\$1,484,900	
3	3,646	\$1,521,900	
Average	3,506	\$1,478,900	
Incentives		\$50,000	
			<u>Land Ratio</u>
<i>Detached 5,700 SF Lots</i>			
	\$1,428,900	\$407.52	
Average Retail Value of Improvements		(Per sq. ft.)	
Average Dwelling Size (Sq. Feet)	3,506		
Direct Building Cost Per Sq. Ft.	\$85.00	\$298,038	
Indirect Construction Costs	4.00%	\$57,156	
General & Administrative Costs	4.00%	\$57,156	
Marketing and Warranty Costs	6.00%	\$85,734	
Builder's Profit	7.00%	\$100,023	
Interest During Holding Period	5.00%	\$71,445	
Costs to bring to Finished Lot		<u>None</u>	
		\$759,348	
Finished Lot Estimate of Value		<u>\$759,000</u>	
			Finished Lot 53%

Legend
Ryland Homes
Finished Lot Value

Floor Plan	Size	Base Price
1	4,337	\$1,757,900
2	4,408	\$1,808,900
3	4,587	\$1,860,900
Average	4,444	\$1,809,233

Incentives **\$20,000**

Land Ratio

Detached 6,300 SF Lots

\$1,789,233 \$402.62
 (Per sq. ft.)

Average Retail Value of Improvements

Average Dwelling Size (Sq. Feet)	4,444	
Direct Building Cost Per Sq. Ft.	\$85.00	\$377,740
Indirect Construction Costs	4.00%	\$71,569
General & Administrative Costs	4.00%	\$71,569
Marketing and Warranty Costs	6.00%	\$107,354
Builder's Profit	8.00%	\$143,139
Interest During Holding Period	5.00%	\$89,462
Costs to bring to Finished Lot		<u>None</u>

\$928,400

Finished Lot Estimate of Value

\$928,000

Finished Lot 52%

HRA

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 lot value. Due to the moderating market and limited land sales, we have given equal consideration to the actual sales prices of the subject land sales and the results of the Static Residual Analysis.

Finished Lot Value Conclusions					
<u>Product/Builder</u>	<u>Direct Comparison Approach</u>	<u>Minimum Lot Size</u>	<u>Static Residual Analysis</u>	<u>Finished Lot Ratio</u>	<u>Concluded Lot Value</u>
Brio/Shea Hms	\$353,000	Duplex	\$320,000	48%	\$320,000
Primrose/DR Horton	\$354,000	TH	\$340,000	49%	\$340,000
Rowland/Lennar Hms	\$357,000	TH	\$306,000	47%	\$310,000
Opus/Warmington	\$296,000	TH	\$327,500	45%	\$300,000
Harper/Lennar Hms	\$434,000	Det. Condo	\$450,000	54%	\$450,000
Ellwood/Lennar Hms	\$468,000	Det. Condo	\$472,000	53%	\$470,000
Welton/Taylor Morrison	\$520,000	Det Condo	\$520,000	54%	\$520,000
Melody/Lennar Hms	\$578,000	Det Condo	\$563,000	55%	\$565,000
Rosemont/K. Hovnanian	\$637,000	4,500 SF	\$613,000	56%	\$615,000
Larkspur/Lennar Hms	\$705,000	5,040 SF	\$694,000	57%	\$700,000
Oakmont/Ryland Hms	\$650,000	4,550 SF	\$633,000	56%	\$635,000
Silvermist/K. Hovnanian	\$935,000	6,300 SF	\$823,000	55%	\$825,000
Juniper/Pulte Hms	\$754,000	5,100 SF	\$672,000	54%	\$675,000
Torrey/Stan Pac	\$750,000	5,700 SF	\$759,000	53%	\$759,000
Legend/Ryland Hms	\$933,000	6,300 SF	\$928,000	52%	\$930,000

Based on the data presented, we have deducted estimated impact fees and minor remaining lot costs of \$20,000 to \$25,000 per lot to arrive at physically finished lot values. The following page calculates each merchant builder's physically finished lot values. The total estimated value for the 472 physically finished lots is \$228,000,000, rounded. In addition, the values of the model homes and dwellings under construction have been included to arrive at a total estimated Market Value for each merchant builder ownership in Improvement Area No. 4.

SUMMARY OF VALUATION CONCLUSIONS				
Product Ownership	Condition of Units/Lots	Finished Lot Value	Costs to Finished Lots	Estimated Value
<i>Rowland - Lennar Homes of California, Inc.</i>				
4 Models				\$2,580,000
22 Units Under Construction				\$9,804,000
60 Physically Finished Lots		\$310,000	\$20,000	\$17,400,000
				\$29,784,000
<i>Melody - Lennar Homes of California, Inc.</i>				
4 Models				\$4,130,000
13 Units Under Construction				\$9,705,500
13 Physically Finished Lots		\$565,000	\$25,000	\$7,020,000
				\$20,855,500
<i>Harper - Lennar Homes of California, Inc.</i>				
3 Models				\$2,520,000
18 Units Under Construction				\$12,096,000
42 Physically Finished Lots		\$450,000	\$25,000	\$17,850,000
				\$32,466,000
<i>Larkspur - Lennar Homes of California, Inc.</i>				
3 Models				\$3,640,500
16 Units Under Construction				\$14,076,600
25 Physically Finished Lots		\$700,000	\$25,000	\$16,875,000
				\$34,592,100
				<i>Total Estimated Value Lennar Homes of California, Inc.</i>
				\$117,697,600
<i>Brio - Shea Homes Limited Partnership</i>				
2 Models				\$1,320,000
22 Units Under Construction				\$10,032,000
42 Physically Finished Lots		\$320,000	\$20,000	\$12,600,000
				\$23,952,000
<i>Primrose - Continental Residential Inc. (DR Horton)</i>				
3 Models				\$2,100,000
19 Units Under Construction				\$9,800,000
60 Physically Finished Lots		\$340,000	\$20,000	\$19,200,000
				\$31,100,000
<i>Opus - Warmington BP Associates, LLC</i>				
18 Units Under Construction				\$7,808,400
42 Physically Finished Lots		\$300,000	\$20,000	\$11,760,000
				\$19,568,400
<i>Ellwood - Richmond American Homes of Maryland, Inc.</i>				
3 Models				\$2,670,000
43 Units Under Construction				\$25,276,000
13 Physically Finished Lots		\$470,000	\$25,000	\$5,785,000
				\$33,731,000

SUMMARY OF VALUATION CONCLUSIONS					
Product Ownership	No. of Units	Condition of Units/Lots	Finished Lot Value	Costs to Finished Lots	Estimated Value
<i>Welton - Taylor Morrison of California, LLC</i>					
	3	Models			\$2,895,000
	25	Units Under Construction			\$15,536,500
	11	Physically Finished Lots	\$520,000	\$25,000	\$5,445,000
					\$23,876,500
<i>Rosemont - CDCG 3 Hov LP (K. Hovnanian)</i>					
	3	Models			\$3,300,000
	10	Units Under Construction			\$7,480,000
	53	Physically Finished Lots	\$615,000	\$25,000	\$31,270,000
					\$42,050,000
<i>Silvermist - K. Hovnanian at Beacon Park Area 137, LL</i>					
	4	Models			\$5,940,000
	11	Units Under Construction			\$12,325,500
	27	Physically Finished Lots	\$825,000	\$25,000	\$21,600,000
					\$39,865,500
		<i>Total Estimated Value K. Hovnanian Homes</i>			\$81,915,500
<i>Oakmont - Ryland Homes of California, Inc.</i>					
	3	Models			\$3,420,000
	19	Units Under Construction			\$14,820,000
	19	Physically Finished Lots	\$635,000	\$25,000	\$11,590,000
					\$29,830,000
<i>Legend - Ryland Homes of California, Inc.</i>					
	3	Models			\$5,370,000
	19	Units Under Construction			\$22,912,000
	26	Physically Finished Lots	\$930,000	\$25,000	\$23,530,000
					\$51,812,000
		<i>Total Estimated Value Ryland Homes of California, Inc.</i>			\$81,642,000
<i>Juniper - Pulte Home Corporation</i>					
	3	Models			\$3,711,000
	22	Units Under Construction			\$17,565,400
	23	Physically Finished Lots	\$675,000	\$25,000	\$14,950,000
					\$36,226,400
<i>Torrey - Standard Pacific Corp.</i>					
	3	Models			\$4,290,000
	29	Units Under Construction			\$29,887,000
	16	Physically Finished Lots	\$759,000	\$25,000	\$11,744,000
					\$45,921,000
<i>Individual Ownerships - See Addenda</i>					
	207	Sold Dwelling Units			\$213,000,000
1,029	Total Estimated Market Value of Improvement Area No. 4				\$708,630,400
			Rounded to:		\$708,000,000

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 May 1, 2016.

**IMPROVEMENT AREA NO. 4
SEVEN HUNDRED EIGHT MILLION DOLLARS**

\$708,000,000

PLEASE REFER TO THE PREVIOUS PAGES FOR A SUMMARY OF THE VALUES FOR THE TEN MERCHANT BUILDERS AND 207 INDIVIDUAL HOMEOWNERS.

Exposure Time

Considering the sizes, quality, condition and location of the subject properties, we have estimated an exposure time of approximately 3± to 6± months would have been required to sell the finished lots and completed dwellings.

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 Irvine.

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.

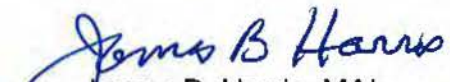
No one provided significant real property appraisal assistance to the persons signing this certificate.

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

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. President and 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 175 Land Secured Municipal Bond Financing appraisals over the last five 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. Vice President 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
Bank One
Commerce Bank
Downey S&L Assoc.
Fremont Investment and Loan
Institutional Housing Partners

NationsBank
Preferred Bank
Santa Monica Bank
Tokai Bank
Union Bank
Wells Fargo Bank

Public Agencies

Army Corps of Engineers
California State University
Caltrans
City of Adelanto
City of Aliso Viejo
City of Beaumont
City of Camarillo
City of Corona
City of Costa Mesa
City of Encinitas
City of Fontana
City of Fullerton
City of Hesperiai
City of Honolulu
City of Huntington Beach
City of Indian Wells
City of Indio
City of Irvine
City of Lake Elsinore
City of Loma Linda
City of Los Angeles
City of Moreno Valley
City of Newport Beach
City of Oceanside
City of Ontario

City of Palm Springs
City of Perris
City of Rialto
City of Riverside
City of San Marcos
City of Tustin
City of Victorville
City of Yucaipa
County of Hawaii
County of Orange
County of Riverside
County of San Bernardino
Eastern Municipal Water District
Orange County Sheriff's Department
Ramona Municipal Water District
Rancho Santa Fe Comm. Services District
Capistrano Unified School District
Hemet Unified School District
Hesperia Unified School District
Romoland School District
Saddleback Valley Unified School District
Santa Ana Unified School District
Sulphur Springs School District
Val Verde Unified School District
Yucaipa-Calimesa Joint Unified School Dist.

Law Firms

Arter & Hadden
Bronson, Bronson & McKinnon
Bryan, Cave, McPheeters & McRoberts
Richard Clements
Cox, Castle, Nicholson
Gibson, Dunn & Crutcher
Hill, Farrer & Burrill

McClintock, Weston, Benshoof,
Rochefort & MacCuish
Palmiri, Tyler, Wiener, Wilhelm, & Waldron
Sonnenschein Nath & Rosenthal
Strauss & Troy
Wyman, Bautzer, Rothman, Kuchel &
Silbert

SUMMARY OF SOLD DWELLING UNITS

Beacon Park Closed Sales 5/1/16

	B	C	E	F	G	J	N	U	V
1	Builder	Neighborhood	Tract	Lot	Unit	Address	Recorded Sales Date	S/P Per Public Records	Buyer
2	Taylor Morrison	Welton	17738	1	27	100 Follyhatch	12/29/15	\$1,056,500	Xu, Ziang
3	Taylor Morrison	Welton	17738	1	28	102 Follyhatch	02/26/16	\$953,500	Sun, Yang
4	Taylor Morrison	Welton	17738	1	30	106 Follyhatch	12/29/15	\$1,146,500	Liu, Shentong
5	Taylor Morrison	Welton	17738	1	31	108 Follyhatch	12/29/15	\$1,076,500	Hsieh, Hui-Ping
6	Taylor Morrison	Welton	17738	1	34	114 Follyhatch	12/29/15	\$1,062,500	Xu, Jiang
7	Taylor Morrison	Welton	17738	1	33	112 Follyhatch	12/30/15	\$990,000	Lin, Thomas
8	Taylor Morrison	Welton	17738	1	36	118 Follyhatch	01/22/16	\$1,045,000	Shaikh, Muhammad
9	Taylor Morrison	Welton	17738	1	35	116 Follyhatch	01/29/16	\$1,171,000	Kreilmann, Bernard
10	Taylor Morrison	Welton	17738	1	38	122 Follyhatch	01/29/16	\$1,103,000	Peterson, Matthew
11	Taylor Morrison	Welton	17738	1	42	130 Follyhatch	02/24/16	\$1,143,500	Chen, Ting
12	Taylor Morrison	Welton	17738	1	29	104 Follyhatch	02/26/16	\$911,525	Keegan, Jarrett
13	Taylor Morrison	Welton	17738	1	41	128 Follyhatch	02/29/16	\$1,009,500	Lu, Wu
14	Taylor Morrison	Welton	17738	1	39	124 Follyhatch	03/30/16	\$1,117,500	Nguyen, Quyen
15	Taylor Morrison	Welton	17738	1	40	126 Follyhatch	04/22/16	\$895,000	Canalita, Nina
16							14	\$14,681,525	
17								\$1,048,680	
18									
19	CalAtlantic	Torrey	17728	58		110 Mustard	12/14/15	\$1,584,500	Lim, Kyuyoung
20	CalAtlantic	Torrey	17728	2		111 Mustard	12/18/15	\$1,694,500	Li, Ling
21	CalAtlantic	Torrey	17728	59		108 Mustard	12/22/15	\$1,510,000	Amini, Mohammad R.
22	CalAtlantic	Torrey	17728	5		117 Mustard	12/28/15	\$1,648,000	Su, Jun
23	CalAtlantic	Torrey	17728	57		112 Mustard	12/28/15	\$1,702,000	Kim, Inho
24	CalAtlantic	Torrey	17728	3		113 Mustard	12/29/15	\$1,460,000	Wang, Mei Lan
25	CalAtlantic	Torrey	17728	55		116 Mustard	12/29/15	\$1,847,500	Yan, Xiaojing
26	CalAtlantic	Torrey	17728	1		109 Mustard	12/30/15	\$1,715,000	Chang, Yu Wan
27	CalAtlantic	Torrey	17728	7		131 Kennard	12/30/15	\$1,723,000	Yang, Feng
28	CalAtlantic	Torrey	17728	9		127 Kennard	12/30/15	\$1,506,000	Apter, Brian R.
29	CalAtlantic	Torrey	17728	4		115 Mustard	01/12/16	\$1,627,000	Wang, Mei Lan
30	CalAtlantic	Torrey	17728	11		123 Kennard	02/18/16	\$1,736,000	Bae, Sang Kap
31	CalAtlantic	Torrey	17728	45		108 Grassblade	02/24/16	\$2,058,500	Park, Jay
32	CalAtlantic	Torrey	17728	54		109 Grassblade	03/30/15	\$1,644,000	Hsu, David
33	CalAtlantic	Torrey	17728	6		119 Mustard	04/22/16	\$1,546,000	Patridge, Max R.
34							15	\$25,002,000	
35								\$1,666,800	
36									
37	K. Hovnanian	Silvermist	17737	33		124 Paramount	10/31/15	\$1,732,000	Faiz, Samia
38	K. Hovnanian	Silvermist	17737	35		127 Paramount	12/30/15	\$1,599,000	127 Paramount LLC
39	K. Hovnanian	Silvermist	7737/1772	39		119 Paramount	01/20/16	\$1,437,000	Kim, Raymond L.
40	K. Hovnanian	Silvermist	7737/1772	30		118 Paramount	01/21/16	\$1,541,000	Chin FamilyTrust
41	K. Hovnanian	Silvermist	7737/1772	38		121 Paramount	01/25/16	\$1,773,000	Rumsey, Joseph B.
42	K. Hovnanian	Silvermist	17737	31		120 Paramount	02/10/16	\$1,540,000	Lin, Changchum
43	K. Hovnanian	Silvermist	17737	37		123 Paramount	03/10/16	\$1,419,000	Tran Family Trust
44	K. Hovnanian	Silvermist	17737	26		110 Paramount	04/28/16	\$1,630,000	Jin, Hao
45	K. Hovnanian	Silvermist	17737	27		112 Paramount	04/20/16	\$1,658,000	Mattos, Bobbi
46							9	\$14,329,000	
47								\$1,592,111	
48									
49	Lennar	Rowland	17740	1	1	152 Paramount	12/30/15	\$669,990	Low/Ong
50	Lennar	Rowland	17740	1	2	150 Paramount	12/31/15	\$634,990	Nittala/Kantheti
51	Lennar	Rowland	17740	1	4	146 Paramount	01/19/16	\$689,990	Mallegair/Raj
52	Lennar	Rowland	17740	1	3	148 Paramount	01/20/16	\$714,990	Justin Chang
53	Lennar	Rowland	17740	1	5	144 Paramount	01/25/16	\$632,664	Lu/Nguyen
54	Lennar	Rowland	17740	1	8	138 Paramount	01/28/16	\$609,990	Lester Chen

Beacon Park Closed Sales 5/1/16

	B	C	E	F	G	J	N	U	V
1	Builder	Neighborhood	Tract	Lot	Unit	Address	Recorded Sales Date	S/P Per Public Records	Buyer
55	Lennar	Rowland	17740	1	54	126 Acamar	01/29/16	\$614,990	Howard Kim
56	Lennar	Rowland	17740	1	6	142 Paramount	01/29/16	\$688,954	Rishani Gamage
57	Lennar	Rowland	17740	1	9	136 Paramount	01/29/16	\$699,990	Bryan Choi
58	Lennar	Rowland	17740	1	55	124 Acamar	01/29/16	\$709,990	Nasir Nasimzada
59	Lennar	Rowland	17740	1	7	140 Paramount	02/16/16	\$689,598	Ken Takagi
60	Lennar	Rowland	17740	1	11	132 Paramount	02/19/16	\$628,069	Prabhjot Grewal
61	Lennar	Rowland	17740	1	10	134 Paramount	02/29/16	\$709,990	Radampola Gamage
62	Lennar	Rowland	17740	1	13	128 Paramount	03/21/16	\$686,380	Sam Santhivong
63	Lennar	Rowland	17740	1	15	138 Acamar	03/24/16	\$619,990	Mitchell Depsey
64	Lennar	Rowland	17740	1	16	140 Acamar	03/24/16	\$704,990	Jean Yi
65	Lennar	Rowland	17740	1	53	128 Acamar	04/15/16	\$684,556	LiHong Yang
66	Lennar	Rowland	17740	1	17	154 Acamar	04/20/16	\$689,990	Steve Madrial
67	Lennar	Rowland	17740	1	19	158 Acamar	04/22/16	\$734,990	Michael Bednar
68	Lennar	Rowland	17740	1	21	162 Acamar	04/22/16	\$640,614	Edward Mulcahy
69	Lennar	Rowland	17740	1	50	134 Acamar	04/20/16	\$728,548	Aotnio Lee
70							21	\$14,184,253	
71								\$675,441	
72	K. Hovnanian	Rosemont	17729	1	1	101 Wheelbarrow	11/05/15	\$1,309,500	Yu, Guofeng
73	K. Hovnanian	Rosemont	17729	72	1	102 Wheelbarrow	11/20/15	\$1,241,500	Howard, Keith
74	K. Hovnanian	Rosemont	17729	2	1	103 Wheelbarrow	12/30/15	\$1,079,500	Dong, Mali
75	K. Hovnanian	Rosemont	17729	67	1	112 Wheelbarrow	01/22/16	\$1,062,000	Kwoun, Moon
76	K. Hovnanian	Rosemont	17729	3	1	105 Wheelbarrow	01/29/16	\$1,093,000	Yk Limited Ptnsp.
77	K. Hovnanian	Rosemont	17729	68	1	110 Wheelbarrow	01/29/16	\$1,200,000	Yk Limited Ptnsp.
78	K. Hovnanian	Rosemont	17729	65	1	116 Wheelbarrow	03/11/16	\$1,151,000	Deshmukh, Avinash
79	K. Hovnanian	Rosemont	17729	66	1	114 Wheelbarrow	03/30/16	\$1,242,000	Qui, Yong
80	K. Hovnanian	Rosemont	17729	71	1	104 Wheelbarrow	03/31/16	\$1,170,000	Shen, Rocky
81	K. Hovnanian	Rosemont	17729	70	1	106 Wheelbarrow	04/29/16	\$910,000	Choi, Hwa
82							10	\$11,458,500	
83								\$1,145,850	
84									
85	DR Horton	Primrose	17741	1	1	182 Paramount	12/18/15	\$780,000	Ye, Li
86	DR Horton	Primrose	17741	1	2	180 Paramount	12/18/15	\$694,000	Hou/Zhang
87	DR Horton	Primrose	17741	1	5	174 Paramount	12/21/15	\$679,500	Qian, Shuyi
88	DR Horton	Primrose	17741	1	7	170 Paramount	12/31/15	\$784,000	Brown, Aaron
89	DR Horton	Primrose	17741	1	23	139 Acamar	12/30/15	\$710,000	Shanahan Family Trust
90	DR Horton	Primrose	17741	1	25	135 Acamar	12/30/15	\$725,500	Low, Edmond
91	DR Horton	Primrose	17741	1	30	125 Acamar	12/31/15	\$734,500	Po Family Trust
92	DR Horton	Primrose	17741	1	24	137 Acamar	02/03/16	\$797,000	Wang, Jen
93	DR Horton	Primrose	17741	1	4	176 Paramount	01/29/16	\$726,000	Ibrahim, Wael
94	DR Horton	Primrose	17741	1	3	178 Paramount	02/26/16	\$669,000	Loayza, Jun
95	DR Horton	Primrose	17741	1	21	143 Acamar	02/26/16	\$781,000	Kim, Yoo
96	DR Horton	Primrose	17741	1	28	129 Acamar	02/26/16	\$735,000	Murthy, Vyjayanti
97	DR Horton	Primrose	17741	1	12	160 Paramount	03/03/16	\$798,000	Shaver, Peter
98	DR Horton	Primrose	17741	1	22	141 Acamar	03/23/16	\$673,000	Sabitsana, Siegfried
99	DR Horton	Primrose	17741	1	10	164 Paramount	03/31/16	\$708,000	Cha, Min Ho
100	DR Horton	Primrose	17741	1	27	131 Acamar	03/31/16	\$728,500	Wang, Hung
101	DR Horton	Primrose	17741	1	9	166 Paramount	04/18/16	\$700,000	Chang, Susan
102	DR Horton	Primrose	17741	1	20	145 Acamar	04/25/16	\$631,000	Kim, Sung
103	DR Horton	Primrose	17741	1	8	168 Paramount	04/27/16	\$645,000	Pillai, Ratish
104	DR Horton	Primrose	17741	1	29	127 Acamar	04/27/16	\$652,000	Patriarca, Lee
105	DR Horton	Primrose	17741	1	17	151 Acamar	04/28/16	\$665,500	Buckman, Jeremiah
106	DR Horton	Primrose	17741	1	15	154 Paramount	04/26/16	\$721,000	Wu, Jian
107	DR Horton	Primrose	17741	1	16	153 Acamar	04/29/16	\$740,000	Sheth, Nisha
108							23	\$16,477,500	
109								\$716,413	

Beacon Park Closed Sales S/1/16

	B	C	E	F	G	J	N	U	V
1	Builder	Neighborhood	Tract	Lot	Unit	Address	Recorded Sales Date	S/P Per Public Records	Buyer
110									
111	Warmington	Opus	17724					No Closings	
112									
113	CalAtlantic	Oakmont	17731	3		104 Smallwheel	12/17/15	\$1,295,000	Huang, Yuchen
114	CalAtlantic	Oakmont	17731	6		110 Smallwheel	12/18/15	\$1,269,500	Lee, Junhyung
115	CalAtlantic	Oakmont	17731	8		114 Smallwheel	12/24/15	\$1,125,000	Wang, Zheng
116	CalAtlantic	Oakmont	17731	10		118 Smallwheel	01/29/16	\$1,185,000	Ye, Yongkai
117	CalAtlantic	Oakmont	17731	12		115 Sideways	02/22/16	\$1,308,000	Jin, Ronald
118	CalAtlantic	Oakmont	17731	11		117 Sideways	02/25/16	\$1,139,500	Huang, Dong
119	CalAtlantic	Oakmont	7731/1772	2		102 Smallwheel	03/28/16	\$1,119,500	Savage, John F.
120	CalAtlantic	Oakmont	7731/1772	1		100 Smallwheel	03/29/16	\$1,199,500	Sungkwon, Hong
121							8	\$9,641,000	
122								\$1,205,125	
123									
124	Lennar	Melody	17742	1	16	103 Cultivate	11/09/15	\$1,049,990	Wael Ibrahim
125	Lennar	Melody	17742	1	15	105 Cultivate	11/13/15	\$1,054,990	Lowe/Kim
126	Lennar	Melody	17742	1	13	109 Cultivate	11/12/15	\$954,990	Wael Ibrahim
127	Lennar	Melody	17742	1	11	113 Cultivate	11/16/15	\$1,014,990	Lowell Real Estate
128	Lennar	Melody	17742	1	12	111 Cultivate	11/17/15	\$1,039,990	Li/Jiang
129	Lennar	Melody	17742	1	9	117 Cultivate	11/20/15	\$964,990	Preciado/Mitchell
130	Lennar	Melody	17742	1	5	125 Cultivate	11/30/15	\$964,990	David Yun
131	Lennar	Melody	17742	1	6	123 Cultivate	11/30/16	\$995,791	Igal Ori
132	Lennar	Melody	17742	1	7	121 Cultivate	11/30/15	\$1,034,990	Tian/Zheng
133	Lennar	Melody	17742	1	8	119 Cultivate	12/04/16	\$1,039,990	Jason Lee
134	Lennar	Melody	17742	1	10	115 Cultivate	11/30/15	\$989,990	Anna Nguyen
135	Lennar	Melody	17742	2	32	123 Spica	12/21/15	\$1,009,990	Namsik Chung
136	Lennar	Melody	17742	2	33	121 Spica	12/30/15	\$1,064,990	Jiangsheng Ai
137	Lennar	Melody	17742	1	3	122 Spica	01/13/16	\$1,078,079	Wook lee
138	Lennar	Melody	17742	2	36	115 Spica	01/21/16	\$1,033,982	Kylie & Jill Obermire
139	Lennar	Melody	17742	1	2	120 Spica	01/28/16	\$1,009,990	Lubovsky/Ein-Gal
140	Lennar	Melody	17742	2	34	119 Spica	01/28/16	\$1,059,990	Chung-Hao Tung
141	Lennar	Melody	17742	2	31	125 Spica	02/26/16	\$969,990	Sonia & Jordan Park
142	Lennar	Melody	17742	2	37	113 Spica	02/29/16	\$1,059,990	Guo/Ding
143	Lennar	Melody	17742	2	40	107 Spica	02/25/16	\$1,009,990	Chieh-Yu Hsieh
144	Lennar	Melody	17742	2	43	101 Spica	02/26/16	\$1,084,990	Maqsug Alam
145	Lennar	Melody	17742	1	4	124 Spica	03/18/16	\$1,102,990	Frank Du
146	Lennar	Melody	17742	2	39	109 Spica	03/17/16	\$974,990	Narendra Musal
147	Lennar	Melody	17742	1	14	107 Cultivate	03/31/16	\$1,043,990	Kim/Jung
148	Lennar	Melody	17742	2	35	117 Spica	03/29/16	\$1,004,990	Kerisna & Satiowijaya
149	Lennar	Melody	17742	2	41	105 Spica	03/31/16	\$1,104,990	Youn/Luo
150	Lennar	Melody	17742	2	42	103 Spica	03/31/16	\$1,044,990	Ashwani Bhat
151	Lennar	Melody	17742	2	46	123 Pacer	04/05/16	\$1,069,990	JianjunLi
152	Lennar	Melody	17742	1	29	120 Pacer	04/13/16	\$1,074,990	Layla Min Li
153	Lennar	Melody	17742	2	45	125 Pacer	04/19/16	\$1,032,990	Brent Young
154	Lennar	Melody	17742	2	38	111 Spica	04/26/16	\$1,080,734	Cao/Guan
155	Lennar	Melody	17742	1	1	118 Spica	04/28/16	\$974,990	Yu/Wang
156							32	\$32,998,306	
157								\$1,031,197	
158									
159	CalAtlantic	Legend	17726			206 Radial		No Closings	
160									
161	Lennar	Larkspur	17730	57		272 Cultivate	10/08/15	\$1,025,000	Marrelli Trust
162	Lennar	Larkspur	17730	59		268 Cultivate	10/16/15	\$1,281,500	Alan, Rashid
163	Lennar	Larkspur	17730	63		260 Cultivate	10/19/15	\$1,010,000	Cheng, Reui Hsun
164	Lennar	Larkspur	17730	65		256 Cultivate	10/21/15	\$1,275,000	Ramchandani, Sunil

Beacon Park Closed Sales 5/1/16

	B	C	E	F	G	J	N	U	V
1	Builder	Neighborhood	Tract	Lot	Unit	Address	Recorded Sales Date	S/P Per Public Records	Buyer
165	Lennar	Larkspur	17730	62		262 Cultivate	10/22/15	\$1,270,000	Mehta Family Trust
166	Lennar	Larkspur	17730	60		266 Cultivate	10/22/16	\$1,058,000	Grillas, Leo
167	Lennar	Larkspur	17730	42		160 Newall	11/18/15	\$1,085,000	Sheah Family Trust
168	Lennar	Larkspur	17730	47		112 Spoke	11/19/15	\$1,320,000	Aravamudhan, Karthik
169	Lennar	Larkspur	17730	45		131 Smallwheel	11/20/15	\$1,060,000	Pham Family Living Trust
170	Lennar	Larkspur	17730	43		158 Newall	11/23/15	\$1,355,000	Taira, Nolan
171	Lennar	Larkspur	17730	64		258 Cultivate	11/23/15	\$1,205,000	Patel, Nirav
172	Lennar	Larkspur	17730	56		115 Spoke	11/30/15	\$1,225,000	Zhang, Shi Wei
173	Lennar	Larkspur	17730	44		156 Newall	12/16/15	\$1,280,000	Sang, Haiyan
174	Lennar	Larkspur	17730	61		264 Cultivate	01/25/16	\$1,205,000	Kawakami, Shinjiro
175	Lennar	Larkspur	17730	41		162 Newall	01/29/16	\$1,305,500	Wang, Ran
176	Lennar	Larkspur	17730	36		100 Mustard	02/02/16	\$1,200,000	Yamamoto, Reid
177	Lennar	Larkspur	17730	37		101 Mustard	02/09/16	\$1,070,000	Seghatoleslami, Soheil
178	Lennar	Larkspur	17730	34		104 Mustard	02/11/16	\$1,085,000	Wan, Chunling
179	Lennar	Larkspur	17730	55		113 Spoke	02/11/16	\$1,080,000	Liang, Elise
180	Lennar	Larkspur	17730	35		102 Mustard	02/16/16	\$1,320,000	Wan, Chunling
181	Lennar	Larkspur	17730	40		107 Mustard	02/22/16	\$1,145,000	Hsu, Yu Sueng
182	Lennar	Larkspur	17730	33		106 Mustard	02/29/16	\$1,245,000	Ng, Chung Cham
183	Lennar	Larkspur	17730	39		105 Mustard	02/29/16	\$1,345,000	Singh Living Trust
184	Lennar	Larkspur	17730	32		277 Radial	04/19/16	\$1,270,000	Gourley, Bart
185	Lennar	Larkspur	17730	26		274 Radial	04/25/16	\$1,080,000	Oh, Sang H.
186							25	\$29,800,000	
187								\$1,192,000	
188									
189	Pulte	Juniper	17743	1		128 Calderon	12/14/15	\$1,342,500	Kim, Michael
190	Pulte	Juniper	17743	3		124 Calderon	12/31/15	\$1,416,000	Gilat, Saar
191	Pulte	Juniper	17443	2		126 Calderon	03/25/16	\$1,220,000	He, Jianzhong
192	Pulte	Juniper	17743	7		116 Calderon	03/31/16	\$1,312,000	Hsu Verna, Candice
193	Pulte	Juniper	17743	14		102 Calderon	04/08/16	\$1,423,500	Abrams, Steve Z.
194	Pulte	Juniper	17743	5		120 Calderon	04/15/16	\$1,336,000	Zhang, Juhong
195	Pulte	Juniper	17743	6		118 Calderon	04/27/16	\$1,336,500	Liu, Yuzhe
197							7	\$9,386,500	
198								\$1,340,929	
199									
200	Lennar	Harper	17732	1	35	130 Smallwheel	11/23/15	\$814,990	Lee/Chen
201	Lennar	Harper	17732	1	36	128 Smallwheel	11/25/15	\$853,207	Vo/Lam
202	Lennar	Harper	17732	1	38	124 Smallwheel	11/25/15	\$864,990	Martha Chavez
203	Lennar	Harper	17732	1	37	126 Smallwheel	11/30/15	\$824,990	Michael Eastman
204	Lennar	Harper	17732	1	39	122 Smallwheel	11/30/15	\$849,990	Di Wu
205	Lennar	Harper	17732	1	40	120 Smallwheel	12/08/15	\$864,990	Zhou/Jia
206	Lennar	Harper	17732	1	42	267 Radial	12/22/15	\$791,589	James Oh
207	Lennar	Harper	17732	1	44	263 Radial	12/23/15	\$874,561	Kathryn Scholl
208	Lennar	Harper	17732	1	41	269 Radial	12/31/15	\$759,990	Gail Park
209	Lennar	Harper	17732	1	43	265 Radial	01/08/16	\$812,242	Mohammed/Vora
210	Lennar	Harper	17732	1	30	146 Newall	01/13/16	\$814,990	Renyi Cao
211	Lennar	Harper	17732	1	45	261 Radial	01/15/16	\$804,990	Ruoyu Liu
212	Lennar	Harper	17732	1	34	150 Newall	01/19/16	\$839,990	Quo/Zhao
213	Lennar	Harper	17732	1	29	148 Newall	02/05/16	\$869,990	Shankar Bhatta
214	Lennar	Harper	17732	1	32	154 Newall	02/11/16	\$809,990	Eun Ju Chung
215	Lennar	Harper	17732	1	31	144 Newall	02/18/16	\$813,588	Jiamao Wu
216	Lennar	Harper	17732	1	46	259 Radial	02/23/16	\$804,990	Guifang Zhou
217	Lennar	Harper	17732	1	49	253 Radial	02/24/16	\$799,990	Ping Tan

Beacon Park Closed Sales 5/1/16

	B	C	E	F	G	J	N	U	V
1	Builder	Neighborhood	Tract	Lot	Unit	Address	Recorded Sales Date	S/P Per Public Records	Buyer
218	Lennar	Harper	17732	1	24	134 Newall	03/29/15	\$846,990	Wang/Zhao
219	Lennar	Harper	17732	1	25	132 Newall	03/29/16	\$814,990	Kim/Yoon
220	Lennar	Harper	17732	1	51	249 Radial	04/29/16	\$914,990	Mir Seyedi
221							21	\$17,447,027	
222								\$830,811	
223								From Bldr.	
224	Richmond	Ellwood	17744	1	58	155 Newington	12/15/15	\$845,500	Tsai, Stephen
225	Richmond	Ellwood	17744	1	59	157 Newington	12/31/16	\$922,500	Fung, Brian
226	Richmond	Ellwood	17744	1	63	108 Cultivate	03/08/16	\$864,000	Forest, Ken
227	Richmond	Ellwood	17744	1	65	112 Cultivate	03/10/16	\$905,500	Liggins, Shyana
228	Richmond	Ellwood	17744	1	64	110 Cultivate	03/11/16	\$851,500	Palvadi, Subbarao
229	Richmond	Ellwood	17744	1	61	104 Cultivate	03/14/16	\$932,000	Cullado, Marvin
230	Richmond	Ellwood	17744	1	2	156 Mongoose	03/18/16	\$879,500	Zheng, Yang
231	Richmond	Ellwood	17744	1	60	102 Cultivate	03/17/16	\$897,500	Wang, Guolin
232	Richmond	Ellwood	17744	1	66	114 Cultivate	03/17/16	\$935,500	Jia, Lili
233	Richmond	Ellwood	17744	1	67	116 Cultivate	03/17/16	\$887,000	Guazon, Michael
234	Richmond	Ellwood	17744	1	1	158 Mongoose	03/21/16	\$876,500	Chou, Mei
235	Richmond	Ellwood	17744	1	62	106 Cultivate	03/25/16	\$847,000	Kolmi, Rajshekhar
236							12	\$10,644,000	
237								\$887,000	
238									
239	Shea	Brio	17734	2	32	251 Cultivate	02/29/16	\$764,500	Bandari, Behzad
240	Shea	Brio	17734	2	31	253 Cultivate	03/01/16	\$631,500	De Quiroz
241	Shea	Brio	17734	2	30	249 Cultivate	03/04/16	\$668,500	Lee
242	Shea	Brio	17734	2	27	245 Cultivate	03/07/16	\$640,000	Zhang, Wei
243	Shea	Brio	17734	2	25	239 Cultivate	03/09/16	\$785,000	Burnett, Christopher
244	Shea	Brio	17734	2	26	241 Cultivate	03/11/16	\$648,500	Kuthiala/Mathur
245	Shea	Brio	17734	2	34	269 Follyhatch	03/11/16	\$659,500	Yeh/Tsai
246	Shea	Brio	17734	2	35	275 Follyhatch	03/14/16	\$655,500	Patel
247	Shea	Brio	17734	2	33	271 Follyhatch	03/15/16	\$765,000	Willis
248	Shea	Brio	17734	2	36	273 Follyhatch	03/15/16	\$772,500	Layne
249							10	\$6,990,500	
250								\$699,050	
251									
252						Totals:	207	\$213,040,111	

APPENDIX B
MARKET ABSORPTION STUDY

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COMMUNITY FACILITIES DISTRICT NO. 2013-3
(GREAT PARK)

IMPROVEMENT AREA NO. 4

MARKET ABSORPTION STUDY

PREPARED FOR:
CITY OF IRVINE
ORANGE COUNTY, CALIFORNIA

PREPARED BY:
EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK, PH.D

APRIL 25, 2016

(REVISED MAY 27, 2016; GRAMMATICAL REVISIONS ONLY - NO CHANGES TO THE ABSORPTION SCHEDULES)

OVERVIEW OF THE MARKET ABSORPTION STUDY

The City of Irvine (Irvine) retained Empire Economics Inc. (Empire), an economic and real estate consulting firm, to perform a Market Absorption Study for the projects in CFD No. 2013-3 IA No. 4, hereafter referred to as IA No. 4, which are being marketed as the Planned Community of Beacon Park.

Introduction

This section provides a description of the role of the market absorption study in the bond financing program as well as a discussion of the methodology underlying the study, along with maps showing the market areas and location of IA No. 4. There is also a Certification of Independence, that Empire performs studies only for the public sector.

Section I: Expected Product Mix Characteristics of the Forthcoming Projects

There are fifteen residential projects by nine different builders that plan to offer a total of 1,029 homes: 348 attached homes (34%) and 681 detached homes (66%). The prices for the homes average \$1,037,753, and they have a range from a low of \$666,990 to a high of \$1,913,233. The sizes of living areas for the projects average 2,475 sq.ft., and the various projects have a range from a low of 1,714 to 4,442. The total tax burden amounts to 1.91%, on the average, and ranges from a low of 1.84% to a high of 1.99%; the City's maximum tax burden is 2.00%.

Section II: Economic and Real Estate Model Underlying the Market Absorption Study

The recent rate of employment growth for Orange County amounts to about 40,000 new jobs per year, and this typically generates a demand for about 25,000 new homes. By comparison, the supply of new homes, including for-sale and apartments, has been only about 12,000 per year. Consequently, there is a strong demand for new housing.

The City of Irvine is regarded as being a very strong local economy: the City's firms have 206,000 employees with an average payroll of about \$95,000; the City's unemployment rate is only 3.2%, well below the County 4.3% rate. Due to its strong economic base, the City of Irvine's housing market will continue to strengthen its recovery as employment gains generate a stronger demand for new homes, thereby providing support for the residential projects in IA No. 4.

The potential impact of millennials choosing to reside in apartments due to cultural factors as well as financial challenges, is expected to have only a moderate impact on the demand for for-sale housing. From a cultural perspective, Orange County is in a coastal/urbanized area which suits their preferences but from a financial perspective, many millennials do not have a sufficient amount of saving for down payments.

Section III: Overview of Development Trends/Patterns and Socioeconomic Factors

IA No. 4 is strategically situated in an "infill" type of area that already has a substantial amount of development in its vicinity, including Business Parks and Retail Centers. From a socioeconomic perspective, the City of Irvine has a significantly lower crime rate and its school district has a significantly higher educational achievement level than for other cities/areas in Orange County; accordingly, these positive socioeconomic factors support the demand for homes in IA No. 4. Additionally, Irvine has been named the best-run city among America's 100 most populous cities in January 2014, according to 24/7 Wall Street.

Section IV: Analysis of the Residential Projects in the IA No. 4 Competitive Housing Market Area

A Competitive Market Analysis of the projects in IA No. 4 was performed by comparing their characteristics with the currently active comparable projects in the Competitive Housing Market Area, including their prices, sizes of living area and Special Taxes. The projects in IA No. 4 have full prices (base prices and special tax liens) that are somewhat, though not significantly, above their comparables. While their sales rates are lower, though not significantly, than the market comparables.

Section V: Estimated Absorption Schedules for the Projects in IA No. 4

The current marketing status of the 1,029 homes in IA No. 4 are as follows: Escrows Closed: 172 and Additional Sales: 183. Based upon a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the projects in IA No. 4, Empire concluded that the absorption prospects for future escrow closings for the 857 remaining homes are regarded as being favorable.

Please refer to the following page for the Table of Contents for the page numbers of the above sections; Empire recommends that the Study be read in its entirety.

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INTRODUCTION

A. OVERVIEW OF THE BOND FINANCING PROGRAM

The City of Irvine was previously petitioned by Five Point Communities to form Community Facilities District No. 2013-3 (Great Park) for the Planned Community of Heritage Fields, to assist with the financing for the public infrastructure that is required to support the development of its forthcoming residential and non-residential products.

CFD No. 2013-3 is located in the easterly portion of the City of Irvine in Orange County, in the vicinity of the Great Park, which was formerly the El Toro Marine Air Station.

CFD No. 2013-3 is expected to be partitioned into various Improvement Areas. The second is Improvement Area No. 4 (IA No. 4) which encompasses a portion of Heritage Fields referred to as Beacon Park; accordingly, the characteristics of its residential projects are as follows:

- There are expected to be 1,029 for-sale homes, and their product type configurations include attached as well as detached with various sizes of living areas.
- There are fifteen residential project areas with nine different builders; Lennar Homes has four projects, Cal Atlantic Homes has three, K. Hovnanian has two, and the other six builders have one project each.
- Beacon Park had its Grand Opening in August 2015, and currently, 14 of the 15 projects are presently marketing homes.

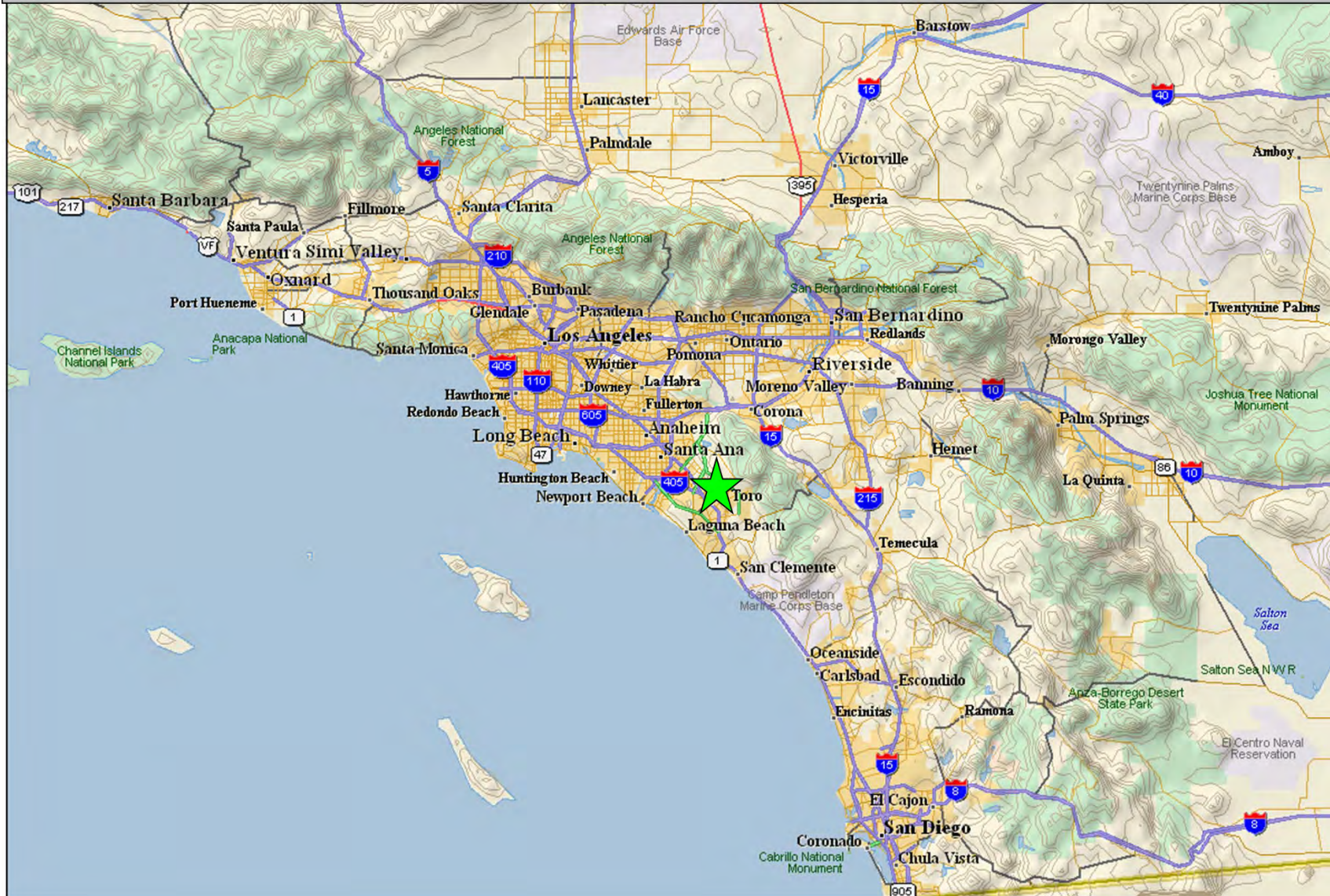
The City of Irvine (Irvine) retained Empire Economics Inc. (Empire), an economic and real estate consulting firm, to perform a Market Absorption Study for the projects in CFD No. 2013-3 IA No. 4, which are being marketed as the Planned Community of Beacon Park. The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the projects in CFD No. 2013-3 IA No. 4, in order to arrive at conclusions regarding the following:

- Estimated absorption schedules for the homes in each of the 15 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, such as higher mortgage rates.

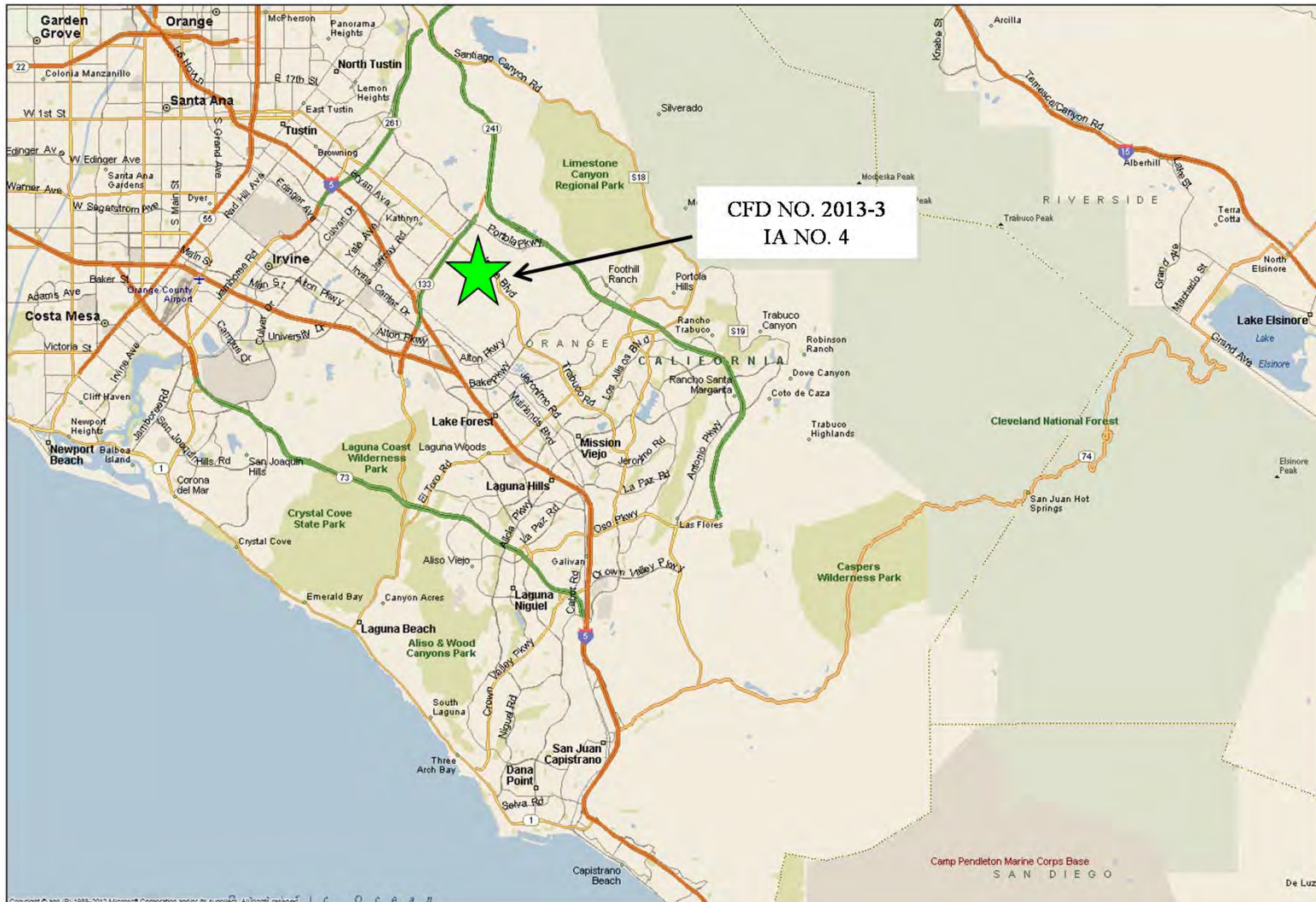
For information on the location of CFD No. 2013-3 IA No. 4, please refer to the maps on the following pages.

SOUTHERN CALIFORNIA MARKET REGION

LOCATION OF CFD NO. 2013-3



SOUTHERN ORANGE COUNTY LOCATION OF CFD NO. 2013-3 IA NO. 4



B. ROLES OF THE MARKET ABSORPTION STUDY FOR THE BOND FINANCING

The Market Absorption Study for CFD No. 2013-3 IA No. 4 has a multitude of roles with regards to the bond financing; these are set-forth below:

Marketing Prospects for the Residential Projects

Estimated Absorption Schedules:
Escrow Closings of Homes to Homeowners,
From Market-Entry to Build-Out
Each of the Fifteen Projects

Discussion of 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

Share of Payments:
Developer/Builders vs. Final-Users/Homeowners

Relationship of the Market Absorption Study to the Appraisal/Valuation

Appraisal of Property
Discounted Cash Flow – Present Value

(The Longer the Absorption Time, the Lower the Present Value)

The finance team, can utilize the information found in the Market Absorption Study and the Appraisal as well as the Special Tax Revenues to structure the bonds for CFD No. 2013-3 IA No. 4.

C. METHODOLOGY UNDERLYING THE MARKET ABSORPTION STUDY FOR CFD NO. 2013-3 IA NO. 4

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. 2013-3 IA No. 4.

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/Products

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 Irvine, 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 Irvine, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders.** 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.

Accordingly, Empire Economics certifies that the Market Absorption Study for the CFD No. 2013-3 IA No. 4 of the City of Irvine 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 Irvine, not the CFD's developer, Five Point Communities, or any of the various builders.
- Empire has not performed any consulting services for the CFD's property owner or the developer/builders during the past twenty years.
- Empire will not perform any consulting services for the CFD's property owner or the developer/builders 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. 2013-3 IA No. 4 was performed in an independent professional manner.

SECTION I

EXPECTED RESIDENTIAL PRODUCT MIX CHARACTERISTICS

CFD No. 2013-3 IA No. 4, being marketed as the Planned Community of Beacon Park, has fifteen residential projects by nine different builders that plan to offer a total of 1,029 homes in various market segments; accordingly, their characteristics are now discussed.

- ✓ **Product Types:** The residential product types include four projects that offer attached condos/townhomes projects and eleven projects that offer various types of detached home products.
- ✓ **Number of Homes:** There are expected to be a total of 1,029 homes: 348 attached homes (34%) and 681 detached homes (66%). The number of homes per project amounts to 69, on the average, and ranges from a low of 48 to a high of 107.
- ✓ **Timing:** With regards to the marketing status of the projects as of April 1, 2016, 14 of the projects are on the marketplace; Opus, the final project, is expected to enter the marketplace in October 2016. The projects have sold 355 homes and have closed escrow on 172 of these homes. However, for the homes that have been sold, their closings may require some time, since many of these are under construction.
- ✓ **Prices:** The prices for the homes average \$1,037,753, and they have a range from a low of \$666,990 to a high of \$1,913,233, on the average.
- ✓ **Living Areas:** The sizes of living areas for the projects average 2,475 sq.ft., and the various projects have a range from a low of 1,714 to 4,442, on the average.
- ✓ **Value Ratios:** The value ratio (the price of the home by its size of living area) amounts to \$415 per sq.ft. of living area, on the average, and it ranges from a low of \$364 to a high of \$468, on the average.
- ✓ **Tax Burden:** The overall tax burden for these projects represents the total amount of annual taxes divided by the housing price; the taxes include the ad valorem estimated at 1.22% (including the 0.20% for the Irvine Ranch Water District (IRWD) and also the Special Taxes. Accordingly, the total tax burden amounts to 1.91%, on the average, and ranges from a low of 1.84% to a high of 1.99%; the City's maximum tax burden is 2.00%, including the 0.20% for the Irvine Ranch Water District.

CFD No. 2013-3 IA No. 4 is located adjacent to the Great Park:

- ✓ **Existing Features:** Some current features include the Carousel, Balloon Ride, Farm, Historical Timeline, Palm Court Art Complex, North Lawn recreation area, and Hanger 244.
- ✓ **Forthcoming Features:** Some forthcoming features by Five Point Communities include a sports village (soccer, tennis, baseball, basketball and volleyball fields), a golf course, a Bosque, trails, dog park, playground and amphitheater.
- ✓ **Events:** The park has hosted annual events such as "Flight and Sounds Summer Festival" and "Growing the Park", and the Solar Decathlon, a ten day event organized/sponsored by the U.S. Department of Energy.

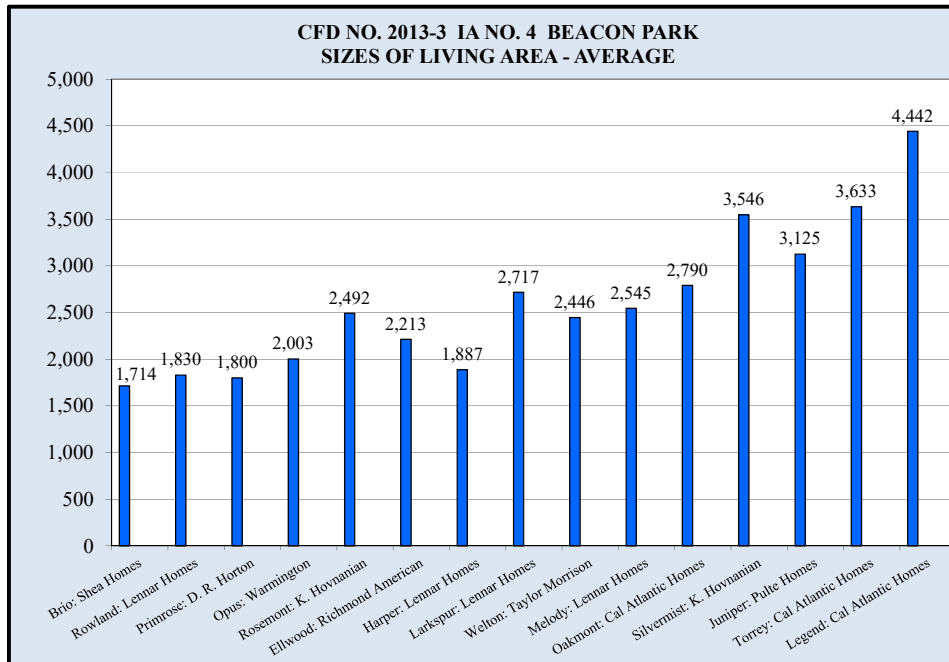
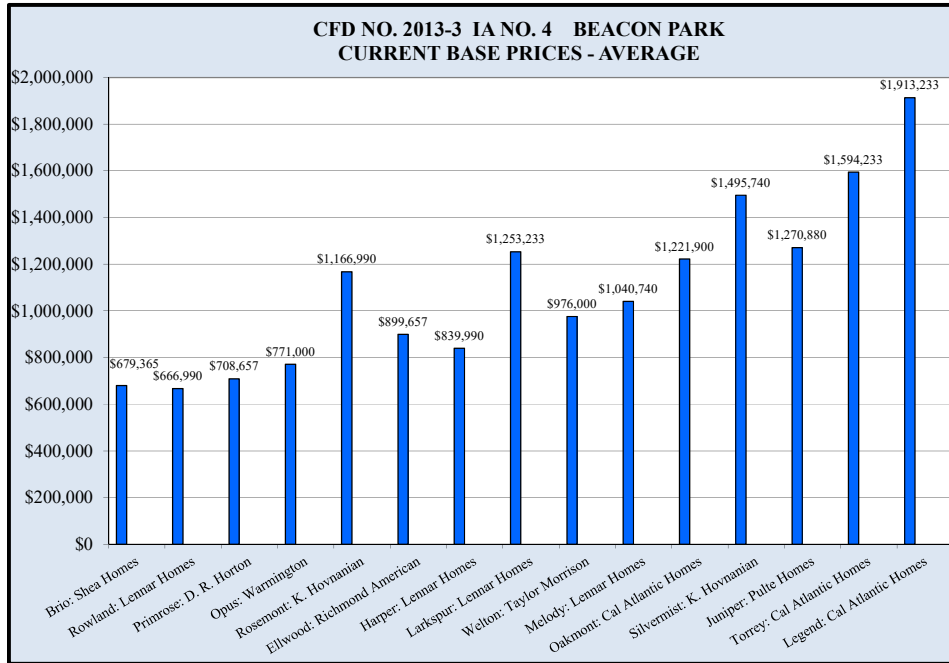
For more information on these projects, please refer to the following map, table and graphs.

**CFD NO. 2013-3 (GREAT PARK)
AND IA NO. 4
APPROXIMATE LOCATIONS**



CHARACTERISTICS OF THE PROJECTS IN CFD NO. 2013-3 IA NO. 4

Projects >																Overall	
	Brio	Rowland	Primrose	Opus	Rosemont	Ellwood	Harper	Larkspur	Welton	Melody	Oakmont	Silvermist	Juniper	Torrey	Legend	Totals	Averages
Builders	Shea Homes	Lennar Homes	D. R. Horton	Warrington	K. Hovnanian	Richmond American	Lennar Homes	Lennar Homes	Taylor Morrison	Lennar Homes	Cal Atlantic Homes	K. Hovnanian	Pulte Homes	Cal Atlantic Homes	Cal Atlantic Homes		
Expected Product Types	Attached-Flats	Attached-Townhome	Attached-Condos	Attached-Flats	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached		
Lot Sizes - Average (Sq. Ft.)	N/A	N/A	N/A	N/A	4,900	2,500	2,800	5,500	3,800	4,000	5,000	7,400	6,000	7,200	7,500		
Housing Units																	
Totals	76	107	105	60	76	71	84	69	53	62	49	51	55	63	48	1,029	
Share	7.4%	10.4%	10.2%	5.8%	7.4%	6.9%	8.2%	6.7%	5.2%	6.0%	4.8%	5.0%	5.3%	6.1%	4.7%	100.0%	
Marketing Status:																	
Market-Entry	. August 2015	. August 2015	. August 2015	Future	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015		
Released: March 31, 2016	36	31	36	0	24	71	39	41	31	45	27	29	35	48	15	508	
Sold: March 31, 2016	22	22	26	0	19	71	21	29	24	34	13	22	24	23	5	355	
Closed: March 31, 2016	10	14	17	0	9	11	20	23	12	23	8	7	4	14	0	172	
Future Closings: April 1, 2016+	66	93	88	60	67	60	64	46	41	39	41	44	51	49	48	857	
Living Areas (Sq. Ft.)																	
Plan # 1	1,465	1,661	1,709	1,820	1,902	2,081	1,701	2,165	2,188	2,321	2,524	2,796	2,897	3,314	4,337		
Plan # 2	1,963	1,748	1,657	1,961	2,544	2,230	1,941	2,825	2,412	2,407	2,783	3,673	3,150	3,750	4,408		
Plan # 3		1,836	2,034	2,228	3,031	2,329	2,019	3,160	2,739	2,678	3,064	3,714	3,328	3,836	4,582		
Plan # 4		2,076								2,774		4,002					
Averages	1,714	1,830	1,800	2,003	2,492	2,213	1,887	2,717	2,446	2,545	2,790	3,546	3,125	3,633	4,442		2,475
Current Prices				Estimated													
Plan # 1	\$635,830	\$629,990	\$709,990	\$756,000	\$1,071,990	\$865,990	\$799,990	\$1,214,900	\$871,000	\$979,990	\$1,147,900	\$1,424,990	\$1,205,880	\$1,491,900	\$1,799,900		
Plan # 2	\$722,900	\$672,990	\$659,990	\$729,000	\$1,161,990	\$905,990	\$839,990	\$1,219,900	\$991,000	\$1,019,990	\$1,200,900	\$1,432,990	\$1,275,880	\$1,624,900	\$1,952,900		
Plan # 3		\$697,990	\$755,990	\$828,000	\$1,266,990	\$926,990	\$879,990	\$1,324,900	\$1,066,000	\$1,089,990	\$1,316,900	\$1,454,990	\$1,330,880	\$1,665,900	\$1,986,900		
Plan # 4		\$717,990								\$1,072,990		\$1,669,990					
Averages	\$679,365	\$666,990	\$708,657	\$771,000	\$1,166,990	\$899,657	\$839,990	\$1,253,233	\$976,000	\$1,040,740	\$1,221,900	\$1,495,740	\$1,270,880	\$1,594,233	\$1,913,233		\$1,037,753
Builder's Incentives	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$0	\$7,500	\$10,000		
Value Ratios	\$396	\$364	\$394	\$385	\$468	\$406	\$445	\$461	\$399	\$409	\$438	\$422	\$407	\$439	\$431		\$415
Tax Burden																	
Ad Valorem - Percent of Price	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%	1.22%		1.22%
Special Taxes \$/Yr - Avg.	\$4,744	\$5,113	\$4,991	\$5,300	\$7,296	\$6,367	\$5,566	\$7,767	\$6,944	\$7,226	\$8,250	\$10,715	\$9,167	\$10,777	\$13,167		\$7,135
* Total Tax Burden %/Price	1.92%	1.99%	1.92%	1.91%	1.85%	1.93%	1.88%	1.84%	1.93%	1.91%	1.90%	1.94%	1.94%	1.90%	1.91%		1.91%



SECTION II

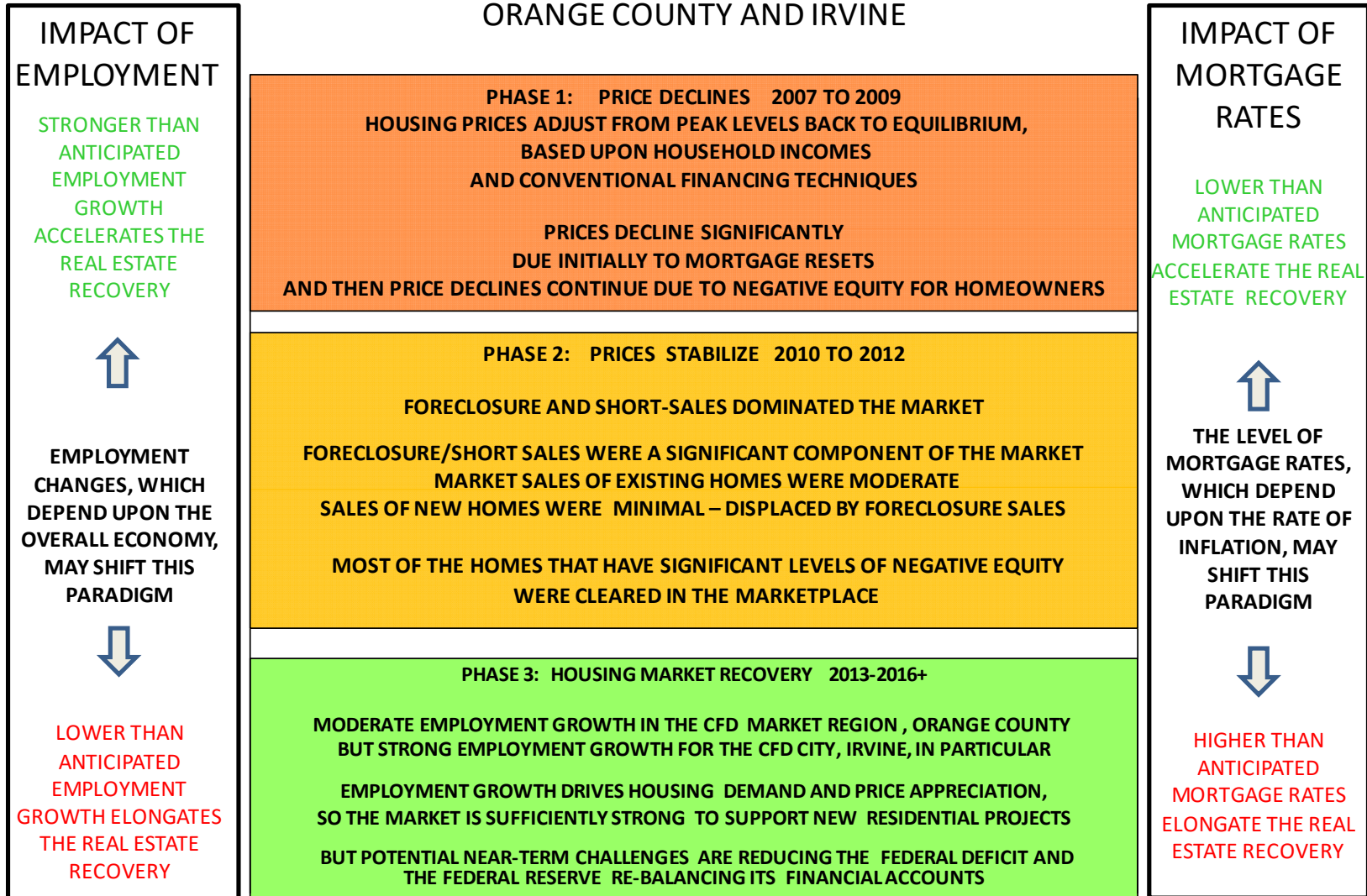
ECONOMIC AND REAL ESTATE FORECASTING MODEL UNDERLYING THE MARKET ABSORPTION STUDY FOR THE CFD NO. 2013-3 IA NO. 4

This section describes the Economic and Real Estate Forecasting Model underlying the Market Study for the residential projects in the CFD No. 2013-3 IA No. 4 (being marketed as the Planned Community of Beacon Park); 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. Extraordinary Short-term Factors and their Impact on the Current Housing Market Recovery
- D. Recent Employment Trends in the City of Irvine
 - Recent Unemployment Rates: Orange County and its Cities, including Irvine
 - City of Irvine: Payroll by Employment Sectors
- E. Conclusion on Recent/Future Housing Market Conditions

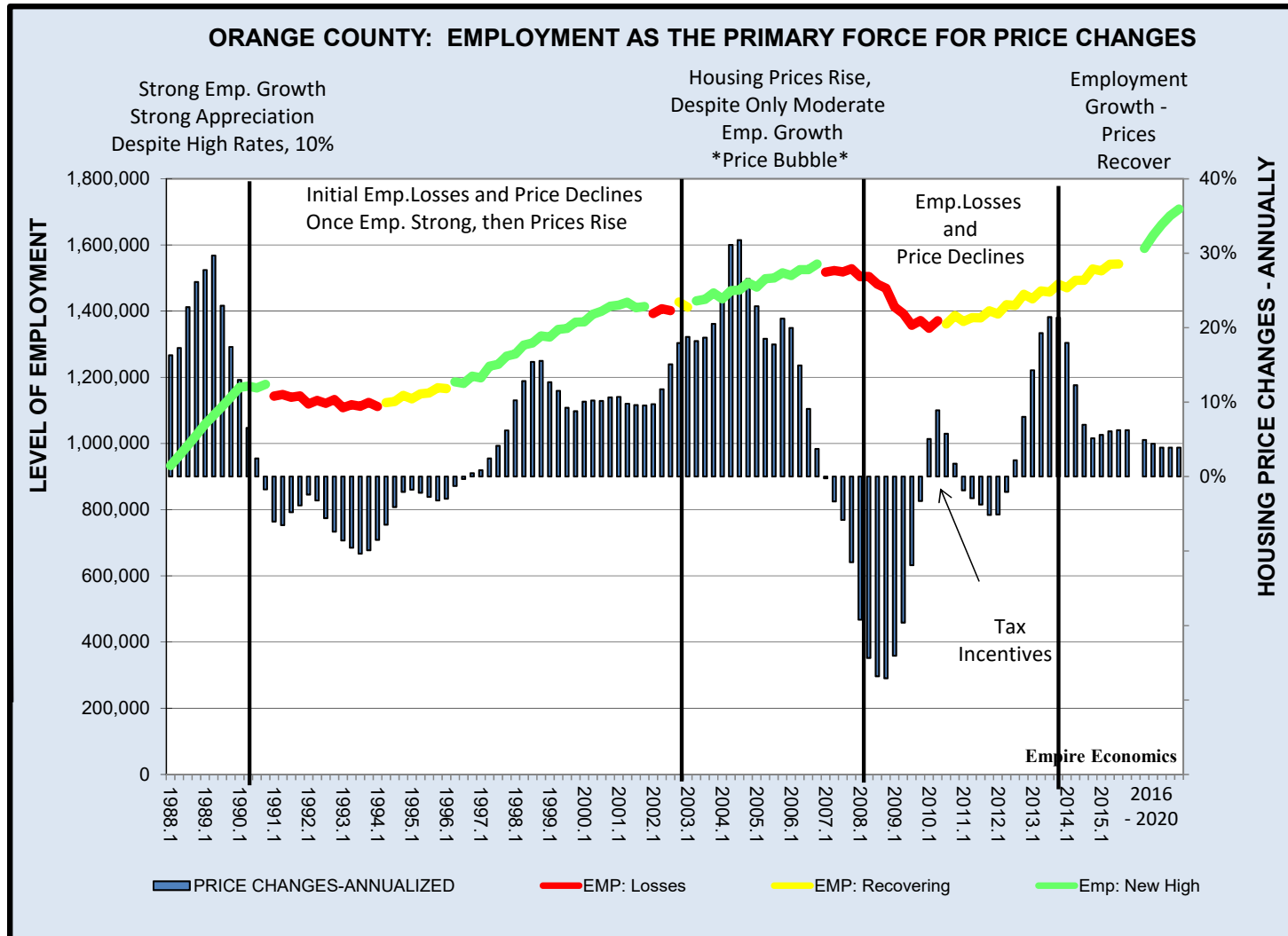
A. OVERVIEW OF THE ECONOMIC AND REAL ESTATE FORECASTING MODEL

RECENT/EXPECTED REAL ESTATE MARKET TRENDS/PATTERNS FOR THE MARKET REGION AND MARKET AREA ORANGE COUNTY AND IRVINE



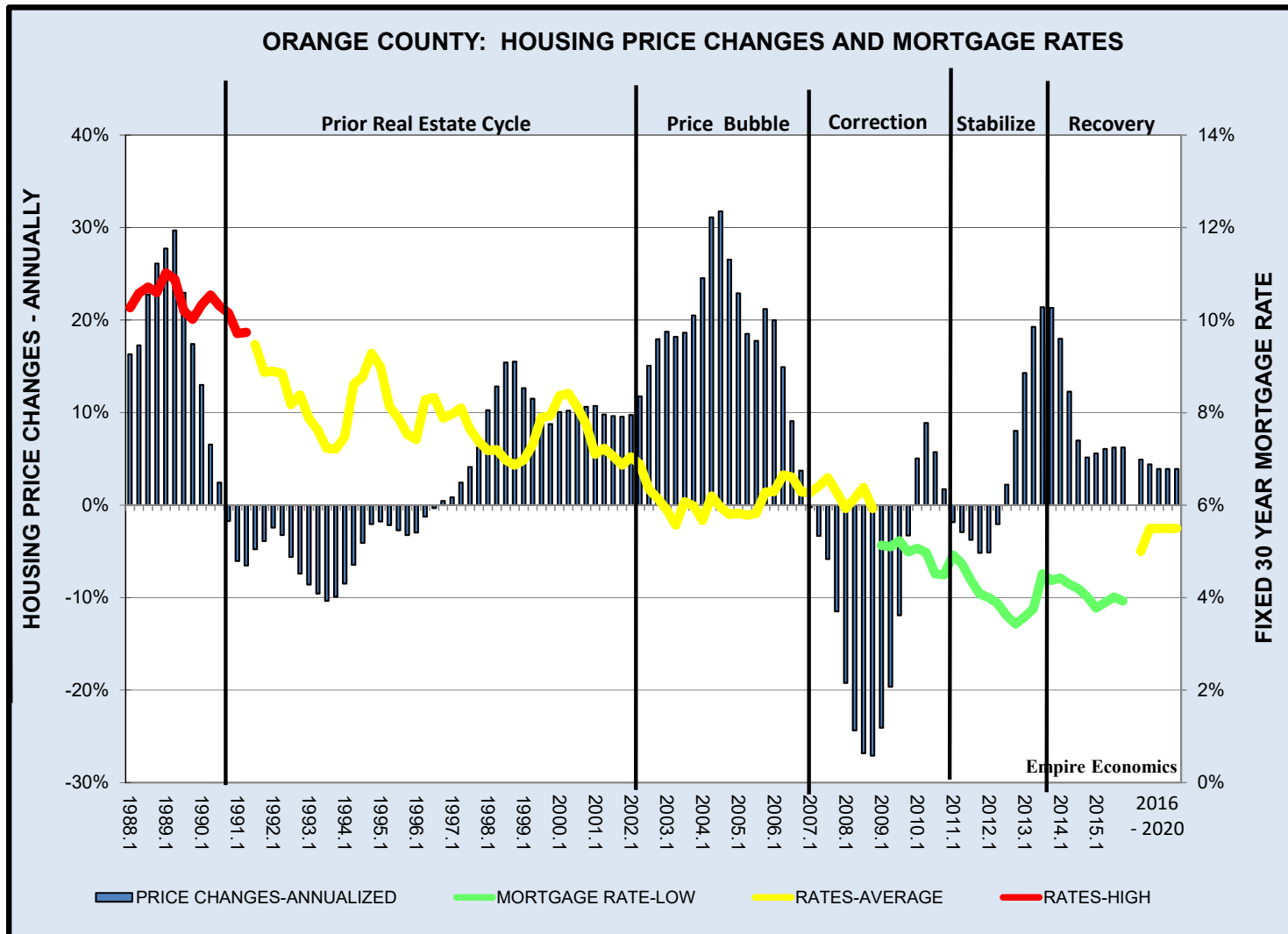
B. CRITICAL COMPONENTS OF THE FORECASTING MODEL

EMPLOYMENT IS THE **PRIMARY ECONOMIC DRIVER** OF HOUSING DEMAND AND PRICE CHANGES
 EMPLOYMENT GROWTH/LOSSES DRIVE DEMAND AND PRICE INCREASES/DECREASES

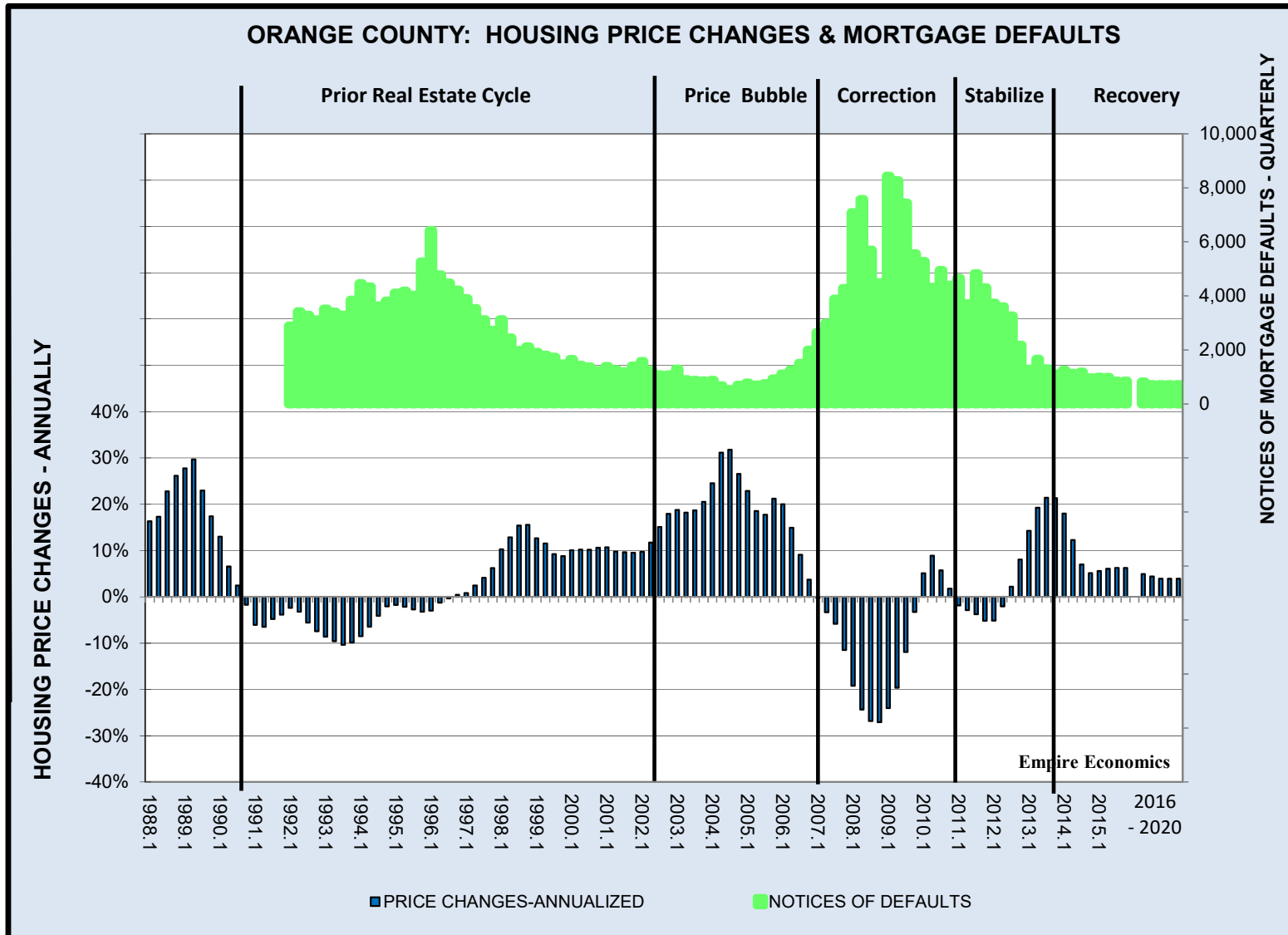


MORTGAGE RATES ARE A SECONDARY ECONOMIC DRIVER OF HOUSING PRICES:

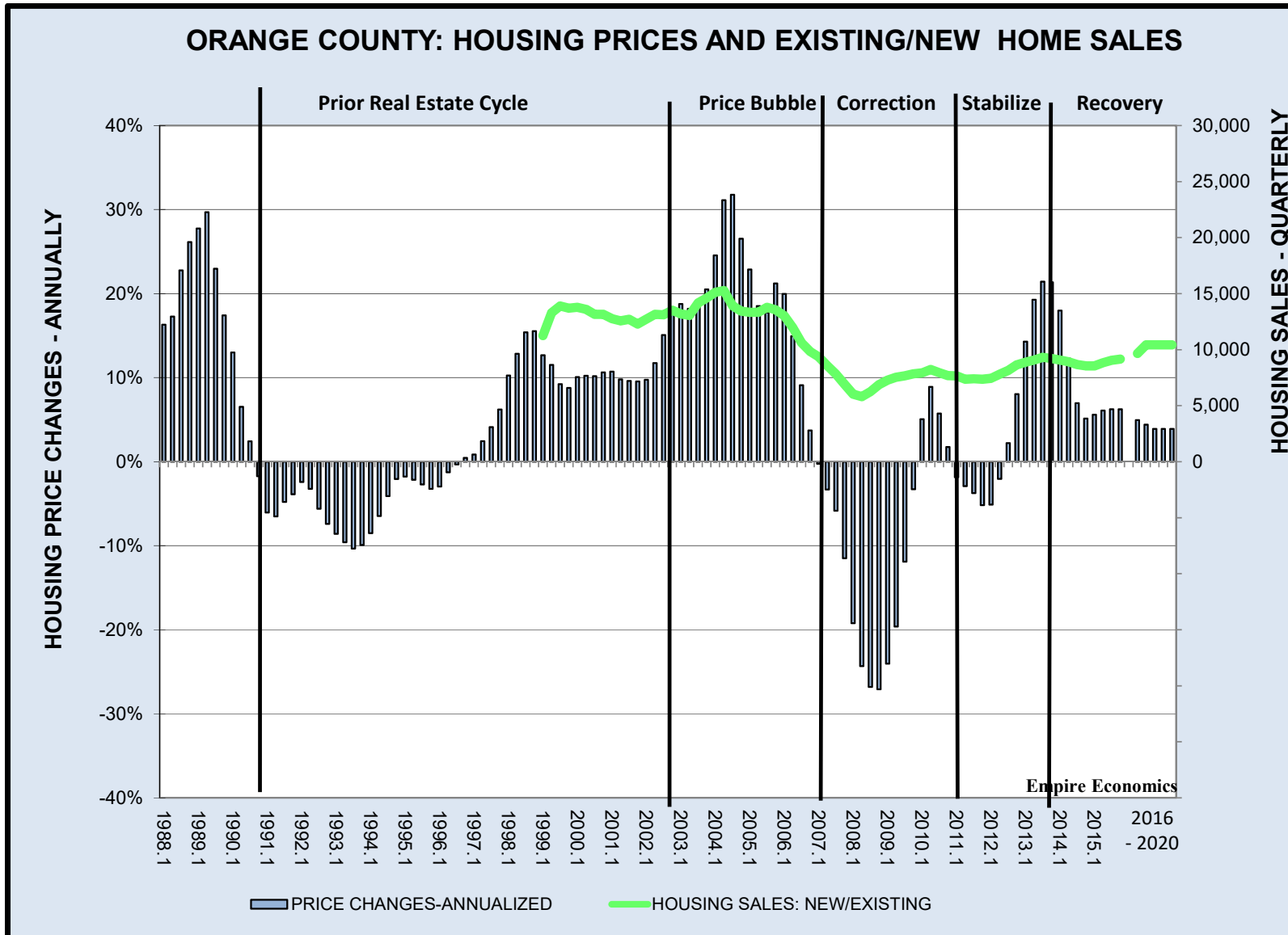
HIGH/LOW LEVELS OF MORTGAGE RATES HAVE A MODERATE INFLUENCE ON HOUSING PRICES
LENDING CRITERIA ALSO PLAYS ROLE: LOOSE (2002-2006) VS. TIGHT (2010-2013)



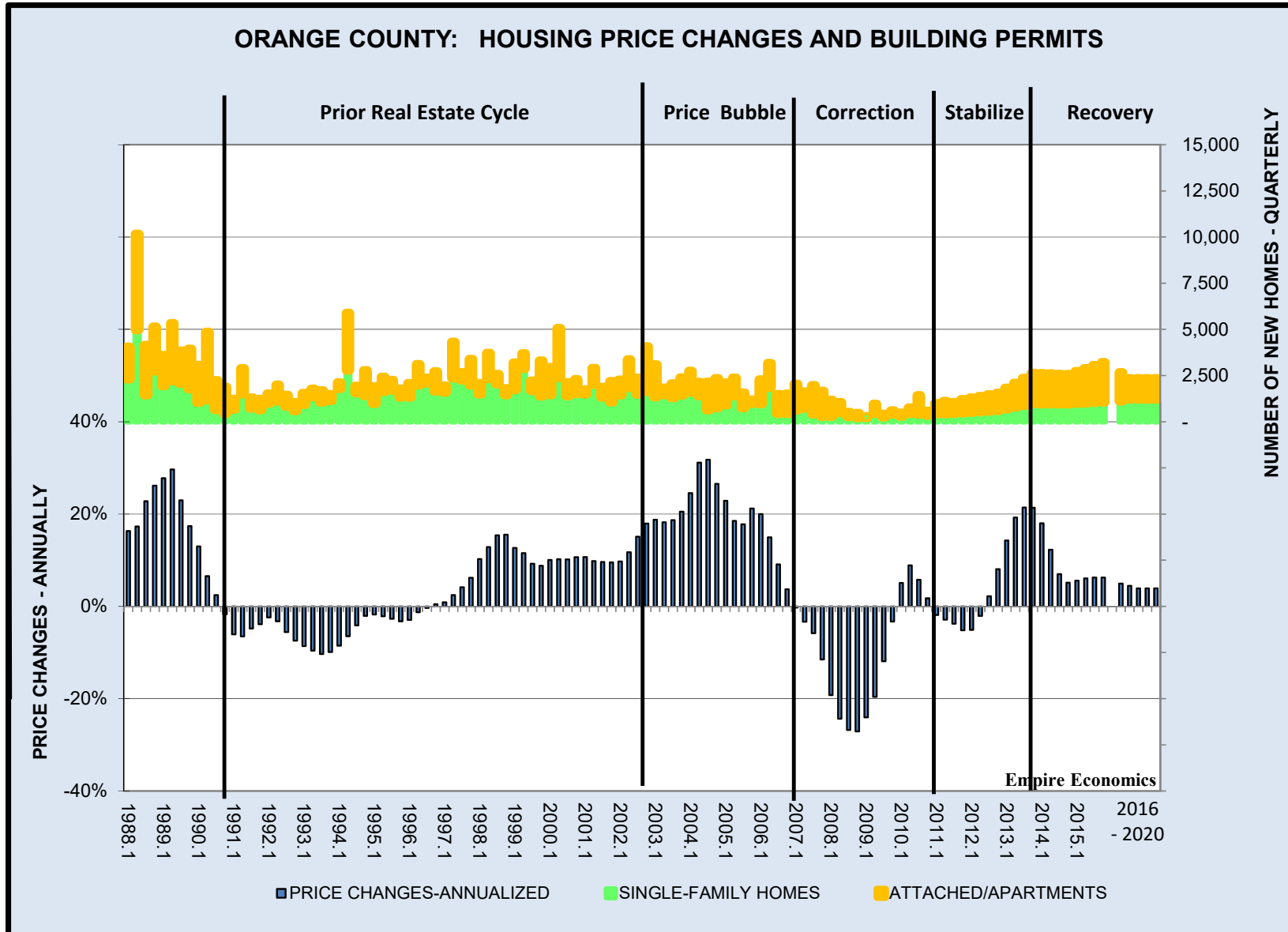
HIGH LEVELS OF MORTGAGE DEFAULTS CONTRIBUTE TO PRICE DECLINES DUE TO EXCESS SUPPLY AND PRICE DISCOUNTS



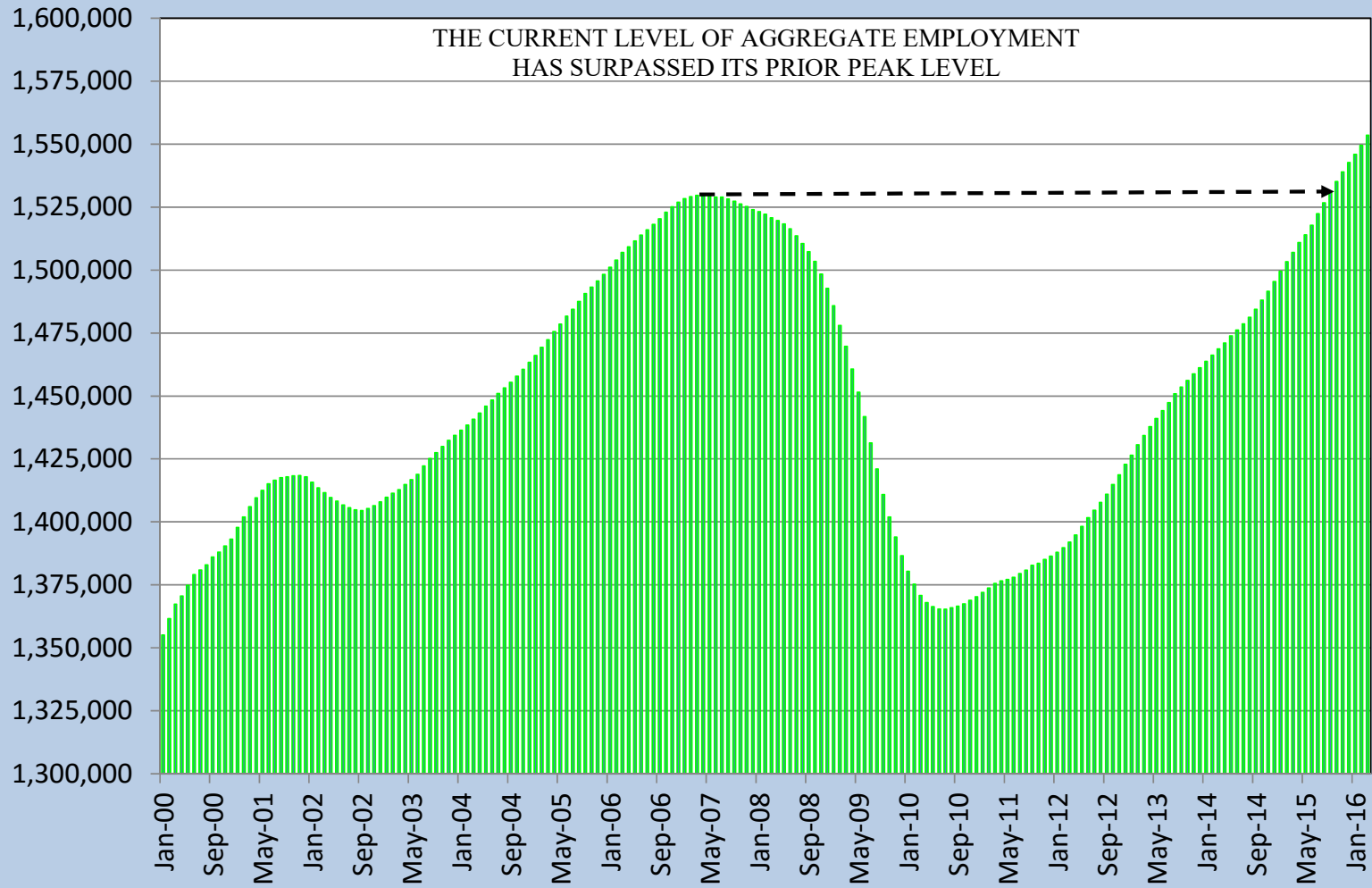
**SALES OF EXISTING AND NEW HOMES ARE DRIVEN
PRIMARILY BY EMPLOYMENT GROWTH BUT ALSO MORTGAGE RATES**



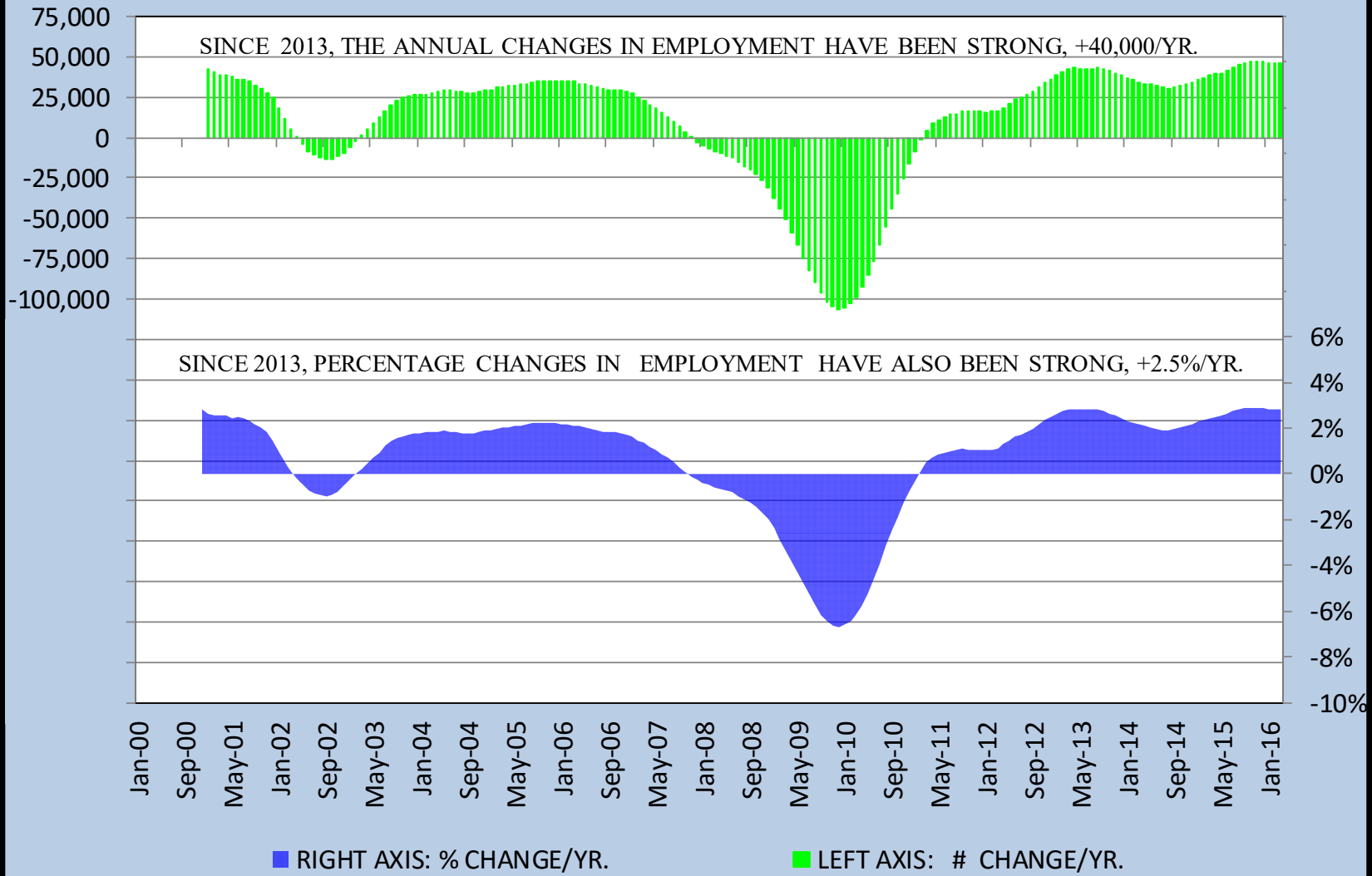
NEW RESIDENTIAL DEVELOPMENT ACTIVITY IS DRIVEN BY EMPLOYMENT GROWTH AND HOUSING PRICE INCREASES



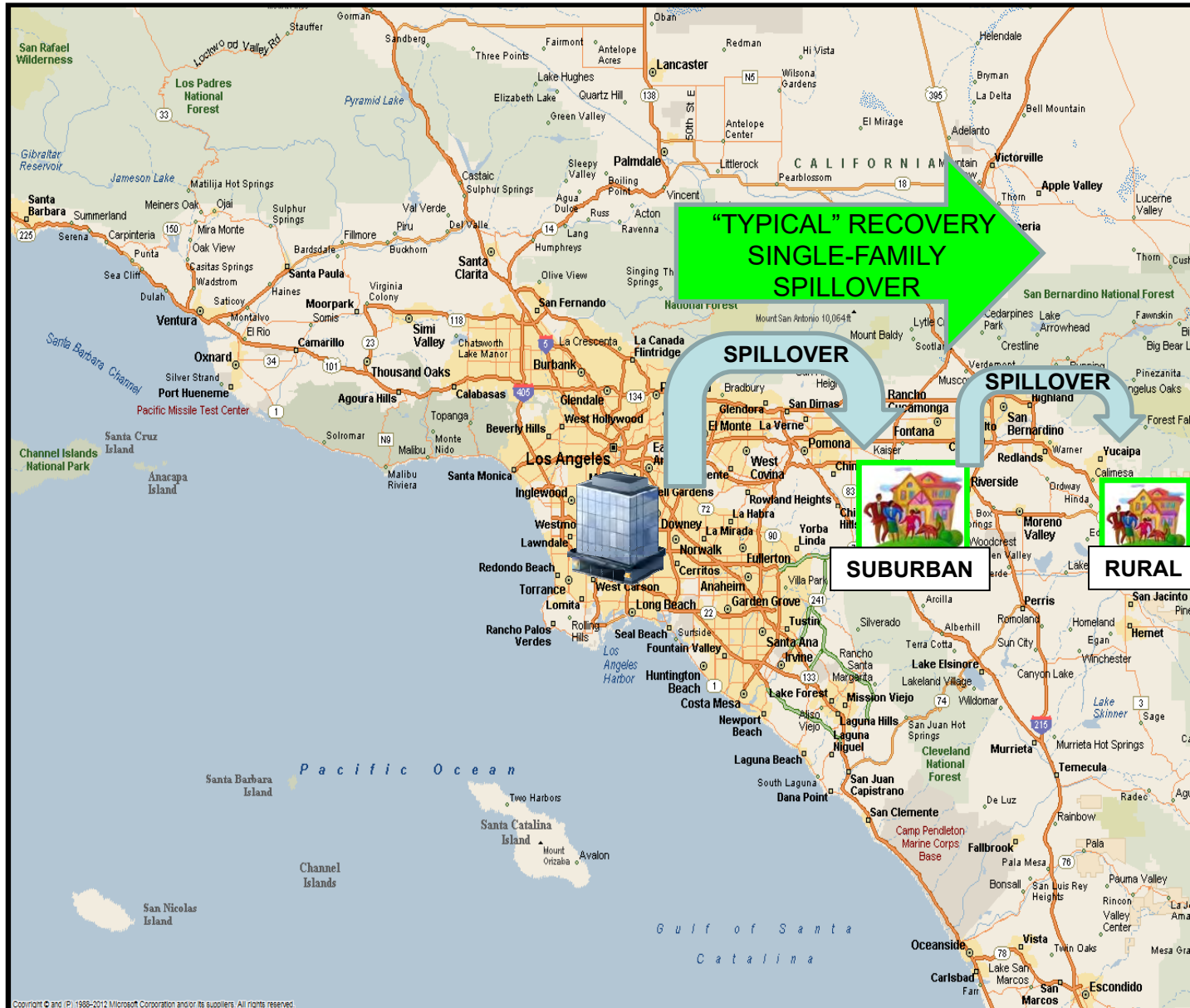
RECENT LEVELS OF AGGREGATE EMPLOYMENT ORANGE COUNTY



RECENT EMPLOYMENT GROWTH RATES ORANGE COUNTY



EMPLOYMENT *TYPICALLY* GENERATES SPILLOVER TO SUBURBAN AND RURAL INLAND AREAS



C. EXTRAORDINARY FACTORS REDUCING THE DEMAND FOR FOR-SALE HOMES

MILLENNIALS' PREFERENCES AND FINANCES → HIGHER-DENSITY / URBANIZED HOUSING

PARENTS: GENERATION X (AGES 35-54) IMPACTED BY IMPLOSION OF HOUSING PRICE BUBBLE

CULTURAL PREFERENCES


- PROXIMITY TO COMMUNITY AND URBAN ACTIVITIES
- PROXIMITY TO OFFICE - MINIMIZES COMMUTING TIME
- RESORT-LIKE AMENITY PACKAGES: CONCIERGE SERVICE, GYM AND SWIMMING POOL
- CONVENIENCE: NO YARD WORK OR MAINTENANCE OR REPAIRS
- WAITING LONGER TO GET MARRIED AND STARTING A FAMILY


FINANCIAL FACTORS


- SIGNIFICANT STUDENT DEBT: ADVERSELY IMPACTS DOWN PAYMENT AND MORTGAGE QUALIFICATION
- RENTING PROVIDES MORE JOB FLEXIBILITY (CHANGE JOBS/FIRMS MORE FREQUENTLY)
- SOME EVEN PAY VERY HIGH RENTS, RATHER THAN PURCHASE A HOME


C. EXTRAORDINARY FACTORS REDUCING THE DEMAND FOR FOR-SALE HOMES (CON'T.)

OTHER FACTORS POTENTIALLY RESTRAINING THE DEMAND FOR SINGLE-FAMILY HOMES

- 1. HOMEOWNERSHIP HAS DECLINED FROM 60%-2005 TO 54%-2014  REDUCED DEMAND FOR NEW SINGLE-FAMILY HOMES

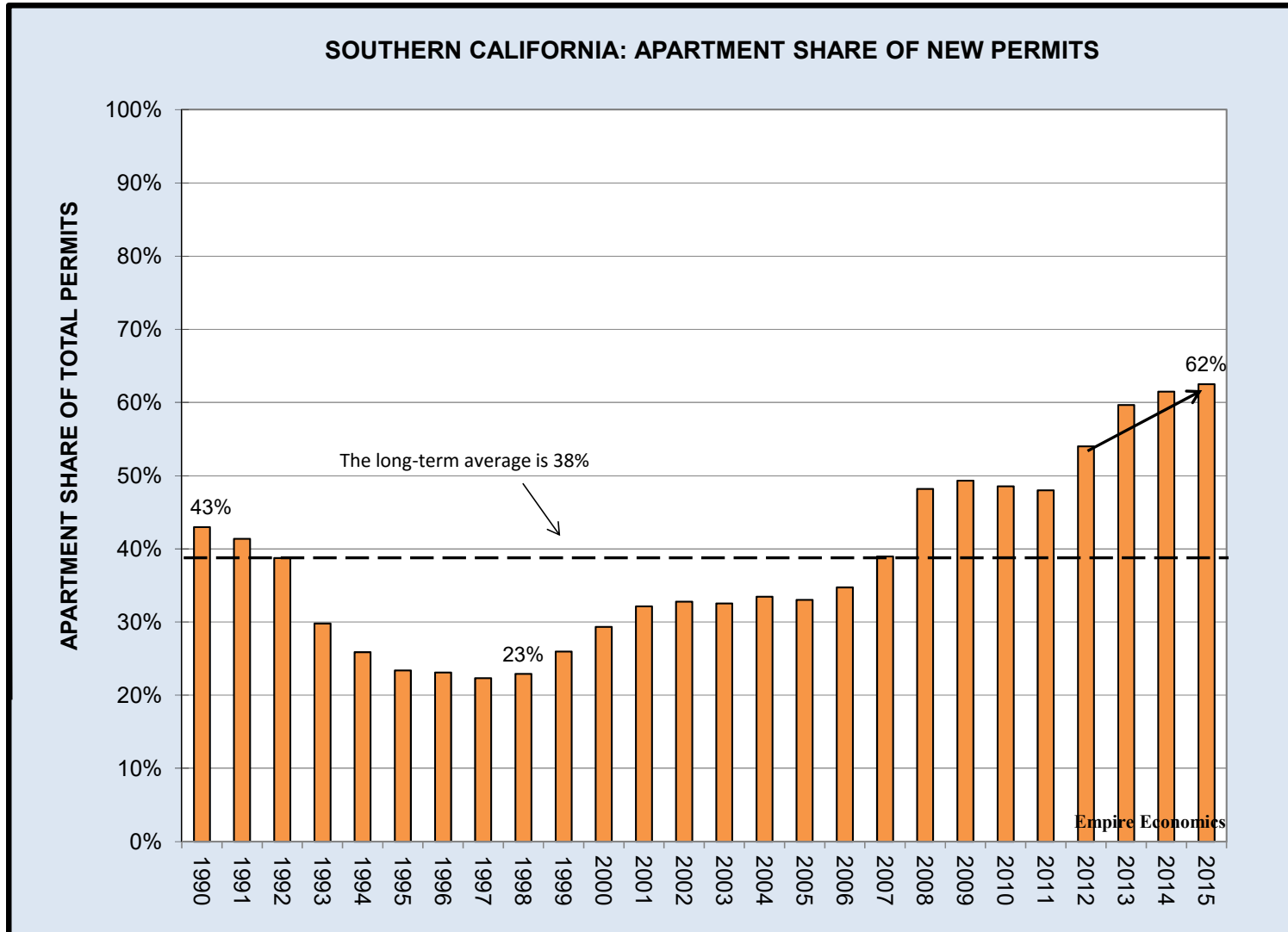
- 2. INCREASES IN SINGLE FAMILY RENTALS  REFLECT A TRANSFORMATION OF THE EXCESS HOUSING MARKET BUBBLE
SINGLE-FAMILY OWNERSHIP TO RENTALS

- 3. MODERATE FUTURE PRICE EXPECTATIONS  RESTRAINED BUYER CONFIDENCE

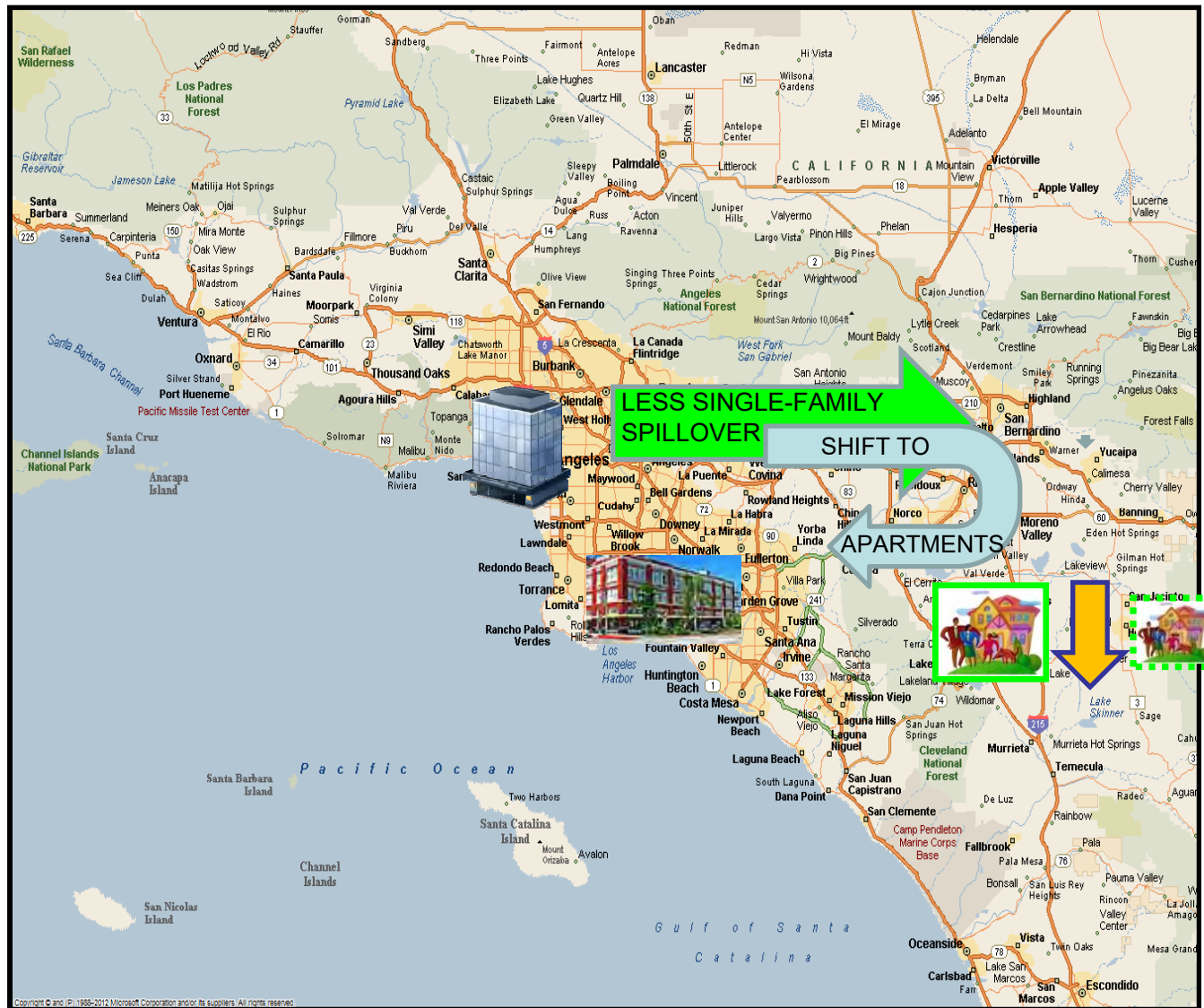
- 4. SIGNIFICANT SUPPLY OF NEW APARTMENT PROJECTS IN THE PIPELINE  WILL CONTINUE TO PROVIDE COMPETITIVE ALTERNATIVE TO HOME OWNERSHIP

COMBINED IMPACT OF FAVORABLE AND CONSTRAINING FACTORS - HIGHER SHARE OF APARTMENTS

MILLENNIALS ARE RAISING THE SHARE OF APARTMENTS TO VERY HIGH LEVELS

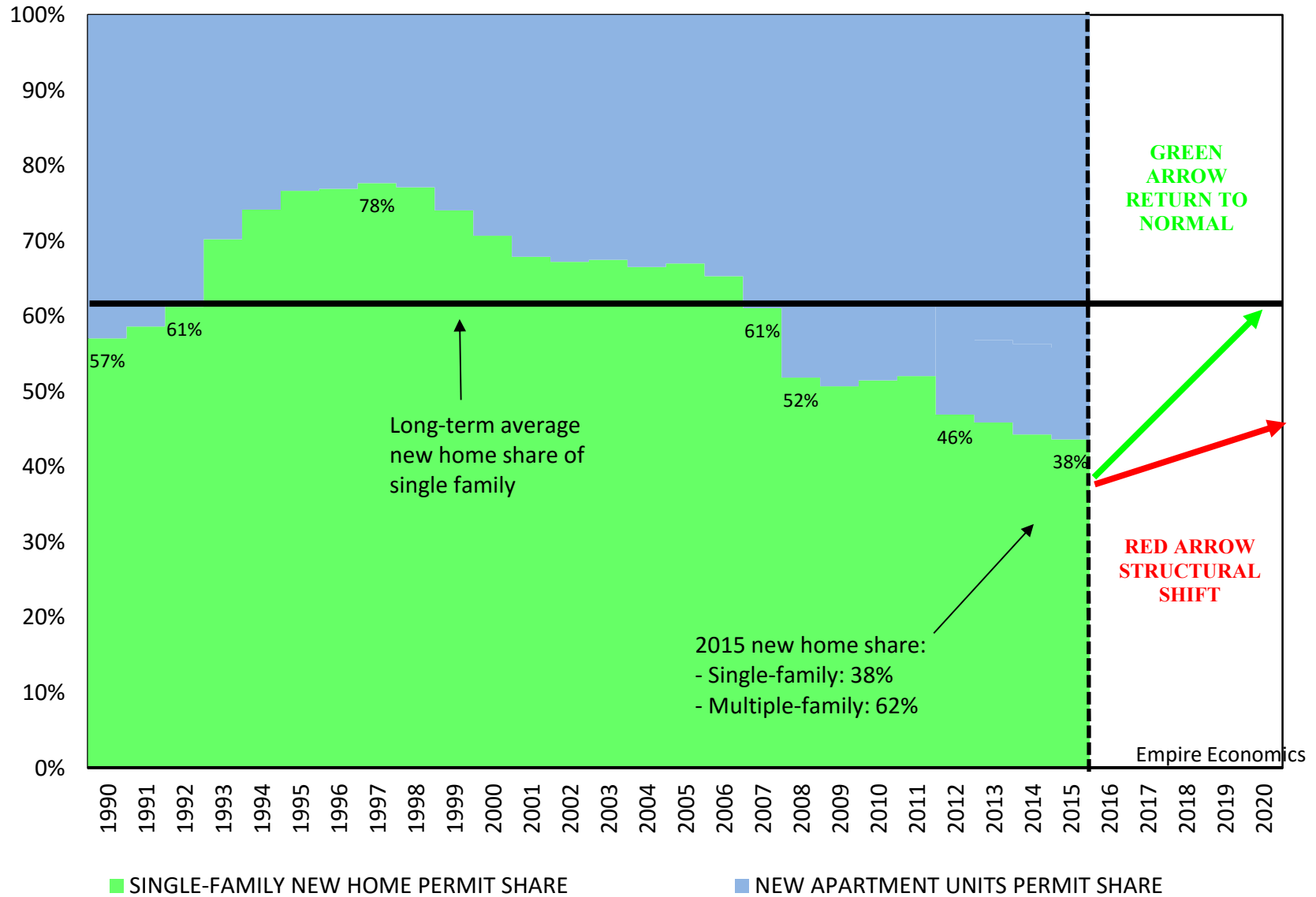


ALTHOUGH EMPLOYMENT GROWTH IS STRONG, EXTRAORDINARY SPECIAL FACTORS ARE CAUSING MAJOR MARKET SHIFTS



From a cultural perspective, Orange County is in a coastal/urbanized area which suits millennials preferences but from a financial perspective, many millennials do not have a sufficient amount of saving for down payments.

SOUTHERN CALIFORNIA: COMPOSITION OF NEW HOMES SINGLE-FAMILY/FOR-SALE VS. APARTMENT SHARES



SOUTHERN CALIFORNIA – TYPES OF NEW HOUSING PRODUCTS BY GEOGRAPHIC AREAS

NEW FOR-SALE HOMES

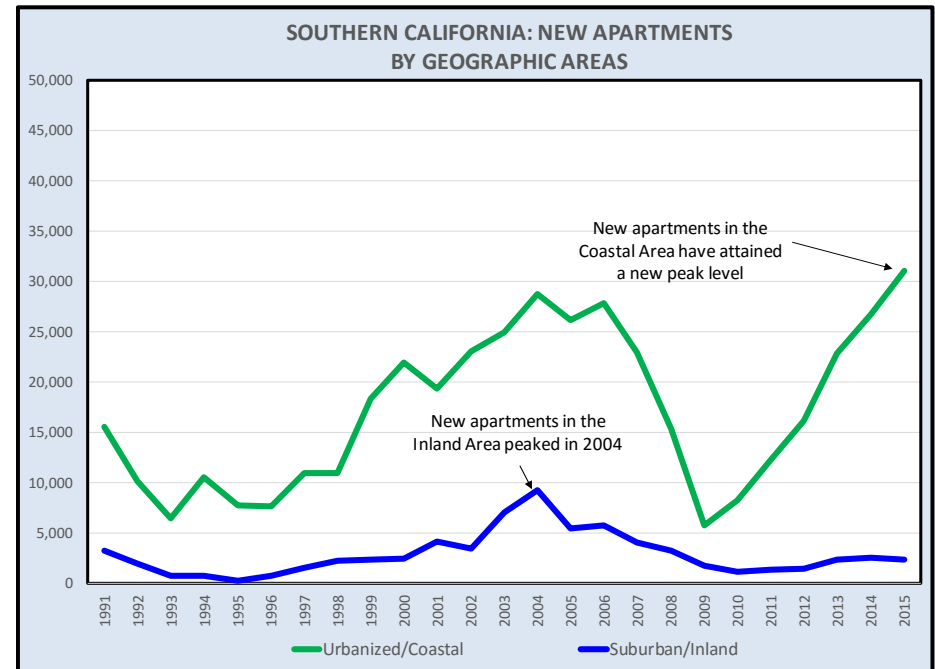
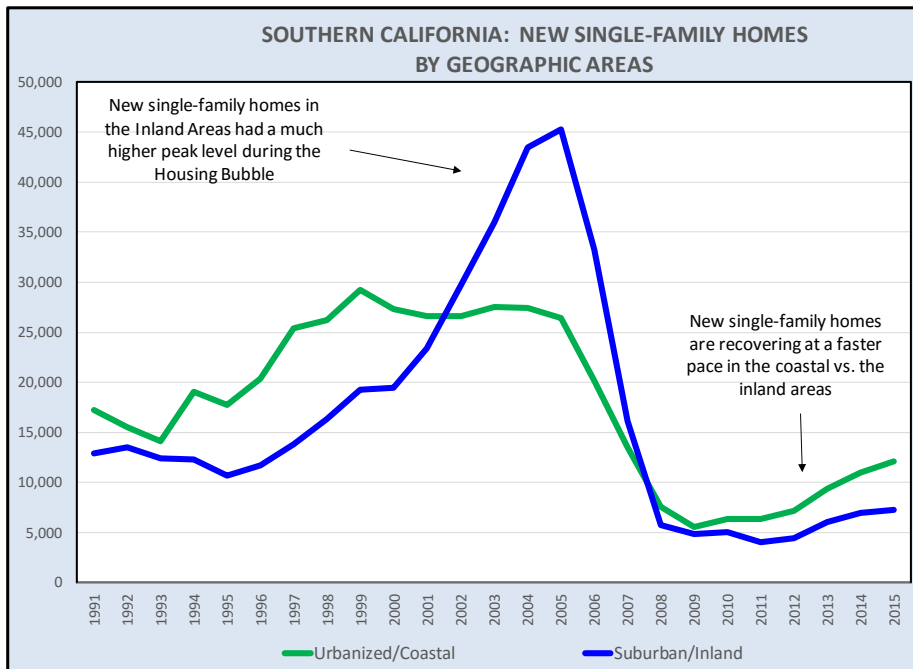
NEW FOR-SALE HOME ACTIVITY RECOVERY:

- * MODERATE PACE IN THE URBANIZED AREAS
- * BUT AT A SLOW PACE IN THE INLAND AREAS

APARTMENT RENTALS

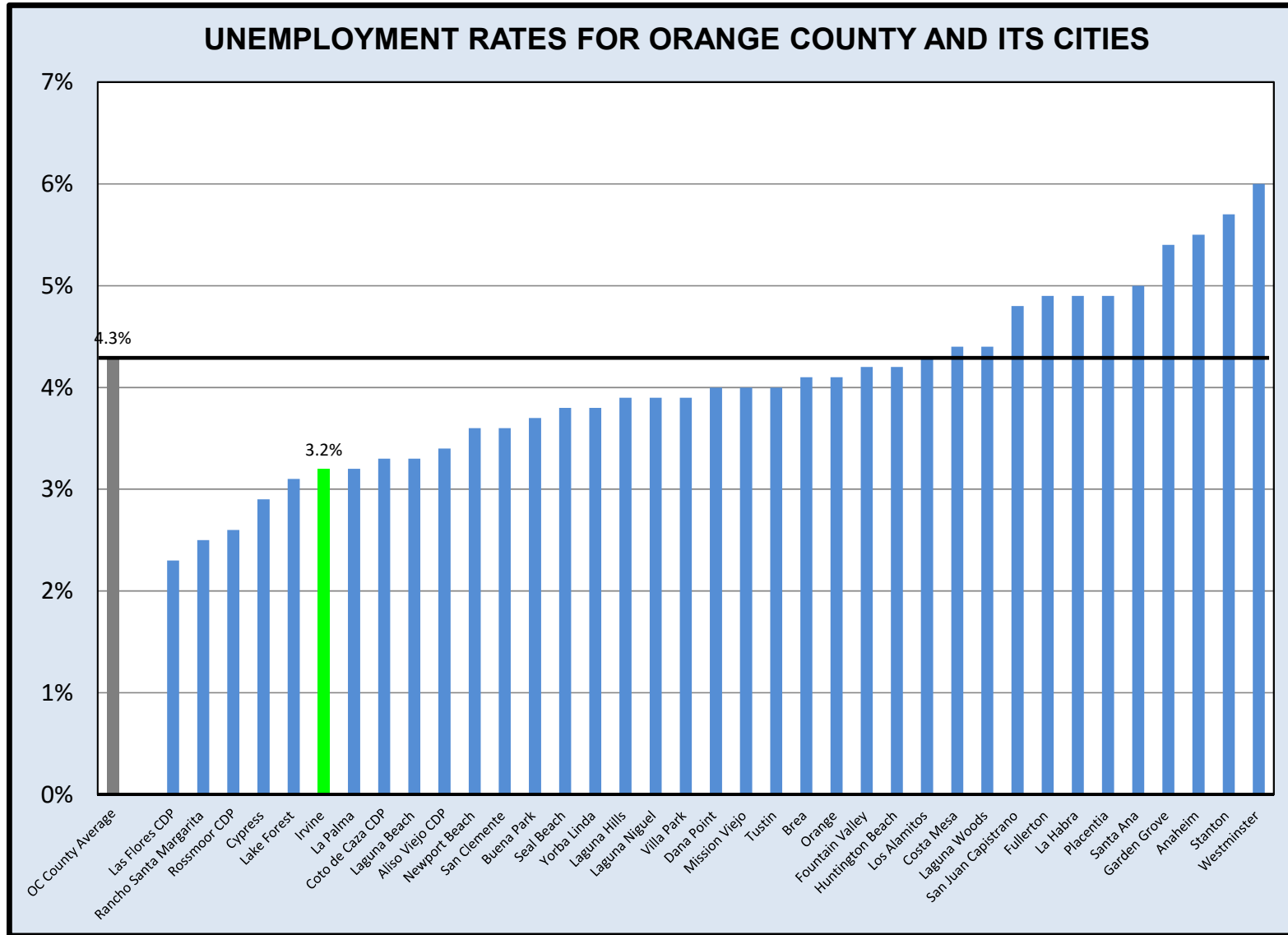
NEW APARTMENT ACTIVITY RECOVERY:

- * STRONG PACE IN THE URBANIZED AREAS,
- * BUT MINIMAL LEVELS IN THE INLAND AREAS

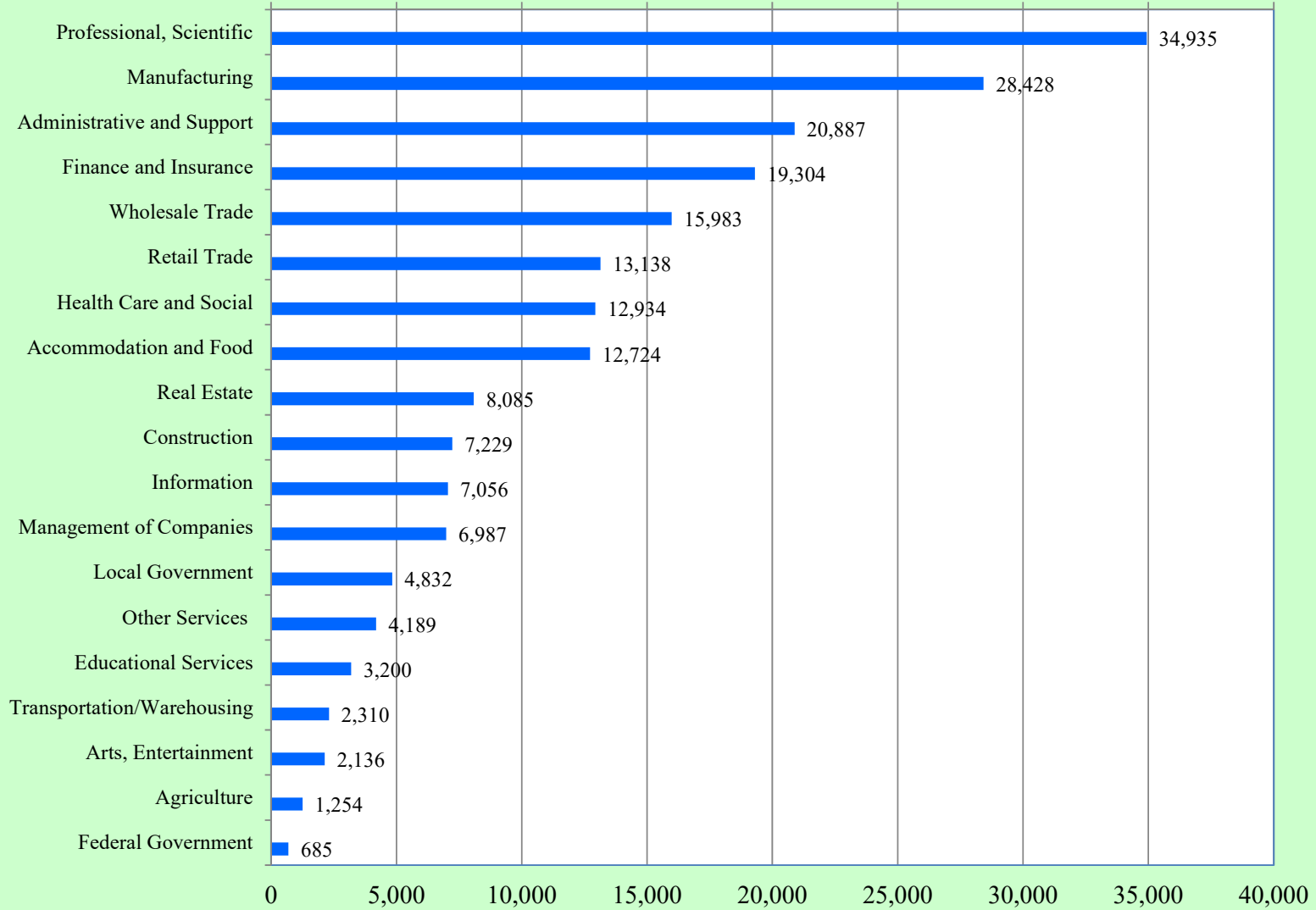


D. RECENT EMPLOYMENT TRENDS IN THE CITY OF IRVINE:

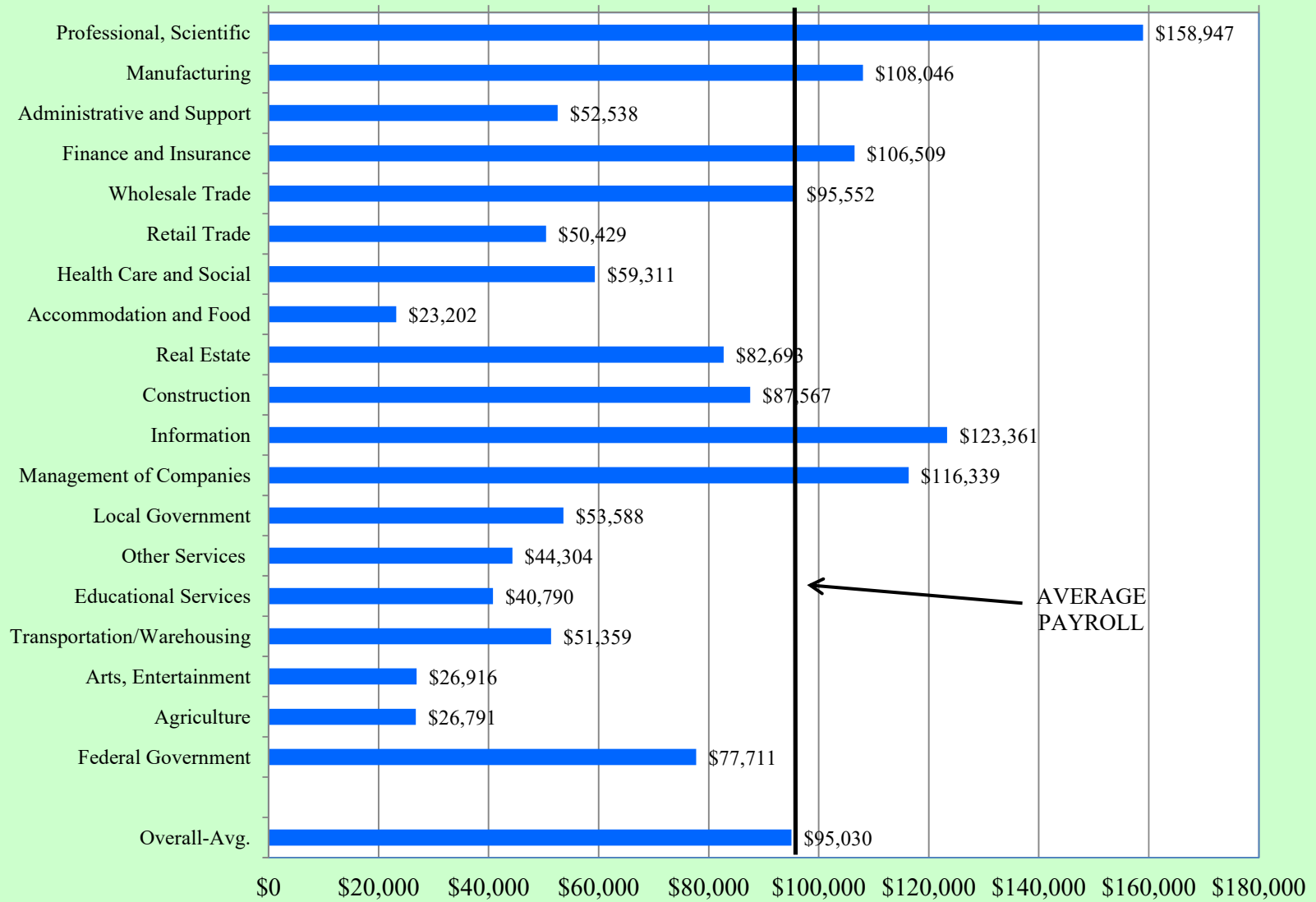
THE CITY OF IRVINE HAS A VERY LOW UNEMPLOYMENT RATE, 3.2% AND SO A HIGH PROPORTION OF ITS HOUSEHOLDS ARE EMPLOYED, THEREBY PROVIDING SUPPORT FOR ITS HOUSING MARKET



**CITY OF IRVINE: LEVELS OF EMPLOYMENT SECTORS
FULL AND PART TIME EMPLOYEES
TOTAL EMPLOYMENT = 206,295**



**CITY OF IRVINE: PAYROLL BY EMPLOYMENT SECTORS
COMPENSATION-ANNUALLY; FULL AND PART TIME EMPLOYEES**



E. CONCLUSIONS ON RECENT/FUTURE HOUSING MARKET CONDITIONS

The recent trends/patterns in the Orange County and the CFD Market Area/City of Irvine, economy and housing market 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..

Market Recovery During 2013: The housing market moved into a recovery phase, with the return of employment growth, and housing prices increased by some 20% for the Market Region.

Recent Housing Market Conditions for Orange County: The recent rate of employment growth for Orange County amounts to about 40,000 new jobs per year, and this typically generates a demand for about 25,000 new homes. By comparison, the supply of new homes, including for-sale and apartments, has been only about 12,000 per year. Consequently, there is a strong demand for new housing.

However, unlike other recoveries, this recovery is not expected to surpass the long-term trendline due to the following 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.

Economic Strength of the CFD Market Area – City of Irvine: The Market Area, the City of Irvine, is regarded as being a very strong local economy in California, based upon its significant increases in employment by local firms as well as its low unemployment rate. Due to its strong economic base, the City of Irvine's housing market will strengthen its recovery as employment gains generate a stronger demand for new homes, thereby providing support for the residential projects in CFD No. 2013-3 IA No. 4. The potential impact of millennials choosing to reside in apartments due to cultural factors as well as financial challenges, is expected to have only a moderate impact on the demand for for-sale housing. From a cultural perspective, Orange County is in a coastal/urbanized area which suits millennials preferences but from a financial perspective, many millennials do not have a sufficient amount of saving for down payments.

SECTION III

OVERVIEW OF DEVELOPMENT TRENDS/PATTERNS AND SOCIOECONOMIC FACTORS

This section discusses the employment and residential development trends/patterns in the CFD No. 2013-3 IA No. 4 Market Area (City of Irvine), 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 CFD NO. 2013-3 IA NO. 4 MARKET AREA

From a geographical regional perspective, the marketing potential of the projects in CFD No. 2013-3 IA No. 4 involves an analysis of the existing/active/forthcoming Planned Communities, Retail Centers and Business Parks, in conjunction with the transportation system in its Market Area.

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.

CFD No. 2013-3 IA No. 4 is strategically situated in an “infill” type of area that already has a substantial amount of development in its vicinity, including Business Parks and Retail Centers.

The City of Irvine has a major established employment center with a robust economic base that has created a significant amount of new employment growth in recent years; this, in turn, has supported new development activity.

- Since 2013, all types of new residential development activity have been strong, including, single-family, apartments and attached housing products.
- Since 2014, new industrial and retail development activity has been strong, while the office sector is still recovering.

Finally, the City of Irvine has very desirable socioeconomic factors, including low crime rates and higher educational quality.

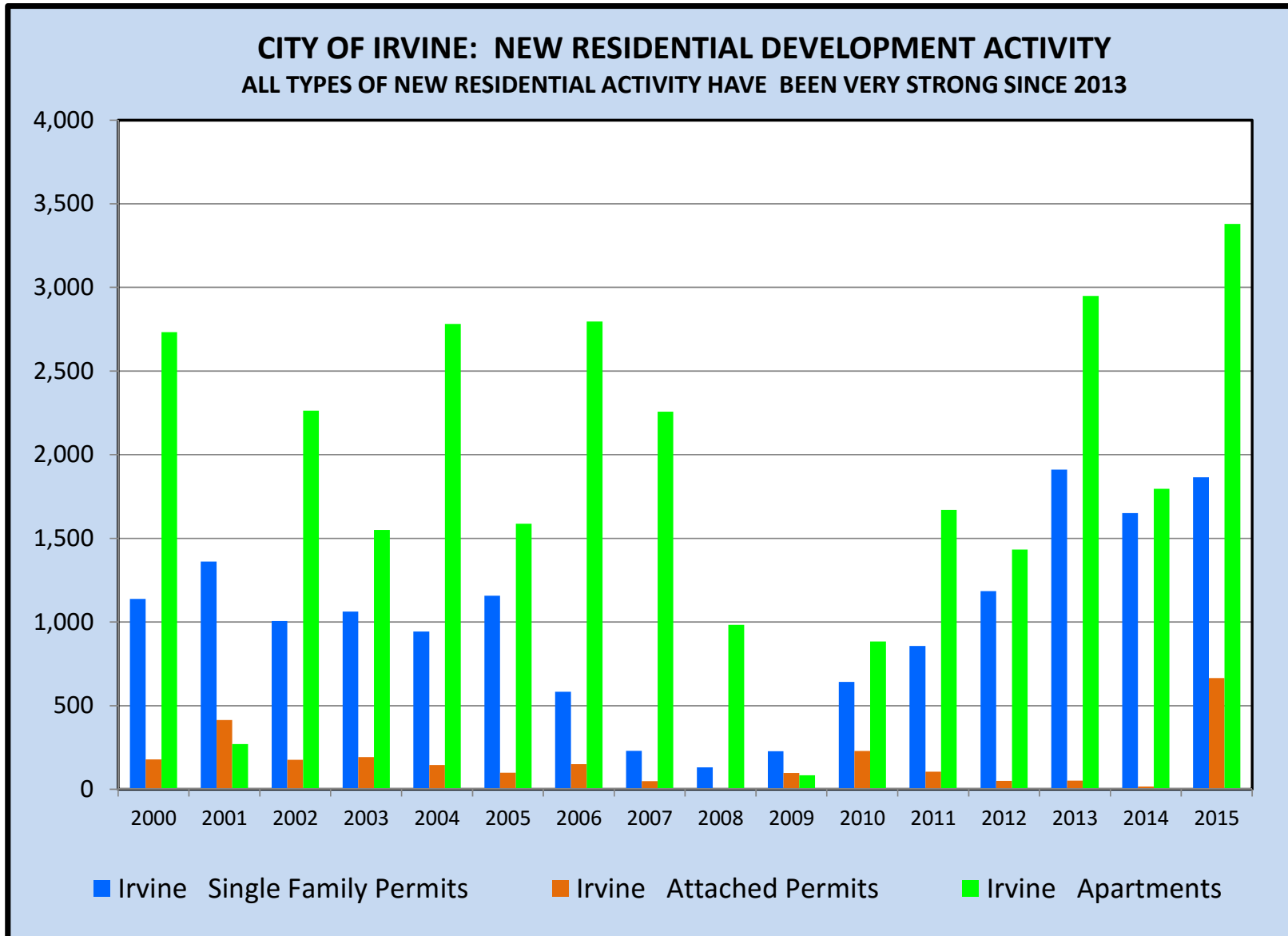
Therefore, CFD No. 2013-3 IA No. 4 is very well situated in the City of Irvine, a major and growing employment center that generates a strong demand for homes.

DEVELOPMENT TRENDS/PATTERNS IN THE CFD NO. 2013-3 IA NO. 4 MARKET AREA

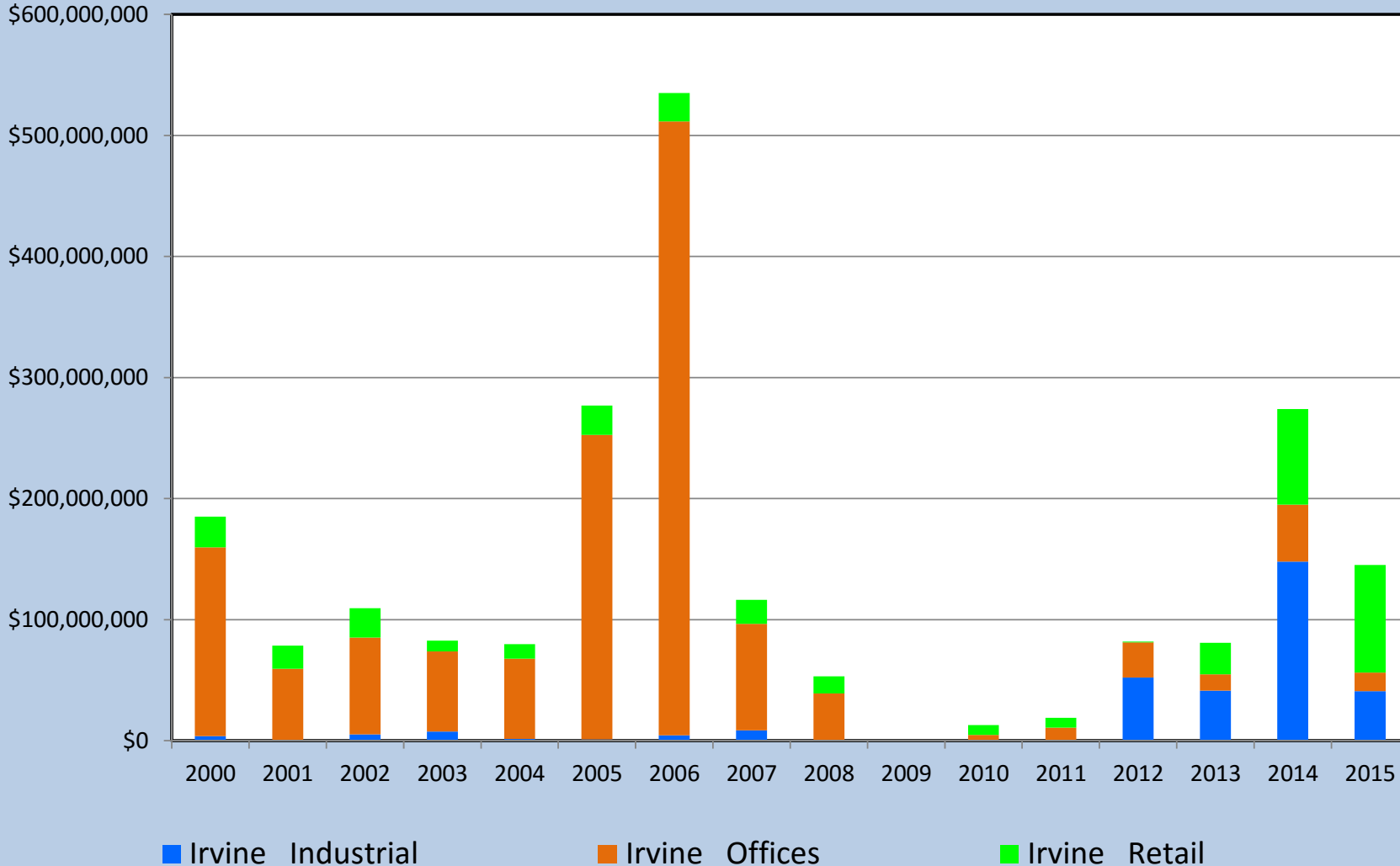
(NOTE: AERIAL DATED, NOT CURRENT)



B. CITY OF IRVINE'S RECENT TRENDS/PATTERNS FOR RESIDENTIAL AND NON-RESIDENTIAL DEVELOPMENT ACTIVITY



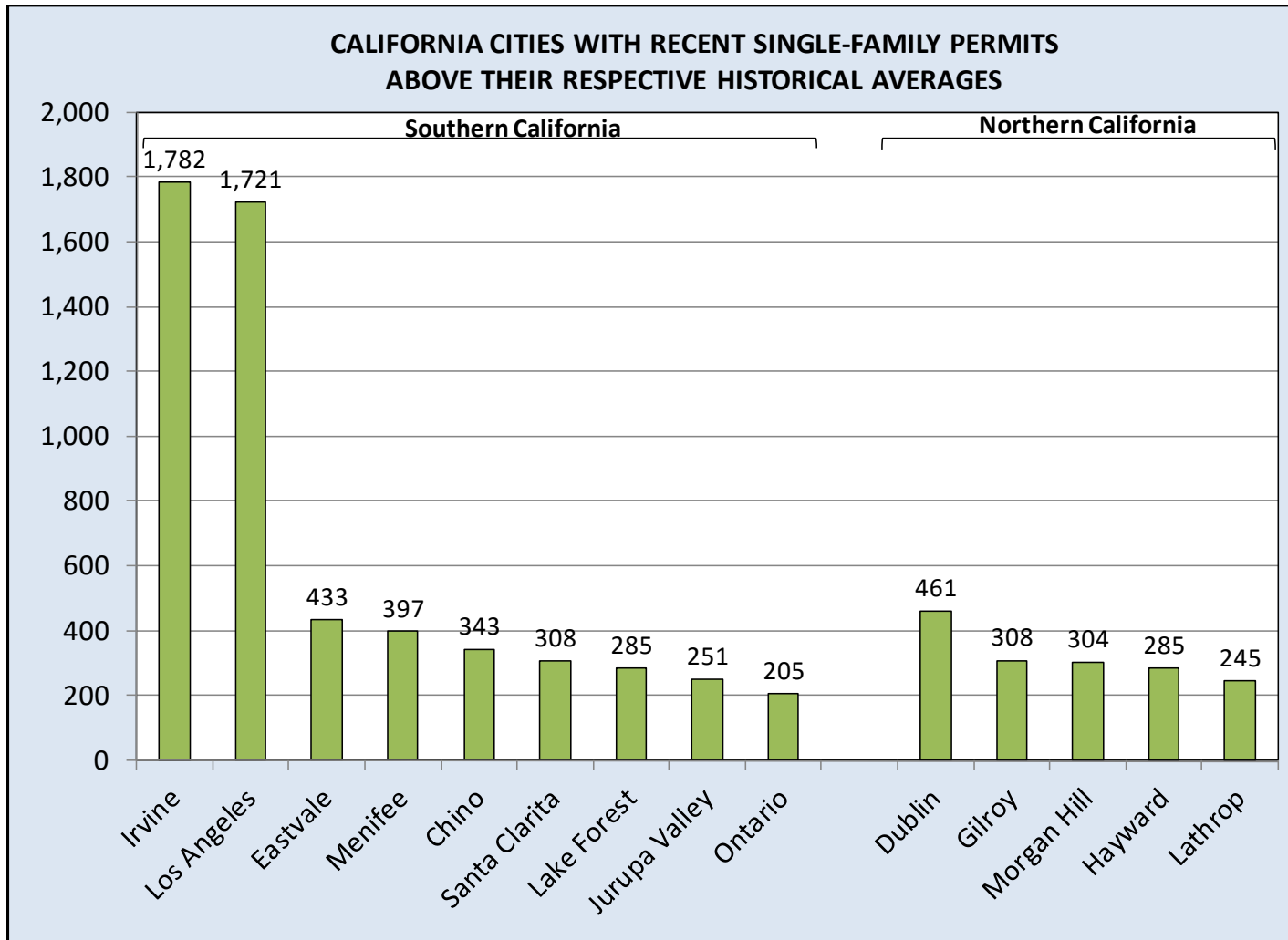
**CITY OF IRVINE: NEW INDUSTRIAL - OFFICE - RETAIL ACTIVITY
IN RECENT YEARS, NEW INDUSTRIAL AND RETAIL HAVE BEEN STRONG**



**PERFORMANCE OF CALIFORNIA CITIES – EARLY INDICATORS OF MARKET SHIFTS
RECENT SINGLE-FAMILY HOMES VS. LONG-TERM AVERAGES**

AREAS RECENTLY EXCEEDING THEIR LONG-TERM AVERAGE SINGLE FAMILY PERMIT GROWTH
COUNTIES 1 OF 58: ONLY ORANGE COUNTY CITIES: ONLY 14 OF 472 INCLUDING IRVINE

GROWTH IN THE 14 CITIES BELOW REPRESENTS ~30% OF ALL CALIFORNIA SINGLE-FAMILY PERMIT GROWTH



C. SOCIOECONOMIC CHARACTERISTICS: CRIME LEVELS AND THE QUALITY OF SCHOOLS

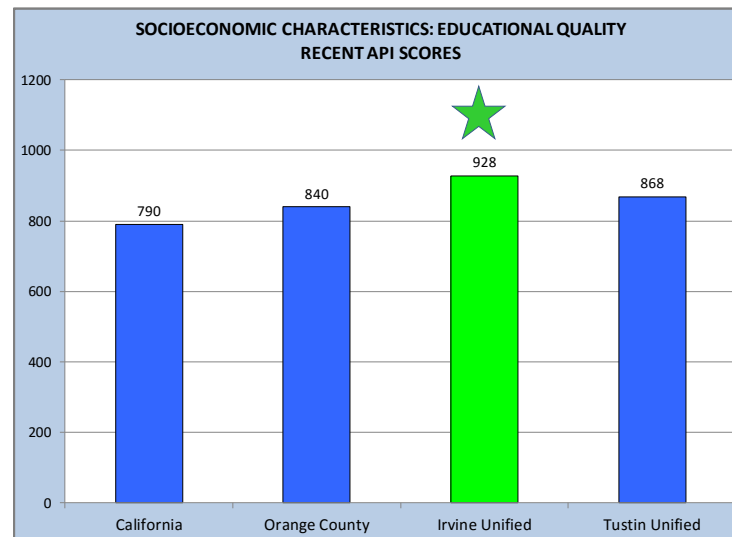
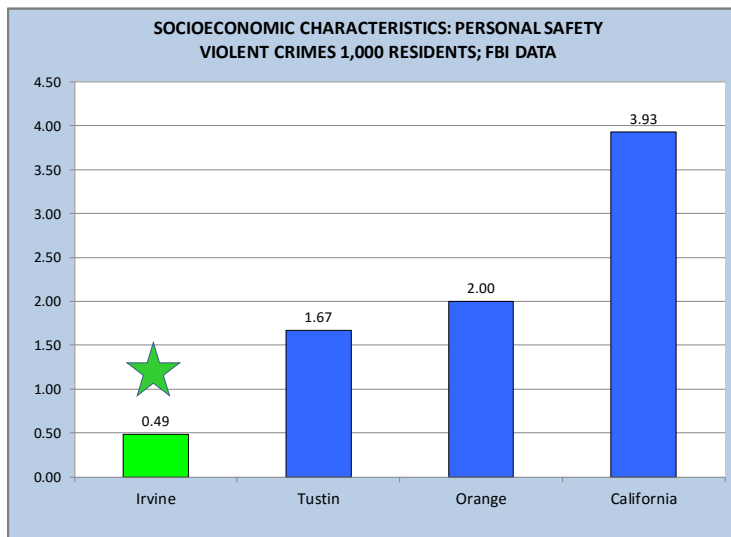
When households consider the purchase of a home, the primary factors are the location of the residence relative to their place of employment and also the prices that they can afford. Furthermore, secondary socioeconomic factors that are significant include the neighborhood safety as well as the educational quality of the schools; accordingly, these are now discussed.

Crime Levels and Safety in the City of Irvine

To gauge the safety of the CFD No. 2013-3 IA No. 4 Market Area, information on crime levels was obtained utilizing the most recent data available from the Federal Bureau of Investigation (FBI) Index, with a focus on “Violent Crimes”. Accordingly, the City of Irvine had a violent crime rate of 0.49 per 1,000 residential, the lowest of any of the major cities in Orange County. By comparison, the City of Tustin had a somewhat higher violent crime rate, some 1.67, and the County of Orange was at 2.00. Finally, all of these are significantly below the California average of 3.93.

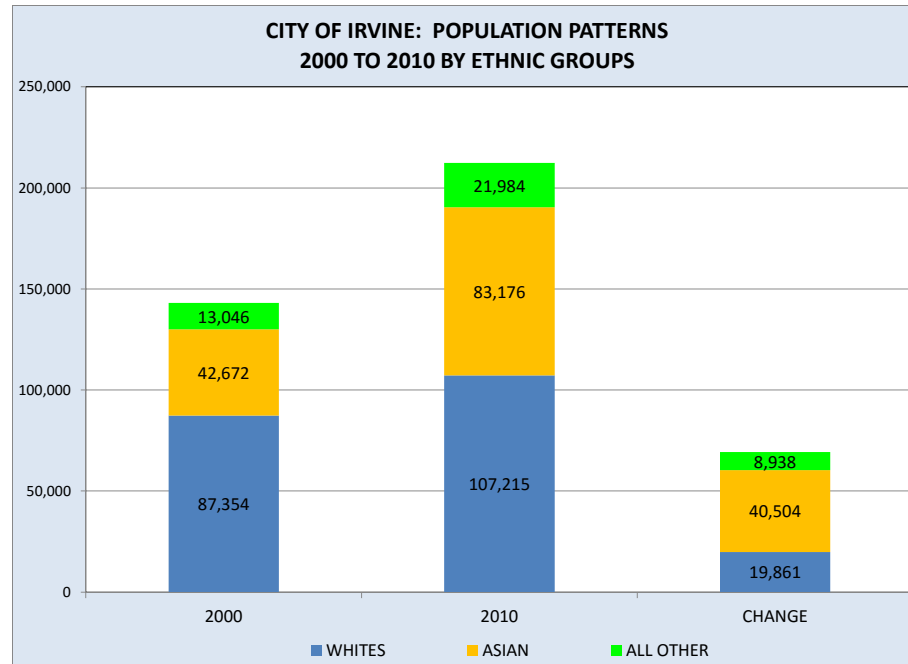
Quality of Schools and Education

To gauge the quality of schools in the CFD No. 2013-3 IA No. 4 Market Area, the City of Irvine, 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. Accordingly, Irvine Unified School District has an API of 928, the highest of any school district in Orange County; additionally, Irvine Unified School District has a higher score than for California as a whole.



Composition of the City's Population by Ethnic Groups

Based upon Census Data, the City of Irvine's population amounted to 212,375 in 2010, an increase of 48% or 69,303 from its 2000 level of 143,072. During the 2000-2010 time period, the largest increase by ethnic group was for Asians, which had a growth rate of 95%, from 42,672 in 2000 to 83,176 in 2010. Furthermore, the share of the Asian population in the City rose from 30% in 2000 to 39% in 2010, an increase of 40,504.



From a socioeconomic perspective, the CFD No. 2013-3 IA No. 4 Market Area – City of Irvine has a significantly lower crime rate and the school district has a significantly higher educational achievement level than for other cities/areas in Orange County; accordingly, these positive socioeconomic factors support the demand for homes in CFD No. 2013-3 IA No. 4.

Additionally, Irvine has been named the best-run city among America's 100 most populous cities in January 2014, according to 24/7 Wall Street, a financial news and opinion website whose content is republished by sites including MSN Money, Yahoo! Finance, AOL's DailyFinance, MarketWatch, Comcast and others.

SECTION IV

ANALYSIS OF THE RESIDENTIAL PROJECTS IN THE CFD NO. 2013-3 NO. 4 COMPETITIVE HOUSING MARKET AREA

A Competitive Market Analysis of the projects in CFD No. 2013-3 IA No. 4 is now performed, by comparing their characteristics with the currently active comparable projects in the Competitive Housing Market Area. Specifically, this involves a comparative analysis of the prices, sizes of living area and Special Taxes for the currently active comparable projects and the active projects in CFD No. 2013-3 IA No. 4.

IDENTIFICATION OF THE PLANNED COMMUNITIES AND THEIR PROJECTS

Empire Economics performed market surveys of the comparable currently active Planned Communities (PCs) that are located in the Competitive Housing Market Area (CMA), in the eastern portion of the City of Irvine, easterly of Interstate 5, focusing on those that entered the marketplace recently.

Accordingly, there are three relevant Planned Communities: Portola Springs, Stonegate and Eastwood Village, and these have a total of 16 residential projects.

Planned Community	Project	Builder	Product Type
Portola Springs	Indigo	California Pacific Homes	Attached
Portola Springs	The Vine	William Lyon Homes	Attached
Portola Springs	Willow	KB Home	Attached
Portola Springs	Cressa	New Home Company	Detached
Portola Springs	Legado	Brookfield Residential	Detached
Portola Springs	Sage	KB Home	Detached
Portola Springs	Silverleaf	California Pacific Homes	Detached
Stonegate	Arcadia	Trri-Pointe Homes	Detached
Stonegate	Lafayette	Richmond American	Detached
Stonegate	Palo Alto	KB Home	Detached
Eastwood Village	Avalon	Irvine Pacific	Attached
Eastwood Village	Helena	Irvine Pacific	Attached
Eastwood Village	Belvedere	Irvine Pacific	Detached
Eastwood Village	Marin	Irvine Pacific	Detached
Eastwood Village	Piedmont	Irvine Pacific	Detached
Eastwood Village	Petaluma	Irvine Pacific	Detached

**PLANNED COMMUNITIES WITH CURRENTLY ACTIVE COMPARABLE PROJECTS
AS WELL AS CFD NO. 2013-3 IA NO. 4 (APPROXIMATE LOCATIONS)**



There are a total of 30 active projects: 14 in CFD No. 2013-3 IA No. 4 and 16 comparable projects; their marketing status is as follows:

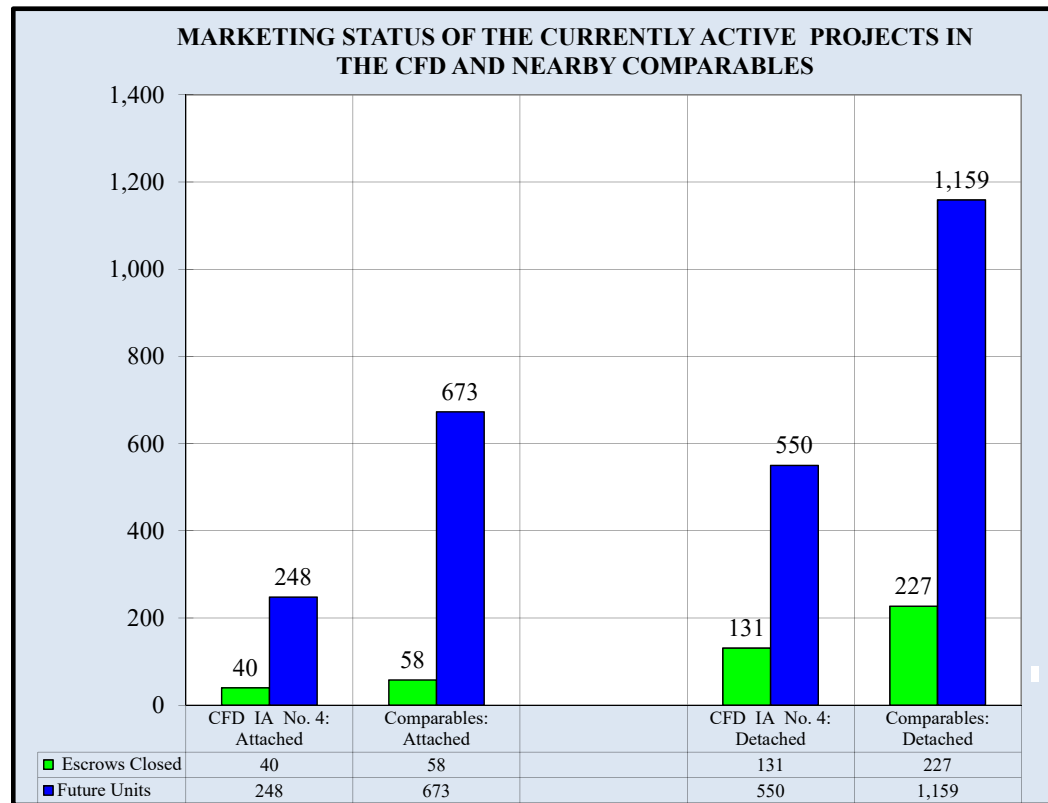
CFD No. 2013-3 IA No. 4 Attached: 3 projects with an expected 288 homes of which 40 have closed escrows.

Comparables Attached: 5 currently active projects with an expected 731 homes of which 58 have closed escrows.

CFD No. 2013-3 IA No. 4 Detached: 11 projects with an expected 681 homes of which 131 have closed escrows.

Comparables Detached: 11 currently active projects with an expected 1,386 homes of which 227 have closed escrows.

So, the 30 projects have a total of 2,630 remaining homes for future escrow closings



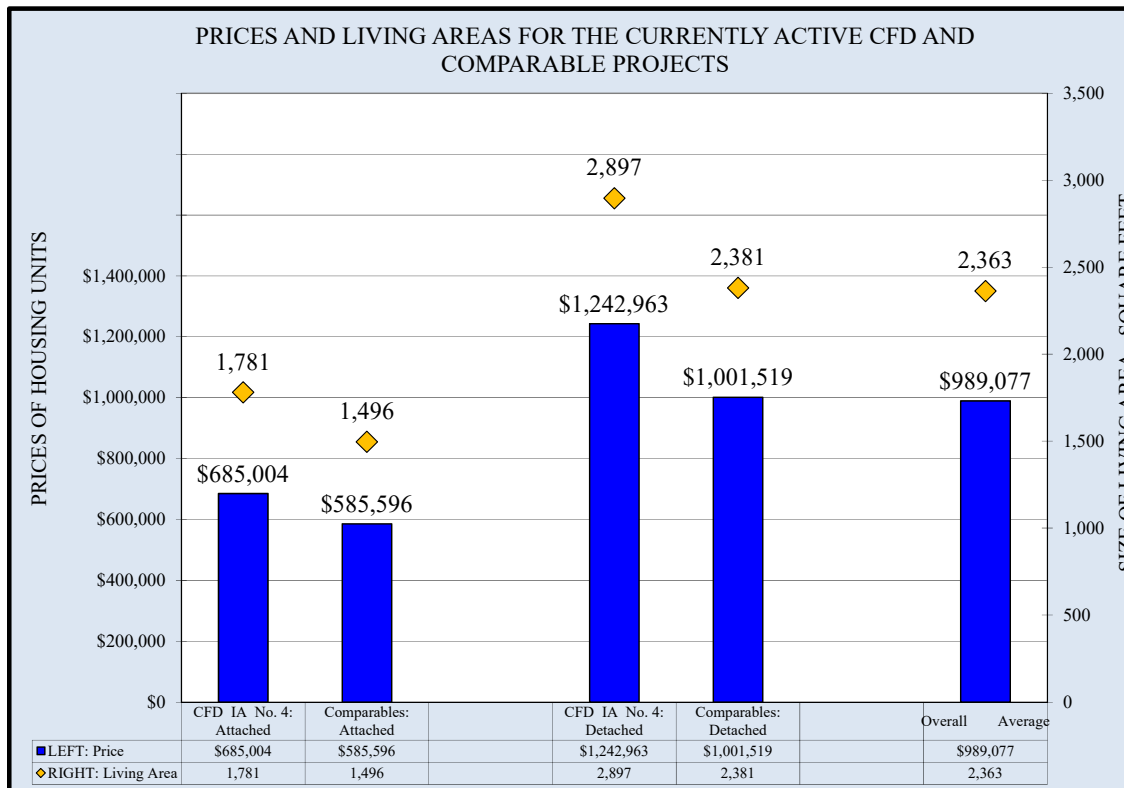
For all of the currently active projects, as a whole, their price amount to \$989,077, on the average, and their living areas amount to 2,363 sq.ft., on the average; their characteristics by the market categories are as follows:

CFD No. 2013-3 IA No. 4 Attached: Prices of \$685,004 for 1,781 sq.ft. of living area.

Comparables Attached: Prices of \$585,596 for 1,496 sq.ft. of living area.

CFD No. 2013-3 IA No. 4 Detached: Prices of \$1,242,963 for 2,897 sq.ft. of living area.

Comparables Detached: Prices of \$1,001,519 for 2,381 sq.ft. of living area.



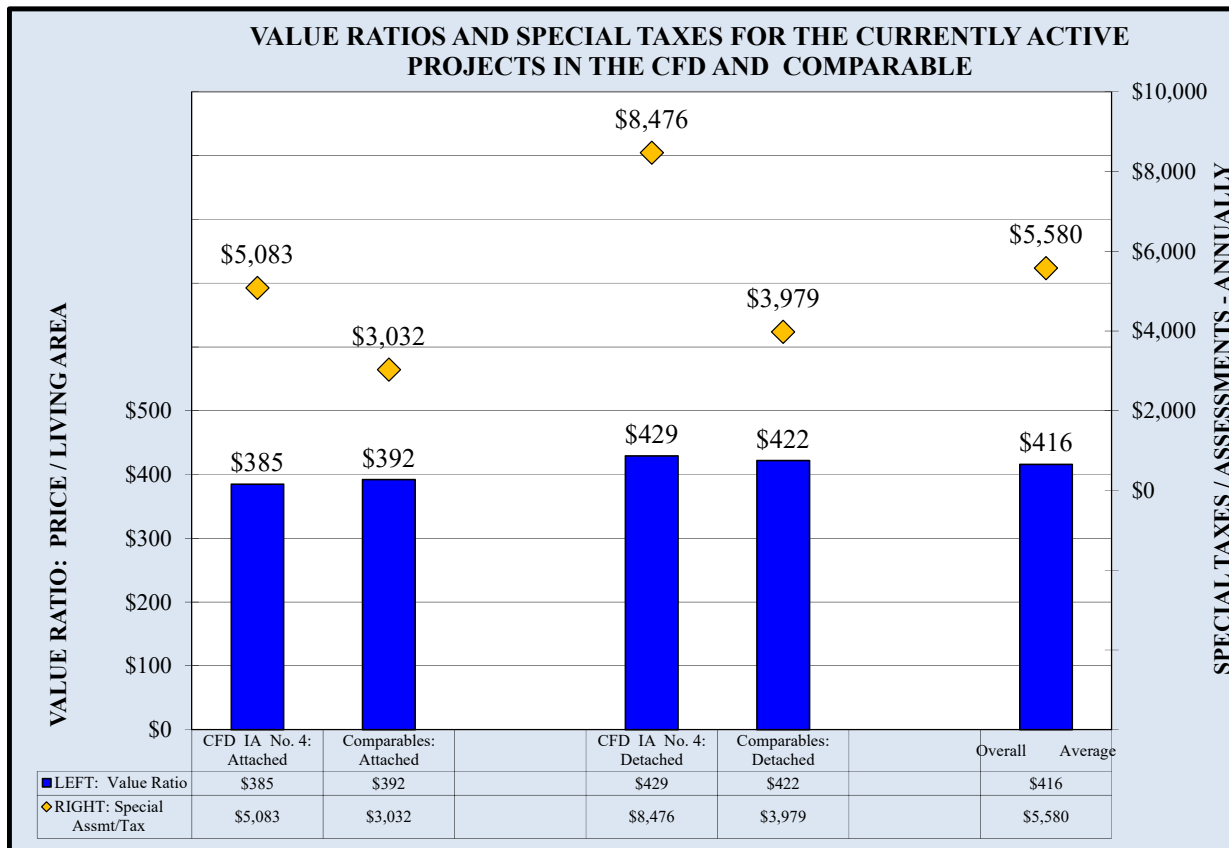
For all of the currently active projects, as a whole, their value ratio (price divided by living area) amounts to \$416/sq.ft. and their Special Taxes amount to \$5,580 per year, or 0.56% of the housing price, on the average.

CFD No. 2013-3 IA No. 4 Attached: Value ratio of \$385 and Special Taxes of \$5,083 (0.74%)

Comparables Attached: Value ratio of \$392 and Special Taxes of \$3,032 (0.52%)

CFD No. 2013-3 IA No. 4 Detached : Value ratio of \$429 and Special Taxes of \$8,476 (0.68%)

Comparables Detached: Value ratio of \$422 and Special Taxes of \$3,979 (0.41%)



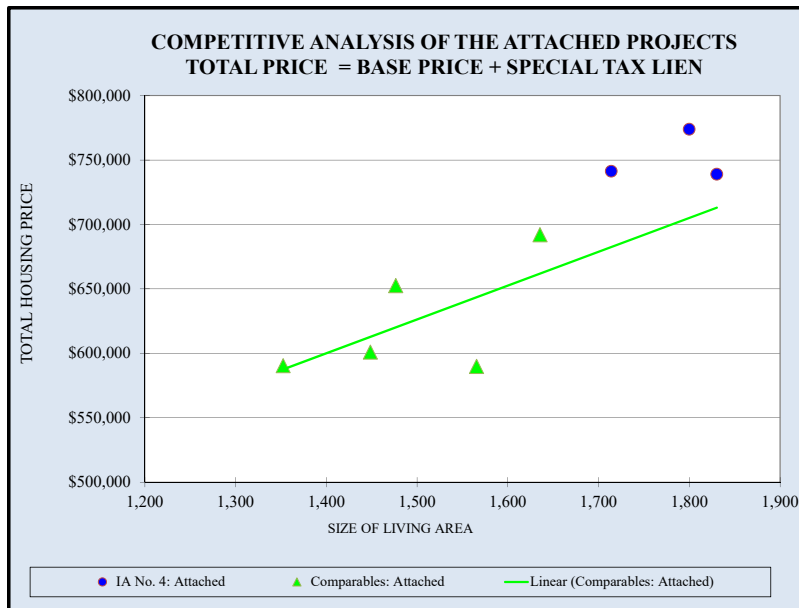
The culmination of the Competitive Market Analysis involves a statistical comparison of the currently active comparable attached and detached projects to their similar projects in CFD No. 2013-3 IA No. 4 using their total housing prices (base price plus Special Tax liens) and their sizes of living area.

The comparable projects (green triangles) are represented by the trendline (green line), the best overall fit for the comparable projects. The projects in CFD No. 2013-3 IA No. 4 (blue circles) are also shown on the graph.

IF the projects in CFD No. 2013-3 IA No. 4 (blue circles), are in close proximity to the trendline for the comparable projects (green line), then they are regarded as being competitive in the marketplace.

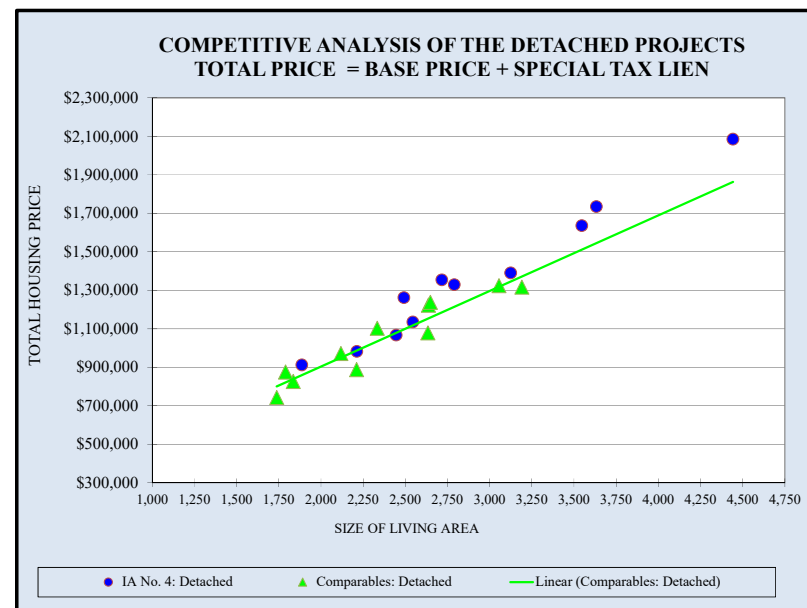
ATTACHED HOUSING PRODUCTS

The CFD has projects with larger sq.ft., and their total housing prices are above the trendline.



DETACHED HOUSING PRODUCTS

The CFD has some projects with larger sq.ft., and the other projects have total housing prices similar/above the trendline.



A Competitive Market Analysis also involves a statistical comparison of the currently active comparable attached and detached projects to their similar projects in CFD No. 2013-3 IA No. 4 using their total housing prices (base price plus Special Tax liens) and their sales rates.

The comparable projects (green triangles) are represented by the trendline (green), the best overall fit for the comparable projects. The projects in CFD No. 2013-3 IA No. 4 (blue circles) are also shown on the graph.

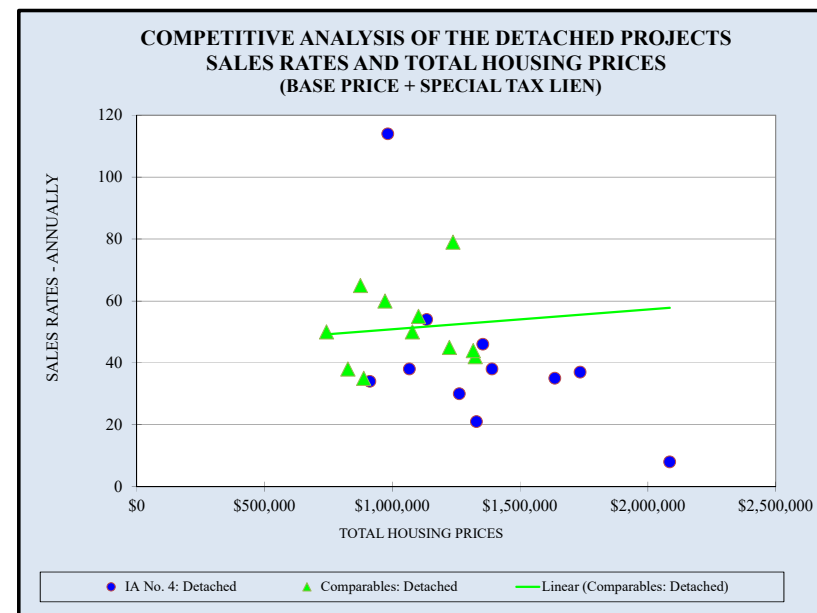
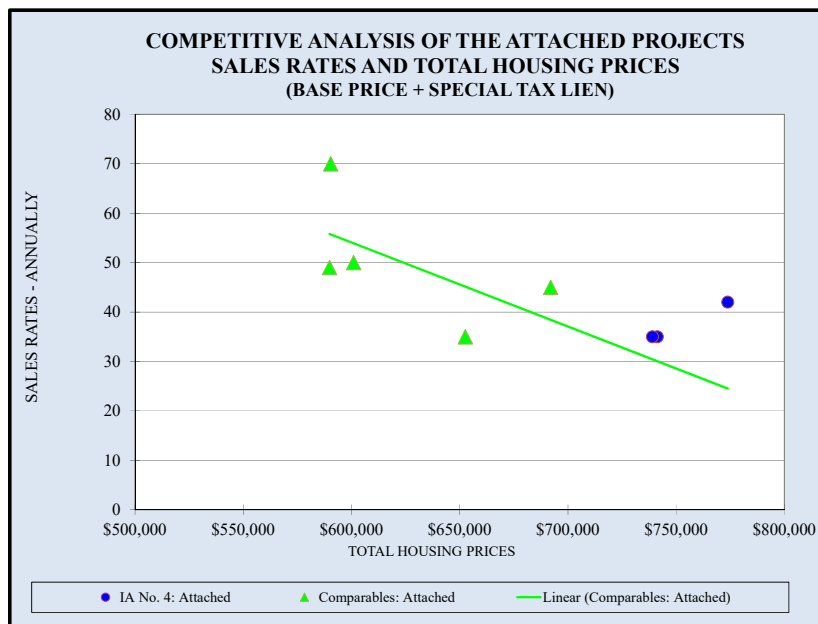
If the projects in CFD No. 2013-3 IA No. 4 (blue circles), are in close proximity to the trendline for the comparable projects (green line), then they are regarded as being competitive in the marketplace.

ATTACHED HOUSING PRODUCTS

The CFD projects, due to their larger sizes of living area and higher prices, have lower sales rates, toward the lower portion of the trendline.

DETACHED HOUSING PRODUCTS

Most of the CFD projects have sales rates that are BELOW the trendline.



CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN THE CFD NO. 2013-1 IA NO. 4 AND ALSO THE COMPARABLE PROJECTS																						
Project Locations	Planned Community	Project	Builder	Product Type	Average Lot Sizes (Sq. Ft.)	Project Size and Sales					Housing Prices			Incentives	Size of Living Area			Special Taxes				
						Total	Total Sales	Escrows Closed	Future Sales	Rate/Yr.	Lower	Average	Upper		Lower	Average	Upper	Value Ratio	Base Rate = 1.05%	Tax Amount	Ratio	
																					Year	Tax / Price
																			Base = 1.22%			
CFD No. 2013-1 IA No. 4	Beacon Park	Brio	Shea Homes	Attached-Flats	N/A	76	22	9	67	35	\$635,830	\$679,365	\$722,900	\$0	1,465	1,714	1,963	\$396.36	\$4,744	0.70%		
CFD No. 2013-1 IA No. 4	Beacon Park	Primrose	D. R. Horton	Attached-Condos	N/A	105	26	17	88	42	\$709,990	\$708,657	\$755,990	\$0	1,709	1,800	2,034	\$394	\$4,991	0.70%		
CFD No. 2013-1 IA No. 4	Beacon Park	Rowland	Lennar Homes	Attached-Townhomes	N/A	107	22	14	93	35	\$629,990	\$666,990	\$717,990	\$0	1,661	1,830	2,076	\$364	\$5,513	0.83%		
CFD No. 2013-1 IA No. 4	Beacon Park	Harper	Lennar Homes	Detached	2,800	84	21	20	64	34	\$799,990	\$839,990	\$879,990	\$0	1,701	1,887	2,019	\$445	\$5,556	0.68%		
CFD No. 2013-1 IA No. 4	Beacon Park	Ellwood	Richmond American	Detached	2,500	71	71	11	60	114	\$865,990	\$899,657	\$926,990	\$0	2,081	2,213	2,329	\$406	\$6,367	0.71%		
CFD No. 2013-1 IA No. 4	Beacon Park	Wellton	Taylor Morrison	Detached	3,800	53	24	12	41	38	\$871,000	\$976,000	\$1,066,000	\$0	2,188	2,446	2,739	\$399	\$6,944	0.71%		
CFD No. 2013-1 IA No. 4	Beacon Park	Rosemont	K. Hovnanian	Detached	4,900	76	19	9	67	30	\$1,071,990	\$1,166,990	\$1,266,990	\$0	1,902	2,492	3,031	\$468	\$7,296	0.63%		
CFD No. 2013-1 IA No. 4	Beacon Park	Melody	Lennar Homes	Detached	4,000	62	34	23	39	54	\$979,990	\$1,040,740	\$1,089,990	\$0	2,321	2,545	2,774	\$409	\$7,226	0.69%		
CFD No. 2013-1 IA No. 4	Beacon Park	Larkspur	Lennar Homes	Detached	5,500	69	29	23	46	46	\$1,214,900	\$1,253,233	\$1,324,900	\$0	2,165	2,717	3,160	\$461	\$7,767	0.62%		
CFD No. 2013-1 IA No. 4	Beacon Park	Oakmont	Cal Atlantic Homes	Detached	5,000	49	13	8	41	21	\$1,147,900	\$1,221,900	\$1,316,900	\$10,000	2,524	2,790	3,064	\$438	\$8,250	0.68%		
CFD No. 2013-1 IA No. 4	Beacon Park	Juniper	Pulte Homes	Detached	6,000	55	24	4	51	38	\$1,205,880	\$1,270,880	\$1,330,880	\$0	2,897	3,150	3,328	\$403	\$9,167	0.72%		
CFD No. 2013-1 IA No. 4	Beacon Park	Silvermist	K. Hovnanian	Detached	7,400	51	22	7	44	35	\$1,424,990	\$1,495,740	\$1,669,990	\$0	2,796	3,548	4,002	\$422	\$10,715	0.72%		
CFD No. 2013-1 IA No. 4	Beacon Park	Torrey	Cal Atlantic Homes	Detached	7,200	63	23	14	49	37	\$1,491,900	\$1,594,233	\$1,665,900	\$7,500	3,314	3,633	3,836	\$439	\$10,777	0.68%		
CFD No. 2013-1 IA No. 4	Beacon Park	Legend	Cal Atlantic Homes	Detached	7,500	48	5	0	48	8	\$1,799,900	\$1,913,233	\$1,986,900	\$10,000	4,337	4,442	4,582	\$431	\$13,167	0.69%		
																			Base=1.05%			
Comparables: Attached	Portola Springs	Indigo	California Pacific Homes	Attached	N/A	171	5	0	171	35	\$515,000	\$609,500	\$704,000	\$0	1,178	1,477	1,775	\$413	\$3,300	0.54%		
Comparables: Attached	Portola Springs	The Vine	William Lyon Homes	Attached	N/A	106	7	0	106	50	\$487,990	\$553,990	\$619,990	\$0	1,234	1,449	1,663	\$382	\$3,600	0.65%		
Comparables: Attached	Portola Springs	Willow	KB Home	Attached	N/A	156	60	58	98	49	\$502,990	\$547,990	\$592,990	\$0	1,263	1,566	1,868	\$350	\$3,208	0.59%		
Comparables: Attached	Eastwood Village	Avalon	Irvine Pacific	Attached	N/A	156	25	0	156	70	\$490,000	\$554,500	\$619,000	\$0	1,161	1,353	1,544	\$410	\$2,750	0.50%		
Comparables: Attached	Eastwood Village	Helena	Irvine Pacific	Attached	N/A	142	10	0	142	45	\$645,000	\$662,000	\$679,000	\$0	1,557	1,636	1,714	\$405	\$2,300	0.35%		
Comparables: Detached	Portola Springs	Silverleaf	California Pacific Homes	Detached	2,500	147	10	0	147	50	\$660,000	\$697,500	\$735,000	\$0	1,636	1,738	1,839	\$401	\$3,450	0.49%		
Comparables: Detached	Portola Springs	Sage	KB Home	Detached	2,500	125	79	65	60	38	\$736,380	\$769,880	\$803,380	\$0	1,697	1,836	1,975	\$419	\$4,355	0.57%		
Comparables: Detached	Portola Springs	Legado	Brookfield Residential	Detached	2,500	103	9	0	103	35	\$789,305	\$832,953	\$876,600	\$0	2,040	2,212	2,383	\$377	\$4,231	0.51%		
Comparables: Detached	Portola Springs	Cressa	New Home Company	Detached	4,000	95	12	0	95	50	\$966,800	\$1,013,400	\$1,060,000	\$0	2,440	2,634	2,828	\$385	\$5,000	0.49%		
Comparables: Detached	Eastwood Village	Petaluma	Irvine Pacific	Detached	3,000	107	24	0	107	65	\$806,000	\$836,500	\$867,000	\$0	1,684	1,791	1,898	\$467	\$2,979	0.36%		
Comparables: Detached	Eastwood Village	Marin	Irvine Pacific	Detached	2,800	157	22	0	157	80	\$860,000	\$929,000	\$998,000	\$0	1,948	2,118	2,288	\$439	\$3,250	0.35%		
Comparables: Detached	Eastwood Village	Belvedere	Irvine Pacific	Detached	3,550	134	5	0	134	45	\$1,114,000	\$1,179,000	\$1,244,000	\$0	2,402	2,638	2,873	\$447	\$3,400	0.29%		
Comparables: Detached	Eastwood Village	Piedmont	Irvine Pacific	Detached	3,700	159	9	0	159	55	\$999,000	\$1,054,500	\$1,110,000	\$0	2,165	2,334	2,502	\$452	\$3,700	0.35%		
Comparables: Detached	Stonegate	Lafayette	Richmond American	Detached	4,000	111	86	41	70	79	\$1,141,990	\$1,179,990	\$1,217,990	\$0	2,443	2,648	2,853	\$446	\$4,400	0.37%		
Comparables: Detached	Stonegate	Arcadia	Tri Pointe Homes	Detached	4,000	127	119	108	19	42	\$1,250,000	\$1,265,000	\$1,280,000	\$0	2,909	3,056	3,202	\$414	\$4,556	0.36%		
Comparables: Detached	Stonegate	Palo Alto	KB Home	Detached	4,000	121	34	13	108	44	\$1,212,990	\$1,258,990	\$1,304,990	\$0	3,002	3,191	3,380	\$395	\$4,444	0.35%		
Statistical Summary																						
						Sales/Project		Projects														
CFD IA No. 4: Attached						37	3	288	70	40	248	112	\$658,603	\$685,004	\$732,293	\$0	1,612	1,781	2,024	\$385	\$5,083	0.74%
CFD IA No. 4: Detached						41	11	681	285	131	550	455	\$1,170,403	\$1,242,963	\$1,320,494	\$2,500	2,566	2,897	3,169	\$429	\$8,476	0.68%
Comparables: Attached						50	5	731	107	58	673	249	\$528,196	\$585,596	\$642,996	\$0	1,279	1,496	1,713	\$392	\$3,032	0.52%
Comparables: Detached						51	11	1,386	409	227	1,159	563	\$957,860	\$1,001,519	\$1,045,178	\$0	2,215	2,381	2,547	\$422	\$3,979	0.41%
Totals/Averages						46	30	3,086	871	456	2,630	1,379	\$934,256	\$989,077	\$1,047,808	\$917	2,127	2,363	2,584	\$416	\$5,580	0.56%

SECTION V

ESTIMATED ABSORPTION SCHEDULES FOR PROJECTS IN CFD NO. 2013-3 IA NO. 4

The purpose of this section is to estimate the absorption schedules for the residential projects in CFD No. 2013-3 IA No. 4 (being marketed as the Planned Community of Beacon Park), based upon a consideration of the recent/expected economic and housing market demand/supply conditions.

Empire Economics estimated the expected absorption schedules for the residential projects in CFD No. 2013-3 IA No. 4 through a comprehensive analysis of the following factors:

- The Grand Opening for 14 of the projects occurred in mid-August 2015; the final project is expected to open in October 2016.
- The competitive market analysis of the projects in CFD No. 2013-3 IA No. 4 with currently active comparable projects, based upon their prices, sizes of living areas and special taxes, revealed that the projects in the CFD are competitive in the marketplace.
- 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. Orange County is currently experiencing a rate of employment growth of about 40,000 new jobs per year which typically generates a demand for about 25,000 new homes. By comparison, the supply of new homes, including for-sale and apartments, has been only about 12,000 per year. Consequently, there is a strong demand for new housing.
- The estimated absorption schedule for each of the projects takes into consideration their recent rates of sales and escrow closings as well as the anticipated escrow closings from the various builders: Released for-sale: 508 homes, Sales: 355 homes and Closings: 172 homes.

Accordingly, the estimated absorption schedules for the residential projects in CFD No. 2013-3 IA No. 4 are as follows:

- **August 2015 to March 31, 2016:** There are 172 homes that had closed escrows to homeowners.
- **April –December 2016:** There are expected to be 361 escrow closings during this time period. This is based upon a consideration of the number of homes that have been sold but have not yet closed escrows (183 homes) as well as the time required to complete the construction of these homes and also to construct/market additional homes as well. Additionally, the final project, Opus, is expected to enter the marketplace in October 2016.
- **January-December 2017:** There are expected to be 399 homes that close escrows during this time period, when most of the projects are on the marketplace.
- **January-December 2018:** The remaining 97 homes close their escrows during this time period, with all of the projects being closed-out around mid-2018.

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 schedule takes into consideration a gradual increase in mortgage rates during the foreseeable future; the risk factor discussed herein applies to a spike in mortgage rates in a short period of time.

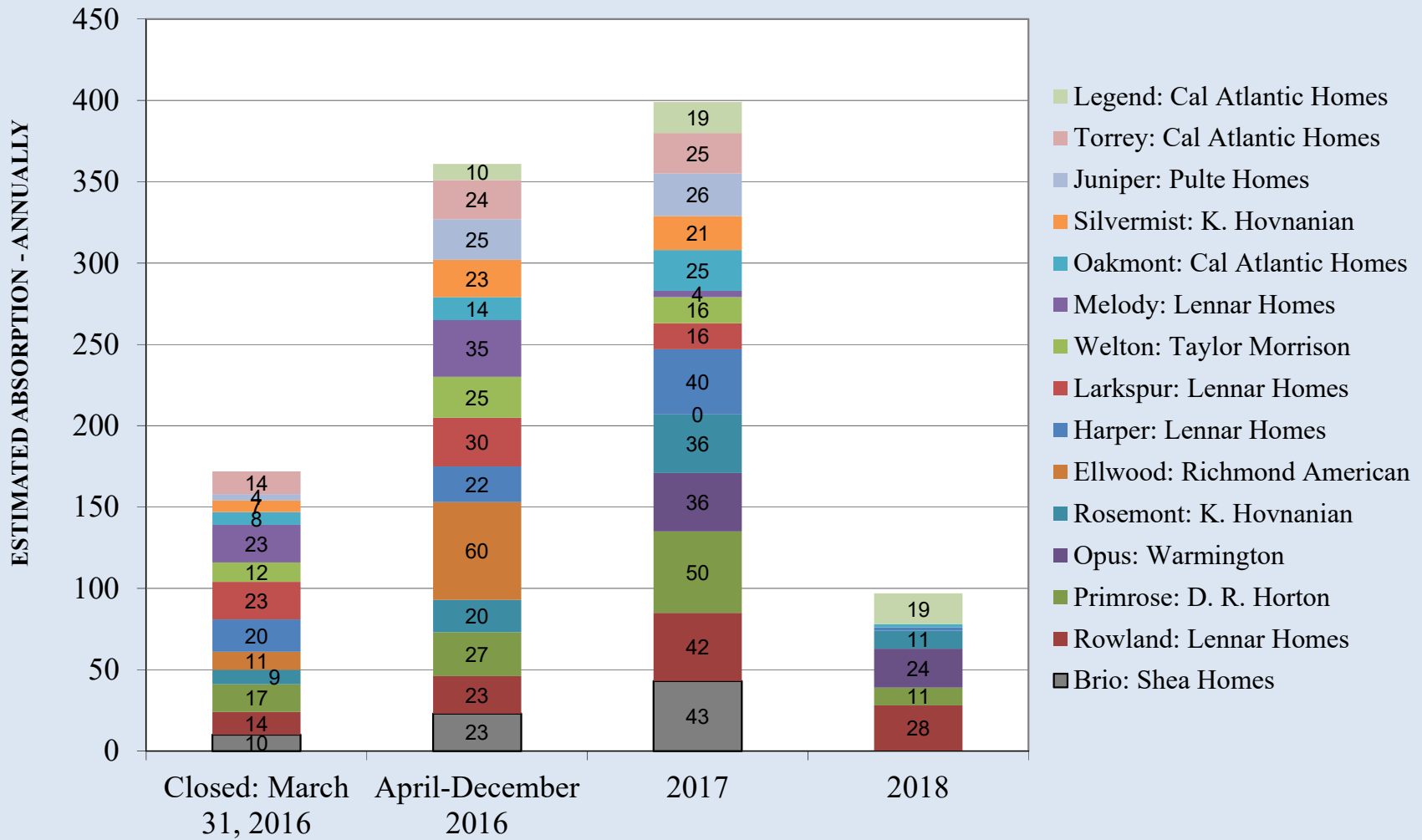
Microeconomic: Changes in south Orange County's housing market; however, such risk factors are regarded as being minimal since CFD No. 2013-3 IA No. 4 is very well positioned in the marketplace.

Project Related: Potential shifts in the development strategy by the developer, Five Point Communities, or the various builders in CFD No. 2013-3 IA No. 4, in response to changes in the marketplace.

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. 2013-3 IA NO. 4
ESTIMATED ABSORPTION SCHEDULES**



ESTIMATED ABSORPTION SCHEDULES FOR THE PROJECTS IN CFD NO. 2013-3 IA NO. 4

Projects >																Overall	
	Brio	Rowland	Primrose	Opus	Rosemont	Elwood	Harper	Larkspur	Welton	Melody	Oakmont	Silvermist	Juniper	Torrey	Legend	Totals	Averages
Builders	Shea Homes	Lennar Homes	D. R. Horton	Warmington	K. Hovnanian	Richmond American	Lennar Homes	Lennar Homes	Taylor Morrison	Lennar Homes	Cal Atlantic Homes	K. Hovnanian	Pulte Homes	Cal Atlantic Homes	Cal Atlantic Homes		
Expected Product Types	Attached-Flats	Attached-Townhome	Attached-Condos	Attached-Flats	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached	Detached		
Lot Sizes - Average (Sq. Ft.)	N/A	N/A	N/A	N/A	4,900	2,500	2,800	5,500	3,800	4,000	5,000	7,400	6,000	7,200	7,500		
Housing Units																	
Totals	76	107	105	60	76	71	84	69	53	62	49	51	55	63	48	1,029	
Share	7.4%	10.4%	10.2%	5.8%	7.4%	6.9%	8.2%	6.7%	5.2%	6.0%	4.8%	5.0%	5.3%	6.1%	4.7%	100.0%	
Marketing Status:																	
Market-Entry	. August 2015	. August 2015	. August 2015	Future	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015	. August 2015		
Released: March 31, 2016	36	31	36	0	24	71	39	41	31	45	27	29	35	48	15	508	
Sold: March 31, 2016	22	22	26	0	19	71	21	29	24	34	13	22	24	23	5	355	
Closed: March 31, 2016	10	14	17	0	9	11	20	23	12	23	8	7	4	14	0	172	
Future Closings: April 1, 2016+	66	93	88	60	67	60	64	46	41	39	41	44	51	49	48	857	
Projects >	Brio: Shea Homes	Rowland: Lennar Homes	Primrose: D. R. Horton	Opus: Warmington	Rosemont: K. Hovnanian	Elwood: Richmond American	Harper: Lennar Homes	Larkspur: Lennar Homes	Welton: Taylor Morrison	Melody: Lennar Homes	Oakmont: Cal Atlantic Homes	Silvermist: K. Hovnanian	Juniper: Pulte Homes	Torrey: Cal Atlantic Homes	Legend: Cal Atlantic Homes	Annually	Cumulative
Estimated Absorption Schedules																	
Closed: March 31, 2016	10	14	17	0	9	11	20	23	12	23	8	7	4	14	0	172	172
April-December 2016	23	23	27	0	20	60	22	30	25	35	14	23	25	24	10	361	533
2017	43	42	50	36	36	0	40	16	16	4	25	21	26	25	19	399	932
2018	0	28	11	24	11	0	2	0	0	0	2	0	0	0	19	97	1,029
Totals	76	107	105	60	76	71	84	69	53	62	49	51	55	63	48	1,029	

RELATIONSHIP OF RECENT HOUSING SALES TO EMPLOYMENT CHANGES AND LEVELS OF MORTGAGE RATES

The purpose of this section is to perform an analysis of the impacts that employment changes and levels of mortgage rates have on home sales. To analyze this, the Planned Community of The Villages of Valencia in the Santa Clarita area is utilized, since this has a significant amount of data on market conditions during the 2007-2015 time period.

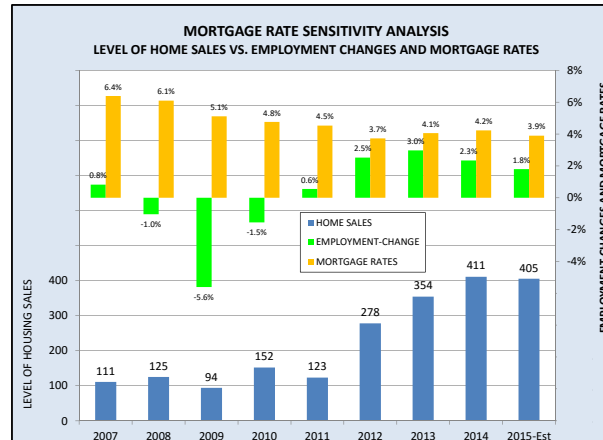
Sales of homes for the projects in The Villages of Valencia were relatively low during 2007 to 2011, but then increased dramatically from 2012 through 2015.

Employment changes were negative/minimal during 2007 to 2011, ranging from -5.6% to +0.8%. But then starting in 2012 and continuing thereafter, employment rose by 1.8% to 3.0% per year.

Mortgage rates started at a level of 6.4% in 2007 and declined to 4.5% in 2011, a decrease of -1.9%. By comparison, from 2011 to 2015, mortgage rates declined from 4.5% to 3.9%, a change of -0.6%.

Therefore, the increases in home sales during 2012 and 2015 was driven primarily by strong employment growth; additionally, mortgage rates were favorable as well, resulting in lower monthly payment levels.

Conversely, during 2007 to 2011, when mortgage rates declined to low levels but employment was decreasing, housing sales did not rise substantially, and so mortgage rates are regarded as a secondary factor.



This relationship has parallels to what occurred in Orange County during 1988 and 1989: housing prices rose by about 20% per year, despite mortgage rate levels of some 10.5% because employment was increasing at a strong rate of more than 5% per year.

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. 2013-3 IA No. 4 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. 2013-3 IA No. 4 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 projects in CFD No. 2013-3 IA No. 4 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. 2013-3 IA No. 4 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 projects in CFD No. 2013-3 IA No. 4 can respond to the expected market demand for their projects. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builders Responsiveness to Market Conditions

The Market Absorption Study assumes that the developer/builders in CFD No. 2013-3 IA No. 4 respond to the market conditions with projects that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, many of the homes in CFD No. 2013-3 IA No. 4 have not yet entered the marketplace, and so the specific characteristics of their product types cannot be identified until they actually offer projects on the marketplace. 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/Builders

The Market Absorption Study assumes that the developer/builders in CFD No. 2013-3 IA No. 4 (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. 2013-3 IA No. 4. 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 twenty-five+ 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:

- ✓ California Treasurer Mr. John Chiang, Council of Economic Advisors
- ✓ Bond Buyer Conference, Carlsbad – Panelist/Presenter
- ✓ League of Cities: Most Recently in Anaheim and Monterey: Speaker/Panelist
- ✓ UCLA Municipal Bond Financing Seminars: Featured Speaker -Annually; Most Recently in April 2009
- ✓ 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

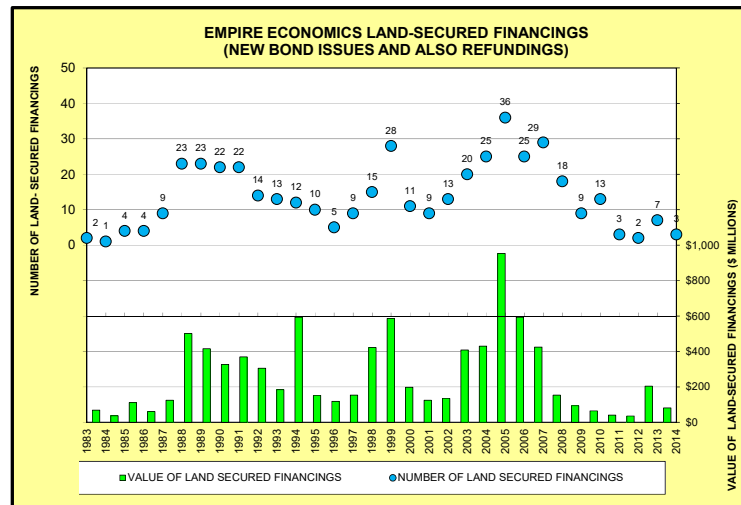
Consequently, the Municipal Bond Funds and Rating Agencies are familiar with Empire Economics and also the Price Point and Market Absorption studies that it has conducted for Planned Communities, Business Parks and Retail Centers in Southern California. This is beneficial to the forthcoming Bond Issues 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. 57

Empire Economics has participated in numerous land secured financings throughout Southern California counties; the distribution of these by counties has been as follows:

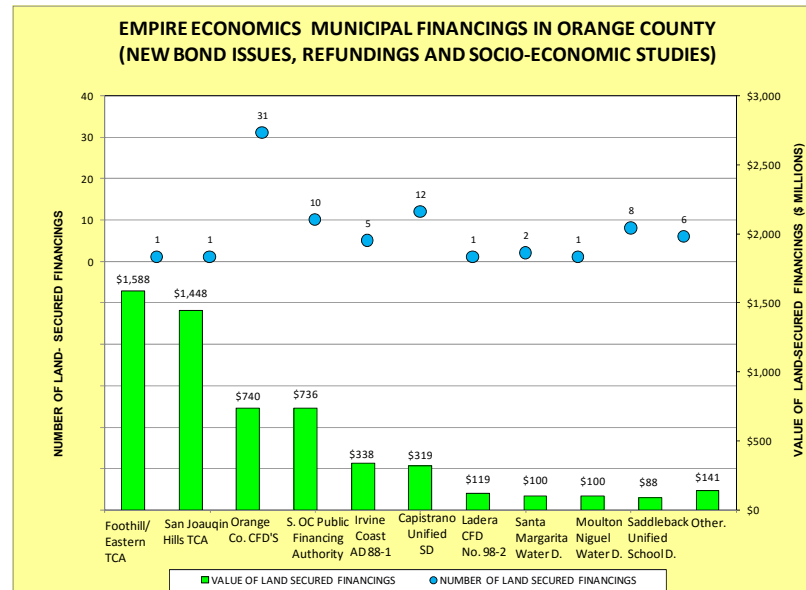
EMPIRE ECONOMICS: LAND-SECURED FINANCINGS



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 twenty-five+ years, Empire Economics has completed about ninety studies for land secured municipal bond financing for various Districts located in Orange County.



Consequently, the Municipal Bond Funds are familiar with Empire Economics and also the Market Studies that it has conducted for Planned Communities, Business Parks and Retail Centers in Southern California, in general, and Orange County, in particular. This is beneficial to the forthcoming Bond Issues for the City of Irvine since these Price Point and Market Absorption studies have enabled Empire Economics to establish a high degree of credibility with the municipal Bond Funds and Rating Agencies.

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 Neighborhoods
- ✓ 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
- ✓ Great Park Neighborhoods 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

CREENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS

RESUME: JOSEPH T. JANCZYK, Ph.D.

Education: University of California, Riverside, Ph.D. in Economics, Completed in 1976
Specializations in Urban Economics, Mathematical Modeling and Econometric Analysis
State University of New York at Buffalo, Bachelors, Completed in 1970
Dual Majors: Economics and Psychology

Prior Employment: California State University, Tenured Economics Professor: 1976-1985
Courses Taught: Microeconomics, Macroeconomics, Urban Economics,
Computer Modeling, Econometrics, among others

Empire Economics: Chairman and President: 1986-Present

- Perform Independent Real Estate Consulting Services Primarily for Land Secured Financings
- Work for Public Entities including Counties, Cities, School Districts and Water Districts
- Long-term Relationships with Many Clients, Including Orange and Riverside Counties, 25+ years
- Well Established Relationships with Numerous Professionals in the Municipal Finance Industry

- Performed 500+ Studies on behalf of Public Entities for approximately \$14B in municipal financing
 - Land Secured Financings for Planned Communities, Business Parks and Retail Centers for 400+ CFDs/ADs for \$8.5B+ bonds
 - Price Point Studies – Establish special taxes that conform to public entities' policies
 - Market Absorption Studies: Provide timelines for phasing infrastructure
 - Homeowner Equity Studies: Current Equity levels for homeowners
 - Economic Forecasting Studies: Forecast Employment and Housing Demand

- Socioeconomic Studies Orange County Transportation Corridors: 2 studies \$2.75B bonds
 - Designated as Municipal Bond Issue of the Year for 1999
 - Rating Agency and Bond Insurer Presentations – Trips to New York City

- Mortgage Revenue Bond Issues: Lower Mortgage Rates 50+ studies for \$1.7B bonds
- Other Municipal Bond Issues: 35+ studies \$2B+ bonds; Certificates of Participation, others
- Forthcoming Bond Issues: 20+ studies for \$500M+ future bond sales

Industry Contributions – Regular Speaker/Panelist at Following Events:

- California Treasurer Mr. John Chiang, Council of Economic Advisors

- UCLA/CDIAC Municipal Bond Financing Seminars (10+ times, as Featured Speaker)
- Bond Buyer Conference
- League of Cities
- Municipal Bond Industry Association
- Best Practices for Continuing Disclosure
- Appraisal Standards for Land Secured Financing by CDIAC
- Meetings with Municipal Bond Funds
- California State Treasurer, Mr. John Chiang - Council of Economic Advisors

Dedicated to Public Sector: Certifications Provided in each Study:

- Empire has not performed any consulting services for CFD/AD property owners nor developers/builders, during the past twenty years.
- Empire will not perform any consulting services for CFD/AD property owners nor developers/builders, during the next five years.

APPENDIX C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF IRVINE COMMUNITY FACILITIES DISTRICT
NO. 2013-3 (GREAT PARK)
IMPROVEMENT AREA NO. 4**

A Special Tax shall be levied on all Assessor's Parcels of Taxable Property in Improvement Area No. 4 of City of Irvine Community Facilities District No. 2013-3 (Great Park) ("CFD No. 2013-3 (IA No. 4)") and collected each Fiscal Year commencing in Fiscal Year 2015-2016, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2013-3 (IA No. 4), 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 in acres 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 in acres shown on the applicable final map, parcel map, condominium plan, or other map or plan recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Community Facilities Act of 1982, being Chapter 2.5, Part 1, Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2013-3 (IA No. 4), including but not limited to: 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. 2013-3 (IA No. 4) or any designee thereof of complying with arbitrage rebate requirements with respect to the Special Tax and CFD No. 2013-3 (IA No. 4) Bonds; the costs to the City, CFD No. 2013-3 (IA No. 4) or any designee thereof of complying with disclosure requirements of the City, CFD No. 2013-3 (IA No. 4) 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. 2013-3 (IA No. 4) or any designee thereof related to an appeal of the Special Tax; the costs of the City, CFD No. 2013-3 (IA No. 4) or any designee thereof related to the recalculation of the Special Tax rates in accordance with Section C.1 below and the calculation of the One-Time Special Tax in accordance with Section D.3 below; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses related to CFD No. 2013-3 (IA No. 4) Bonds. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2013-3 (IA No. 4) for any other administrative purposes of CFD No. 2013-3 (IA No. 4), including attorney's fees and

other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Affordable Housing" means residential Dwelling Units, located on one or more Assessor's Parcels of Residential Property, that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City that restrict rents or prices chargeable to "lower income households" (as defined in California Health and Safety Code Section 50079.5 or any successor code section).

"Amended and Restated Development Agreement" means the Amended and Restated Development Agreement, dated December 27, 2010, by and among the City, the Developer, and the Irvine Redevelopment Agency, as it may be further amended.

"Annual Special Tax" or **"Annual Special Taxes"** means the special taxes that may be levied annually on one or more Assessor's Parcel of Taxable Property within CFD No. 2013-3 (IA No. 4) pursuant to Section E of this Rate and Method of Apportionment at the rates set forth in Section C of this Rate and Method of Apportionment.

"Annual Special Tax Requirement" means the sum of the Developed Property Annual Special Tax Requirement, the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement, and the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement.

"Assessor's Parcel" means a lot or parcel to which an assessor's parcel number is assigned as determined from an Assessor's Parcel Map or the applicable assessment roll.

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

"Attached Residential Property" means Assessor's Parcels of Developed Property for which building permits have been issued for a Dwelling Unit that shares, or will share, an inside wall with another Dwelling Unit.

"Authorized Facilities" means the facilities authorized to be financed by CFD No. 2013-3.

"Authorized Services" means the services authorized to be financed by CFD No. 2013-3.

"Auto Center Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which are, or are expected by the City to be, primarily used for selling automobiles, or for any other uses that are consistent with auto center land use designations as determined by the City.

"Bond Costs" means for all Subordinate CFD No. 2013-3 (IA No. 4) Bonds, all debt service payments, administrative expenses, and amounts required to establish or replenish any bond reserve funds, and any other use of Special Taxes for such bond issues required by the indenture, fiscal agent agreement, or other agreement governing the terms of such bond issue.

"Bond Index" means the national Bond Buyer Revenue Bond Index, commonly referenced as the 25 Bond Revenue Index. In the event the Bond Buyer Revenue Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing in 30

years with an average rating equivalent to Moody's A1 and S&P's A-plus, as reasonably determined by the CFD Administrator.

"Bond Yield" means the weighted average yield of Outstanding Bonds. For purposes of this calculation, the weighted average yield on Outstanding Bonds shall be the weighted average of the yield calculated for each series of Outstanding Bonds at the time such Outstanding Bonds were issued, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, for the purpose of the tax certificate executed in connection with the issuance of such Outstanding Bonds.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Annual Special Tax Requirement and levying and collecting the Special Taxes.

"CFD No. 2013-3" means City of Irvine Community Facilities District No. 2013-3 (Great Park).

"CFD No. 2013-3 (IA No. 4)" means Improvement Area No. 4 of CFD No. 2013-3 as identified on the Boundary Map for CFD No. 2013-3 (IA No. 4) and further set forth in the Resolution of Formation.

"CFD No. 2013-3 (IA No. 4) Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2013-3 (IA No. 4) and secured by the Special Taxes levied on property within the boundaries of CFD No. 2013-3 (IA No. 4) under the Act.

"Church Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which are, or are expected by the City to be, primarily used for a church sanctuary, synagogue or other such place of worship, which may or may not include associated buildings which are to be used for religious educational purposes, and which are exempt from taxation pursuant to Section 214 of the Revenue and Taxation Code of the State of California.

"City" means the City of Irvine.

"Commercial Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which are, or are expected by the City to be, primarily used for the sale of general merchandise, hard goods, personal services, and other items directly to consumers, or other uses that are consistent with commercial land use designations, as determined by the City.

"Council" means the City Council of the City which serves at the legislative body of CFD No. 2013-3.

"County" means the County of Orange.

"Current CFD Buildout Plan" means the most recent land use plan identifying the projected buildout of all of CFD No. 2013-3, as proposed by the Developer and approved by the City, for purposes of projecting Annual Special Tax revenues for the entire CFD No. 2013-3 at buildout.

"Debt Service Coverage" means the debt service coverage percentage identified in the Indenture for Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds.

“Detached Residential Property” means Assessor’s Parcels of Developed Property for which building permits have been issued for a Dwelling Unit that is or is expected to be surrounded by freestanding walls and that does not share an inside wall with any other Dwelling Unit.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which a building permit for construction was issued after January 1, 2014 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Annual Special Taxes are being levied.

"Developed Property Annual Special Tax Requirement" means, for any Fiscal Year, the Maximum Annual Special Tax on Developed Property.

“Developer” means Heritage Fields El Toro LLC, a Delaware limited liability company, and its successors and assigns. The term “successors” does not refer to the successors to all or any portion of the property within CFD No. 2013-3 (IA No. 4) unless the new property owner receives an assignment of the “Master Developer” rights and obligations under the Amended and Restated Development Agreement.

“Discount Rate” means (i) prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the Bond Index, and (ii) subsequent to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the Bond Yield.

“Dwelling Unit” means one residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling, condominium, apartment, mobile home, or otherwise.

"Final Mapped Property" means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property and Taxable Public Property, located in a Final Subdivision as of January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, but no earlier than January 1, 2013.

"Final Mapped Property/Undeveloped Property Annual Special Tax Requirement" means that amount of Annual Special Taxes required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2013-3 (IA No. 4) Bonds, (iii) pay for Administrative Expenses, (iv) pay for reasonably anticipated Annual Special Tax delinquencies based on the delinquency rate for the Annual Special Tax levied in the previous Fiscal Year, and (v) pay the Guaranteed Amount, less (vi) an amount equal to the Developed Property Annual Special Tax Requirement, less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator, so long as the amount required is not less than zero.

"Final Subdivision" means a subdivision of property which occurred prior to January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.), or recordation of a condominium plan pursuant to California Civil Code Section 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision. Notwithstanding the above, a condominium plan for which one or more building permits have

been issued but no individual lots have been created for such building permits, shall be considered a Final Subdivision, and the portion of the condominium plan for which building permits have been issued shall be defined as Developed Property.

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

"Floor Area Ratio" means for Non-Residential – Commercial Property – 0.317; for Non-Residential – Industrial Property – 0.325; for Non-Residential – Institutional Property – 0.361; for Non-Residential – Office Property – 0.326; for Non-Residential – Auto Center – 0.084; and for Non-Residential – Other Non-Residential Property – 0.308.

"Guaranteed Amount" means, for any Fiscal Year, the lesser of (i) the Pro Rata Share for CFD No. 2013-3 (IA No. 4) of the annual amounts set forth in Exhibit B, or (ii) the sum of (a) the Pro Rata Share for CFD No. 2013-3 (IA No. 4) of the amount needed to finance Authorized Services described in the definition of "Authorized Services" in the Amended and Restated Development Agreement in such Fiscal Year as determined by the City, and (b) the Bond Costs associated with any Subordinate CFD No. 2013-3 (IA No. 4) Bonds issued on behalf of CFD No. 2013-3 (IA No. 4). The Guaranteed Amount collected in CFD No. 2013-3 (IA No. 4) may be used to finance Authorized Services described in the definition of "Authorized Services" in the Amended and Restated Development Agreement and to pay Bond Costs associated with Subordinate CFD No. 2013-3 (IA No. 4) Bonds issued on behalf of CFD No. 2013-3 (IA No. 4).

"Indenture" means the indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which CFD No. 2013-3 (IA No. 4) Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Industrial Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which are, or are expected by the City to be, primarily used for manufacturing, production, research and development, storage and/or processing of goods, or for any other uses that are consistent with industrial land use designations as determined by the City.

"Institutional Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which are, or are expected by the City to be, primarily used for education, including libraries and museums, or for any other uses that are consistent with institutional land use designations, as determined by the City.

"Intermediate Maximum Annual Special Tax" means the intermediate Maximum Annual Special Tax, determined in accordance with Section C herein, that can be levied in any Fiscal Year on any Assessor's Parcel of Final Mapped Property or Undeveloped Property.

"Land Use Class" means any of the classes listed in Table 1, Table 2 or Exhibit A, herein.

"Lowest Price Point" is defined in Section C.1. herein.

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

"Moderate Affordable Senior Units" means Dwelling Units that are designed for, and restricted to, persons or couples of whom one member is age 55 or older that is located on one or more Assessor's Parcels of Residential Property that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing affordable housing for households with incomes below 120% of the County median income (but not less than 80% of the County median income).

"Moderate Affordable Units" means Dwelling Units, other than Moderate Affordable Senior Units, that are located on one or more Assessor's Parcels of Residential Property that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing affordable housing for households with incomes below 120% of the County median income (but not less than 80% of the County median income).

"Non-Residential Floor Area" means the total building square footage of the non-residential building(s) located on an Assessor's Parcel, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel and/or to the appropriate records kept by the City, as reasonably determined by the CFD Administrator.

"Non-Residential Property" means any and each Assessor's Parcel of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City, or other governmental agency, including, but not limited to, Church Property.

"Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds" means any issue(s) of CFD No. 2013-3 (IA No. 4) Bonds that are not Subordinate CFD No. 2013-3 (IA No. 4) Bonds.

"Office Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which are, or are expected by the City to be, primarily used for: professional/medical offices, or for any other uses that are consistent with office land use designations, as determined by the City.

"One Time Special Tax" means the one-time Special Tax to be levied pursuant to Section D of this Rate and Method of Apportionment.

"Other Non-Residential Property" means all Non-Residential Property, excluding Auto Center Property, Commercial Property, Industrial Property, Church Property, Institutional Property, and Office Property.

"Outstanding Bonds" means all Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds which are outstanding under an Indenture.

"Overlapping Liens" means, in connection with the recalculation of the Value Limitation pursuant to Section C.1. and within a Land Use Class of Residential Property, estimated *ad valorem* property taxes and all direct and overlapping assessments, taxes, special taxes, and charges on the secured tax-roll of the County for a parcel/unit of Taxable Property assuming that

the value of that parcel/unit is equal to the Lowest Price Point for that Land Use Class as set forth in the consultant's report described in Section C.1 on the date indicated in the consultant's report, excluding however, the Annual Special Taxes that would be levied on such parcel/unit of the Lowest Price Point pursuant to this Rate and Method of Apportionment.

"Prepayable Portion of the Special Tax" shall have the meaning set forth in Section I of this Rate and Method of Apportionment.

"Pro Rata Share" means the ratio calculated by dividing the anticipated Maximum Annual Special Tax to be levied at build out of CFD No. 2013-3 (IA No. 4) by the anticipated Maximum Annual Special Tax to be levied at build out for all improvement areas within CFD No. 2013-3 based on the Current CFD Buildout Plan, excluding the Maximum Annual Special Taxes anticipated to be paid by Zone 2 in IA No. 3. So long as there are no CFD No. 2013-3 (IA No. 4) Bonds outstanding, the City shall recalculate the Pro Rata Share to reflect current development assumptions in connection with any change proceedings conducted in CFD No. 2013-3 and in connection with the amendment of Table 1 and/or Table 2 of the rate and method of apportionment for any improvement area of CFD No. 2013-3. Notwithstanding the foregoing, the City shall not recalculate the Pro Rata Share to incorporate any prepayments of the Prepayable Portion of the Special Tax.

"Property Owner Association Property" means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2013-3 (IA No. 4) for which the owner of record, as determined from the County Assessor's secured tax roll for the Fiscal Year in which the Annual Special Tax is being levied, is a property owner's association, including any master or sub-association, (ii) any property located in a Final Subdivision and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed to a property owner's association, including any master or sub-association, provided such conveyance is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Annual Special Tax is being levied.

"Proportionately" means, for Developed Property, that the ratio of the actual Annual Special Tax levy to the Maximum Annual Special Tax is equal for all Assessor's Parcels of Developed Property. For Final Mapped Property, "Proportionately" means that the ratio of the actual Annual Special Tax levy per acre to the Maximum Annual Special Tax per acre is equal for all Assessor's Parcels of Final Mapped Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Annual Special Tax levy per acre to the Maximum Annual Special Tax per acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section E below. Notwithstanding the above, a disproportionate levy shall be permissible for any Assessor's Parcels in CFD No. 2013-3 (IA No. 4) to cover any delinquencies by a property owner.

"Public Property" means, for each Fiscal Year, all property within the boundaries of CFD No. 2013-3 (IA No. 4) that (i) is owned by, irrevocably offered or dedicated to, or leased to, the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased or with respect to which a possessory interest has been granted to a non-exempt person or entity by any of the foregoing entities, then pursuant to Section 53340.1 of the Act, such leasehold or possessory interest shall be taxed and classified

according to its use, or (ii) is encumbered by a public easement making impractical its use for any purpose other than that set forth in the easement.

“Rate and Method of Apportionment” means this Rate and Method of Apportionment for CFD No. 2013-3 (IA No. 4).

"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 for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means any and each Assessor's Parcel of Developed Property for which a building permit permitting the construction thereon of one or more residential Dwelling Units has been issued by the City, or other governmental agency, but specifically excluding Church Property.

"Resolution of Formation" means the resolution designating CFD No. 2013-3 (IA No. 4).

"Special Tax" or “Special Taxes” means, as the context requires either or both of the Annual Special Taxes and the One-Time Special Taxes that may be levied annually or only one-time, respectively, on one or more Assessor's Parcels of Taxable Property within CFD No. 2013-3 (IA No. 4) pursuant to this Rate and Method of Apportionment.

"State" means the State of California.

“Subordinate CFD No. 2013-3 (IA No. 4) Bonds” means any CFD No. 2013-3 (IA No. 4) Bonds that are subordinate to any current or future CFD No. 2013-3 (IA No. 4) Bonds and that meet the requirements set forth in the Amended and Restated Development Agreement.

"Taxable Property" means, each Fiscal Year, all of the Assessor's Parcels within the boundaries of CFD No. 2013-3 (IA No. 4) which are not exempt from the Special Tax pursuant to applicable law or Section F below, as of July 1st of that Fiscal Year.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

"Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement" means, so long as the amount required is not less than zero, that amount of Annual Special Taxes required, if any, in any Fiscal Year to (i) pay debt service on the Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2013-3 (IA No. 4) Bonds, (iii) pay for Administrative Expenses, and (iv) pay for reasonably anticipated Annual Special Tax delinquencies based on the delinquency rate for the Annual Special Tax levied in the previous Fiscal Year, less (v) an amount equal to the Developed Property Annual Special Tax Requirement, less (vi) the amount of the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement levied on Final Mapped Property and Undeveloped Property in such Fiscal Year, less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section F below.

"Total Floor Area" means the sum of the Residential Floor Area plus the Non-Residential Floor Area located on an Assessor's Parcel.

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

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Property Owner Association Property, or Taxable Public Property.

"Value Limitation" as recalculated separately for each Land Use Class at the time(s) set forth in Section C(1) means (i) the Annual Special Tax rate for a Land Use Class of Residential Property calculated as the difference between (A) the Lowest Price Point within such Land Use Class as determined by the third-party consultant in a report pursuant to Section C.1 herein multiplied by two percent (2%) and (B) the Overlapping Liens plus a sufficient amount to pay the assumed Irvine Ranch Water District assessments (to the extent not included within Overlapping Liens and subject to the limitations set forth in the Amended and Restated Development Agreement) for a residential unit assumed to have a value equal to the same Lowest Price Point used in subparagraph (A) above, as calculated by the CFD Administrator; (ii) that the amount of the Annual Special Tax rates for each Non-Residential Property Land Use Class identified in Table 1 and expressed as an amount per square foot of Non-Residential Floor Area, shall not exceed the product of (a) one and one hundred thirty-nine thousandths percent (1.139%) and (b) the per square foot value of land (as determined by the third-party appraisal described in Section C.1) located within CFD No. 2013-3 (IA No. 4) for each Non-Residential Property Land Use Class, divided by the Floor Area Ratio for the applicable Land Use Class; and (iii) that the amount of the Annual Special Tax rates for each Non-Residential Property Land Use Class set forth in Table 1 herein and expressed as an amount per Acre, shall not exceed the product of (a) the amount per square foot of Non-Residential Floor Area calculated in (ii) above for each Non-Residential Property Land Use Class, (b) the Floor Area Ratio for the applicable Land Use Class, and (c) 43,560.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2013-3 (IA No. 4) shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, and shall be subject to Annual Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and E herein.

C. MAXIMUM ANNUAL SPECIAL TAX RATE

1. Annual Special Tax

Residential Property shall be assigned to Land Use Classes 1 through 30 as listed in Table 1 herein based on the description and the Residential Floor Area for each Dwelling Unit as designated in Table 1. Non-Residential Property shall be assigned to Land Use Classes 31 through 36. Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the Maximum Annual Special Tax rates for Residential Property and the Maximum

Annual Special Tax rates for Non-Residential Property (set forth in Table 1) shall be reduced in accordance with, and subject to, the conditions set forth in this Section C.1, without the need for any proceedings to make changes permitted under the Act.

Upon the earlier of (i) one hundred twenty (120) calendar days before the projected execution date of a bond purchase agreement for the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds as determined by the City, or (ii) the written request of the Developer submitted to the City within two hundred and seventy (270) calendar days before the projected date of issuance of the first building permit permitting the construction of a non-model residential building for a Land Use Class within CFD No. 2013-3 (IA No. 4), a third-party consultant selected by the City shall be engaged (within thirty days after the applicable trigger date) to determine (A) the expected base (i.e., without any optional upgrades included) sales prices of the residential units within each Land Use Class based upon the anticipated base sales prices to end users at the time of calculation and (B) from those expected base sales prices, the lowest base sales price within such Land Use Class (hereafter referred to as the “Lowest Price Point”). If the City determines that the Lowest Price Point for a Land Use Class is equal to or greater than the price point that was used to establish the Maximum Annual Special Tax rates for such Land Use Class shown in Table 1, then there shall be no recalculation of the Maximum Annual Special Tax rates for such Land Use Class. If, however, the City determines that the Lowest Price Point for a Land Use Class is less than the price point that was used to establish the Maximum Annual Special Tax rates for such Land Use Class shown in Table 1, then the Maximum Annual Special Tax rate for Residential Property in such Land Use Class (as reflected in Table 1) shall be reduced to the amount necessary to comply with its recalculated Value Limitation. The reduction shall occur within thirty (30) calendar days of the completion of the third-party consultant's report.

Upon the earlier of (i) one hundred and twenty (120) calendar days before the projected execution date of a bond purchase agreement for the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds as determined by the City, or (ii) the written request of the Developer submitted to the City within two hundred and seventy (270) calendar days before the projected date of issuance of the first building permit permitting the construction of a non-residential building for a Land Use Class within CFD No. 2013-3 (IA No. 4), a third-party appraiser selected by the City shall be engaged (within thirty days after the applicable trigger date) to determine the value of the Non-Residential Property within each Land Use Class at the time of calculation. Based upon the report of the appraiser, if the City so determines that the per square foot and per Acre Maximum Annual Special Tax rates, as reflected in Table 1 herein, exceed the recalculated Value Limitation for Non-Residential Property for a Land Use Class, then the per square foot and per Acre Maximum Annual Special Tax rates for such Non-Residential Property Land Use Class (as reflected in Table 1) that exceeds its recalculated Value Limitation shall be reduced to the amount necessary to comply with its recalculated Value Limitation, provided, however, that the Maximum Annual Special Tax rates for Non-Residential Property do not fall below \$0.416 per square foot of Non-Residential Floor Area. The reduction shall occur within thirty (30) calendar days of the completion of the third-party appraiser's report.

Notwithstanding the above, if, and to the extent, the recalculation of the Maximum Annual Special Tax rates for Residential Property and per square foot and per Acre Maximum Annual Special Tax rates for Non-Residential Property are triggered by the projected issuance of a building permit, the recalculation(s) shall only be completed for those Land Use Classes for which a building permit is expected to be issued within 270 days. If, and to the extent, the recalculation of the Maximum Annual Special Tax rates for Residential Property and per square

foot and per Acre Maximum Annual Special Tax rates for Non-Residential Property are triggered by the projected execution of a bond purchase agreement within 120 days as determined by the City, the recalculation(s) shall be completed for all Land Use Classes within CFD No. 2013-3 (IA No. 4) that have not previously experienced a reduction in their Maximum Annual Special Tax rates (for Residential Property) or their Maximum Annual Special Tax rates (for Non-Residential Property).

Each Maximum Annual Special Tax rate reduction for a Land Use Class pursuant to this Section C.1, shall be calculated separately, as reasonably determined by the CFD Administrator, without regard to Maximum Annual Special Tax rate reductions that may be applicable to another Land Use Class, and it shall not be required that a reduction in the Maximum Annual Special Tax rate for one Land Use Class be proportionate to reductions in Maximum Annual Special Tax rates for any other Land Use Class. If the Maximum Annual Special Tax rates for a Land Use Class do not require reduction as set forth in this Section C.1, then those Maximum Annual Special Tax rates set forth in Table 1 shall not be reduced irrespective of any reductions made to other Maximum Annual Special Tax rates. The reductions required pursuant to this Section C.1 shall be reflected in an amended notice of special tax lien which the City shall cause to be recorded by executing a certificate in substantially the form attached herein as Exhibit A.

The Value Limitation does not limit the Maximum Annual Special Tax rates set forth in Table 1 that are levied against Taxable Property unless a recalculation of the Maximum Annual Special Tax rates is required by this Section C.1.

(a) Developed Property

(i) Maximum Annual Special Tax

The Maximum Annual Special Tax that may be levied and escalated as explained further in Section C.1.(a)(ii) below in any Fiscal Year for each Assessor's Parcel classified as Developed Property is shown below in Table 1.

TABLE 1

**Maximum Annual Special Tax for Developed Property
Improvement Area No. 4 of CFD No. 2013-3
Fiscal Year 2015-2016**

Land Use Class	Description	Maximum Annual Special Tax
1	DETACHED RESIDENTIAL PROPERTY (=> 5,700 SF)	\$17,004 per Dwelling Unit
2	DETACHED RESIDENTIAL PROPERTY (5,450 SF - 5,699 SF)	\$16,422 per Dwelling Unit
3	DETACHED RESIDENTIAL PROPERTY (5,200 SF - 5,449 SF)	\$15,554 per Dwelling Unit
4	DETACHED RESIDENTIAL PROPERTY (4,950 SF – 5,199 SF)	\$14,973 per Dwelling Unit
5	DETACHED RESIDENTIAL PROPERTY (4,700 SF - 4,949 SF)	\$14,105 per Dwelling Unit
6	DETACHED RESIDENTIAL PROPERTY (4,450 SF - 4,699 SF)	\$13,614 per Dwelling Unit
7	DETACHED RESIDENTIAL PROPERTY (4,200 SF - 4,449 SF)	\$12,944 per Dwelling Unit

Land Use Class	Description	Maximum Annual Special Tax
8	DETACHED RESIDENTIAL PROPERTY (3,950 SF - 4,199 SF)	\$12,303 per Dwelling Unit
9	DETACHED RESIDENTIAL PROPERTY (3,700 SF - 3,949 SF)	\$11,891 per Dwelling Unit
10	DETACHED RESIDENTIAL PROPERTY (3,450 SF - 3,699 SF)	\$10,478 per Dwelling Unit
11	DETACHED RESIDENTIAL PROPERTY (3,200 SF - 3,449 SF)	\$9,961 per Dwelling Unit
12	DETACHED RESIDENTIAL PROPERTY (2,950 SF - 3,199 SF)	\$9,027 per Dwelling Unit
13	DETACHED RESIDENTIAL PROPERTY (2,700 SF - 2,949 SF)	\$8,190 per Dwelling Unit
14	DETACHED RESIDENTIAL PROPERTY (2,450 SF - 2,699 SF)	\$7,532 per Dwelling Unit
15	DETACHED RESIDENTIAL PROPERTY (2,200 SF - 2,449 SF)	\$6,592 per Dwelling Unit
16	DETACHED RESIDENTIAL PROPERTY (1,950 SF - 2,199 SF)	\$6,041 per Dwelling Unit
17	DETACHED RESIDENTIAL PROPERTY (1,700 SF - 1,949 SF)	\$5,328 per Dwelling Unit
18	DETACHED RESIDENTIAL PROPERTY (< 1,700 SF)	\$5,112 per Dwelling Unit
19	ATTACHED RESIDENTIAL PROPERTY (=> 2,600 SF)	\$6,750 per Dwelling Unit
20	ATTACHED RESIDENTIAL PROPERTY (2,400 SF – 2,599 SF)	\$6,344 per Dwelling Unit
21	ATTACHED RESIDENTIAL PROPERTY (2,200 SF – 2,399 SF)	\$5,938 per Dwelling Unit
22	ATTACHED RESIDENTIAL PROPERTY (2,000 SF – 2,199 SF)	\$5,450 per Dwelling Unit
23	ATTACHED RESIDENTIAL PROPERTY (1,800 SF – 1,999 SF)	\$5,119 per Dwelling Unit
24	ATTACHED RESIDENTIAL PROPERTY (1,600 SF – 1,799 SF)	\$4,762 per Dwelling Unit
25	ATTACHED RESIDENTIAL PROPERTY (1,400 SF – 1,599 SF)	\$4,368 per Dwelling Unit
26	ATTACHED RESIDENTIAL PROPERTY (1,200 SF – 1,399 SF)	\$3,891 per Dwelling Unit
27	ATTACHED RESIDENTIAL PROPERTY (1,000 SF – 1,199 SF)	\$3,484 per Dwelling Unit
28	ATTACHED RESIDENTIAL PROPERTY (800 SF – 999 SF)	\$3,078 per Dwelling Unit
29	ATTACHED RESIDENTIAL PROPERTY (< 800 SF)	\$2,871 per Dwelling Unit
30	AFFORDABLE HOUSING, MODERATE AFFORDABLE UNITS, AND MODERATE AFFORDABLE SENIOR UNITS	\$0 per Dwelling Unit
31	NON-RESIDENTIAL - COMMERCIAL PROPERTY	\$1.56 per square foot of Non-Residential Floor Area or \$21,550 per Acre, when applied, whichever is greater
32	NON-RESIDENTIAL– INDUSTRIAL PROPERTY	\$1.56 per square foot of Non-Residential Floor Area or \$22,094 per Acre, when applied, whichever is greater

Land Use Class	Description	Maximum Annual Special Tax
33	NON-RESIDENTIAL– INSTITUTIONAL PROPERTY	\$1.56 per square foot of Non-Residential Floor Area or \$24,541 per Acre, when applied, whichever is greater
34	NON-RESIDENTIAL – OFFICE PROPERTY	\$1.56 per square foot of Non-Residential Floor Area or \$22,162 per Acre, when applied, whichever is greater
35	NON-RESIDENTIAL – AUTO CENTER	\$5.22 per square foot of Non-Residential Floor Area or \$19,110 per Acre, when applied, whichever is greater
36	OTHER NON-RESIDENTIAL PROPERTY	\$1.56 per square foot of Non-Residential Floor Area or \$20,938 per Acre, when applied, whichever is greater

(ii) Increase in the Maximum Annual Special Tax

The Fiscal Year 2015-2016 Maximum Annual Special Tax, identified in Table 1 above, as such Table may be amended and restated in full pursuant to this Rate and Method of Apportionment, shall increase thereafter (i) commencing on July 1, 2016 and on July 1 of each Fiscal Year thereafter through the Fiscal Year in which the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds were issued occurs, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year; and (ii) commencing in the Fiscal Year following the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds were issued, by an amount equal to three percent (3%) of the Maximum Annual Special Tax as determined following the partial termination of the Special Tax as set forth in Section J, and on July 1 of each Fiscal Year thereafter by an amount equal to three percent (3%) of the amount in effect for the previous Fiscal Year.

(iii) Multiple Land Use Classes

In some instances an Assessor’s Parcel of Developed Property may contain more than one Land Use Class. The Maximum Annual Special Taxes levied on an Assessor’s

Parcel shall be the sum of the Maximum Annual Special Taxes for all Land Use Classes located on that Assessor's Parcel. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the Acreage to be assigned to the Non-Residential Property for purposes of establishing the Annual Special Tax shall equal the total Acreage of the Assessor's Parcel multiplied by the Non-Residential Floor Area on the Assessor's Parcel, the product of which shall be divided by Total Floor Area on the Assessor's Parcel. Furthermore, for a condominium plan, if only a portion of its building permits have been issued, the remaining portion of the condominium plan shall be considered Final Mapped Property. The CFD Administrator's allocation to each type of property shall be final.

(b) Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

(i) Intermediate Maximum Annual Special Tax

The Fiscal Year 2015-2016 Intermediate Maximum Annual Special Tax for each Assessor's Parcel of Final Mapped Property and Undeveloped Property shall be \$58,721 per Acre, and shall increase thereafter, commencing on July 1, 2016 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Intermediate Maximum Annual Special Tax for the previous Fiscal Year.

(ii) Maximum Annual Special Tax

The Fiscal Year 2015-2016 Maximum Annual Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$92,112 per Acre, and shall increase thereafter, commencing on July 1, 2016 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Annual Special Tax for the previous Fiscal Year.

D. ONE-TIME SPECIAL TAX

All of the requirements of this Section D, which describes the One-Time Special Tax that may result from a change in development as determined pursuant to this Section D, shall only apply after the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, with the exception of disclosure-related requirements discussed under Section D.6, which apply both before and after the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds. The provisions of this Section D shall not be impacted by the issuance of any Subordinate CFD No. 2013-3 (IA No. 4) Bonds.

The following additional definitions apply to this Section D:

"Authorized Bonded Indebtedness" means \$150,000,000

"Bond Issuance Development Phase Table" means a table, to be included herein as Table 2, which is prepared by the CFD Administrator after the submittal of a Bond Issuance Development Plan. Within the Bond Issuance Development Phase Table, each existing or prospective building permit for Residential Property shall be assigned to Land Use Classes 1 through 30 for each Development Phase, and each existing or prospective building permit of Non-Residential

Property shall be assigned to Land Use Classes 31 through 36 for each Development Phase. If no Development Phases have been identified in the Bond Issuance Development Plan, such Dwelling Units and Non-Residential Property shall be listed by Land Use Classes for the entire CFD No. 2013-3 (IA No. 4).

“Bond Issuance Development Plan” means a development plan for CFD No. 2013-3 (IA No. 4) (i) submitted by the Developer immediately prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, and (ii) approved by the CFD Administrator, as updated for each subsequent series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds. The Bond Issuance Development Plan shall identify the number of Dwelling Units and the Land Use Class for each existing or anticipated Dwelling Unit in each Development Phase, and if applicable, identify the existing or anticipated Non-Residential Property Acreage and Non-Residential Floor Area, if available, by Land Use Class anticipated to be constructed within each Development Phase. If no Development Phases have been identified in the Development Plan, such Dwelling Units, Acreage and Non-Residential Floor Area shall be listed by Land Use Classes for the entire CFD No. 2013-3 (IA No. 4).

"City Building and Safety Division" means the building and safety division of the City's Community Development Department.

"Compliance Letter" means a letter from the CFD Administrator notifying the property owner that (i) no One-Time Special Tax is due for the anticipated Residential Property and/or Non-Residential Property listed in the Compliance Letter, or (ii) any One-Time Special Tax that was due for the Residential Property and/or Non-Residential Property listed in the Compliance Letter has been paid in full by the property owner. However, the terms of a Compliance Letter only apply (A) if the building permits actually issued for such Residential Property reflect numbers of Dwelling Units and Land Use Classes that are identical to those listed in the Compliance Letter, and (B) if the building permits actually issued for such Non-Residential Property reflect Land Use Classes, Non-Residential Floor Area and Acreage, that are identical to those listed in the Compliance Letter.

"Development Phase" means a tract map, planning area, or geographic area representing an expected construction phase planned to be developed by one or more merchant builders at the time the Bond Issuance Development Plan is submitted by the Developer and approved by the CFD Administrator. A Development Plan shall designate the geographic area included within each Development Phase by Assessor's Parcels or tract and lot numbers.

“IA No. 4 Buildout” means the completion of all proposed development in IA No. 4, as proposed by the Developer and approved by the City.

"Maximum One-Time Special Tax" means the maximum One-Time Special Tax, determined in accordance with Section D, which can be levied on an Assessor's Parcel and collected by the One-Time Special Tax Payment Date.

"Non-Compliant Property" means an Assessor's Parcel of Pending Property that generates a need for a One-Time Special Tax as calculated under Section D.3.

"One-Time Special Tax Account" means the funds or accounts (regardless of their names) identified in the Indenture to hold all or a portion of the payments of the One-Time Special Tax received from property owners within CFD No. 2013-3 (IA No. 4).

"One-Time Special Tax Payment Date" means, for an Assessor's Parcel, the later of (i) 30 days after the date of the bill distributed by the CFD Administrator requesting the payment of a One-Time Special Tax, or (ii) 30 days after the issuance of a building permit.

"Pending Development" means Projected Residential Property and Projected Non-Residential Property for which (i) a Compliance Letter has been requested, (ii) building permits have recently been issued that were located on Assessor's Parcels that were not included in a previously-issued Compliance Letter, or (iii) building permits have recently been issued for Assessor's Parcels that were included in a previously-issued Compliance Letter that has been nullified pursuant to Section D. 1., because the Projected Residential Property and Projected Non-Residential Property delineated in the actual building permits for such Assessor's Parcels are not consistent with the development listed in the previously-issued Compliance Letter.

"Projected Non-Residential Property" means anticipated Non-Residential Property for which the CFD Administrator has not yet determined whether or not a One-Time Special Tax shall be levied, or for which such determination has been nullified pursuant to Section D.1.

"Projected Residential Property" means anticipated Dwelling Units of Residential Property for which the CFD Administrator has not yet determined whether or not a One-Time Special Tax shall be levied, or for which such determination has been nullified pursuant to Section D.1.

"Total Assumed Annual Special Taxes" means the total estimated Annual Special Taxes that would be levied at IA No. 4 Buildout, assuming the construction of 1,029 Dwelling Units, and shall be calculated by dividing the Bond Authorization by twenty-one (21). This defined term shall only be used for purposes of calculating a Maximum One-Time Maximum Special Tax under Section D.6., and shall not be employed in the actual calculation of a One-Time Special Tax for an Assessor's Parcel.

"Total Expected Non-Residential Property Acreage" means the total amount of Acreage of Non-Residential Property expected to be developed in each Development Phase based on the Bond Issuance Development Plan, or if no Development Phases have been identified, for the entire CFD No. 2013-3 (IA No. 4).

"Total Number of Expected Dwelling Units" means the total number of Dwelling Units expected to be constructed in each Development Phase based on the Bond Issuance Development Plan, or if no Development Phases have been identified, for the entire CFD No. 2013-3 (IA No. 4).

"Update Property" means an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a building permit was issued after May 1 of the Fiscal Year preceding the current Fiscal Year.

"Updated Development Phase Table" means a table prepared by the CFD Administrator reflecting the existing Residential Property and Non-Residential Property and the Projected Residential Property and Non-Residential Property to be constructed in a Development Phase, as revised pursuant to Section D.3.

1. Development Utilizing Optional Compliance Letter

(a) Property Owner Request for Compliance Letter

(i) Residential Property

After the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, a property owner may, prior to the issuance of a building permit for construction of any Residential Property for a specific Assessor's Parcel, tract or lot, request a Compliance Letter from the CFD Administrator to determine whether or not such property owner will be required to pay a One-Time Special Tax. The request from the property owner shall contain a list of all Residential Property for which the property owner is requesting a Compliance Letter, and shall identify the Development Phase(s), if any, within which the Residential Property is expected by the property owner to be located. The property owner shall also submit the Assessor's Parcel or tract and lot numbers on which the Residential Property is to be constructed, and the Land Use Class for each residential Dwelling Unit associated with the Residential Property.

(ii) Non-Residential Property

After the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, a property owner may, prior to the issuance of a building permit for construction of any Non-Residential Property for a specific Assessor's Parcel, tract, or lot, request a Compliance Letter from the CFD Administrator to determine whether or not such property owner will be required to pay a One-Time Special Tax. The request from the property owner shall contain the final map, parcel map, or lot line adjustment for which the property owner is requesting a Compliance Letter, as well as identify the Development Phase(s) within which the Non-Residential Property is expected by the property owner to be located. The property owner shall also submit the Assessor's Parcel or tract and lot numbers on which the Non-Residential Property is to be constructed, the Non-Residential Floor Area and Acreage for such Assessor's Parcel or tract and lot numbers, and the Land Use Class into which such development should be assigned.

(b) Issuance of Compliance Letter

(i) Residential Property

The number of residential Dwelling Units by Land Use Class in each Development Phase, if any, as listed in the Bond Issuance Development Phase Table, shall be reviewed by the CFD Administrator upon the receipt of a request from a property owner for a Compliance Letter. The CFD Administrator shall assign each Dwelling Unit identified in such request to Land Use Classes 1 through 30 for the applicable Development Phase within which such Dwelling Unit is to be located. If the CFD Administrator determines for Land Use Classes 1-30 that (i) the number of Dwelling Units of Projected Residential Property being requested for a specific Land Use Class in a Development Phase, plus those Dwelling Units previously identified and approved by the CFD Administrator as belonging to such Land Use Class in that Development Phase, does not exceed the Total Number of Expected Dwelling Units for that Land Use Class as listed in the Bond Issuance Development Phase Table for that Development Phase, and (ii) the total number of Dwelling Units anticipated to be constructed in the Development

Phase as a result of this request is not less than the Total Number of Expected Dwelling Units reflected in the Bond Issuance Development Phase Table for that Development Phase, then a Compliance Letter shall be awarded to the property owner stating that no One-Time Special Tax shall be levied on the Projected Residential Property in the specific Land Use Classes proposed in the request from the property owner. This Compliance Letter shall be forwarded to the property owner by the CFD Administrator and shall list, by Land Use Class and Assessor's Parcel, the Residential Property that shall be exempt from the One-Time Special Tax.

However, should the CFD Administrator determine that (i) the number of Dwelling Units of Projected Residential Property being requested for a specific Land Use Class in the Development Phase, plus those Dwelling Units previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, cause the total number of such Dwelling Units to exceed the Total Number of Expected Dwelling Units for that Land Use Class as listed in the Bond Issuance Development Phase Table for that Development Phase, or (ii) the total number of Dwelling Units anticipated to be constructed in the entire Development Phase as a result of the request would decrease the number of Dwelling Units to be constructed to below the Total Number of Expected Dwelling Units for the entire Development Phase reflected in the Bond Issuance Development Phase Table, then a Compliance Letter shall not be issued prior to the CFD Administrator determining if a One-Time Special Tax shall be required.

The CFD Administrator shall monitor the issuance of building permits by the City within CFD No. 2013-3 (IA No. 4) on a weekly basis prior to IA No. 4 Buildout. If a property owner receives a Compliance Letter for Residential Property that is Pending Development and should that property owner be issued a building permit to construct a building that is not consistent with the Projected Residential Property listed in the Compliance Letter, such Compliance Letter shall be nullified, and a new review of such Residential Property shall be conducted by the CFD Administrator, as called for under Section D.2., below, based on the development identified on the building permit.

(ii) Non-Residential Property

The amount of Non-Residential Property Acreage and Non-Residential Floor Area by Land Use Class in each Development Phase, if any, as listed in the Bond Issuance Development Phase Table, shall be reviewed by the CFD Administrator upon the receipt of a request from a property owner for a Compliance Letter. The CFD Administrator shall assign each Acre of Non-Residential Property identified in such request to Land Use Classes 31 through 36 in the applicable Development Phase within which such Acreage and Non-Residential Floor Area is to be located. If the CFD Administrator determines for Land Use Classes 31-36 that (i) the amount of Non-Residential Property Acreage being requested for a specific Land Use Class in a Development Phase, plus the Non-Residential Property Acreage previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, does not exceed the Total Expected Non-Residential Property Acreage for that Land Use Class as

listed in the Bond Issuance Development Phase Table for that Development Phase, and (ii) the total amount of Non-Residential Property Acreage anticipated to be constructed in the entire Development Phase as a result of the request is not less than the Total Expected Non-Residential Property Acreage reflected in the Bond Issuance Development Phase Table for that Development Phase, then a Compliance Letter shall be awarded to the property owner stating that no One-Time Special Tax shall be levied on the Projected Non-Residential Property in the specific Land Use Classes proposed in the request from the property owner. This One-Time Special Tax Compliance Letter shall be forwarded to the property owner by the CFD Administrator listing, by Land Use Class and Assessor's Parcel, the Non-Residential Property that shall be exempt from the One-Time Special Tax.

However, should the CFD Administrator determine that (i) the amount of Non-Residential Property Acreage being requested for such Land Use Class in the Development Phase, plus the Non-Residential Property Acreage previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, cause the total amount of Non-Residential Property Acreage to exceed the Total Expected Non-Residential Property Acreage for that Land Use Class as listed in the Bond Issuance Development Phase Table for that Development Phase, or (ii) the total amount of Non-Residential Property Acreage anticipated to be constructed for the entire Development Phase as a result of the request would decrease the amount of Non-Residential Property Acreage to be constructed to below the Total Expected Non-Residential Property Acreage for the entire Development Phase reflected in the Bond Issuance Development Phase Table, then a Compliance Letter shall not be issued prior to the CFD Administrator determining if a One-Time Special Tax shall be required.

The CFD Administrator shall monitor the issuance of building permits by the City within CFD No. 2013-3 (IA No. 4) on a weekly basis prior to IA No. 4 Buildout. If a property owner receives a Compliance Letter for the development of Non-Residential Property that is Pending Development, and should that property owner be issued a building permit to construct a building that is not consistent with the Projected Non-Residential Property listed in the Compliance Letter, such Compliance Letter shall be nullified, and a new review of such Non-Residential Property shall be conducted by the CFD Administrator, as called for under Section D.2., below, based on the development identified on the building permit.

2. Development Not Utilizing Optional Compliance Letter

(a) Residential Property

After the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the CFD Administrator shall, no less frequently than once each week prior to IA No. 4 Buildout, obtain from the City Building and Safety Division a list of building permits for Residential Property within CFD No. 2013-3 (IA No. 4) that have been issued during the period since the CFD Administrator last obtained such building permit information. The CFD Administrator shall determine those building permit issuances for which Compliance Letters have not already been issued, and shall identify the Assessor's Parcels or tract and lot

numbers on which the construction that is the subject of such permit issuances is taking place, and the Development Phase and Land Use Class for each Dwelling Unit that is Pending Development. Such determination shall be completed within 15 days of the CFD Administrator's obtaining the building permit data from the City Building Department.

If the CFD Administrator determines for Land Use Classes 1-30 that (i) the number of Dwelling Units for which building permits have been issued for a specific Land Use Class in a Development Phase, plus those Dwelling Units previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, does not exceed the Total Number of Expected Dwelling Units for that Land Use Class as listed in the Bond Issuance Development Phase Table for that Development Phase, and (ii) the total number of Dwelling Units anticipated to be constructed in the Development Phase as a result of these building permits, as provided by the Developer and approved by the City, is not less than the Total Number of Expected Dwelling Units reflected in the Bond Issuance Development Phase Table for that Development Phase, then no One-Time Special Tax shall be levied on the Assessor's Parcels or lots on which such development is occurring.

However, should the CFD Administrator determine that (i) the Dwelling Units for such Land Use Class included in these building permits for a Development Phase, plus those previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, cause the total number of such Dwelling Units to exceed the Total Number of Expected Dwelling Units for that Land Use Class as listed in the Bond Issuance Development Phase Table for that Development Phase, or (ii) the total number of Dwelling Units anticipated to be constructed in the entire Development Phase as a result of the request would decrease the number of Dwelling Units to be constructed to below the Total Number of Expected Dwelling Units for the entire Development Phase reflected in the Bond Issuance Development Phase Table, then the CFD Administrator shall undertake the calculations listed under this Section D to determine whether or not a One-Time Special Tax shall be levied on this Residential Property.

(b) Non-Residential Property

After the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the CFD Administrator shall, no less frequently than once each week, obtain from the City Building and Safety Division a list of the building permits for Non-Residential Property within CFD No. 2013-3 (IA No. 4) that have been issued during the period since the CFD Administrator last obtained such building permit information.. The CFD Administrator shall determine those building permit issuances for which Compliance Letters have not already been issued, and shall identify the Assessor's Parcels or tract and lot numbers on which the construction that is the subject of such permit issuances is taking place, and the Land Use Class for the Non-Residential Property that is Pending Development. Such determination shall be completed within 15 days of the CFD Administrator's obtaining the building permit data from the City Building Department.

The CFD Administrator shall assign the Acreage of Non-Residential Property being requested to Land Use Classes 31 through 36 in the applicable Development Phase within which such Non-Residential Property Acreage is to be located based on the type of use. If the CFD Administrator determines for Land Use Classes 31-36 that (i) the amount of Non-Residential Property Acreage associated with a building permit for a specific Land Use Class in a Development Phase, plus the Non-Residential Property Acreage previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, does not exceed the Total Expected Non-Residential Property Acreage for that Land Use Class as listed in the Bond Issuance Development Phase Table, and (ii) the total amount of Non-Residential Property Acreage anticipated to be constructed in the entire Development Phase as a result of the building permit, as submitted by the Developer and approved by the City, is not less than the Total Expected Non-Residential Property Acreage reflected in the Bond Issuance Development Phase Table for the Development Phase, then no One-Time Special Tax shall be levied on such Non-Residential Property.

However, should the CFD Administrator determine that (i) the Non-Residential Property Acreage for such Land Use Class included in this building permit in a Development Phase, plus the Non-Residential Property Acreage previously identified and approved by the CFD Administrator as belonging to such Land Use Class in the Development Phase, cause the total Non-Residential Property Acreage to exceed the Total Expected Non-Residential Property Acreage for that Land Use Class as listed in the Bond Issuance Development Phase Table for the Development Phase, or (ii) the total Non-Residential Property Acreage anticipated to be constructed in the entire Development Phase as a result of this building permit would decrease the amount of Non-Residential Property Acreage to be constructed to below the Total Expected Non-Residential Property Acreage for the entire Development Phase reflected in the Bond Issuance Development Phase Table, then the CFD Administrator shall undertake the calculations listed under this Section D to determine whether or not a One-Time Special Tax shall be levied on this Non-Residential Property.

TABLE 2

BOND ISSUANCE DEVELOPMENT PHASE TABLE

**Expected Residential Dwelling Units and Non-Residential Property Acreage per Land Use Class
Improvement Area No. 4 of CFD No. 2013-3**

Land Use Class	DR HORTON	K. HOVNANIAN	K. HOVNANIAN	LENNAR HOMES	LENNAR HOMES	LENNAR HOMES	LENNAR HOMES	PULTE	RICHMOND AMERICAN	CAL ATLANTIC	CAL ATLANTIC	SHEA HOMES	CAL ATLANTIC	TAYLOR MORRISON	WARMINGTON
	PRIMROSE	ROSEMONT	SILVERMIST	HARPER	LARKSPUR	MELODY	ROWLAND	JUNIPER	ELLWOOD	OAKMONT	LEGEND	BRIO	TORREY	WELTON	OPUS
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
6	0	0	0	0	0	0	0	0	0	0	18	0	0	0	0
7	0	0	0	0	0	0	0	0	0	0	29	0	0	0	0
8	0	0	18	0	0	0	0	0	0	0	0	0	0	0	0
9	0	0	13	0	0	0	0	0	0	0	0	0	2	0	0
10	0	0	7	0	0	0	0	0	0	0	0	0	42	0	0
11	0	0	0	0	0	0	0	24	0	0	0	0	19	0	0
12	0	31	0	0	24	0	0	21	0	17	0	0	0	0	0
13	0	0	13	0	25	15	0	10	0	13	0	0	0	27	0
14	0	29	0	0	0	17	0	0	0	19	0	0	0	0	0
15	0	0	0	0	0	30	0	0	50	0	0	0	0	13	0
16	0	0	0	24	20	0	0	0	21	0	0	0	0	13	0
17	0	16	0	60	0	0	0	0	0	0	0	0	0	0	0

Land Use Class	DR HORTON	K. HOVNANIAN	K. HOVNANIAN	LENNAR HOMES	LENNAR HOMES	LENNAR HOMES	LENNAR HOMES	PULTE	RICHMOND AMERICAN	CAL ATLANTIC	CAL ATLANTIC	SHEA HOMES	CAL ATLANTIC	TAYLOR MORRISON	WARMINGTON
	PRIMROSE	ROSEMONT	SILVERMIST	HARPER	LARKSPUR	MELODY	ROWLAND	JUNIPER	ELLWOOD	OAKMONT	LEGEND	BRIO	TORREY	WELTON	OPUS
18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10
21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10
22	35	0	0	0	0	0	32	0	0	0	0	0	0	0	10
23	0	0	0	0	0	0	32	0	0	0	0	38	0	0	30
24	70	0	0	0	0	0	43	0	0	0	0	0	0	0	0
25	0	0	0	0	0	0	0	0	0	0	0	38	0	0	0
26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

3. Calculation of One-Time Special Tax

If a One-Time Special Tax calculation is required as determined by the CFD Administrator pursuant to Section D.1 or Section D.2., for any Pending Development, the CFD Administrator shall review the Bond Issuance Development Phase Table with respect to the applicable Development Phase(s) in consultation with the current property owner(s) for all remaining Final Mapped Property and Undeveloped Property within such Development Phase, and shall prepare an Updated Development Phase Table identifying the revised number of Dwelling Units and/or the amount of Non-Residential Property Acreage anticipated within each Land Use Class for that Development Phase. If no Development Phases are included in the Bond Issuance Development Phase Table, such analysis shall be applied to the entire CFD No. 2013-3 (IA No. 4), as shall the analyses cited throughout this Section D.3. The CFD Administrator shall not be responsible for any delays in preparing the Updated Development Phase Table that result from a refusal on the part of one or more current property owners of Final Mapped Property or Undeveloped Property within the applicable Development Phase to provide information on their future development. If such a refusal on the part of one or more current property owners persists for more than 14 days, the CFD Administrator shall rely on the Residential Property and/or Non-Residential Property identified in the Bond Issuance Development Phase Table for the Final Mapped Property and/or Undeveloped Property within the applicable Development Phase.

The CFD Administrator shall then review the Updated Development Phase Table and determine the One-Time Special Tax, if any, to be levied on the applicable Assessor's Parcels of Pending Development being analyzed. The calculations shall be undertaken by the CFD Administrator, based on the data in the applicable Updated Development Phase Table, as follows:

- Step 1. Compute the sum of the Annual Special Tax revenues authorized to be levied on all Developed Property and Update Property within the applicable Development Phase, plus the sum of the Annual Special Tax revenues authorized to be levied on all future development within the applicable Development Phase as identified in the Updated Development Phase Table assuming IA No. 4 Buildout, as determined by the CFD Administrator in consultation with the property owner(s).
- Step 2. Determine the Annual Special Tax revenues expected to be generated by the applicable Development Phase based on the Bond Issuance Development Phase Table.
- Step 3. If the total sum computed pursuant to Step 1 is greater than or equal to the amount computed pursuant to Step 2, then no One-Time Special Tax shall be required and a Compliance Letter shall be awarded to the property owner by the CFD Administrator for all Pending Development. If the total sum computed pursuant to Step 1 is less than the amount computed pursuant to Step 2, subtract the amount computed pursuant to Step 1 from the amount computed pursuant to Step 2 (hereinafter called the "Remaining Amount"), then continue to Step 4.
- Step 4. Determine the Annual Special Tax revenues expected to be generated by all Development Phases based on the Bond Issuance Development Phase Table.

- Step 5. Multiply the amount of Outstanding Bonds by a fraction, the numerator of which is the Remaining Amount computed for such Development Phase in Step 3, and the denominator of which is the amount computed for all Development Phases in Step 4. The result is the amount of Outstanding Bonds that can be supported by the shortfall computed pursuant to Step 3. Round up the amount determined under this Step 5 to the nearest increment of \$5,000 to compute the amount of Outstanding Bonds to be redeemed.
- Step 6. Multiply the amount computed pursuant to Step 5 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed.
- Step 7. Compute the amount needed to pay interest on the amount computed pursuant to Step 5 from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest possible redemption date for the Outstanding Bonds, and subtract therefrom the estimated amount of interest earnings to be derived from the reinvestment of the amounts computed pursuant to Step 5 and Step 6 until such redemption.
- Step 8. Determine all of the administrative costs associated with implementing the One-Time Special Tax, including the costs of computation of the One-Time Special Tax, the costs to invest the One-Time Special Tax proceeds and the costs of redeeming Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds.
- Step 9. A reserve fund credit shall be determined. The credit shall equal the lesser of: (a) the expected reduction in the reserve requirement (as specified in the Indenture), if any, associated with the redemption of Outstanding Bonds with proceeds of the One-Time Special Tax, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds with proceeds of the One-Time Special Tax from the balance in the reserve fund on the determination date of the One-Time Special Tax, 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 requirement (as defined in the Indenture).
- Step 10. The One-Time Special Tax is equal to the sum of the amounts computed pursuant to Steps 5, 6, 7 and 8, less the credit computed pursuant to Step 9.

4. Billing and Collection of One-Time Special Tax

The One-Time Special Tax for any Development Phase, as calculated above, shall be levied by means of direct billing of the owners of the Assessor's Parcels for all Pending Development in that Development Phase that has been found to be Non-Compliant Property. The total One-Time Special Taxes required as a result of an Assessor's Parcel of Non-Compliant Property shall be divided proportionately among all of the Pending Development owned by the property owner of such Assessor's Parcel, based on the relative amount of Annual Special Taxes to be levied on and applied to the Assessor's Parcels of Pending Development owned by such property owner in the next Fiscal Year. The resulting One-Time Special Tax levied on each Assessor's Parcel of Pending Development owned by such property owner shall have the same priority and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real

property. CFD No. 2013-3 (IA No. 4) shall effect the levy of the One-Time Special Tax in accordance with the ordinance of the City levying the Special Taxes.

The CFD Administrator shall prepare a bill for the One-Time Special Tax payable with respect to each Assessor's Parcel of Pending Development and shall send such bill to the property owner of such parcel by United States first-class mail, postage prepaid. Said bill shall be so mailed no later than five business days after the date of the calculation, and shall be dated as of the date of such mailing. The One-Time Special Tax shall be due and payable upon the One-Time Special Tax Payment Date. The ownership and billing address for each such Assessor's Parcel shall be ascertained from the records of the Assessor of the County. Each such bill shall state the amount of the One-Time Special Tax payable, the One-Time Special Tax Payment Date, and shall inform the property owner that, if such One-Time Special Tax is not paid by such date, penalties and interest will begin to accrue, foreclosure proceedings may be initiated and a lis pendens may be recorded against the Assessor's Parcel until the One-Time Special Tax is paid.

5. Term; Exemptions

The One-Time Special Tax shall terminate and no longer be levied or collected pursuant to this Rate and Method of Apportionment on the date that is the later of (i) the Fiscal Year immediately following the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds were sold or (ii) Fiscal Year 2054-2055 Property exempt from the levy of the Special Taxes by law or pursuant to the provisions of Section F, below, shall also be exempt from the levy of the One-Time Special Tax.

6. Maximum One-Time Special Tax Disclosure

While the actual One-Time Special Tax shall be calculated based on the methodology delineated in Sections D.1., D.2., and D.3., above, Section 53321(d) of the California Government Code requires that a rate and method of apportionment allow a property owner to estimate the maximum special taxes that could potentially be levied on its property. The Maximum One-Time Special Tax for an Assessor's Parcel may be estimated by utilizing the following methodology:

(a) Residential Property

- Step 1. Divide the Annual Special Tax rate listed in Table 1 for a Dwelling Unit in Land Use Class 1 by the Total Assumed Annual Special Taxes.
- Step 2. Multiply the quotient resulting from Step 1 by the Authorized Bonded Indebtedness. The product of these two numbers is the Maximum One-Time Special Tax for a Dwelling Unit of Residential Property in CFD No. 2013-3 (IA No. 4).

(b) Non-Residential Property

- Step 1. Divide the Annual Special Tax rate listed in Table 1 on an Acreage or on a projected Non-Residential Floor Area basis, whichever is greater, for the Land Use Class in which the Non-Residential Property belongs, by the Total Assumed Annual Special Taxes.

Step 2. Multiply the quotient resulting from Step 1 by the Authorized Bonded Indebtedness. The product of these two numbers is the Maximum One-Time Special Tax on an Acreage or a Non-Residential Floor Area basis for Non-Residential Property in CFD No. 2013-3 (IA No. 4).

E. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

1. Annual Levy

Commencing with Fiscal Year 2015-2016 and for each following Fiscal Year, the Council shall levy the Annual Special Tax as follows:

First: The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Maximum Annual Special Tax for Developed Property.

Second: Determine the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement and Proportionately levy the Annual Special Tax on each Assessor's Parcel of Final Mapped Property until the amount levied on Final Mapped Property is equal to the lesser of (i) the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement, or (ii) 100% of the Intermediate Maximum Annual Special Tax for Final Mapped Property.

Third: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement after the first two steps have been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until the amount levied on Undeveloped Property is equal to the lesser of (i) the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement less the amount levied pursuant to the second step above, or (ii) 100% of the Intermediate Maximum Annual Special Tax for Undeveloped Property.

Fourth: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement after the first three steps have been completed, then the Annual Special Tax levy on each Assessor's Parcel of Final Mapped Property and Undeveloped Property shall be increased in equal percentages from the Intermediate Maximum Annual Special Tax up to 100% of the Maximum Annual Special Tax for Final Mapped Property and Undeveloped Property until the Final Mapped Property/Undeveloped Property Annual Special Tax Requirement is satisfied.

Fifth: Determine the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement and Proportionately levy the Annual Special Tax on each Assessor's Parcel of Taxable Property Owner Association Property until the amount levied on Taxable Property Owner Association Property is equal to the lesser of (i) the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement or (ii) 100% of the Maximum Annual Special Tax for Taxable Property Owner Association Property.

Sixth: If additional monies are needed to satisfy the Taxable Property Owner Association Property/Taxable Public Property Annual Special Tax Requirement after the fifth step has been completed, then the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until the amount levied on Taxable Public Property is equal to the lesser of (i) the Taxable Property Owner Association Property/Taxable Public Property

Annual Special Tax Requirement less the amount levied pursuant to the fifth step above, or (ii) 100% of the Maximum Annual Special Tax for Taxable Public Property.

F. EXEMPTIONS

No Special Tax shall be levied on up to (i) 65.71 Acres of Property Owner Association Property in CFD No. 2013-3 (IA No. 4), (ii) 75.49 Acres of Public Property in CFD No. 2013-3 (IA No. 4), and (iii) 0 Acres of Church Property in CFD No. 2013-3 (IA No. 4). No Special Tax shall be levied on Affordable Housing, Moderate Affordable Units, and Moderate Affordable Senior Units provided that the number of such Dwelling Units in CFD No. 2013-3 (IA No. 4) does not cause the total of such Dwelling Units within CFD No. 2013-3 to exceed 1,048 Dwelling Units. Once 1,048 Dwelling Units have been assigned to these three categories, all additional Affordable Housing, Moderate Affordable Units, and Moderate Affordable Senior Units Dwelling Units shall be subject to the Special Tax Rates assigned to comparable-sized market rate Dwelling Units, as listed in Table 1. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2013-3 (IA No. 4) becomes Public Property, Property Owner Association Property, Church Property, Affordable Housing, Moderate Affordable Units, or Moderate Affordable Senior Units. However, should an Assessor’s Parcel no longer be classified as Public Property, Property Owner Association Property, Church Property, Affordable Housing, Moderate Affordable Units, or Moderate Affordable Senior Units, it will, from that point forward, be subject to the Special Tax.

Property Owner Association Property or Public Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Annual Special Tax (as well as the One-Time Special Tax) and shall be taxed Proportionately as part of the fifth step and sixth step in Section E above, respectively, at up to 100% of the applicable Maximum Annual Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

Church Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Annual Special Tax (as well as the One-Time Special Tax) and shall be taxed Proportionately as Other Non-Residential Property in Section E above, at up to 100% of the applicable Maximum Annual Special Tax for Other Non-Residential Property.

Affordable Housing, Moderate Affordable Units, and Moderate Affordable Senior Units that are not exempt from the Special Tax under this section shall be subject to the levy of the Annual Special Tax (as well as the One-Time Special Tax) and shall be taxed Proportionately as Residential Property in Section E above, at up to 100% of the applicable Maximum Annual Special Tax for the applicable Land Use Class 1-29, based on whether the Dwelling Unit is attached or detached and its square footage.

Notwithstanding the foregoing paragraphs, prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, if an Assessor’s Parcel subject to the Special Tax becomes Public Property, the Assessor’s Parcel shall be deemed Exempt Property and shall be exempt from the levy of the Special Tax so long as such Assessor’s Parcel remains Public Property.

Assessor’s Parcels or Units that are exempt from the levy of the Annual Special Tax under this Section F are also exempt from the payment of any One-Time Special Taxes.

G. MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the City, through the CFD Administrator may (i) directly bill the Annual Special Tax (as well as the One-Time Special Tax), and/or may collect Special Taxes at a different time or in a different manner if necessary to meet financial obligations or as otherwise required herein and (ii) may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels. All direct billings shall be due within 30 days of the billing date.

H. APPEALS AND INTERPRETATIONS

Any landowner who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to the CFD Administrator. The CFD Administrator shall review the appeal and if the City concurs, a refund shall be provided that is consistent with statutory requirements in the Revenue and Taxation Code. The CFD Administrator may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner appeals.

I. PREPAYMENT OF ANNUAL SPECIAL TAX

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2013-3 (IA No. 4) is permitted to prepay a portion of the Maximum Annual Special Tax (the "Prepayable Portion of the Annual Special Tax"). The obligation of the Assessor's Parcel to pay the Prepayable Portion of the Annual Special Tax may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a building permit for construction has been issued after January 1, 2014, and 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 fully or partially prepay the Prepayable Portion of the Annual Special Tax 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 for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds, prepayment must be made not less than 30 days prior to a date that notice of redemption of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds from the proceeds of such prepayment must be given by the Trustee pursuant to the Indenture. No portion of the Maximum Annual Special Tax other than the Prepayable Portion of the Annual Special Tax may be prepaid. Only Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds may be redeemed as the result of any prepayment in this Section I. Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the percentages identified in Section I (in connection with the calculation of the Prepayable Portion of the Residential Property Annual Special Tax and the Prepayable Portion of the Non-Residential Property Annual Special Tax) and Section J may be changed to reflect changes in development, without the need for any proceedings to make changes permitted under the Act.

1. Full Prepayment of the Prepayable Portion of the Annual Special Tax

The full Prepayment Amount of the Prepayable Portion of the Annual Special Tax shall be the Prepayment Amount identified in Section (a) below, for Residential Property, and the Prepayment Amount identified in Section (b) below for Non-Residential Property.

(a) Residential Property

As of the proposed date of prepayment, the full Prepayment Amount for Residential Property Annual Special Taxes shall be determined by application of the following steps:

- Step 1. Determine the number of future years remaining until the Fiscal Year in which the fortieth anniversary of the date on which the first issue of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds was sold occurs, not including the current Fiscal Year. If Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds have not yet been issued, the number shall be 40.
- Step 2. Determine the Maximum Annual Special Tax being levied in the current Fiscal Year on the Assessor's Parcel prepaying the Annual Special Tax (under the assumption that the Assessor's Parcel is Developed Property).
- Step 3. Multiply the Maximum Annual Special Tax calculated pursuant to Step 2 by 75.92% (the "Prepayable Portion of the Residential Property Annual Special Tax").
- Step 4. Determine the amount of Annual Special Tax levied in the current Fiscal Year on such Assessor's Parcel which has not yet been paid and multiply this amount by 75.92%.
- Step 5. The Prepayment Amount determined under this Section (a) shall be computed by calculating the sum of the following: (i) the net present value of the flow of annual revenues from the Prepayable Portion of the Residential Property Annual Special Tax as determined under Step 3, for the number of years identified in Step 1, escalated annually by 2.0%, using a discount rate equal to the Discount Rate; and (ii) the unpaid current Fiscal Year's Prepayable Portion of the Residential Property Annual Special Tax as determined under Step 4 (collectively, the "Prepayment Amount").

(b) Non-Residential Property

As of the proposed date of prepayment, the full Prepayment Amount for Non-Residential Property Annual Special Taxes shall be determined by application of the following steps:

- Step 1. Determine the number of future years remaining until the Fiscal Year in which the fortieth anniversary of the date on which the first issue of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds was sold occurs, not including the current Fiscal Year. If Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds have not yet been issued, the number shall be 40.
- Step 2. Determine the Maximum Annual Special Tax being levied in the current Fiscal Year on the Assessor's Parcel prepaying the Annual Special Tax (under the assumption that the Assessor's Parcel is Developed Property).
- Step 3. Multiply the Maximum Annual Special Tax calculated pursuant to Step 2 by 74.20% (the "Prepayable Portion of the Non-Residential Annual Special Tax").

- Step 4. Determine the amount of Annual Special Tax levied in the current Fiscal Year on such Assessor’s Parcel which has not yet been paid and multiply this amount by 74.20%.
- Step 5. The Prepayment Amount determined under this Section (b) shall be computed by calculating the sum of the following: (i) the net present value of the flow of annual revenues from the Prepayable Portion of the Non-Residential Annual Special Tax as determined under Step 3, for the number of years identified in Step 1, escalated annually by 2.0%, using a discount rate equal to the Discount Rate; and (ii) the unpaid current Fiscal Year’s Prepayable Portion of the Non-Residential Annual Special Tax as determined under Step 4 (collectively, the “Prepayment Amount”).

2. Partial Prepayment of the Prepayable Portion of the Special Tax

The amount of the partial prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = PE \times F$$

These terms have the following meaning:

- PP = the Partial Prepayment Amount of the Prepayable Portion of the Annual Special Tax
 PE = the Prepayment Amount of the Prepayable Portion of the Annual Special Tax calculated according to Section I.1.(a) (for Residential Property) or Section I.1.(b) (for Non-Residential Property).
 F = the percentage, expressed as a decimal, by which the owner of the Assessor’s Parcel is partially prepaying the Prepayable Portion of the Annual Special Tax.

3. General Provisions Applicable to Prepayment

(a) Use of Prepayments

Subsequent to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the Prepayment Amount of the Prepayable Portion of the Annual Special Tax shall be applied in the following order of priority: (i) to be deposited into specific funds established under the Indenture, to fully or partially retire as many Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds as possible, and, if amounts are less than \$5,000, to make debt service payments on the Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, (ii) to finance Group A Facilities and/or Group B Facilities, as identified in the Amended and Restated Development Agreement, and (iii) to be remitted to the City and used for any Authorized Facilities or Authorized Services in accordance with the Amended and Restated Development Agreement. Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the Prepayment Amount of the Prepayable Portion of the Annual Special Tax shall be applied in the following order of priority: (i) to finance Group A and/or Group B Facilities, as identified in the Amended and Restated Development Agreement, and (ii) to be remitted to the City and used for any Authorized Facilities or Authorized Services in accordance with the Amended and Restated Development Agreement.

(b) Full Prepayment of the Prepayable Portion of the Special Tax

Upon confirmation of the payment of the current Fiscal Year's entire Prepayable Portion of the Annual Special Tax, the CFD Administrator shall remove the current Fiscal Year's Prepayable Portion of the Annual Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in accordance with Section I.1, the CFD Administrator shall indicate in the records of CFD No. 2013-3 (IA No. 4) that there has been a prepayment of the Prepayable Portion of the Annual Special Tax and that a portion of the Maximum Annual Special Tax with respect to such Assessor's Parcel, equal to 24.08% of the Maximum Annual Special Tax for Residential Property and 25.80% of the Maximum Annual Special Tax for Non-Residential Property, shall continue to be levied on such Assessor's Parcel pursuant to Section E.

(c) Partial Prepayment of the Prepayable Portion of the Special Tax

Upon confirmation of the payment of a portion of the current Fiscal Year's Prepayable Portion of the Annual Special Tax, the CFD Administrator shall remove a portion of the current Fiscal Year's Prepayable Portion of the Annual Special Tax levy for such Assessor's Parcel from the County tax rolls equal to that amount included in the partial prepayment for such Assessor's Parcel determined in Section I.2. With respect to any Assessor's Parcel that is partially prepaid in accordance with Section I.2, the CFD Administrator shall indicate in the records of CFD No. 2013-3 (IA No. 4) that there has been a partial prepayment of the Prepayable Portion of the Annual Special Tax and that a portion of the Maximum Annual Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage $[1.00 - (.7592 \times F)]$ multiplied by the Maximum Annual Special Tax for Residential Property and $[1.00 - (.7420 \times F)]$ multiplied by the Maximum Annual Special Tax for Non-Residential Property shall continue to be levied on such Assessor's Parcel pursuant to Section E.

(d) Debt Service Coverage

Notwithstanding the foregoing, no prepayment of the Prepayable Portion of the Annual Special Tax shall be allowed unless, at the time of such proposed prepayment, the Annual Special Tax that may be levied on Taxable Property within CFD No. 2013-3 (IA No. 4) in all Fiscal Years (after excluding 65.71 Acres of Property Owner Association Property, 75.49 Acres of Public Property, 0 Acres of Church Property, and the expected number of Affordable Property, Moderate Affordable Units, and Moderate Affordable Senior Units that will be Exempt Property in CFD No. 2013-3 (IA No. 4) as set forth in Section F), both prior to and after the proposed prepayment, is at least equal to the Debt Service Coverage times the debt service necessary to support the remaining Outstanding Bonds.

J. TERM OF ANNUAL SPECIAL TAX

83.51% of the Maximum Annual Special Tax on Residential Property and 81.62% of the Maximum Annual Special Tax on Non-Residential Property shall terminate and no longer be levied or collected pursuant to this Rate and Method of Apportionment on the date that is the later of (i) the Fiscal Year immediately following the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds were sold or (ii) Fiscal Year 2054-2055. The remaining portion of the Annual Special Tax for both Residential Property and Non-Residential Property shall be levied into perpetuity.

Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 4) Bonds, the termination percentages listed immediately above may be changed to reflect changes in development, without the need for any proceedings to make changes permitted under the Act.

K. NO EXTENSION OR MODIFICATION OF AMENDED AND RESTATED DEVELOPMENT AGREEMENT

Notwithstanding any reference to the Amended and Restated Development Agreement, nothing herein shall incorporate extensions to or modifications of the Amended and Restated Development Agreement in to the Rate and Method of Apportionment.

[http://localhost/resources/Clients/Irvine/Great Park/2014 \(Formation-IA4_IA5\)/RMA/RMA for IA 4_Final.doc](http://localhost/resources/Clients/Irvine/Great Park/2014 (Formation-IA4_IA5)/RMA/RMA for IA 4_Final.doc)

Exhibit A

AMENDMENT TO ANNUAL SPECIAL TAX OF THE
RATE AND METHOD OF APPORTIONMENT
IMPROVEMENT AREA NO. 4

CERTIFICATE TO AMEND ANNUAL SPECIAL TAX

CITY OF IRVINE AND CFD NO. 2013-3 (IA NO. 4) CERTIFICATE

1. Pursuant to Section 1.3.(b)(ii) of the Rate and Method of Apportionment, as attached to the Notice of Special Tax Lien, recorded in the Official Records of the County of Orange as Instrument No. 2014-000432725 on 10/24/2014, the City of Irvine ("City") and City of Irvine Community Facilities District No. 2013-3 ("CFD No. 2013-3 (IA No. 4)") hereby reduce some or all of the Maximum Annual Special Taxes for Residential Property or the Special Taxes for Non-Residential Property set forth in Table 1 of the Rate and Method of Apportionment for CFD No. 2013-3 (IA No. 4).

The information in Table 1 relating to the Fiscal Year 2016-2017 Maximum Annual Special Tax for Developed Property within CFD No. 2013-3 (IA No. 4) shall be amended and restated in full as follows:

Land Use Class	Description	Maximum Special Tax
1	DETACHED RESIDENTIAL PROPERTY (=> 5,700 SF)	\$17,344.08 per Dwelling Unit
2	DETACHED RESIDENTIAL PROPERTY (5,450 SF - 5,699 SF)	\$16,750.44 per Dwelling Unit
3	DETACHED RESIDENTIAL PROPERTY (5,200 SF - 5,449 SF)	\$15,865.08 per Dwelling Unit
4	DETACHED RESIDENTIAL PROPERTY (4,950 SF - 5,199 SF)	\$15,272.46 per Dwelling Unit
5	DETACHED RESIDENTIAL PROPERTY (4,700 SF - 4,949 SF)	\$14,387.10 per Dwelling Unit
6	DETACHED RESIDENTIAL PROPERTY (4,450 SF - 4,699 SF)	\$13,886.28 per Dwelling Unit
7	DETACHED RESIDENTIAL PROPERTY (4,200 SF - 4,449 SF)	\$13,202.88 per Dwelling Unit
8	DETACHED RESIDENTIAL PROPERTY (3,950 SF - 4,199 SF)	\$12,549.06 per Dwelling Unit
9	DETACHED RESIDENTIAL PROPERTY (3,700 SF - 3,949 SF)	\$11,411.00 per Dwelling Unit
10	DETACHED RESIDENTIAL PROPERTY (3,450 SF - 3,699 SF)	\$10,687.56 per Dwelling Unit
11	DETACHED RESIDENTIAL PROPERTY (3,200 SF - 3,449 SF)	\$10,160.22 per Dwelling Unit
12	DETACHED RESIDENTIAL PROPERTY (2,950 SF - 3,199 SF)	\$9,207.54 per Dwelling Unit
13	DETACHED RESIDENTIAL PROPERTY (2,700 SF - 2,949 SF)	\$8,313.00 per Dwelling Unit
14	DETACHED RESIDENTIAL PROPERTY (2,450 SF - 2,699 SF)	\$7,682.64 per Dwelling Unit
15	DETACHED RESIDENTIAL PROPERTY (2,200 SF - 2,449 SF)	\$6,723.84 per Dwelling Unit

Land Use Class	Description	Maximum Special Tax
16	DETACHED RESIDENTIAL PROPERTY (1,950 SF - 2,199 SF)	\$6,161.82 per Dwelling Unit
17	DETACHED RESIDENTIAL PROPERTY (1,700 SF - 1,949 SF)	\$5,434.56 per Dwelling Unit
18	DETACHED RESIDENTIAL PROPERTY (< 1,700 SF)	\$5,214.24 per Dwelling Unit
19	ATTACHED RESIDENTIAL PROPERTY (=> 2,600 SF)	\$6,483.00 per Dwelling Unit
20	ATTACHED RESIDENTIAL PROPERTY (2,400 SF - 2,599 SF)	\$6,192.00 per Dwelling Unit
21	ATTACHED RESIDENTIAL PROPERTY (2,200 SF - 2,399 SF)	\$5,883.00 per Dwelling Unit
22	ATTACHED RESIDENTIAL PROPERTY (2,000 SF - 2,199 SF)	\$5,559.00 per Dwelling Unit
23	ATTACHED RESIDENTIAL PROPERTY (1,800 SF - 1,999 SF)	\$5,221.38 per Dwelling Unit
24	ATTACHED RESIDENTIAL PROPERTY (1,600 SF - 1,799 SF)	\$4,857.24 per Dwelling Unit
25	ATTACHED RESIDENTIAL PROPERTY (1,400 SF - 1,599 SF)	\$4,455.36 per Dwelling Unit
26	ATTACHED RESIDENTIAL PROPERTY (1,200 SF - 1,399 SF)	\$3,968.82 per Dwelling Unit
27	ATTACHED RESIDENTIAL PROPERTY (1,000 SF - 1,199 SF)	\$3,553.68 per Dwelling Unit
28	ATTACHED RESIDENTIAL PROPERTY (800 SF - 999 SF)	\$3,139.56 per Dwelling Unit
29	ATTACHED RESIDENTIAL PROPERTY (< 800 SF)	\$2,928.42 per Dwelling Unit
30	AFFORDABLE HOUSING, MODERATE AFFORDABLE UNITS, AND MODERATE AFFORDABLE SENIOR UNITS	\$0 per Dwelling Unit
31	NON-RESIDENTIAL - COMMERCIAL PROPERTY	\$1.59 per square foot of Non-Residential Floor Area or \$21,981 per Acre, when applied, whichever is greater
32	NON-RESIDENTIAL - INDUSTRIAL PROPERTY	\$1.59 per square foot of Non-Residential Floor Area or \$21,981 per Acre, when applied, whichever is greater
33	NON-RESIDENTIAL - INSTITUTIONAL PROPERTY	\$1.59 per square foot of Non-Residential Floor Area or \$21,981 per Acre, when applied, whichever is greater
34	NON-RESIDENTIAL - OFFICE PROPERTY	\$1.59 per square foot of Non-Residential Floor Area or \$21,981 per Acre, when applied, whichever is greater
35	NON-RESIDENTIAL - AUTO CENTER	\$5.32 per square foot of Non-Residential Floor Area or \$19,492 per Acre, when applied, whichever is greater

Land Use Class	Description	Maximum Special Tax
36	OTHER NON-RESIDENTIAL PROPERTY	\$1.59 per square foot of Non-Residential Floor Area or \$21,981 per Acre, when applied, whichever is greater

2. The information in Section C.1.(b) of the Rate and Method of Apportionment relating to the Maximum Annual Special Tax for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property for Fiscal Year 2016-2017 shall be amended and restated in full as follows:

(i) Intermediate Maximum Annual Special Tax

The Fiscal Year 2016-2017 Intermediate Maximum Annual Special Tax for each Assessor's Parcel of Final Mapped Property and Undeveloped Property shall be \$59,895.42 per Acre, and shall increase thereafter, commencing on July 1, 2017 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Intermediate Maximum Annual Special Tax for the previous Fiscal Year.

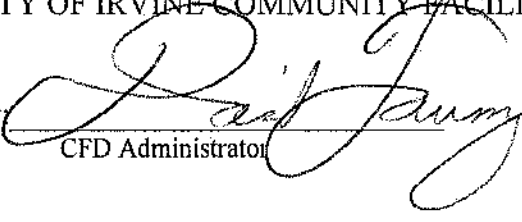
(ii) Maximum Annual Special Tax

The Fiscal Year 2016-2017 Maximum Annual Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$93,954.24 per Acre, and shall increase thereafter, commencing on July 1, 2017 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Annual Special Tax for the previous Fiscal Year.

3. Upon execution of the certificate by the City and CFD No. 2013-3 (IA No. 4), the City shall cause an amended notice of special tax lien for CFD No. 2013-3 (IA No. 4) to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2013-3 (IA No. 4), receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)

By:  Date: 8/30/16
CFD Administrator

CITY OF IRVINE

By:  Date: 8/31/16
Director of Administrative Services

EXHIBIT B

ANNUAL GUARANTEED AMOUNTS FOR CFD No. 2013-3

Fiscal Year	Amount
2015-2016	\$9,500,000
Each Fiscal Year Thereafter, Commencing in Fiscal Year 2016-2017	Increase Amount in Prior Fiscal Year by 3%.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2016 Bonds, Rutan & Tucker, LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2016 Bonds in substantially the following form:

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FORM OF BOND COUNSEL OPINION

September 29, 2016

Community Facilities District No. 2013-3
(Great Park) of the City of Irvine
One Civic Center Plaza
Irvine, California 92606-5207

City of Irvine Community Facilities District No. 2013-3
(Great Park) Improvement Area No. 4
Special Tax Bonds, Series 2016
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to City of Irvine Community Facilities District No. 2013-3 (Great Park) (the “Community Facilities District”) in connection with the issuance by the Community Facilities District of its Improvement Area No. 4 Special Tax Bonds, Series 2016 (the “Bonds”), in the aggregate principal amount of \$135,835,000 pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (being Sections 53311 *et seq.* of the California Government Code) and an Indenture of Trust dated as of June 1, 2016 (the “Indenture”), by and between the Community Facilities District and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Community Facilities District, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Community Facilities District and the Trustee, certificates of the Community Facilities District, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken

or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Community Facilities District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Community Facilities District in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, reports or other engineering or financial details of the proceedings, or upon the Rate and Method or the validity of the Special Tax levied upon any individual parcel.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding special obligations of the Community Facilities District, payable solely from Special Tax Revenues and other assets pledged therefor under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Community Facilities District.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS

Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

“**Act**” means the Mello Roos Community Facilities Act of 1982, constituting Section 53311 et seq. of the California Government Code.

“**Acquisition Agreement**” means the Acquisition Financing Agreement, dated as of March 26, 2013, by and between the City and the Developer, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“**Additional Bonds**” means Bonds other than Series 2016 Bonds issued hereunder in accordance with the provisions of Sections 3.05 and 3.06.

“**Administrative Expense Fund**” means the fund by that name established and held by the Trustee pursuant to Section 5.03.

“**Administrative Expenses**” has the meaning ascribed to such term in the Rate and Method.

“**Amended and Restated Development Agreement**” or “**ARDA**” means the Amended and Restated Development Agreement, dated December 27, 2010, by and among the City, the Developer, and the Irvine Redevelopment Agency, as it may be further amended.

“**Annual Debt Service**” means, for each Bond Year, the sum of (a) the interest due, on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the principal of the Outstanding Bonds due in such Bond Year (including by reason of mandatory sinking fund redemptions).

“**Authorized Denominations**” means (a) with respect to the Series 2016 Bonds, \$5,000 and any integral multiple thereof, and (b) with respect to each Series of Additional Bonds, the authorized denominations for such Series of Additional Bonds specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

“**Authorized Representative**” means the City Manager, the Assistant City Manager, the Director of Administrative Services, the Manager of Fiscal Services, or any other officer or employee authorized by the City Council of the City or by the City Manager, the Assistant City Manager, the Director of Administrative Services, the Manager of Fiscal Services to undertake the action referred to in this Indenture as required to be undertaken by an Authorized Representative.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Beneficial Owners” means those Persons for which the Participants have caused the Depository to hold Book-Entry Bonds.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the Community Facilities District.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.04.

“Bond Year” means each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on the next succeeding September 1.

“Bonds” means the Series 2016 Bonds and any Additional Bonds issued pursuant to Section 3.05 hereof

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the Depository, or the Nominee thereof, as the registered owner thereof pursuant to the terms and provisions of Section 2.07.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“CFD Administrator” means an official of the City, or designee thereof, responsible for providing for the levy and collection of the Special Taxes.

“City” means the City of Irvine, California.

“City Council” means the City Council of the City.

“City Facilities” means the Facilities to be owned by the City plus reimbursements due the City for amounts prior expended.

“Closing Date” means the date upon which the Series 2016 Bonds are delivered to the Original Purchaser, being September 29, 2016.

“Code” means the Internal Revenue Code of 1986.

“Community Facilities District” or **“CFD”** means City of Irvine Community Facilities District No. 2013-3 (Great Park), a community facilities district organized and existing under the laws of the State, and its successors.

“Corresponding Bond Year” means, with respect to any Fiscal Year, the Bond Year that commences in such Fiscal Year.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Community Facilities District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees; initial fees/expenses and charges of the Trustee and its counsel; including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“County” means the County of Orange, a public body, corporate and politic, organized and existing under the laws of the State, and its successors.

“County Assessor” means the Assessor of the County.

“County Auditor” means the Auditor-Controller of the County.

“County Tax Collector” means the Treasurer-Tax Collector of the County.

“Debt Service Coverage” or **“Debt Service Coverage Percentage”** means 132.54%.

“Defeasance Securities” means non-callable direct obligations of the United States of America or other non-callable obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by a pledge of the full faith and credit of the United States of America.

“Depository” means DTC, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to Section 2.07.

“Developer” means Heritage Fields El Toro, LLC, a Delaware limited liability company, and its successors and assigns.

“District Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of June 1, 2016, by and between the Community Facilities District and the Trustee as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York.

“**Facilities**” means the facilities authorized to be financed by the Community Facilities District, as more particularly described in the Resolution of Formation.

“**Fiscal Year**” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Community Facilities District.

“**Flood District**” means the Orange County Flood Control District, and its successors.

“**Flood District Disbursement Request**” means a disbursement request which has been executed by the Community Facilities District and the Flood District.

“**Flood District Facilities**” means the Facilities to be owned by the Flood District.

“**Flood District Joint Community Facilities Agreement**” means the Joint Community Facilities Agreement, dated as of June 24, 2014, by and among the Community Facilities District, the Flood District, and the Developer as originally executed or as the same may be amended from time to time in accordance with its terms.

“**Improvement Area**” or “**IA-4**” means Improvement Area No. 4 of the Community Facilities District, a portion of the Community Facilities District designated as an improvement area by the City Council pursuant to the Act.

“**Indenture**” means this Indenture, dated as of June 1, 2016, by and between the Community Facilities District and The Bank of New York Mellon Trust Company, N.A., as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“**Independent Consultant**” means any consultant or firm of such consultants selected by the Community Facilities District and who, or each of whom (a) is generally recognized to be qualified in the financial consulting field, (b) is in fact independent and not under the control of the Community Facilities District or the City, (c) does not have any substantial interest, direct or indirect, with or in the Community Facilities District or the City, or any owner of real property in the Community Facilities District, or any real property in the Community Facilities District, and (d) is not connected with the Community Facilities District or the City as an officer or employee thereof, but who may be regularly retained to make reports to the Community Facilities District or the City.

“**Interest Account**” means the account by that name within the Bond Fund established and held by the Trustee pursuant to Section 5.04.

“**Interest Payment Dates**” means March 1 and September 1 of each year, commencing March 1, 2017, so long as any Bonds remain Outstanding.

“**Letter of Representations**” means the Letter of Representations from the Community Facilities District to the Depository, in which the Community Facilities District makes certain representations with respect to issues of its securities for deposit by the Depository.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Community Facilities District.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.07.

“Office of the Trustee” means the designated corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Community Facilities District by the Trustee in writing, except that with respect to presentation of the Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“One-Time Special Tax” means the one-time special tax described in the Rate and Method.

“Ordinance Levying Special Taxes” means City Council Ordinance No. 14-02 and any ordinance adopted by the City Council subsequent to the adoption of said ordinance.

“Original Purchaser” means the original purchaser of the Series 2016 Bonds from the Community Facilities District.

“Other Improvement Area Project Account” means, with respect to an improvement area within the boundaries of the Community Facilities District designated by the City Council, pursuant to Section 53350 of the Act, as an improvement area for purposes of the financing of, or contributing to the financing of, the Facilities, the account by that name established under the indenture, trust agreement, fiscal agent agreement or similar instrument, howsoever denominated, pursuant to which bonds of the Community Facilities District for such improvement area are issued.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of Section 11.07, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds with respect to which all liability of the Community Facilities District shall have been discharged in accordance with Section 10.01, and (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee pursuant to Section 2.08.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

“**Participating Underwriter**” has the meaning ascribed to such term in the Continuing Disclosure Agreement.

“**Payment Requisition**” has the meaning ascribed to such term in the Acquisition Agreement.

“**Permitted Investments**” is defined in Exhibit A hereto.

“**Person**” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Principal Account**” means the account by that name within the Bond Fund established and held by the Trustee pursuant to Section 5.04.

“**Project Fund**” means the fund by that name established and held by the Trustee pursuant to Section 3.04.

“**Rate and Method**” means the rate and method of apportionment of the Special Taxes approved by the qualified electors of the Improvement Area on October 14, 2014. Change proceedings were taken by the City Council. See Resolution Nos. 14-106, 14-107, 14-117, 14-118, 14-119, and 14-120.

“**Rebate Fund**” means the fund by that name established and held by the Trustee pursuant to Section 5.07.

“**Rebate Requirement**” has the meaning ascribed to such term in the Tax Certificate.

“**Record Date**” means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“**Redemption Fund**” means the fund by that name established and held by the Trustee pursuant to Section 5.06.

“**Redemption Price**” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant hereto.

“**Registration Books**” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.05.

“**Reserve Fund**” means the fund by that name established and held by the Trustee pursuant to Section 5.05.

“**Reserve Requirement**” means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service, and (d) \$9,936,896.37 being the initial Reserve Requirement.

“Resolution of Formation” means Resolution No. 14-117, adopted by the City Council on October 14, 2014, as originally adopted and as it may be amended or supplemented from time to time.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Community Facilities District.

“Series” means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to this Indenture as the Series 2016 Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2016 Bonds” means the City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4, Special Tax Bonds Series 2016, issued hereunder.

“Special Tax Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.02.

“Special Tax Revenues” means the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, 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, which shall be limited to the amount of said lien and interest and penalties thereon.

“Special Taxes” means the special taxes levied within the Improvement Area pursuant to the Act, the Rate and Method, and the Ordinance Levying Special Taxes, including the One-Time Special Tax.

“State” means the State of California.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means the Tax Certificate executed by the Community Facilities District at the time of issuance of the Series 2016 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Teeter Payments” means payments made pursuant to California Revenue and Taxation Code §§ 4701-4717.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto as Trustee hereunder substituted in its place as provided herein.

“Verification Report” means, with respect to the deemed payment of Bonds pursuant to clause (ii)(B) of Section 10.02(a), a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of Section 10.02(a).

“Water District” means the Irvine Ranch Water District, and its successors

“Water District Disbursement Request” means a disbursement request which has been executed by the Community Facilities District and the Water District.

“Water District Facilities” means the Facilities to be owned by the Water District.

“Water District Joint Community Facilities Agreement” means the Joint Community Facilities Agreement, dated as of March 1, 2014, by and among the Community Facilities District, the Water District and the Developer, as originally executed or as the same may be amended from time to time in accordance with its terms.

“Written Certificate” and **“Written Request”** of the Community Facilities District mean, respectively, a written certificate or written request signed in the name of the Community Facilities District by an Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE BONDS

Authorization of Bonds.

The Community Facilities District hereby authorizes the issuance of the Bonds under and subject to the terms of this Indenture, the Act and other applicable laws of the State. The Bonds may consist of one or more Series of Bonds of varying denominations, dates, maturities, interest rates and other provisions, subject to the provisions and conditions contained herein. The Bonds shall be designated generally as the “City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4, Special Tax Bonds, Series 2016,” each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds.

The Bonds shall be special obligations of the Community Facilities District, payable, as provided herein, solely from Special Tax Revenues and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth herein), the City or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Community Facilities District with the manual or facsimile signature of the Mayor of the City attested by the manual or facsimile signature of the City Clerk. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of such officers who shall have signed or attested

any of the Bonds shall cease to be such officers before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Community Facilities District, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Community Facilities District as though those who signed and attested the same had continued to be such officers, and also any Bonds may be signed and attested on behalf of the Community Facilities District by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the City although at the nominal date of such Bonds any such Person shall not have been such officer of the City.

Authentication of Bonds. Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form as that set forth in Exhibit B hereto for the Series 2016 Bonds, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the Community Facilities District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds.

Transfer and Exchange of Bonds. Any Bond may be transferred upon the Registration Books by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be so surrendered for transfer, the Community Facilities District shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds of a Series pursuant to this Section during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

Book-Entry System.

Prior to the issuance of a Series of Bonds, the Community Facilities District may provide that such Series of Bonds shall initially be issued as Book-Entry Bonds, and in such event, the Bonds of such Series for each maturity date shall be in the form of a separate single fully-registered

Bond (which may be typewritten). Upon initial issuance, the ownership of each such Bond of such Series shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository. The Series 2016 Bonds shall initially be issued as Book-Entry Bonds.

Payment of principal of, and interest and premium, if any, on, any Book-Entry Bond registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

With respect to Book-Entry Bonds, the Community Facilities District and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the Community Facilities District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds of a maturity to be redeemed in the event such Book-Entry Bonds are redeemed in part, (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any amount with respect to principal of, or premium, if any, or interest on Book-Entry Bonds, or (v) any consent given or other action taken by the Depository as Owner.

The Community Facilities District and the Trustee may treat and consider the Person in whose name each Book-Entry Bond is registered in the Registration Books as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal of, and premium, if any, and interest on such Bond, for the purpose of selecting any Bonds, or portions thereof, to be redeemed, for the purpose of giving notices of redemption and other matters with respect to such Book-Entry Bond, for the purpose of registering transfers with respect to such Book-Entry Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the Community Facilities District and the Trustee shall not be affected by any notice to the contrary.

In the event of a redemption of all or a portion of a Book-Entry Bond, the Depository, in its discretion (i) may request the Trustee to authenticate and deliver a new Book-Entry Bond, or (ii) if the Depository is the sole Owner of such Book-Entry Bond, shall make an appropriate notation on the Book-Entry Bond indicating the date and amounts of the reduction in principal thereof resulting from such redemption, except in the case of final payment, in which case such Book-Entry Bond must be presented to the Trustee prior to payment.

The Trustee shall pay all principal of, and premium, if any, and interest on the Book-Entry Bonds only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State) the respective Owner, as shown in the Registration Books, or such Owner’s respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of, and premium, if any, and interest on the Book-Entry Bonds to the extent of the sum or sums so paid. No Person

other than an Owner, as shown in the Registration Books, shall receive an authenticated Book-Entry Bond. Upon delivery by the Depository to the Owners, the Community Facilities District and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

In order to qualify the Book-Entry Bonds for the Depository's book-entry system, the Community Facilities District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Community Facilities District or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Bonds other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the Community Facilities District, the Community Facilities District and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

In the event the Community Facilities District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available, and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Trustee shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Community Facilities District shall discontinue the Book-Entry system with the Depository. If the Community Facilities District determines to replace the Depository with another qualified securities depository, the Community Facilities District shall prepare or direct the preparation of a new single, separate, fully-registered Bond of the appropriate Series for each maturity date of such Book-Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Community Facilities District fails to identify another qualified securities depository to replace the Depository, then the Book-Entry Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.06, 2.08 and 2.09. Whenever the Depository requests the Community Facilities District to do so, the Community Facilities District shall cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Bonds.

Notwithstanding any other provision of this Indenture to the contrary, if the Depository is the sole Owner of the Bonds of a Series, so long as any Book-Entry Bond of such Series is registered in the name of the Nominee, all payments of principal of, and premium, if any, and interest on such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the Community Facilities District or the Trustee, with respect to any consent or other action to be taken by Owners of Book-Entry Bonds, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Community Facilities District, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed in accordance with applicable law and its retention policies then in effect. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Community Facilities District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Community Facilities District may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be incurred by the Community Facilities District and the Trustee. Any Bond of a Series issued under the provisions of this Section in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Community Facilities District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds of such Series secured by this Indenture.

Issuance. The Community Facilities District may, at any time, execute the Series 2016 Bonds and deliver the same to the Trustee. The Trustee shall authenticate the Series 2016 Bonds and deliver the Series 2016 Bonds to the Original Purchaser upon receipt of a Written Request of the Community Facilities District and upon receipt of the purchase price therefor.

Costs of Issuance Fund.

The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to Section 3.02. There shall additionally be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Community Facilities District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the

subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Project Fund and, upon making such transfer, the Costs of Issuance Fund shall be closed. The Trustee may conclusively rely on the Written Requests of the Community Facilities District submitted in accordance with this Section 3.03 as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

If the Costs of Issuance Fund has been closed in accordance with the provisions hereof, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Project Fund.

The Trustee shall establish and maintain a separate fund designated the “Project Fund.”

On the Closing Date, the Trustee shall deposit in the Project Fund the amount specified in Section 3.02(b).

The moneys in the Project Fund shall be used and withdrawn by the Trustee from time to time to pay the costs of the City Facilities, Flood District Facilities, and Water District Facilities upon submission to the Trustee of a Written Request of the Community Facilities District, in a form attached as Exhibit C, stating (i) the Person to whom payment is to be made, (ii) the amount to be paid (which amount may be all or a portion of the amount to be paid pursuant to the statement or invoice submitted with such Written Request of the Community Facilities District), (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a cost of the Facilities or reimbursement to the City and is a proper charge against the Project Fund, (v) that the sum of (A) such amount, plus (B) all amounts previously disbursed from the Project Fund for payment of a portion of the amount to be paid pursuant to the statement or invoice submitted with such Written Request of the Community Facilities District, plus (C) all amounts previously disbursed from all Other Improvement Area Project Funds for payment of a portion of the amount to be paid pursuant to the Payment Request, statement or invoice submitted with such Written Request of the Community Facilities District, plus (D) all amounts to be paid pursuant to all then pending requests for disbursement from the Project Fund for payment of a portion of the amount to be paid pursuant to the Payment Request, statement or invoice submitted with such Written Request of the Community Facilities District, plus (E) all amounts to be paid pursuant to all then pending requests for disbursement from all Other Improvement Area Project Fund for payment of a portion of the amount to be paid pursuant to the Payment Request, statement or invoice submitted with such Written Request of the Community Facilities District, does not exceed the total amount to be paid pursuant to the statement or invoice submitted with such Written Request of the Community Facilities District, and (vi) whether or not the costs of the Facilities are to be paid pursuant to a Request submitted in accordance with a statement or invoice in an amount at least equal to the amount requested pursuant to such Written Request of the Community Facilities District. If, on the date that a Written Request of the Community Facilities District is submitted pursuant to this paragraph, there are insufficient moneys in the Project Fund to pay in full the

amount requested to be paid thereunder, the amount remaining unpaid shall be paid as and to the extent that moneys are subsequently deposited in the Project Fund, but only after the payment in full of all amounts requested pursuant to all previously-dated Written Requests of the Community Facilities District. The Trustee may conclusively rely on the Written Requests of the Community Facilities District submitted in accordance with this Section 3.04 as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

Upon the submission to the Trustee of a Written Certificate of the Community Facilities District (i) stating that the Facilities authorized to be financed from the Project Fund have been completed and that all costs of such Facilities have been paid, or (ii) that the Facilities authorized to be financed from the Project Fund will be _____ by a date certain; such date is projected to be September 29, 2019, the Trustee shall transfer any excess to the City to be distributed pursuant to the ARDA. The Community Facilities District shall provide the Developer with 20 days' prior written notice of the Community Facilities District's intention to submit a Written Request of the Community Facilities District pursuant to this paragraph.

On the later of (i) the date that amounts are transferred in accordance with a Written Certificate of the Community Facilities District received pursuant to the preceding paragraph, or (ii) the date that all of any amount retained in the Project Fund pursuant to the preceding paragraph is expended, the Project Fund shall be closed.

Conditions for the Issuance of Additional Bonds. The Community Facilities District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2016 Bonds) payable from Special Tax Revenues as provided herein on a parity with all other Bonds theretofore issued hereunder, but only subject to the following conditions, which are hereby made conditions precedent to the issuance of such Additional Bonds:

upon the issuance of such Additional Bonds, no Event of Default shall have occurred and be continuing hereunder;

the issuance of such Additional Bonds shall have been authorized under and pursuant to this Indenture and the Act and shall have been provided for by a Supplemental Indenture which shall specify the following:

the purposes for which the proceeds of such Additional Bonds are to be applied, which purposes may only include one or more of (A) providing funds to refund any Bonds previously issued hereunder, (B) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, (C) providing funds to pay interest on such Additional Bonds for a specified period, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (vii) below;

the principal amount and designation of such Series of Additional Bonds and the interest rate to be borne by each maturity of such Additional Bonds;

that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve months;

the maturity dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that each such maturity date and date on which a mandatory sinking fund redemption is to be made shall be a September 1 and, provided, further, that serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

the redemption premiums and terms, if any, for such Additional Bonds;

the form of such Additional Bonds;

the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Fund; provided, however, that the amount on deposit in the Reserve Fund at the time that such Additional Bonds become Outstanding shall be at least equal to the Reserve Requirement; and

such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof.

The Community Facilities District shall have received a certificate or certificates from an Independent Consultant certifying that (i) such Additional Bonds are being issued to refund previously issued Bonds, and (ii) Annual Debt Service in each Bond Year, calculated for all Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds which are Outstanding immediately prior to the issuance of such Additional Bonds.

Nothing contained herein shall limit the issuance of any special tax bonds payable from Special Taxes if, after the issuance and delivery of such special tax bonds, none of the Bonds theretofore issued hereunder will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds shall be executed by the Community Facilities District for issuance hereunder and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

a certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

a Written Request of the Community Facilities District as to the delivery of such Additional Bonds;

a Written Certificate of the Community Facilities District stating that the conditions precedent to the issuance of such Additional Bonds specified in Section 3.05 have been satisfied;

an opinion of Bond Counsel substantially to the effect that (i) this Indenture and all Supplemental Indentures have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Community Facilities District, enforceable in accordance with

their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State), and (ii) such Additional Bonds constitute valid and binding special obligations of the Community Facilities District and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State);

the proceeds of the sale of such Additional Bonds; and

such further documents or money as are required by the provisions hereof or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Additional Bonds. So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any Additional Bonds or obligations payable from Special Tax Revenues on a parity with the Bonds, except pursuant to Sections 3.05 and 3.06. So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any obligations payable from Special Tax Revenues on a basis senior to the Bonds. The Community Facilities District may issue obligations payable from Special Tax Revenues on a basis subordinate to the Bonds, without complying with Sections 3.05 and 3.06.

SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS

Pledge. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of this Indenture and the Act, the Community Facilities District hereby pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Fund, and the Reserve Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Community Facilities District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

Special Tax Fund.

The Trustee shall establish and maintain a separate fund designated the "Special Tax Fund." No later than ten (10) Business Days after the receipt by the Community Facilities District of any Special Tax Revenues, the Community Facilities District shall transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund.

With respect to any such Special Tax Revenues that represent Special Tax prepayments (herein "Prepaid Special Taxes"), (i) said Prepaid Special Taxes shall be identified as such in a

Written Certificate of the Community Facilities District delivered to the Trustee at the time such Prepaid Special Taxes are transferred to the Trustee, (ii) the portion of such Prepaid Special Taxes that, pursuant to the Rate and Method, is to be applied to the Redemption Price of the Bonds shall be identified in such Written Certificate of the Community Facilities District, shall be deposited by the Trustee in the Redemption Fund and shall be applied to the redemption of Bonds pursuant to Section 4.01(b) and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, and (iii) the portion of such Prepaid Special Taxes that, pursuant to the Rate and Method, is to be applied to the payment of interest on the Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities District, shall be deposited by the Trustee in the Interest Account and shall be applied to the payment of such interest, and (iv) that portion of such Prepaid Special Taxes that, pursuant to the Rate and Method, shall be utilized for other purposes shall be transferred to the City to be expended in the manner specified in the Rate and Method.

With respect to any such Special Tax Revenues that represent One-Time Special Taxes, (i) said One-Time Special Taxes shall be identified as such in a Written Certificate of the Community Facilities District delivered to Trustee at the time such One-Time Special Taxes are transferred to the Trustee, (ii) the portion of such One-Time Special Taxes that, pursuant to the Rate and Method, is to be applied to the Redemption Price of the Bonds shall be identified in such Written Certificate of the Community Facilities District, shall be deposited by the Trustee in the Redemption Fund and shall be applied to the redemption of Bonds pursuant to Section 4.01(b) and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, and (iii) the portion of such One-Time Special Taxes that, pursuant to the Rate and Method, is to be applied to the payment of interest on the Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities District, shall be deposited by the Trustee in the Interest Account and shall be applied to the payment of such interest.

On the fifth (5th) Business Day immediately preceding each Interest Payment Date, the Trustee shall make the following transfers in the following order of priority:

Interest Account. The Trustee shall transfer from the Special Tax Fund to the Interest Account of the Bond Fund the amount, if any, necessary to cause the amount on deposit in the Interest Account of the Bond Fund to be equal to the interest due on the Bonds during the remainder of the then-current Bond Year

Principal Account. After having made any transfers required to be made pursuant to the preceding paragraph (i), the Trustee shall transfer from the Special Tax Fund to the Principal Account of the Bond Fund the amount, if any, necessary to cause the amount on deposit in the Principal Account of the Bond Fund to be equal to the principal, if any, due on the Bonds during the remainder of then-current Bond Year, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds; and

Reserve Fund. After having made any transfers required to be made pursuant to the preceding paragraphs (i) and (ii), the Trustee shall transfer from the Special Tax Fund to the Reserve Fund the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement.

Subsequent to depositing (i) in the Interest Account, the amount of interest payable on the Bonds in the then-current Bond Year, (ii) in the Principal Account, the principal amount of the Bonds payable in the then-current Bond Year, and (iii) in the Reserve Fund, the amount, if any, required to be so deposited pursuant to the provisions of paragraph (iii) of subsection (d) above, upon receipt of a Written Request of the Community Facilities District, the Trustee shall withdraw from the Special Tax Fund and transfer to the Administrative Expense Fund the amount specified in such Written Request of the Community Facilities District as the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses.

Within five (5) Business Days of the full funding of the Interest Account, the Principal Account, the Reserve Fund, and the Administrative Expense Fund as provided above, the Trustee shall transfer from the Special Tax Fund to the City any amount remaining in the Special Tax Fund for allocation, distribution, and payment by the City pursuant to Section 7.6 of the Amended and Restated Development Agreement.

Administrative Expense Fund.

The Trustee shall establish and maintain a special fund designated the “Administrative Expense Fund.” The Trustee shall deposit in the Administrative Expense Fund the amount specified in Section 3.02(c). The Trustee shall deposit in the Administrative Expense Fund the amounts transferred from the Special Tax Fund and required to be deposited therein pursuant to Section 5.02(e).

The moneys in the Administrative Expense Fund shall be used and withdrawn by the Trustee from time to time to pay the Administrative Expenses upon submission of a Written Request of the Community Facilities District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred and that such purpose constitutes an Administrative Expense, (iv) that such payment is a proper charge against the Administrative Expense Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Administrative Expense Fund; in each case together with a statement or invoice for each amount requested thereunder. The Trustee may conclusively rely on requisitions submitted in accordance with this Section 5.03 as complete authorization for the disbursements made pursuant thereto and shall not be responsible for any representations or certifications made therein.

Bond Fund.

The Trustee shall establish and maintain a separate fund designated the “Bond Fund.” Within the Bond Fund, the Trustee shall establish and maintain a separate account designated the “Principal Account,” and a separate account designated the “Interest Account. The Trustee shall deposit in the Interest Account and the Principal Account from time to time the amounts required to be deposited therein pursuant to Section 5.02(d). There shall additionally be deposited in the Interest Account the portion, if any, of the proceeds of the sale of Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Interest Account are insufficient to pay the interest on the Bonds due and payable on such Interest Payment Date, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Interest Account.

On each Interest Payment Date, the Trustee shall withdraw from the Interest Account, for payment to the Owners of the Bonds the interest on the Bonds then due and payable.

In the event that, on the Business Day prior to a September 1 on which principal of the Bonds is due and payable, including principal due and payable by reason of mandatory sinking fund redemption of the Bonds, amounts in the Principal Account are insufficient to pay such principal, after having withdrawn any amounts from the Reserve Fund required to be withdrawn therefrom on such date pursuant to subsection (b) of this Section, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Principal Account.

On each September 1 on which principal of the Bonds is due and payable, including principal due and payable by reason of mandatory sinking fund redemption of the Bonds, the Trustee shall withdraw from the Principal Account for payment to the Owners of the Bonds such principal then due and payable.

Reserve Fund.

The Trustee shall establish and maintain a special fund designated the "Reserve Fund." On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount specified in Section 3.02. The Trustee shall deposit in the Reserve Fund from time to time the amounts required to be deposited therein pursuant to Section 5.02(d). There shall additionally be deposited in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Except as otherwise provided in this Section, amounts in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Interest Account in accordance with Section 5.04(b) in the event of any deficiency at any time in the Interest Account of the amount then required for payment of the interest on the Bonds, (ii) making transfers to the Principal Account in accordance with Section 5.04(d) in the event of any deficiency at any time in the Principal Account of the amount then required for payment of the principal of the Bonds, and (iii) redeeming Bonds in accordance with the provisions of this Section.

Whenever Bonds are to be optionally redeemed or redeemed from Special Tax Prepayments or One-Time Special Taxes, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the date on which amounts to redeem such Bonds are deposited in the Redemption Fund or otherwise deposited with the Trustee pursuant to Section 10.02, be transferred by the Trustee from the Reserve Fund to the Redemption Fund or to such deposit held by the Trustee and shall be applied to the redemption of said Bonds; provided, however, that such amount shall be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement

(excluding from the calculation thereof said Bonds to be redeemed). Such proportionate share shall be equal to the largest integral multiple of the minimum Authorized Denomination for said Bonds that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

Whenever the sum of the balances in the Reserve Fund, the Special Tax Fund, the Bond Fund and the Redemption Fund equals 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 Trustee shall give written notice thereof to the Community Facilities District and, upon receipt of a Written Request of the Community Facilities District, transfer the amount in the Reserve Fund to the Interest Account, Principal Account and/or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

If, as a result of the scheduled payment of principal of or interest on the Bonds, the Reserve Requirement is reduced, provided, however, that such amount shall be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement, the Trustee shall transfer an amount equal to the amount of such reduction to the Interest Account.

Redemption Fund.

The Trustee shall establish and maintain a special fund designated the "Redemption Fund." The Trustee shall deposit in the Redemption Fund (i) amounts received from the Community Facilities District in connection with the Community Facilities District's exercise of its rights to optionally redeem Bonds, (ii) the portion of Prepaid Special Taxes and One-Time Special Taxes required to be deposited therein pursuant to Section 5.02(b) and 5.02(c), (iii) amounts required to be transferred to the Redemption Fund from the Project Fund pursuant to Section 3.04(c), (iv) amounts required to be transferred to the Redemption Fund from the Reserve Fund pursuant to Section 5.05(c) or Section 5.05(d), and (v) amounts required to be deposited therein pursuant to any Supplemental Indenture.

Amounts in the Redemption Fund shall be disbursed therefrom for the payment of the Redemption Price of Series 2016 Bonds redeemed pursuant to Section 4.01(a) or Section 4.01(b) and for the payment of the Redemption Price of Additional Bonds redeemed under the Supplemental Indenture pursuant to which such Additional Bonds are issued (other than mandatory sinking fund redemptions thereof).

Rebate Fund.

The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of

America in accordance with the written direction of the Community Facilities District. Notwithstanding defeasance of the Bonds pursuant to Article X or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall incur no liability for acting upon the written directions of the Community Facilities District, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Community Facilities District's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District's calculations, and shall not have any responsibility for, or deemed to have knowledge of, the terms of the Tax Certificate.

Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in this Section, shall, upon receipt by the Trustee of a Written Request of the Community Facilities District, be withdrawn by the Trustee and remitted to the Community Facilities District.

Investment of Moneys.

Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the Community Facilities District received by the Trustee no later than two Business Days prior to the making of such investment. Moneys in all such funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Indenture; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds and, provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent a timely Written Request of the Community Facilities District with respect to the investment of moneys in any of the funds or accounts established pursuant to this Indenture, the Trustee shall hold such moneys uninvested. The Trustee is entitled to conclusively rely on the investment direction of the Community Facilities District as to the suitability or legality of the directed investments.

Subject to the provisions of Section 5.07, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture (other than the Reserve Fund) shall be retained therein. Subject to the provisions of Section 5.07, all interest, profits or other income received from the investment of moneys in the Reserve Fund shall, prior to the date on which a Written Certificate of the Community Facilities District is delivered to the Trustee pursuant to Section 3.04(c), be transferred to the Project Fund and, thereafter, shall be deposited in the Interest Account; provided, however, that, notwithstanding the foregoing, any such transfer shall be made only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

Permitted Investments acquired as an investment of moneys in any fund or account established under this Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued by the Trustee at the market value thereof (without regard to costs incurred in the acquisition or disposition thereof, including breakage, unwind or other similar fees), such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15. To the extent of any valuations to be made by the Trustee hereunder, the Trustee may utilize generally recognized securities pricing services that may be available to it (including brokers and dealers in securities), including those available through its regular accounting system. Any Permitted Investment that is a registrable security shall be registered in the name of the Trustee.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Community Facilities District, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established hereunder. The Trustee, in making or disposing of any investment permitted by this Section, may deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as a principal for its own account.

The Community Facilities District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Community Facilities District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Community Facilities District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Community Facilities District periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder.

COVENANTS

Collection of Special Tax Revenues.

The Community Facilities District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Prior to August 1 of each year, the Community Facilities District shall ascertain from the County Assessor the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. The Community Facilities District shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance Levying Special Taxes by each August 10, or otherwise such that the computation of the levy is complete before the final date on which the County Auditor will accept the transmission of the Special Tax amounts for the parcels within the Improvement Area for inclusion on the next

real property tax roll. Upon the completion of the computation of the amounts of the levy, the Community Facilities District shall prepare or cause to be prepared, and shall transmit to the County Auditor, such data as the County Auditor requires to include the levy of the Special Taxes other than the One-Time Special Taxes on the next real property tax roll.

The Community Facilities District shall fix and levy the amount of Special Taxes within the Improvement Area in each Fiscal Year in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount at least sufficient to yield Special Tax Revenues in the amount required for (i) the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Corresponding Bond Year, (ii) any necessary replenishment of the Reserve Fund, and (iii) the payment of Administrative Expenses estimated to be paid from such Special Tax Revenues, taking into account the balances in the funds and accounts established hereunder.

The Special Taxes other than the One-Time Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable (or in such other manner as the City Council shall determine, including direct billing of the affected property owners), and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Pursuant to Section D of the Rate and Method, the Community Facilities District shall calculate and direct-bill the One-Time Special Taxes. Once imposed pursuant to the Rate and Method, the One-Time Special Taxes shall be deemed Special Taxes within the meaning of this Indenture and, once collected, shall be deemed a portion of prepaid Special Taxes to be utilized exclusively to redeem Bonds.

Foreclosure. The Community Facilities District hereby covenants that it will, within 150 days of a delinquency in the payment of any Special Taxes (other than One-Time Special Taxes), forthwith undertake and diligently prosecute foreclosure proceedings to collect such delinquent amounts; provided, however, that if the amount collected from any source, including Teeter Payments, is greater than 92.5% of the aggregate amount of Special Taxes levied (other than One-Time Special Taxes) and the Reserve Requirement is fully satisfied, the Community Facilities District shall not be required to undertake such foreclosure proceedings, unless it is determined that any single property owner is delinquent in excess of \$10,000 in the payment of the Special Taxes applicable to such property owner's property in which case the Community Facilities District shall diligently institute, prosecute and pursue such foreclosure proceedings against such property. Upon the redemption or sale of the real property responsible for such delinquencies, the Community Facilities District shall deposit in the Special Tax Fund the net proceeds of such redemption or sale. The Community Facilities District further covenants that it will, within 60 days of a delinquency in the payment of any One-Time Special Taxes, forthwith undertake and diligently prosecute foreclosure proceedings to collect such delinquent amounts. Upon the redemption or sale of the real property responsible for such delinquencies, the Community Facilities District shall deposit in the Redemption Fund the net proceeds of such redemption or sale.

Compliance with Act. The Community Facilities District shall comply with all applicable provisions of the Act.

Punctual Payment. The Community Facilities District shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Special Tax Revenues and other assets pledged for such payment as provided in this Indenture and received by the Community Facilities District or the Trustee.

Extension of Payment of Bonds. The Community Facilities District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Community Facilities District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances; Defense of Pledge. The Community Facilities District shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under this Indenture, except as permitted hereby. The Community Facilities District shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created hereby, against all claims and demands of all Persons whomsoever.

Tax Covenants.

The Community Facilities District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2016 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Community Facilities District shall comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2016 Bonds.

In the event that at any time the Community Facilities District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, the Community Facilities District shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

Notwithstanding any provisions of this Section, if the Community Facilities District shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2016 Bonds, the Trustee

may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Non-Cash Payments of Special Taxes. The Community Facilities District shall not authorize owners of taxable parcels within the Improvement Area to satisfy Special Tax obligations by the tender of Bonds unless the Community Facilities District shall have first obtained a report of an Independent Consultant certifying that doing so would not result in the Community Facilities District having insufficient Special Tax Revenues to pay the principal of and interest on all Outstanding Bonds when due.

Reduction in Special Taxes. The Community Facilities District shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Continuing Disclosure.

The Community Facilities District and the Trustee shall comply with and carry out all of the provisions of the District Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of this Indenture, failure of the Community Facilities District or the Trustee to comply with the District Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2016 Bonds, and upon receipt of indemnification reasonably satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Series 2016 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Accounting Records. The Community Facilities District shall keep or cause to be kept appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Special Taxes, which records shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions.

State Reporting. If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal of or interest on the Bonds, the Trustee shall notify the Community Facilities District in writing of such failure or withdrawal, and the Community Facilities District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within ten days of the failure to make such payment or the date of such withdrawal.

Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2017 and continuing until the October 30 following the final maturity of the Bonds, the Community Facilities District shall supply to the California Debt and Investment Advisory Commission the information required to be provided

thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the Community Facilities District accompanied by a fee determined by the Community Facilities District to pay the costs of the Community Facilities District in connection therewith. The Community Facilities District shall in no event be liable to any Owner or any other person or entity in connection with any error in any such information.

Further Assurances. The Community Facilities District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Indenture.

EVENTS OF DEFAULT AND REMEDIES

Events of Default. The following events shall be Events of Default:

failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

failure by the Community Facilities District to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Community Facilities District by the Trustee, or to the Community Facilities District and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that, if in the reasonable opinion of the Community Facilities District the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Community Facilities District within such 30 day period and the Community Facilities District shall thereafter diligently and in good faith cure such failure in a reasonable period of time, such time not to exceed one hundred eighty (180) days from the date of such written notice of failure.

the commencement by the Community Facilities District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Foreclosure. If an Event of Default shall occur under Section 7.01(a) or Section 7.01(b) then, and in each and every such case during the continuance of such Event of Default, the Trustee may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, commence foreclosure against any parcels of land in the Improvement Area with delinquent Special Taxes, as provided in Section 53356.1 of the Act. Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Law, the Trustee may require that a satisfactory indemnity bond, indemnity

or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and now or hereafter regulated under any Environmental Law, including without limitation, asbestos, petroleum and hydrocarbon products. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action, and such approval cannot be obtained.

Anything herein to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the failure to initiate foreclosure proceedings with respect to the Project unless the Trustee is satisfied that the Trustee will not be subject to any liability under any local, state, or federal environmental laws or regulations of any kind whatsoever or from any circumstances present in the Improvement Area relating to the presence, use, management, disposal or contamination by any environmentally hazardous materials or substances of any kind whatsoever.

Other Remedies. If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

by mandamus, suit, action or proceeding, to compel the Community Facilities District and its officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Community Facilities District and the fulfillment of all duties imposed upon it by this Indenture and the Act;

by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the rights of the Trustee or the Owners; or

by suit, action or proceeding in any court of competent jurisdiction, to require the Community Facilities District and its officers and employees to account as if it and they were the trustees of an express trust.

Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Application of Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Special Tax Revenues and any other funds then held hereunder or thereafter

received by the Trustee under any of the provisions of this Indenture (except for funds held in the Rebate Fund) shall be applied by the Trustee as follows and in the following order:

to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

to the payment of the principal and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference; and

any remaining funds shall be transferred by the Trustee to the Special Tax Fund.

Power of Trustee to Enforce. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of this Indenture. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claim of the Trustee and the Bondholders allowed in any judicial proceeding relative to the Community Facilities District or its property. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder; provided, however, that such direction shall not be otherwise than in accordance the provisions of this Indenture, the Act and other applicable law and, provided, further, that the Trustee shall have the

right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction or would expose the Trustee to personal liability.

Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners, or to enforce any right under the Bonds, this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners, subject to the provisions of this Indenture.

Absolute Obligation. Nothing in this Indenture or the Bonds contained shall affect or impair the obligation of the Community Facilities District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Special Tax Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

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

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

TRUSTEE

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Qualifications; Removal and Resignation; Successors.

The Trustee initially a party hereto and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by a federal or state agency. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Community Facilities District may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with subsection (a) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Community Facilities District, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of subsection (a) of this Section, the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Upon removal or resignation of the Trustee, the Community Facilities District shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in subsection (a) of this Section. No resignation or removal shall be effective

until a successor Trustee has been appointed and has accepted its appointment. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Community Facilities District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Community Facilities District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the Registration Books. The payment and indemnification obligations of the Community Facilities District shall survive the resignation or removal of the Trustee.

Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under subsection (a) of this Section, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Liability of Trustee.

The recitals of facts herein and in the Bonds contained shall be taken as statements of the Community Facilities District, and the Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Bonds, or in respect of the security afforded by this Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the

extent that such proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the Community Facilities District or others in accordance with this Indenture.

The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

No provision of this Indenture or any other document related hereto shall require the Trustee to risk or advance its own funds.

The Trustee may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

Before taking action under Article VII, under this Article or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

The Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless it has actual knowledge thereof.

In accepting the trusts created under this Indenture, the Trustee acts solely as Trustee for the Owners of the Bonds and not in its individual capacity and all persons, including without limitation, the Owners of the Bonds and the Community Facilities District having any claim

against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee hereunder for payment.

The Trustee may act on any statement, request, affidavit, certificate, opinion, or other document which it in good faith believes to be genuine and to have been signed by the proper person or persons or to have been prepared and furnished pursuant to any of the provisions of the Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instance, but may accept the same as conclusive evidence of the truth and accuracy of such statement or the correctness of such opinions.

Any action taken, or omitted to be taken, by the Trustee in good faith pursuant to the documents upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent, is the holder of any Bond shall be conclusive and binding upon all future holders of such Bonds and upon Bonds executed and delivered in exchange therefor or in place thereof.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means (“Electronic Means” means the following communications methods: , e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Community Facilities District shall provide to the Trustee 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 Community Facilities District, whenever a person is to be added or deleted from the listing. If the Community Facilities District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Community Facilities District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Community Facilities District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Community Facilities 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 Community Facilities District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Community Facilities District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee 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 Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Community Facilities 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 Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

Right to Rely on Documents and Opinions.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Whenever in the administration of the duties imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Community Facilities District, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee may consult with counsel, who may be counsel to the Community Facilities District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Special Tax Revenues and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall be available for inspection by the Community Facilities District, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Community Facilities District monthly statements of the funds and accounts it holds under this Indenture.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Community Facilities District.

Compensation and Indemnification. The Community Facilities District shall pay to the Trustee from time to time from Special Tax Revenues all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Indenture, and shall reimburse the Trustee for all its advances and expenditures, including all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture. The Community Facilities District shall, to the extent permitted by law, from Special Tax Revenues, indemnify and save the Trustee and its officers, directors, agents and employees harmless against any liabilities, losses, costs, expenses (including legal fees and expenses), suits, claims, judgments or damages which it or they may incur in the exercise and performance of its powers and duties hereunder, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The payment and indemnification obligations of the Community Facilities District shall survive the resignation or removal of the Trustee and the termination and discharge of this Indenture. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

MODIFICATION OR AMENDMENT

Supplemental Indentures.

This Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners hereunder may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 11.07. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon, extend the time of payment thereof or alter the redemption provisions thereof, without the consent of the Owner of each Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Indenture or deprive the Owners of the pledge contained in, and the lien and security interest created by, this Indenture, except as expressly provided in this Indenture, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) modify or amend this Section without the prior written consent of the Owners of all Bonds then Outstanding.

This Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners hereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

to add to the covenants and agreements of the Community Facilities District in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Community Facilities District;

to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Indenture;

to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of Article III;

to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect;

to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

in any other respect whatsoever as the Community Facilities District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners hereunder.

Promptly after the execution by the Community Facilities District and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Community Facilities District), by first-class mail, postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Community Facilities District, the Trustee and the Owners shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to this Article may and, if the Community Facilities District so determines, shall bear a notation by endorsement or otherwise in form approved by the Community Facilities District as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date and presentation of such Bond for such purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Community Facilities District, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Community Facilities District and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and

presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Opinion of Counsel. In executing any amendment or supplement hereto, the Trustee shall receive and may conclusively rely upon an opinion of counsel to the effect that the amendment is authorized and permitted by the Indenture, is enforceable against the Community Facilities District and does not adversely impact the tax exempt status of the interest on the Bonds.

DEFEASANCE

Discharge of Indenture.

If the Community Facilities District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated herein and therein, then the Owners shall cease to be entitled to the pledge of the Special Tax Revenues and the other assets as provided herein, and all agreements, covenants and other obligations of the Community Facilities District hereunder shall thereupon cease, terminate and become void and this Indenture shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Community Facilities District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Community Facilities District all money or securities held by it pursuant hereto which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

Subject to the provisions of subsection (a) of this Section, when any Bond shall have been paid and if, at the time of such payment, the Community Facilities District shall have kept, performed and observed all of the covenants and promises in such Bonds and in this Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then this Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Special Tax Revenues and the other assets as provided herein, and all agreements, covenants and other obligations of the Community Facilities District hereunder shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

Notwithstanding the discharge and satisfaction of this Indenture or the discharge and satisfaction of this Indenture in respect of any Bond, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Bond, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on

such Bond, and to pay to the Owner of such Bond the funds so held by the Trustee as and when such payment becomes due.

Bonds Deemed To Have Been Paid.

If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in Section 10.01. Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in Section 10.01 if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Community Facilities District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 4.02 notice of redemption of such Bond on said redemption date, said notice to be given in accordance with Section 4.02, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, together with the money, if any, deposited therewith, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Community Facilities District shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond.

No Bond shall be deemed to have been paid pursuant to clause (ii) of subsection (a) of this Section unless the Community Facilities District shall have caused to be delivered (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Community Facilities District, in form and in substance acceptable to the Community Facilities District and the Trustee, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of subsection (a) of this Section resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an opinion of Bond Counsel, dated the date of such deemed payment and addressed to the Community Facilities District and the Trustee, in form and in substance acceptable to the Community Facilities District and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in this Indenture, this Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the Community Facilities District hereunder as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bond which remain unclaimed for

two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall be repaid by the Trustee to the Community Facilities District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the Community Facilities District for the payment of such principal, premium or interest.

MISCELLANEOUS

Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Community Facilities District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained required hereby to be performed by or on behalf of the Community Facilities District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the Community Facilities District and the Owners any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the Community Facilities District and the Owners.

Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee, the Trustee shall cancel and destroy such Bonds in accordance with applicable law and its retention policies then in effect.

Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Community Facilities District hereby declares that it would have entered into this Indenture and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Community Facilities District if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Community Facilities District in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, only Bonds which are known by the Trustee to be owned or held by or for the account of the Community Facilities District, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Community Facilities District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall certify to the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Community Facilities District or any other obligor on the Bonds. The Trustee may conclusively rely and be fully protected in relying upon the certification of such pledgee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners entitled thereto, subject, however, to the provisions of Section 10.03 but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements hereof and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations hereunder.

Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day,

with the same force and effect as if done on the nominal date provided in this Indenture and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Waiver of Personal Liability. No member, officer, agent or employee of the Community Facilities District or the City shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by any applicable provision of law or by this Indenture.

Interpretation.

Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

Headings of Articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Conflict with Act. In the event of any conflict between any provision of this Indenture and any provision of the Act, the provision of the Act shall prevail over the provision of this Indenture.

Conclusive Evidence of Regularity. Bonds issued pursuant to this Indenture shall constitute evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Governing Laws. This Indenture shall be governed by and construed in accordance with the internal laws of the State.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of June 1, 2016, is by and between CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK), a community facilities district organized and existing under the laws of the State of California (the “Community Facilities District”), and The Bank of New York Mellon Trust Company, N.A, a national banking association organized and existing under the laws of the United States of America, as Trustee (the “Trustee”).

WITNESSETH:

WHEREAS, the Community Facilities District has issued the City of Irvine Community Facilities District No. 2013-3 (Great Park) Improvement Area No. 4 Special Tax Bonds, Series 2016 (the “Series 2016 Bonds”), in the aggregate principal amount of \$135,835,000, pursuant to the Indenture, dated as of June 1, 2016 (the “Indenture”), by and between the Community Facilities District and the Trustee; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Community Facilities District and the Trustee for the benefit of the owners and beneficial owners of the Series 2016 Bonds and in order to assist the underwriter of the Series 2016 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

“Annual Report” means any Annual Report provided by the Community Facilities District pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the eighth month after the end of the Community Facilities District’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“Community Facilities District” means the City of Irvine Community Facilities District No. 2013-3 (Great Park), a community facilities district organized and existing under the laws of the State, and its successors.

“Disclosure Representative” means the City Manager of the City, or his or her designee, or such other person as the Community Facilities District shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means David Taussig & Associates, or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Trustee a written acceptance of such designation.

“Improvement Area” means Improvement Area No. 4 of the Community Facilities District.

“Indenture” means the Indenture, dated as of June 1, 2016, by and between the Community Facilities District and The Bank of New York Mellon Trust Company, N.A, as Trustee, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means 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” means the Official Statement, dated September 8, 2016, relating to the Series 2016 Bonds.

“Participating Underwriter” means the original underwriter of the Series 2016 Bonds required to comply with the Rule in connection with the offering of the Series 2016 Bonds.

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

“Trustee” means The Bank of New York Mellon Trust Company, N.A, as Trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The Community Facilities District shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2015-16 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Community Facilities 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 Community Facilities 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 Community Facilities District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not

the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Community Facilities District and the Dissemination Agent to determine if the Community Facilities District is in compliance with the first sentence of this subsection (b).

(c) If the Trustee 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 Trustee 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 each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Community Facilities District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The Community Facilities District's Annual Report shall contain or incorporate by reference the following:

(a) The Community Facilities District's audited financial statements, 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. If the Community Facilities District's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the Community Facilities District's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Series 2016 Bonds Outstanding as of the September 30 next preceding the Annual Report Date;

(ii) The principal amount of Additional Bonds Outstanding as of the September 30 next preceding the Annual Report Date;

(iii) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of the September 30 next preceding the Annual Report Date;

(iv) The balance in the Project Fund as of the September 30 next preceding the Annual Report Date.

(v) The total assessed value of all parcels within the Improvement Area 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, and a statement of assessed value-to-Bonded debt ratios therefor, either by individual parcel or by categories (e.g., “below 3:1,” “3:1 to 4:1,” etc.);

(vi) The Special Tax delinquency rate for all parcels within the Improvement Area, 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 Improvement Area delinquent in payment of Special Taxes as of 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 Community Facilities District; provided, however, that parcels with aggregate delinquencies of \$5,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category;

(vii) The status of foreclosure proceedings for any parcels within the Improvement Area 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;

(viii) The identity of any property owner representing more than 5% of the Special Tax levy delinquent in payment of Special Taxes as of the September 30 next preceding the Annual Report Date;

(ix) 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;

(x) The cumulative number of building permits issued for new construction within the Improvement Area as of the September 30 next preceding the Annual Report Date;

(xi) A description of any changes to the Rate and Method approved or submitted to the qualified electors of the Improvement Area for approval during the one year period ending on the September 30 next preceding the Annual Report Date;

(xii) A statement as to whether the County’s Teeter Plan remains in effect with respect to the Improvement Area as of the September 30 next preceding the Annual Report Date; and

(xiii) An update of projected debt service coverage in substantially the format of “Table No. 4, Improvement Area No. 4 of City of Irvine Community Facilities District No. 2013-3 (Great Park), Projected Debt Service Coverage”; provided, however, that such updated information need only be contained or

incorporated by reference in the Annual Report if there have been changes to Maximum Special Taxes, Debt Service and/or Debt Service Coverage.

(c) In addition to any of the information expressly required to be provided under the preceding paragraphs (a) and (b), the Community Facilities District shall 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.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, that have been made available to the public on the MSRB's website. The Community Facilities District shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) 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).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the Community Facilities District.

For purposes of the event identified in paragraph (ix), 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 Community Facilities District, 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 Community Facilities District.

(b) Pursuant to the provisions of this Section, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016 Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2016 Bonds or other material events affecting the tax status of the Series 2016 Bonds.
- (ii) Modifications to rights of holders of the Series 2016 Bonds.
- (iii) Optional, unscheduled or contingent Series 2016 Bond calls.
- (iv) Release, substitution, or sale of property securing repayment of the Series 2016 Bonds.
- (v) Non-payment related defaults.
- (vi) The consummation of a merger, consolidation, or acquisition involving an Community Facilities District or the sale of all or substantially all of the assets of the Community Facilities District 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.
- (vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee 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.

(d) Whenever the Community Facilities District obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Community Facilities District shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the Community Facilities District obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the Community Facilities 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, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and (iii) of subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2016 Bonds pursuant to the Indenture.

Section 5. 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 6. Termination of Reporting Obligation. The Community Facilities District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2016 Bonds. If such termination occurs prior to the final maturity of the Series 2016 Bonds, the Community Facilities District shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Community Facilities 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 Community Facilities District and the Trustee (if the Trustee is not the Dissemination Agent). The initial Dissemination Agent shall be David Taussig & Associates, Inc. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Community Facilities District, so long as such amendment does not adversely affect the rights or materially increase the obligations of the Trustee), 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 subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 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 Series 2016 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 Series 2016 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 (i) is approved by Owners of the Series 2016 Bonds in the manner provided in the Indenture for amendments to the

Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Series 2016 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Community Facilities 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 Community Facilities 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 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Community Facilities 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 Community Facilities 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 Community Facilities 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 10. Default. In the event of a failure of the Community Facilities District, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Series 2016 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2016 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Trustee 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 Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee 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 Trustee or the Trustee 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 Community Facilities 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) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the Community Facilities District under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series 2016 Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Laws. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**CITY OF IRVINE
COMMUNITY FACILITIES DISTRICT
NO. 2013-3 (GREAT PARK)**

By: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A, AS TRUSTEE**

By: _____

Authorized Signatory

ACKNOWLEDGED AND ACCEPTED:

DAVID TAUSSIG & ASSOCIATES, INC.

By: _____

Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Irvine Community Facilities District No. 2013-3 (Great Park)
Name of Issue: City of Irvine Community Facilities District No. 2013-3 (Great Park)
Improvement Area No. 4 Special Tax Bonds, Series 2016
Date of Issuance: September 29, 2016

NOTICE IS HEREBY GIVEN that the City of Irvine Community Facilities District No. 2013-3 (Great Park) (the “Community Facilities District”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of June 1, 2016, by and between the Community Facilities District and The Bank of New York Mellon Trust Company, N.A, as Trustee. [The Community Facilities District anticipates that such Annual Report will be filed by _____.]

Dated: _____

The Bank of New York Mellon Trust
Company, N.A, as Trustee, on behalf
of the City of Irvine Community
Facilities District No. 2013-3 (Great
Park)

cc: City of Irvine Community Facilities District
No. 2013-3 (Great Park)
David Taussig & Associates, Inc.

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APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2016 Bonds, payment of principal of, premium, if any, and interest on the Series 2016 Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2016 Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the District believes to be reliable, but the District does not take responsibility for the completeness or accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Series 2016 Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Series 2016 Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 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 certificate will be issued for the Series 2016 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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; provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 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 Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 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 Series 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016 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 Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

NONE OF THE DISTRICT, THE CITY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2016 BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the District. The District, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Series 2016 Bonds. The District and the City undertake no obligation to investigate matters that would enable the District and the City to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

THE DISTRICT, THE CITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE SERIES 2016 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE DISTRICT, THE CITY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE SERIES 2016 BONDS OR AN ERROR OR DELAY RELATING THERETO.

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE SERIES 2016 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2016 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.