

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 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 2010 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010 Bonds. See "CONCLUDING INFORMATION - Tax Exemption" herein.

STATE OF CALIFORNIA

COUNTY OF ORANGE

\$1,675,000
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY/COLUMBUS VILLAGES)
SPECIAL TAX BONDS, SERIES 2010

Dated: Date of Delivery

Due: September 1, as shown below

The City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2010 (the "Series 2010 Bonds") are being issued under the Mello-Roos Community Facilities Act of 1982 (the "Act") and the Indenture, dated as of September 1, 2007 (the "Original Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2010 (the "First Supplement" and, together with the Original Indenture, the "Indenture"), each by and between City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) (the "District") and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the "Trustee"), and are payable from the Net Special Tax Revenues (as defined herein) derived from the Special Taxes (as defined herein) levied on property within the District according to the rate and method of apportionment of the Special Taxes approved by the qualified electors of the District and by the City Council of the City of Tustin, California (the "City"). On September 6, 2007, the District issued its \$53,570,000 original principal amount of its City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2007A (the "Series 2007A Bonds") pursuant to the Original Indenture, payable from the Net Special Tax Revenues on a parity with the Series 2010 Bonds. Pursuant to the Indenture, additional bonds ("Additional Bonds") may be issued by the District on a parity with the Series 2007A Bonds and the Series 2010 Bonds for the purposes set forth in the Indenture and as further described herein. The Series 2007A Bonds, the 2010 Bonds and any Additional Bonds are collectively referred to as the "Bonds."

The Series 2010 Bonds are being issued to provide funds (a) to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the District, (b) to pay certain administrative expenses relating to the Series 2010 Bonds, and (c) to pay the costs of issuing the Series 2010 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2010 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 2010 Bonds is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2011. Purchasers will not receive certificates representing their interest in the Series 2010 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 2010 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 2010 Bonds. See Appendix F - "Book-Entry Only System."

The Series 2010 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE SERIES 2010 BONDS - Redemption of the Series 2010 Bonds" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT TO THE LIMITED EXTENT DESCRIBED IN THE INDENTURE IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET SPECIAL TAX REVENUES AND CERTAIN OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

MATURITY SCHEDULE
 \$775,000 Serial Series 2010 Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[†]	Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP No.[†]
2011	\$15,000	1.500%	1.500%	901047CM0	2025	\$30,000	5.000%	5.100%	901047DB3
2015	5,000	3.050	3.050	901047CR9	2026	35,000	5.125	5.150	901047DC1
2016	5,000	3.375	3.375	901047CS7	2027	40,000	5.250	5.250	901047DD9
2017	5,000	3.750	3.750	901047CT5	2028	45,000	5.250	5.350	901047DE7
2018	10,000	4.000	4.000	901047CU2	2029	50,000	5.375	5.400	901047DF4
2019	10,000	4.125	4.200	901047CV0	2030	55,000	5.375	5.450	901047DG2
2020	15,000	4.375	4.400	901047CW8	2031	60,000	5.500	5.500	901047DH0
2021	20,000	4.500	4.600	901047CX6	2032	70,000	5.500	5.550	901047DJ6
2022	25,000	4.625	4.800	901047CY4	2033	70,000	5.500	5.600	901047DL1
2023	25,000	4.750	4.900	901047CZ1	2034	75,000	5.625	5.650	901047DM9
2024	25,000	5.000	5.000	901047DA5	2035	85,000	5.625	5.700	901047CN8

\$900,000 5.750% Term Bonds due September 1, 2039 - Yield: 5.750% CUSIP No.[†] 901047CP3

[†] Copyright 2010, American Bankers Association. CUSIP numbers provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein are set forth for convenience of reference only. 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. The District and the Underwriter assume no responsibility for the accuracy of such data.

Investment in the Series 2010 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 2010 Bonds. This cover page contains information for quick reference only. It is not a complete summary of the Series 2010 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2010 Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and subject to certain other conditions. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel in connection with the Series 2010 Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Quint & Thimmig, LLP, San Francisco, California, and for the City and the District by their counsel, Woodruff, Spradlin & Smart, A Professional Corporation, Orange, California. It is anticipated that the Series 2010 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about November 17, 2010.

STONE & YOUNGBERG

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 2010 Bonds other than the information contained herein and, if given or made, such other information or representation in connection with the offer and sale of the Series 2010 Bonds 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 2010 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 2010 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 City and the District believe to be reliable, but such information is not guaranteed by the City or 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 District for further information in connection therewith. This Official Statement is submitted in connection with the sale of the Series 2010 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement contains forward-looking statements within the meaning of the Federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions, projections and general economic conditions. Such words as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements and include, but are not limited to, statements under the captions “SECURITY FOR THE SERIES 2010 BONDS,” “THE DISTRICT” and in Appendix A – “Appraisal.” The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. The District and the City assume no obligation to provide public updates of forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. WHILE THE DISTRICT HAS AGREED TO PROVIDE CERTAIN ONGOING FINANCIAL AND OPERATING DATA (SEE “CONTINUING DISCLOSURE”), THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Series 2010 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 2010 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof and such public offering prices may be changed from time to time by the Underwriter.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and prospective investors should not rely on any information presented on the City’s website in making an investment decision to purchase the Series 2010 Bonds.

**CITY OF TUSTIN, CALIFORNIA
(Orange County, California)**

CITY COUNCIL

Jerry Amante, Mayor
John Nielsen, Mayor Pro Tem
Doug Davert, Councilmember
Deborah Gavello, Councilmember
Jim Palmer, Councilmember

CITY STAFF

David C. Biggs, City Manager
George W. Jeffries, City Treasurer
Christine A. Shingleton, Assistant City Manager
Pamela Stoker, City Clerk
Pamela Arends-King, Director of Finance
Doug Stack, Director of Public Works

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Los Angeles, California

City Attorney

Woodruff, Spradlin & Smart,
A Professional Corporation
Orange, California

Trustee

Union Bank, N.A.
Los Angeles, California

Special Tax Consultant

David Taussig & Associates, Inc.
Newport Beach, California

Appraiser

Harris Realty Appraisal
Newport Beach, California

Special Tax Administrator

Willdan Financial Services
Temecula, California

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City of Tustin

(Orange County, California)

Regional Location Map



City of Tustin

**Community Facilities District No 06-1
Tustin Legacy / Villages of Columbus
Zone 1 & 2**



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OFFICIAL STATEMENT

\$1,675,000
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY/COLUMBUS VILLAGES)
SPECIAL TAX BONDS, SERIES 2010

INTRODUCTION

The purpose of this Official Statement, including the cover page, table of contents and the Appendices, is to provide certain information concerning the issuance of and sale by City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) (the “District”) of \$1,675,000 aggregate principal amount of its Special Tax Bonds, Series 2010 (the “Series 2010 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 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 2010 Bonds to potential investors is made only by means of the entire Official Statement.

The Series 2010 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 September 1, 2007 (the “Original Indenture”), as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2010 (the “First Supplement” and, together with the Original Indenture, the “Indenture”), each by and between the District and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), as trustee (the “Trustee”). Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

The Series 2010 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 cover page hereof.

On September 6, 2007, the District issued its \$53,570,000 original principal amount of its City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2007A (the “Series 2007A Bonds”) pursuant to the Original Indenture, payable from the Net Special Tax Revenues on a parity with the Series 2010 Bonds. Pursuant to the Indenture, additional bonds (“Additional Bonds”) may be issued by the District on a parity with the Series 2007A Bonds and the Series 2010 Bonds for the purposes set forth in the Indenture and as further described herein. The Series 2007A Bonds, the 2010 Bonds and any Additional Bonds are collectively referred to as the “Bonds.” See “SECURITY FOR THE SERIES 2010 BONDS – Additional Bonds.”

Pursuant to the Act, the qualified electors of the District approved the levy of a special tax (the “Special Tax”) within the boundaries of the District. The Special Tax is comprised of a Special

Tax A for facilities and a Special Tax B for services; however, only the Special Tax A is pledged to the payment of the Bonds. References to the Special Tax herein refer only to the Special Tax A pledged to the payment of the Bonds. See “THE DISTRICT – Summary of District Proceedings.” The Bonds are payable from and secured by a pledge of Net Special Tax Revenues and certain other amounts held under the Indenture as described herein. See “SECURITY FOR THE SERIES 2010 BONDS” and Appendix D – “Summary of Indenture.”

The District constitutes a portion of the phased development of the former Marine Corps Air Station Tustin (the “Air Station”). The portion of the Air Station located in the City and an additional parcel is being developed as an approximately 1,533 gross acre master planned community called Tustin Legacy (“Tustin Legacy”). Approximately 73 acres of the former Air Station are located in the City of Irvine. See “THE DISTRICT.” The District is comprised of two zones (each, a “Zone”) located in the City of Tustin (the “City”). As a result of the annexation into Zone 1 of the District (“Zone 1”) in October 2008 of an additional 5.8 gross acres of property, approximately 70 net acres in Zone 1 are subject to the Special Tax and approximately 55.8 net acres in Zone 2 of the District (“Zone 2”) are subject to the Special Tax. The zones are designations for purposes of establishing special tax rates for the different products to be built in the District. Zone 1 is part of the master planned community known as Columbus Square and Zone 2 is part of the master planned community known as Columbus Grove. See “THE DISTRICT – General.”

Substantially all major infrastructure improvements are complete throughout the District with the exception of sidewalks and landscaping adjacent to vacant homesites. Of 1,540 planned dwelling units, 1,092 have been completed and sold to individual homeowners. The land subject to the Special Tax is under the ownership of the 1,092 individual homeowners and, with respect to remaining development, is under the ownership of Moffett Meadows Partners, LLC (“Moffett Meadows”) (owner of four near finished lots), Tustin Coventry Seniors, L.P. (“Tustin Coventry Seniors”) (owner of an age-restricted housing development known as Coventry Court with 24 rental dwelling units in one building and near finished sites to be improved with an additional 216 dwelling units, for a total of 240 total rental dwelling units), and the remainder of proposed development in the District is owned by subsidiaries of ORA Residential Investments I, L.P., a California limited partnership (“ORI”). In December of 2007, three wholly owned subsidiaries (the “ORA Entities”) of ORI acquired from William Lyon Homes, Inc. (“William Lyon Homes”) an aggregate of 204 sites under the following ownerships: ORA Astoria 60, LLC (“ORA Astoria”); ORA Mirabella 60, LLC (“ORA Mirabella”); and ORA Ainsley Park 84, LLC (“ORA Ainsley”), collectively referred to as ORA Entities. Subsequent to the acquisition, the ORA Entities retained William Lyon Homes as a fee builder to construct, market and sell residential units upon the lots on behalf of the ORA Entities pursuant to a series of agreements for each of the three projects owned by the ORA Entities. As described herein, each respective ORA Entity may terminate its agreements at any time upon 30 days’ prior written notice to William Lyon Homes, or earlier for cause. See “THE DISTRICT – Property Ownership and Development.”

ORI is managed by Resmark Equity Partners, LLC, a real estate investment company (“Resmark”) and the principal investor in ORI is the California Public Employees’ Retirement System (“CalPERS”). The ORA Entities, Moffett Meadows, Tustin Coventry Seniors and individual homeowners are collectively referred to herein as the “Property Owners.” The ORA Entities, Moffett Meadows and Tustin Coventry Seniors are collectively responsible for approximately 19% of the 2010-11 Special Tax levy, with the ORA Entities collectively responsible for approximately 16% of the 2010-11 Special Tax levy at the Maximum Special Tax assuming build-out as proposed and described herein.

Resmark is a Los Angeles based private equity firm specializing in the U.S. housing sector. Resmark and its affiliates on behalf of its institutional funds provide equity and debt financing to homebuilders and land developers in select markets throughout the United States, acquire land and homesites directly on behalf of its funds and are engaged in the acquisition and the development of, principally, multifamily communities. Resmark and its affiliates manage investment capital for CalPERS and a limited number of other investors. Resmark was founded in 1995 and maintains offices in Los Angeles and San Diego, California.

William Lyon Homes is primarily engaged in the design, construction and sales of single family detached and attached homes in California, Arizona and Nevada. William Lyon Homes' corporate headquarters are located in Newport Beach, California.

Moffett Meadow Partners, LLC ("Moffett Meadows"), is a single-purpose affiliate of Lennar Homes of California, Inc., a California corporation ("Lennar Homes" herein) and William Lyon Homes. Moffett Meadows was originally formed to acquire the property within the District from the United States Government, to secure necessary entitlement approvals from the City and the City of Irvine, to construct required infrastructure, to develop the property to a superpad condition (i.e., mass grading and installation of street improvement and utilities to access the parcels, but excluding fine grading, street improvements, utilities and landscape improvements within the parcels), and to sell parcels to, or at the direction of, Lennar Homes and William Lyon Homes. After acquiring the property comprising the District from the United States Government, Moffett Meadows sold the property (excluding its 4 lots described herein) to various merchant builders and related land banks. See "THE DISTRICT – Property Ownership and Development."

It is expected that the District will be developed with 1,540 residential units among 14 subdivisions to be improved with 1,300 attached and detached for-sale dwelling units, plus the age-restricted affordable housing development known as Coventry Court, proposed for 240 age-restricted rental dwelling units. Of the expected 1,540 residential units, as of the August 15, 2010 date of value of the Appraisal, 1,116 residential units have been completed within 12 different products and approximately 424 residential units remain to be built reflecting 4 different products. Of the 1,116 completed residential units, 1,092 have been sold to individual homeowners. Approximately 308 of the units in the District are subject to the City's affordable housing requirements, of which 155 have been sold to homeowners and the remainder are to be part of the affordable rental program in Coventry Court.* The units subject to the City's affordable housing requirements are subject to the Special Tax, but at lower rates than market-rate residential units. See Appendix B – "Rate and Method of Apportionment of Special Tax."

The following table indicates the name of each development, the number of units to be constructed within such development, the type of product to be constructed, and certain other information as of August 15, 2010. See "THE DISTRICT – Property Ownership and Development" for additional information regarding development within the District.

* Coventry Court includes 153 units designated for affordable housing. Completed affordable housing units include: 50 units in the Cambridge Lane project, 63 units in the Camden Place project and 42 units in the Clarendon project.

The property in the District is owned by the following entities:

<u>Property Owner</u>	<u># of Units</u>	<u>Product Name</u>
Zone 1 (Columbus Square):		
Tustin Coventry Seniors ⁽¹⁾	240	Coventry Court
ORA Mirabella	60	Mirabella
ORA Astoria	60	Astoria, now Augusta
Moffett Meadows	4	Astoria, now Augusta
Individual Homeowners	711	Gables, Meriwether, Camden, Astoria, Cambridge Lane, Verandas
Subtotal	1,075	
Zone 2 (Columbus Grove):		
ORA Ainsley	84	Ainsley Park Ciara, Clarendon, Westbourne, Cantara,
Individual Homeowners	381	Madison
Subtotal	465	
Total	1,540	

⁽¹⁾ The Coventry Court site was conveyed to Tustin Coventry Seniors on August 25, 2010.
Source: ORA Entities, Lennar Homes.

The proceeds from the sale of the Series 2010 Bonds will be used to (a) pay the cost and expense of the acquisition and construction of certain public facilities necessary for the development of the District (see “THE PROJECT”), (b) to pay certain administrative expenses relating to the Series 2010 Bonds, and (c) pay the costs of issuing the Series 2010 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 2010 Bonds. See “SPECIAL RISK FACTORS.”

Neither the faith and credit nor the taxing power of the City, the State of California (the “State”) or any political subdivision thereof other than the District to the limited extent described in the Indenture is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City nor general obligations of the District, but are special obligations of the District payable solely from the Net Special Tax Revenues and certain other assets pledged therefor under the Indenture, as more fully described herein.

Brief descriptions of the Series 2010 Bonds, the Indenture, the security for the Series 2010 Bonds, the District, the status of development within the District 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 2010 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 2010 Bonds, the Indenture and other documents. Copies of such documents may be obtained from the office of the City Clerk of the City, at 300 Centennial Way, Tustin, California 92780, Attention: City Clerk.

THE SERIES 2010 BONDS

Authority for Issuance

The Bonds were authorized at a special election held in the District on July 17, 2006. The Series 2010 Bonds will be issued pursuant to the Act and the Indenture.

Description of the Series 2010 Bonds

The Series 2010 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 2010 Bonds. Ownership interests in the Series 2010 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 2010 Bonds will be dated as of and bear interest from the date of delivery at the rates set forth on the cover page hereof.

The principal of and premium, if any, on the Series 2010 Bonds will be paid in lawful money of the United States of America at the office of the Trustee upon presentation and surrender of the Series 2010 Bonds. The Series 2010 Bonds will mature as indicated on the cover hereof, and are subject to optional and mandatory redemption as set forth herein.

Interest on the Series 2010 Bonds will be paid semiannually on March 1 and September 1 (each an "Interest Payment Date"), commencing on March 1, 2011. Interest on the Series 2010 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Payment of interest on the Series 2010 Bonds will be made to the respective Owner by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date, to the Owner at his or her address as it appears on the registration books to be kept by the Trustee for the Series 2010 Bonds (the "Bond Register"), as of the close of business on the fifteenth day of the month preceding each Interest Payment Date, regardless of whether such day is a business day (the "Record Date"). So long as DTC or its nominee is the registered owner of the Series 2010 Bonds, interest payments will be made as described in Appendix F – "Book-Entry Only System."

Interest on the Series 2010 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Series 2010 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (b) a Series 2010 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the date of delivery of such Series 2010 Bond, or (c) interest on any Series 2010 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 2010 Bonds

Optional Redemption

The Series 2010 Bonds are subject to optional redemption, in whole or in part, on any Interest Payment Date, from any source of available funds, at the following respective redemption prices (expressed as percentages of the principal amount of the Series 2010 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 2011 through March 1, 2018	102%
September 1, 2018 and March 1, 2019	101
September 1, 2019 and thereafter	100

Mandatory Redemption from Special Tax Prepayments

The Series 2010 Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date, from and to the extent of any prepayment of Special Taxes, at the following respective redemption prices (expressed as percentages of the principal amount of the Series 2010 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, 2011 through March 1, 2018	102%
September 1, 2018 and March 1, 2019	101
September 1, 2019 and thereafter	100

Mandatory Sinking Fund Redemption

The Series 2010 Bonds maturing on September 1, 2039, are subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 2036, at a redemption price equal to the principal amount of the Series 2010 Bonds 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:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount to be Redeemed</u>
2036	\$ 95,000
2037	105,000
2038	300,000
2039*	400,000

* Maturity

If some but not all of the Series 2010 Bonds maturing on September 1, 2039 are optionally redeemed, the principal amount of Series 2010 Bonds maturing on September 1, 2039 to be subject to mandatory sinking fund redemption on any subsequent September 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the District in a Written Certificate of the District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Series 2010 Bonds maturing on September 1, 2039 so optionally redeemed. If some but not all of the Series 2010 Bonds maturing on September 1, 2039 are redeemed from Special Tax prepayments, the principal amount of Series 2010 Bonds maturing on September 1, 2039 to be subject to mandatory sinking fund redemption on any subsequent September 1 will be reduced by the aggregate principal amount of the Series 2010 Bonds maturing on September 1, 2039 so redeemed from Special Tax prepayments, 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.

Selection of Bonds for Redemption

If less than all of the Bonds outstanding are to be redeemed, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Series 2010 Bonds, among maturities as directed in a Written Request of the District, (b) with respect to any redemption from Special Tax prepayments, 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 and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption

So long as DTC is acting as securities depository for the Series 2010 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 (not to the Beneficial Owners of any Series 2010 Bonds designated for redemption) at least 30 days but not more than 60 days prior to the redemption date. The actual receipt by DTC (or any Owner of a Series 2010 Bond in the event that the book-entry only system is discontinued) of such notice of redemption is not a condition precedent to redemption, and neither the failure to receive such notice nor any defect in such notice will affect the validity of the proceedings for redemption of the Series 2010 Bonds or the cessation of interest on the redemption date. Such notice may 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 2010 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 shall not be required to redeem such Series 2010 Bonds. In the event a notice of redemption of Series 2010 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2010 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, 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 shall be no redemption of Series 2010 Bonds pursuant to such notice of redemption.

Partial Redemption of Series 2010 Bonds

Upon surrender of any Series 2010 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 Series 2010 Bond, or new Series 2010 Bonds, in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption

Notice of redemption having been mailed as described above, and the amount necessary for the redemption and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall 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 in accordance with the Indenture and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall 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, and as of the date fixed for redemption, no Owner of any Bonds, or portions thereof so designated for redemption, will be entitled to any of the benefits of the Indenture or to any other rights, except with respect to payment of the redemption price and unpaid interest accrued to the redemption date from the amounts so made available.

Debt Service Schedule

The debt service schedule for the Series 2007A Bonds and the Series 2010 Bonds (including mandatory sinking fund redemption on their respective September 1 redemption dates) is set forth below:

Debt Service Schedule

Year Ending September 1	Series 2007A Bonds Debt Service	Principal	Interest	Total Debt Service
2011	\$3,241,972.50	\$ 15,000.00	\$ 72,456.49	\$ 3,329,428.99
2012	3,309,960.00	--	91,621.26	3,401,581.26
2013	3,374,425.00	--	91,621.26	3,466,046.26
2014	3,445,025.00	--	91,621.26	3,536,646.26
2015	3,511,800.00	5,000.00	91,621.26	3,608,421.26
2016	3,584,137.50	5,000.00	91,468.76	3,680,606.26
2017	3,656,350.00	5,000.00	91,300.00	3,752,650.00
2018	3,727,100.00	10,000.00	91,112.50	3,828,212.50
2019	3,802,600.00	10,000.00	90,712.50	3,903,312.50
2020	3,876,218.76	15,000.00	90,300.00	3,981,518.76
2021	3,953,687.50	20,000.00	89,643.76	4,063,331.26
2022	4,033,050.00	25,000.00	88,743.76	4,146,793.76
2023	4,115,062.50	25,000.00	87,587.50	4,227,650.00
2024	4,199,200.00	25,000.00	86,400.00	4,310,600.00
2025	4,282,931.26	30,000.00	85,150.00	4,398,081.26
2026	4,367,525.00	35,000.00	83,650.00	4,486,175.00
2027	4,455,225.00	40,000.00	81,856.26	4,577,081.26
2028	4,545,625.00	45,000.00	79,756.26	4,670,381.26
2029	4,632,825.00	50,000.00	77,393.76	4,760,218.76
2030	4,726,225.00	55,000.00	74,706.26	4,855,931.26
2031	4,819,625.00	60,000.00	71,750.00	4,951,375.00
2032	4,917,125.00	70,000.00	68,450.00	5,055,575.00
2033	5,017,525.00	70,000.00	64,600.00	5,152,125.00
2034	5,119,625.00	75,000.00	60,750.00	5,255,375.00
2035	5,222,225.00	85,000.00	56,531.26	5,363,756.26
2036	5,324,125.00	95,000.00	51,750.00	5,470,875.00
2037	5,429,125.00	105,000.00	46,287.50	5,580,412.50
2038	--	300,000.00	40,250.00	340,250.00
2039	--	400,000.00	23,000.00	423,000.00
TOTAL	\$114,690,320.02	\$1,675,000.00	\$2,212,091.61	\$118,577,411.63

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2010 Bonds are set forth in the following table:

<u>Sources:</u>	
Principal Amount of Series 2010 Bonds	\$1,675,000.00
Less: Net Original Issue Discount	<u>(5,027.00)</u>
Total Sources	\$1,669,973.00
 <u>Uses:</u>	
Construction Account	\$1,445,198.00
Administrative Expense Fund	16,723.00
Costs of Issuance ⁽¹⁾	<u>208,052.00</u>
Total Uses	\$1,669,973.00

⁽¹⁾ Includes Underwriter's discount, legal fees and other issuance costs.

THE PROJECT

The Series 2010 Bonds are being issued to finance the acquisition and construction of certain public facilities (the "Project") necessary for the development of certain remaining public infrastructure of the District, which may include remaining street improvements, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, street lights and parkway and landscaping related thereto, storm drains, utilities, public parks and recreation facilities, public library facilities, fire protection facilities and equipment and land, rights-of-way and easements necessary for any of such facilities.

SECURITY FOR THE SERIES 2010 BONDS

General

Pursuant to the Act and the Indenture, the Bonds, including the Series 2010 Bonds, are payable from the Net Special Tax Revenues. "Net Special Tax Revenues" is defined under the Indenture to mean Special Tax Revenues less amounts required to pay Administrative Expenses. "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 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. "Administrative Expenses" is defined under the Indenture to mean "costs directly related to the administration of the District, consisting of the costs of computing the Special Taxes and preparing the annual Special Tax schedules and the costs of collecting the Special Taxes, the costs of remitting the Special Taxes to the Trustee, the fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture, the costs incurred by the District in complying with the disclosure provisions of any continuing disclosure undertaking and the Indenture, including those related to public inquiries regarding the Special Tax and disclosures to Owners, the costs of the District related to an appeal of the Special Tax, any amounts required to be rebated to the federal government in order for the District to comply with the Indenture, an allocable share of the

salaries of the staff of the City providing services on behalf of the District directly related to the foregoing and a proportionate amount of general administrative overhead of the City related thereto, and the costs of foreclosure of delinquent Special Taxes.” “Special Taxes” is defined under the Indenture to mean the special taxes levied as Special Tax A within the District pursuant to the Act, the Ordinance and the Indenture.

The payment of the principal of, premium, if any, and interest on the Bonds will be exclusively paid from the Net Special Tax Revenues and other amounts 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 the District, as set forth in the Rate and Method. See “THE DISTRICT – Rate and Method of Apportionment.” The full text of the Rate and Method is set forth in Appendix B hereto.

Net Special Tax Revenues deposited in the Rebate Fund and the Administrative Expense Fund are not pledged to the payment of any of the Bonds, and neither the Rebate Fund nor the Administrative Expense Fund will 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 that, so long as any Bonds are outstanding, it will levy the amount of Special Taxes within the District 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 sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay the principal of and interest on the Bonds becoming due and payable during the Bond Year commencing in such fiscal year, the Administrative Expenses estimated for such year, any amounts required to replenish the Reserve Fund to the Reserve Requirement and reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous fiscal year (collectively, the “Special Tax Requirement”). No assurance can be given that the amounts collected in any given year will, in fact, equal the Special Tax Requirement due to a variety of factors, including the maximum Special Tax rates and the forty-year maximum term of the Special Tax levy on each parcel in the District imposed by the Rate and Method. See “THE DISTRICT – Rate and Method of Apportionment” and Appendix B hereto. Moreover, it is possible that under certain circumstances the maximum rates could be reduced from current levels. See “SPECIAL RISK FACTORS – Right to Vote on Taxes Act” below.

The 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, 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. When received, such Special Taxes will be applied as follows: first, to the Administrative Expense Fund for the payment of Administrative Expenses; second, to the Bond Fund for payment of debt service on (including payment for redemption of) the Bonds; third, for deposit in the Reserve Fund to the extent needed to restore the balance therein to the Reserve Requirement; and fourth, for transfer to the Rebate Fund the amounts, if any, due and owing to the United States Treasury.

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. The District has also covenanted that in the event any initiative or referendum measure is proposed 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.

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 – Rate and Method of Apportionment” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” In addition and pursuant to the Act, under no circumstances may the Special Tax levied against any Assessor’s Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other Assessor’s Parcel within the District. As defined in the Rate and Method, the term “Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential units. Accordingly, the Special Tax levied against any such parcel of residential property may not be increased 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. The application of this limitation to an assessor’s parcel containing one or more apartment units is unclear and remains subject to clarification by act of the legislature or the courts.

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.”

The following table shows the Special Taxes to be levied within each Zone in the District at the 2010-11 Maximum Special Tax per property owner as of August 15, 2010, assuming remaining build-out of the District as described herein. Delinquencies in the collection of the Special Taxes to date have been less than 1% of the annual levy.

Table 1
City of Tustin
Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)
Special Taxes per Property Owner Assuming Development

Zone 1 (Columbus Square)

<u>Property Owner⁽¹⁾</u>	<u># of Units⁽³⁾</u>	<u>2010-11 Maximum Special Tax⁽³⁾</u>	<u>% of Total 2010-11 Levy</u>
Tustin Coventry Seniors ⁽²⁾	240	\$ 105,492	2.81%
ORA Mirabella	60	150,804	4.02
ORA Astoria	60	162,440	4.33
Moffett Meadows	4	10,835	0.29
Individual Homeowners	711	1,124,630	30.00
Subtotal	1,075	\$1,554,200	41.45%

Zone 2 (Columbus Grove)

<u>Property Owner⁽¹⁾</u>	<u># of Units⁽³⁾</u>	<u>2010-11 Maximum Special Tax⁽³⁾</u>	<u>% of Total 2010-11 Levy</u>
ORA Ainsley	84	\$ 283,184	7.55%
Individual Homeowners	381	1,911,768	50.99
Subtotal	465	\$2,194,952	58.55%
Total	1,540	\$3,749,152	100.00%

⁽¹⁾ Source: First American Data Tree, Springbrook Advisors and Lennar Homes.

⁽²⁾ The Coventry Court site was conveyed to Tustin Coventry Seniors on August 25, 2010.

⁽³⁾ Assumes build out of the project.

Source: David Taussig and Associates, Inc.

Special Tax Fund

The Special Tax Fund is created and established under the Indenture, and is maintained by the Trustee. Pursuant to the Indenture, as soon as practicable after the District receives any Special Tax Revenues, but in any event no later than the date ten Business Days prior to the Interest Payment Date after such receipt, the District will transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, however, that any portion of any such Special Tax Revenues that represents prepaid Special Taxes that are to be applied to the payment of the redemption of Bonds in accordance with the mandatory redemption from special tax prepayments provisions of the Indenture are required to be identified to the Trustee as such by the District and be deposited in the Redemption Fund. Pursuant to the Indenture, the Trustee will transfer amounts on deposit in the Special Tax Fund to the Administrative Expense Fund, the Bond Fund, the Reserve Fund and the other funds established under the Indenture on the dates, in the amounts and in the priority set forth in the Indenture. See Appendix D – “Summary of Indenture.”

Reserve Fund

The Indenture provides that a Reserve Fund must be maintained in an amount equal to the Reserve Requirement. At the time of the issuance of the Series 2007A Bonds, \$5,170,088.67 was deposited in the Reserve Fund. The amount currently on deposit in the Reserve Fund is, and at the

time of issuance of the Series 2010 Bonds will be, at least equal to the Reserve Requirement including with respect to the Series 2010 Bonds. The Indenture provides that the Reserve Requirement means, as of any date of calculation, an amount equal to the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding any Bonds refunded with proceeds of Additional Bonds), (b) Maximum Annual Debt Service, and (c) 125% of average Annual Debt Service.

Moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of and interest on the Bonds or for the purpose of redeeming Bonds. Transfers will be made from the Reserve Fund to the Bond Fund in the event of a deficiency in the Bond Fund, in accordance with the Indenture.

Whenever the balance in the Reserve Fund 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, upon receipt of a Written Request of the District, transfer the amount in the Reserve Fund to the Bond Fund 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.

In connection with an optional redemption of Bonds or a mandatory redemption of Bonds from Special Tax prepayments, a proportionate share of the amount on deposit in the Reserve Fund will, on the Business Day on which amounts to redeem such Bonds are deposited in the Redemption Fund, be transferred by the Trustee from the Reserve Fund to the Redemption Fund and will 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 \$5,000 that is not larger than the amount equal to the product of (a) the amount on deposit in the Reserve Fund on the date five Business Days prior to the date notice of redemption of such Bonds is required to be given pursuant to the Indenture, times (b) 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.

Additional Bonds

At the time of the formation of the District, property owners approved the issuance of bonded indebtedness in an amount not to exceed \$65,000,000 to pay for Facilities. The Indenture provides that the District may, at any time after the issuance and delivery of the Series 2010 Bonds, issue Additional Bonds payable from the Net Special Tax Revenues on a parity with all other Bonds issued under the Indenture. Additional Bonds may be issued for the purposes of (a) paying the costs of Facilities and (b) providing funds to refund Bonds issued under the Indenture. In the case of Additional Bonds issued for the purpose of paying the costs of Facilities, following the issuance of the Series 2010 Bonds, no more than \$9,755,000 aggregate principal amount of Additional Bonds may be issued. Prior to the issuance of any Additional Bonds, the District will receive a certificate from one or more Independent Consultants, which, taken together, certify that:

- (i) on the basis of the parcels of land and improvements existing in the District as of the January 1 preceding the proposed issuance of such Additional

Bonds, for each Fiscal Year that Bonds will be Outstanding, the amount of the Available Special Taxes that may be levied on all Taxable Property in such Fiscal Year is at least equal to 110% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds; provided, however that there will be excluded from such calculation of any Available Special Taxes levied or that may be levied on any parcel of Taxable Property that, as of the date of such certificate, is in default in the payment of any Special Taxes; and

- (ii) the sum of (A) the Assessed Value of parcels of Taxable Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Taxable Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least three times the sum of (I) the aggregate principal amount of Outstanding Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Taxable Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Taxable Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, if such Additional Bonds are to be issued solely for the purpose of providing funds to refund any Outstanding Bonds issued under the Indenture, and, upon such issuance, Annual Debt Service in each Bond Year, calculated for all Bonds to be Outstanding after the issuance of such Additional Bonds, shall be less than or equal to Annual Debt Service in such Bond Year, then receipt of such certificate or certificates shall not be a condition precedent to the issuance of such Additional Bonds. The issuance of Additional Bonds is subject to certain additional specific conditions precedent. See Appendix D – “Summary of Indenture.”

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.

Such judicial foreclosure proceedings are not mandatory. However, in the Indenture, the District has covenanted for the benefit of the Owners of the Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes; provided, however that the District is not required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the District for such fiscal year is less than 5% of the total Special Tax levied in such fiscal year and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve

Requirement. Notwithstanding the foregoing, if the District determines that any single property owner in the District is delinquent in excess of \$5,000 in the payment of the Special Tax, then the District will diligently institute, prosecute and pursue foreclosure proceedings against such property owner. The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Fund at the Reserve Requirement. In a foreclosure proceeding the District is entitled to recover penalties and interest on the delinquent Special Taxes through the date that an order of sale is entered. Prompt commencement of foreclosure proceedings may not, in and of itself, result in a timely or complete payment of delinquent Special Taxes.

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 or Other Federal Agencies” and “– Billing of Special Taxes.”

If 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, the District may adjust the Special Taxes levied on all taxable property within the District 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.

Property Values

An appraisal of the property in the District, dated August 19, 2010 (the “Appraisal”), was prepared by Harris Realty Appraisal (the “Appraiser”). The Appraisal was prepared to estimate the minimum market value of the land in the District in its “as is” condition (the “Minimum Market Value”). The property within the District designated for park, open space or civic uses and not subject to tax or special assessment was not included in the Appraisal. The estimated values expressed in the Appraisal were stated as of August 15, 2010. See the Appraisal included in Appendix A hereto for a description of the assumptions made and the valuation methodologies used by the Appraiser.

The 1,540 residential units proposed to be developed within the District consist of 14 for sale products and one rental product. Of the 15 products, eight represent detached residential projects (for

a total of 562 units), one represents a duplex projects (for a total of 84 units), three represent townhome projects (for a total of 438 units), two represent townhome projects in a triplex configuration (for a total of 216 units), and one represents an age-restricted residential rental project, originally designed as condominiums (for a total of 240 units). Of the expected 1,540 residential units, as of the August 15, 2010 date of value of the Appraisal, 1,116 residential units have been completed within 12 different products (1,092 of which have been sold to individual homeowners) and approximately 424 residential units remain to be built reflecting 4 different products. See Table 5 for a summary of the remaining development in the District and within each Zone. Approximately 308 of the units in the District are subject to the City's affordable housing requirements, of which 155 have been sold to homeowners and the remainder are to be part of the affordable rental program in Coventry Court.

The Appraiser has provided separate valuations for the property in each Zone within the District. The Appraiser has utilized the static residual analysis for those lots where construction of homes had yet to commence as of the August 15, 2010 date of value of the Appraisal. For those lots with sold model and production homes as of the August 15, 2010 date of value of the Appraisal, the Appraiser analyzed such lots separately.

In estimating the Minimum Market Value of the for-sale residential property in each Zone without unit construction, the Appraiser considered the "as is" value of land and site improvements. In order to estimate the Minimum Market Value of the residential property, the Appraiser used the static residual analysis (*i.e.*, a calculation of land value by deducting costs, including direct costs of construction, marketing, taxes, overhead, and costs to finish the lot 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). According to the Appraiser, the static residual analysis is often a better indication of land value when real estate market conditions are in flux, as is currently the case. See "SPECIAL RISK FACTORS – Risks Related to Current Market Conditions." The Appraiser estimated the aggregate bulk values of the land and site improvements as of August 15, 2010. The estimated values consider the land without unit construction, give consideration to the finished lot condition and then deduct the costs necessary to bring each lot to the finished lot condition. An additional deduction is made for remaining site costs. Such costs reduce the value of the property because they represent costs that must be incurred in order for the property to reach the state in which it was valued for purposes of the Appraisal (*i.e.*, a finished lot condition). Thus, subtracting the costs to complete on-site improvements from the aggregate bulk values of the land in Zone 1, the Appraiser estimated the aggregate Minimum Market Value of land without unit construction in Zone 1 as of August 15, 2010, to be approximately \$23,100,000 and in Zone 2 to be approximately \$15,300,000, the Appraiser has concluded that the value of the land in the District was not less than such amounts.

In estimating the Minimum Market Value of the for-sale residential property in each Zone with unit construction, the Appraiser gave consideration to the average size home and average sales price per square foot for each product in the District during 2007, 2008, 2009 and the first seven months of 2010. The Appraiser also gave consideration to currently selling products in comparable communities, giving consideration to current incentives, locations and other factors. The Appraiser concluded at a conservative price per square foot for each product in the District, which represents the Appraiser's estimate of Minimum Market Value for the sold homes in each product. The aggregate of the values is the total Minimum Market Value for the 1,092 sold homes as of August 15, 2010.

As of the August 15, 2010 date of value of the Appraisal, 711 units had been built and sold in Zone 1 and near finished lots for the Mirabella and Augusta products numbered 124 in Zone 1. The Appraiser estimated the aggregate Minimum Market Value for such completed and sold homes to be approximately \$347,000,000 and the aggregate Minimum Market Value for such near finished lots to be approximately \$23,100,000. With respect to the age-restricted Coventry Court project in Zone 1, the Appraiser noted a recent sales price of \$2,500,000 attributed to the improvements, with the total Minimum Market Value for the entire Coventry Court project in its "As Is" condition to be \$2,500,000 for a total of \$372,600,000 in Zone 1. In Zone 2, 381 homes had been built and sold and near finished lots numbered 84. The Appraiser estimated the aggregate Minimum Market Value for such completed and sold homes to be approximately \$277,000,000 and the aggregate Minimum Market Value for such near finished lots to be approximately \$15,300,000 for a total of \$292,300,000 in Zone 2.

Based on the above, as of the August 15, 2010 date of value of the Appraisal, the total Minimum Market Value for the 208 near finished lots within the District was \$38,400,000, the total Minimum Market Value for the 1,092 built and sold dwelling units within the District was \$624,000,000, and the total Minimum Market Value for the 240-unit rental project was \$2,500,000. Thus, based on the above-summarized analyses and the assumptions set forth in the Appraisal, the Appraiser estimated the Minimum Market Value of the property within the District as of August 15, 2010 to be approximately \$664,900,000 (rounded).

Direct and Overlapping Debt

Contained within the District 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.

Water District Debt

The property in the District receives water and sewer service from the Irvine Ranch Water District ("IRWD") and is located within IRWD's Improvement District Nos. 113 and 213 (collectively, the "IRWD Improvement Districts"). At an election held on August 31, 2004, IRWD received authorization to issue not to exceed \$26,000,000 aggregate principal amount of general obligation bonds for Improvement District No. 113 and \$87,000,000 aggregate principal amount of general obligation bonds for Improvement District No. 213. IRWD issued approximately \$1,500,000 aggregate principal amount of general obligation bonds for Improvement District No. 113 and approximately \$11,100,000 aggregate principal amount of general obligation bonds for Improvement District No. 213 in February 2006, approximately \$5,000,000 aggregate principal amount of general obligation bonds for Improvement District No. 113 and approximately \$6,300,000 aggregate principal amount of general obligation bonds for Improvement District No. 213 pursuant to such authorization in July 2007 and approximately \$2,900,000 aggregate principal amount of general obligation bonds for Improvement District No. 113 and approximately \$6,300,000 aggregate principal amount of general obligation bonds for Improvement District No. 213 in June 2009.

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.

06-1 School District CFD Debt

The Tustin Unified School District (the “School District”) has established Community Facilities District No. 06-1 of the Tustin Unified School District (the “06-1 School District CFD”) and has authorized the issuance of bonded debt in the amount of \$25,000,000 (the “06-1 School District CFD Bonds”), and the levy of special taxes against the property in the 06-1 School District CFD to pay for debt service on the 06-1 School District CFD Bonds, for certain costs of providing school facilities, and for related incidental expenses. The 06-1 School District CFD expects to issue the 06-1 School District CFD Bonds pursuant to such authorization in several series. The first such issuance occurred in April 2010 in the aggregate principal amount of \$13,560,000. Any debt issued by the CFD 06-1 School District will be payable by the owners of property in Zone 1 but not Zone 2 of the District.

The City cannot predict the extent to which the 06-1 School District CFD will issue its remaining authorized but currently unissued debt, the timing of any such issuances or the debt service payments thereon.

School District Debt

The School District received authorization at an election held on November 5, 2002, by an affirmative vote of the eligible voters within the School District to issue bonds on behalf of School Facilities Improvement District No. 2002-1 of the School District (the “02-1 Improvement District”) in an amount not to exceed \$80,000,000 (the “02-1 School District Bonds”). The School District, on behalf of the 02-1 Improvement District, issued 02-1 School District Bonds in 2003, 2006, 2008 and 2010. As of October 1, 2010, none such authorized debt was unissued. The 02-1 School District Bonds are general obligation bonds of the School District, on behalf of the 02-1 Improvement District, payable from *ad valorem* taxes; the amount of the tax levy on each parcel is based on the assessed valuation of the taxable property within the boundaries of the 02-1 Improvement District. If, as property is developed and sold within the Community Facilities District, the assessed valuation of such parcels increases disproportionately to other parcels within the 02-1 Improvement District, then such parcels’ share of the general obligation bond debt of the School District would increase.

The School District received authorization at an election held on November 4, 2008, by an affirmative vote of the eligible voters within the School District to issue bonds on behalf of School Facilities Improvement District No. 2008-1 of the School District (the “08-1 Improvement District”) in an amount not to exceed \$95,000,000 (the “08-1 School District Bonds”). The School District, on behalf of the 08-1 Improvement District, issued 08-1 School District Bonds in 2010 in the principal amount of \$25,000,000. As of October 1, 2010, \$70,000,000 of such authorized debt was unissued. The 08-1 School District Bonds are general obligation bonds of the School District, on behalf of the 08-1 Improvement District, payable from *ad valorem* taxes; the amount of the tax levy on each parcel is based on the assessed valuation of the taxable property within the boundaries of the 08-1 Improvement District. If, as property is developed and sold within the Community Facilities District, the assessed valuation of such parcels increases disproportionately to other parcels within the 08-1 Improvement District, then such parcels’ share of the general obligation bond debt of the School District would increase.

The City cannot predict the extent to which the School District will issue its authorized but currently unissued debt, the timing of any such issuances 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 the District.

**Table 2
City of Tustin
Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)
Direct and Overlapping Debt Summary**

Overlapping District ⁽¹⁾	2010-11 Total Levy	Amount of Levy on Parcels in the District	Percent of Levy on Parcels in the District	Total Debt Outstanding ⁽²⁾	District Share of Total Debt Outstanding
Metropolitan Water District G.O. Bonds	\$107,866,571	\$ 29,275	0.0271%	\$258,345,000	\$70,115
Tustin Unified SFID 2002-1 (Zone 1 only)	5,493,515	165,238	3.0079	58,357,708	1,755,321
Tustin Unified SFID 2008-1 (Zone 2 only)	190,385	4,767	2.5037	25,000,000	625,937
IRWD #213 Sewer Bond	947,431	401,637	42.3922	23,450,700	9,941,264
IRWD #113 Sewer Bond	129,080	54,720	42.3922	9,365,000	3,970,028
Tustin Unified CFD 06-1 (Zone 1 only)	961,748	961,748	100.00	13,560,000	13,560,000
City of Tustin CFD 06-01 Series 2007A Bonds	3,351,507	3,351,507	100.00	53,425,000	53,425,000
				Total Overlapping Debt	\$ 83,347,666
				Plus: Series 2010 Bonds	1,675,000
				Estimate Share of Direct and Overlapping Debt Allocable to the District	85,022,666
				Appraised Minimum Market Value ⁽³⁾	\$664,900,000
				Estimated Appraised Value-to-Lien Ratio ⁽³⁾	7.82

⁽¹⁾ Includes *ad valorem*, general obligation, special taxes, and standby charges that support any type of outstanding debt.

⁽²⁾ As of September 3, 2010.

⁽³⁾ Based on the Appraisal.

Source: David Taussig and Associates, Inc.; County of Orange Auditor/Controller's Office; IRWD; Tustin Unified School District.

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 the District which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the District. Furthermore, nothing prevents the owners of property within the District 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 taxes, such assessments, special taxes and taxes will be secured by liens on the property within the District on a parity with the lien of the Special Taxes.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the estimated value-to-lien ratio that exists at the time the Series 2010 Bonds are issued. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within the District 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 the District. The \$55,100,000 principal amount of Bonds constitutes direct debt for the property in the District. As set forth in Table 2 under “Direct and Overlapping Debt – *Direct and Overlapping Debt Summary*” above, as of September 3, 2010, there is approximately \$29,922,666 of other outstanding public indebtedness applicable to property in the District. Thus, the estimated direct and overlapping debt allocable to the property in the District is approximately \$85,022,666.

The Minimum Market Value of the property in the District as of August 15 2010, as estimated by the Appraiser in the Appraisal, was approximately \$664,900,000 (rounded), which is approximately 12.06 times the principal amount of the Bonds and 7.82 times the sum of the principal amount of the Bonds, plus the amount of all the other outstanding public indebtedness allocable thereto, under the assumptions, and excluding certain direct and overlapping debt, described in Table 2. **The foregoing value-to-lien ratios represent estimated averages for the property within the District only; the actual ratios for individual parcels of land within the District may vary significantly.**

No assurance can be given that any of the foregoing value-to-lien ratios will be maintained during the period of time that the Series 2010 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.”

Effective Tax Rates

The following two tables set forth the tax rates for fiscal year 2010-11 based on the fiscal year 2010-11 tax rates in Zone 1 and Zone 2 for residences of various square footages within the District. The estimated tax rates and amounts presented herein are based on the best available information available as of September 1, 2010. The actual amounts charged are expected to vary and may increase in future years.

Table 3
City of Tustin
Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)
Estimated Fiscal Year 2010-2011 Tax Rates
Zone 1

Estimated Assessed Valuation and Property Taxes	Percent of Total AV	Estimated Amount				
		SFD >3,600 SF	SFD 2,476 - 2,850 SF	SFA 1,801 – 2,050 SF	SFA <=1,550	Affordable Moderate
Land Value		\$212,735	\$258,366	\$233,910	\$190,081	\$72,655
Improvement Value		647,265	475,634	336,734	204,919	186,515
Gross Assessed Value		860,000	734,000	570,644	395,000	259,170
Less: Homeowner's Exemption		(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Net Assessed Value⁽¹⁾		853,000	727,000	563,644	388,000	252,170
AD VALOREM PROPERTY TAXES ⁽²⁾						
Base Property Tax Rate	1.00000%	\$8,530	\$7,270	\$5,636	\$3,880	\$2,522
Tustin Unified SFID 2002-1 (Zone 1 only)	0.04401	375	320	294	171	111
Metropolitan Water District	0.00430	37	31	24	17	11
IRWD #213 Sewer Bond (Land Value Only)	0.14533	309	375	410	282	183
IRWD #113 Sewer Bond (Land Value Only)	0.01980	42	51	56	38	25
Total General Property Taxes and Overrides	1.21344%	\$9,293	\$8,048	\$6,374	\$4,388	\$2,852
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES ⁽³⁾						
Mosquito and Fire Ant Assessment	\$5.06	\$ 5.06	\$ 5.06	\$ 5.06	\$ 5.06	\$ 5.06
Vector Control Charge	1.92	1.92	1.92	1.92	1.92	1.92
Metropolitan Water Standby Charge	10.08	10.08	10.08	10.08	10.08	10.08
Irvine USD RIMD – Detached Unit (Zone 2 only)	55.30	NA	NA	NA	NA	NA
Irvine USD RIMD – Attached Unit (Zone 2 only)	37.11	NA	NA	NA	NA	NA
Tustin USD CFD No. 2006-01	NA	3,047	2,047	1,284	920	162
CFD No. 06-01 Special Tax A	NA	3,524	2,704	2,062	969	379
CFD No. 06-01 Special Tax B	NA	2,111	1,542	1,104	649	649
Total Assessments, Special Taxes and Parcel Charges		\$8,699	\$6,310	\$4,467	\$2,555	\$1,208
TOTAL PROPERTY TAXES		\$17,993	\$19,358	\$10,841	\$6,943	\$4,059
Total Effective Tax Rate (as % of Estimated Value)		2.0922%	1.9562%	1.8998%	1.7578%	1.5663%

(1) Based on County Assessor's roll equalized as of January 1, 2010.

(2) Based on fiscal year 2010-11 *ad valorem* rates. Rates subject to change.

(3) Based on fiscal year 2010-11 Assessment Rates. Subject to change.

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

Table 4
City of Tustin
Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)
Estimated Fiscal Year 2010-2011 Tax Rates
Zone 2

Estimated Assessed Valuation and Property Taxes	Percent of Total AV	Estimated Amount				
		SFD >4,300 SF	SFD 2,551 - 2,200 SF	SFA 1,800 SF	SFA <=1,600 SF	Affordable Moderate
Land Value		\$ 266,502	\$348,591	\$253,972	\$236,955	\$ 73,174
Improvement Value		974,498	480,909	303,028	183,045	207,586
Gross Assessed Value		1,241,000	829,500	557,000	420,000	280,760
Less: Homeowner's Exemption		(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Net Assessed Value⁽¹⁾		1,234,000	822,500	550,000	413,000	273,760
AD VALOREM PROPERTY TAXES ⁽²⁾						
Base Property Tax Rate	1.00000%	\$12,340	\$8,225	\$5,500	\$4,130	\$2,738
Tustin Unified SFID 2008-1 (Zone 2 only)	0.00156	19	13	9	6	4
Metropolitan Water District	0.00430	53	35	24	18	12
IRWD #213 Sewer Bond (Land Value Only)	0.14533	387	507	369	344	106
IRWD #113 Sewer Bond (Land Value Only)	0.01980	53	69	50	47	14
Total General Property Taxes and Overrides	1.17099%	\$12,852	\$8,849	\$5,952	\$4,545	\$2,874
ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES ⁽³⁾						
Mosquito and Fire Ant Assessment	\$5.06	\$ 5.06	\$ 5.06	\$ 5.06	\$ 5.06	\$ 5.06
Vector Control Charge	1.92	1.92	1.92	1.92	1.92	1.92
Metropolitan Water Standby Charge	10.08	10.08	10.08	10.08	10.08	10.08
Irvine USD RIMD – Detached Unit (Zone 2 only)	55.30	55.30	55.30	0	0	0
Irvine USD RIMD – Attached Unit (Zone 2 only)	37.11	0	0	37.11	37.11	37.11
Proposed CFD No. 06-01 Special Tax A	NA	8,062	5,237	3,537	2,651	379
Proposed CFD No. 06-01 Special Tax B	NA	2,435	1,607	1,104	844	649
Total Assessments, Special Taxes and Parcel Charges		\$10,570	\$6,917	\$4,696	\$3,549	\$1,082
TOTAL PROPERTY TAXES		\$23,422	\$15,765	\$10,647	\$8,095	\$3,957
Total Effective Tax Rate (as % of Estimated Sales Price)		1.8874%	1.9006%	1.9115%	1.9273%	1.4094%

(1) Based on County Assessor's roll equalized as of January 1, 2010.

(2) Based on fiscal year 2010-11 *ad valorem* rates. Rates subject to change.

(3) Based on fiscal year 2010-11 Assessment Rates. Subject to change.

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

THE DISTRICT

General

The District was established in accordance with the Act and constitutes a legally constituted governmental entity separate and apart from the City. The District consists of two non-contiguous sites referred to in this Official Statement as Zone 1 and Zone 2. Zone 1 is located on the south side of Edinger Avenue, east of Red Hill Avenue. Zone 1 is commonly referred to as Columbus Square. Zone 2 is located on the west side of Harvard Avenue between Moffett Avenue to the north and Warner Avenue to the south. The Peters Canyon Flood Channel is located on the west side of Zone 2. Zone 2 is commonly referred to as Columbus Grove.

The District consists of approximately 70 net acres of land, including 5.8 gross acres of property transferred by the United States Government to Moffett Meadows and annexed into Zone 1 of the District in October 2008, which are subject to the Special Tax in Zone 1 and 55.8 net acres of land which are subject to the Special Tax in Zone 2. Of the expected 1,540 residential units, as of the August 15, 2010 date of value of the Appraisal, 1,116 residential units have been completed within 12 different products and approximately 424 residential units remain to be built reflecting 4 different products. Approximately 308 of the units in the District are subject to the City's affordable housing requirements, of which 155 have been sold to homeowners and the remainder are to be part of the affordable rental program in Coventry Court. Of the 1,116 completed residential units, 1,092 have been sold to individual homeowners. See "– Property Ownership and Development."

Tustin Legacy

The District is a part of the further development of the 1,533 gross acre master planned community in central Orange County known as Tustin Legacy. Tustin Legacy is the City's proposed development for that portion of the former Marine Corps Air Station (MCAS) Tustin located in the City and an additional four acre parcel acquired from The Irvine Company, dba Irvine Community Development Company, LLC ("The Irvine Company"). Approximately 73 acres of the original Air Station are located in the City of Irvine and are not a part of Tustin Legacy. See "Former Marine Corps Air Station Tustin and Tustin Legacy Project."

Tustin Legacy is currently planned to include 4,210 residential units, schools, parks, and numerous business and commercial uses including up to approximately 10 million square feet of non-residential square footage. Tustin Legacy is generally bounded by single-family residential and business park uses to the north, light industrial and research and development uses to the west, light industrial and commercial uses to the south, and residential uses to the east in the City of Irvine. The Tustin Legacy project area is in close proximity to the Costa Mesa/Newport (SR-55), the Santa Ana (I-5), and the San Diego (I-405) Freeways. Jamboree Road provides access to the Eastern Transportation Corridor. John Wayne Airport is located approximately three miles to the south.

Summary of District Proceedings

Pursuant to the Act, the City Council of the City adopted Resolution No. 06-67 on June 5, 2006 stating its intention to establish the District and to authorize the levy of special taxes within the boundaries of the District. On the same date, the City Council of the City also adopted Resolution No. 06-68 stating its intention to have the District incur bonded indebtedness in an amount not to exceed \$65,000,000.

Following public hearings conducted pursuant to the provisions of the Act, the City Council of the City adopted Resolution No. 06-89 on July 17, 2006 establishing the District. The City Council of the City also adopted Resolution No. 06-90 determining the necessity to have the District incur up to \$65,000,000 of bonded indebtedness. Both resolutions called for a special election to submit propositions to authorize the levy of the Special Tax and incurring of the bonded indebtedness to the qualified electors of the District.

At a special election held on July 17, 2006, the owners of the property within the boundaries of the District authorized the District to incur bonded indebtedness in an amount not to exceed \$65,000,000 and approved the Rate and Method to pay the principal of and interest on all bonds issued by the District. On September 6, 2007, the District issued its \$53,570,000 original principal amount of its Series 2007A Bonds pursuant to the Original Indenture, payable from the Net Special Tax Revenues on a parity with the Series 2010 Bonds.

An additional 5.8 gross acres of property transferred by the United States Government to Moffett Meadows was annexed into Zone 1 of the District pursuant to the provisions of the Act and the adoption by the City Council of Resolution No. 08-71 on October 7, 2008. As a result of this annexation of 5.8 gross acres of property, approximately 70 net acres in Zone 1 are subject to the Special Tax

Rate and Method of Apportionment

The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, *i.e.*, the Rate and Method, which the City Council of the City and the qualified electors of the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described herein. The District adopted the Rate and Method following a public hearing and an election conducted pursuant to the provisions of the Act. The full text of the Rate and Method is set forth in Appendix B hereto and capitalized terms used under this caption but not defined shall 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 the District not exempt pursuant to law or the Rate and Method, into four categories: Developed Property, Taxable Public Property, Taxable Property Owner Association Property and Undeveloped Property. The Rate and Method further classifies the Special Taxes as Special Tax A and Special Tax B. The Special Tax A is the Special Tax levied to fund the Special Tax Requirement. The Special Tax B is the Special Tax levied to fund the provision of certain services but is **not** pledged to the payment of the Bonds.

The amount of Special Taxes that the District may levy is limited by the Maximum Special Tax rates set forth in the Rate and Method. Under the Rate and Method, the Maximum Special Tax A for a parcel of Developed Property will be increased on each July 1, by an amount equal to two percent of the amount in effect for the previous fiscal year.

Under the Rate and Method, each Zone has distinct classifications for Developed Property. In Zone 1, Developed Property is further classified into 17 categories (each a "Land Use Class"): (a) six categories of Single Family Detached Property (with such categories based on the square footage of residential floor area), (b) six categories of Single Family Attached Property (with such categories based on the square footage of residential floor area), (c) one category of Senior Units, (d) three

categories of Affordable Units (based on the income-level of the proposed owner) and (e) one category of Non-Residential Property. For Zone 1, the Maximum Special Tax for Developed Property for fiscal year 2010-11 for each Land Use Class for Maximum Special Tax A is shown in the Rate and Method as Table 1 (set forth in Appendix B hereto). In Zone 2, Developed Property is further classified into 13 Land Use Classes: (a) seven categories of Single Family Detached Property (with such categories based on the square footage of residential floor area), (b) three categories of Single Family Attached Property (with such categories based on the square footage of residential floor area), (c) two categories of Affordable Units (based on the income-level of the proposed owner) and (d) one category of Non-Residential Property. For Zone 2, the Maximum Special Tax for Developed Property for fiscal year 2010-11 for each Land Use Class for Maximum Special Tax A is shown in the Rate and Method as Table 2. In instances where an assessor's parcel contains more than one Land Use Class, the Maximum Special Tax on such parcel will be the sum of the Maximum Special Taxes for all Land Use Classes located on such parcel for the applicable Zone.

Under the Rate and Method, the Maximum Special Tax A for Taxable Property Owner Association Property, Taxable Public Property and Undeveloped Property is \$43,705.36 per acre for fiscal year 2010-11, subject to increase on each July 1, by an amount equal to two percent of the amount in effect for the previous fiscal year.

In accordance with the Rate and Method, The City Council of the City, acting in its capacity as the legislative body of the District, will in each fiscal year determine the Special Tax Requirement and will levy the Special Tax A until the total Special Tax Levy A equals the Special Tax Requirement. The Special Tax Requirement for Facilities is defined under the Rate and Method as the amount required in any fiscal year for the District to pay the sum of (a) debt service on all outstanding bonds or other debt issued by the District under the Act ("Outstanding Debt"), (b) periodic costs on the Outstanding Debt, including but not limited to credit enhancement and rebate payments thereon, (c) Administrative Expenses, (d) any amounts required to establish or replenish any reserve funds for all Outstanding Debt, (e) reasonably anticipated Special Tax A delinquencies based on the delinquency rate for the Special Tax A levy in the previous fiscal year, and (f) the acquisition or construction of Authorized Facilities to the extent the inclusion of such amount does not increase the Special Tax A levy on Undeveloped Property. In arriving at the Special Tax Requirement for Facilities, a credit is to be given for funds available to reduce the annual Special Tax A levy.

The City Council of the City levies the Special Tax A in four steps, in the following order, until the amount of the levy equals the amount needed to be collected to satisfy the Special Tax Requirement for Facilities:

First: the Special Tax A is levied Proportionately on each assessor's parcel of Developed Property at up to 100% of the applicable Maximum Special Tax A;

Second: if additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, then the Special Tax A will be levied proportionately on each assessor's parcel of Undeveloped Property at up to 100% of the Maximum Special Tax A for Undeveloped Property;

Third: if additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first and second steps have been completed, then the Special Tax A will be levied

Proportionately on each assessor's parcel of Taxable Property Owner Association at up to 100% of the Maximum Special Tax A for Taxable Property Owner Association Property; and

Fourth: if additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first, second and third steps have been completed, then the Special Tax A will be levied Proportionately on each assessor's parcel of Taxable Public Property at up to the Maximum Special Tax A for Taxable Public Property.

Notwithstanding the above, under no circumstances may the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than 10% as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. 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 APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." For purposes of this paragraph, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued. Accordingly, the Special Tax levied against any such parcel of residential property may not be increased 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. The application of this limitation to an assessor's parcel containing one or more apartment units is unclear and remains subject to clarification by act of the legislature or the courts.

The term "Proportionately" as used in the above steps means (a) as applied to Developed Property, that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is equal for all assessor's parcels of Developed Property in the District and (b) as applied to Undeveloped Property, that the ratio of actual Special Tax A levy per acre to the Maximum Special Tax A per acre is equal for all assessor's parcels of Undeveloped Property in the District.

The Rate and Method also provides that the Special Tax A will be levied on each assessor's parcel for a period not to exceed forty years commencing which, as to the taxable parcels prior to annexation, commenced with fiscal year 2006-07. Under the Rate and Method, up to 31.01 acres of Property Owner Association Property and 0.13 acres of Public Property are exempt from the levy of Special Taxes in Zone 1 and up to 30.31 acres of Property Owner Association Property and 0.16 acres of Public Property are exempt from the levy of Special Taxes in Zone 2.

The Special Tax A obligation applicable to a lot within the District may be prepaid and the obligation to pay any Special Tax A for such lot may be fully or partially satisfied as described in the Rate and Method.

In order to obtain a building permit, a merchant builder may be required to prepay Special Tax A (the "Special Tax A Buydown") if there is a reduction in the total expected number of dwelling units or if smaller residential units than were originally anticipated in the Rate and Method are constructed within the District. Moneys from any such Special Tax A Buydown will be deposited in the Redemption Fund and applied pursuant to the Indenture. See "THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds – Mandatory Redemption from Special Tax Prepayments." As discussed herein, two for-sale projects remain to be built within Columbus Square each entailing smaller residential units than were originally anticipated in the Rate and Method. The townhome project, known as Mirabella, and the Astoria project, now known as Augusta, were originally planned for products with larger floor plans than those currently proposed. Each was put

on hold and has been redesigned with smaller floor plans. With respect to the Astoria project, permits were pulled only for those units that have been completed and sold. Unit construction never began for Mirabella, although building permits were issued for the larger floor plan products. Although those building permits have since expired, those units will continue to be subject to the Special Tax as the larger product that was originally permitted. Any special tax buydown (as discussed herein) for these units will be determined by the owner voluntarily.

Former Marine Corps Air Station Tustin and Tustin Legacy Project

Tustin Legacy was formerly a part of the Marine Corps Air Station Tustin. The Air Station was in operation for over 50 years as a military base but was included in base closure and realignment actions taken by the United States Government in 1991, 1993 and 1995. In 1992, the City began preparing a reuse plan for the Air Station. In October 1996, the City Council of the City adopted the “MCAS Tustin Specific Plan/Reuse Plan” (the “Reuse Plan”) which addressed transportation, housing, employment and recreational issues relating to the closure and subsequent reuse of the Air Station property. Such Reuse Plan was subsequently amended in September 1998. Pursuant to the Defense Base Closure and Realignment Act of 1990, the Air Station was closed on July 2, 1999.

In January 2001, the City Council of the City adopted a general plan land use designation entitled “Marine Corps Air Station Tustin Specific Plan” for Tustin Legacy. The City also prepared a Specific Plan detailing planning policies, regulations and implementation strategies to guide development within Tustin Legacy. Approximately 1,153 acres of the former Air Station were conveyed to the City pursuant to the “Agreement Between the United States of America and the City of Tustin, California for the Conveyance of a Portion of the Former Marine Corp Air Station Tustin” dated May 13, 2002 (the “Economic Development Conveyance Agreement”). In February 2003, the City Council of the City adopted the Specific Plan. The Specific Plan sets forth the zoning and entitlement framework for the development of Tustin Legacy, which includes the District. The Specific Plan conforms to and implements the Reuse Plan and the City’s General Plan. Since its adoption in 2003, the Specific Plan has been amended from time to time including amendments which affect the District

Since adoption of the Specific Plan, significant progress has occurred. The City and Tustin Community Redevelopment Agency (the “Agency”) have been responsible for administering the conveyance, development and leasing of City-owned properties conveyed to the City by the Navy under the terms of an Economic Development Conveyance Agreement. Since 2002, a significant amount of acreage owned by the City within the Tustin Legacy Project intended for conveyance or leasing to private entities, public agencies, and non-profit institutions has been committed to uses and development consistent with the Specific Plan through conveyance agreements, disposition and development agreements, or interim lease agreements intended for eventual conveyance, as appropriated.

Under the Specific Plan, significant private and institutional development has occurred within Tustin Legacy over the last several years despite the economic recession, including the following:

- As of September 2010, 1,671 dwelling units have been constructed or 40% of the potential 4,210 dwelling units that would be permitted by the Specific Plan. Major housing projects completed have been all ownership tenure and include 565 homes at Tustin Field 1 and Tustin Field II, 735 homes at Columbus Square, and 381 homes at Columbus Grove.

- The City has recognized that the lack of affordable housing can be a barrier to a strong economy and have required that at least twenty percent of the housing within Tustin Legacy to be sold at affordable housing prices to address the critical need for affordable housing in the region. This is important to the City and Orange County because only 11% of Orange County residents can afford to buy a median-price home. To date, the Agency has facilitated 70 Very Low income, 87 Low income and 116 Moderate income households (for a total of 273 affordable households) being able to purchase for-sale Affordable Housing Units within Tustin Legacy.

- Approximately one million square feet of retail space has been constructed within a regional Class A retail center identified as the “District at Tustin Legacy.”

- Two community college districts have completed campus improvements including the Rancho Santiago Community College Law Enforcement Training Facility and Phase 1 of the South Orange County Community College District’s Advanced Technology Education Campus.

- The Orange County Rescue Mission has completed a transitional homeless facility, known as the Village of Hope, that contains 192 units.

- The County of Orange Social Services Department has completed The Tustin Family Campus, a facility intended to provide a supportive living environmental to meet the unmet needs of abused and neglected children and their families accommodating as many as 90 children and their parents in residence.

A considerable amount of demolition has been completed and will occur in the overall redevelopment of the Tustin Legacy Project. Since adoption of the Specific Plan, significant demolition has included the removal of runways and tarmac areas, demolition of obsolete and substandard buildings and military housing, and demolition of pre-existing roadways and obsolete utility systems. Over 80% of the materials generated as a result of these demolition activities have also been recycled on-site and are being used for construction of public and private streets. In addition, significant progress has been made in both the Navy’s responsibilities for investigating and remediating former military contaminants.

In addition to private developments within the Specific Plan area, over \$130 million dollars of infrastructure and related capital improvement projects have been completed to date. Work has been completed on the following infrastructure and roadways with all related utility systems, including storm drains, dry utilities and traffic control improvements.

- Kensington Park Road
- Valencia Avenue (from Red Hill Avenue to Kensington Park Road)
- Landsdowne Avenue
- Edinger Avenue widening – from approximately 1400 ft. east of Red Hill Avenue to Harvard Avenue
- Armstrong Avenue – from Valencia Avenue to future Warner Avenue
- Park Avenue – from Warner Avenue to Tustin Ranch Road

- Moffett Avenue – from Harvard to the Peters Canyon Channel
- Tustin Ranch Road – from Warner Avenue to Barranca Parkway
- Barranca Parkway widening – from Jamboree Road to Tustin Ranch Road
- Warner Avenue – from Tustin Ranch Road to Jamboree Road
- Modification to the Warner Ramp at Jamboree Road and the transition area of the west leg of the Eastern Transportation Corridor
- Severyn’s Road
- A Regional Hiking and Bike Trail segment paralleling the Southern California Regional Rail Authority right-of-way in the northeast portion of the Project.

Significant national and regional recognition has also been given to Tustin for its progress in dealing with the complexity of development of a former military base.

- In August 2006, the City’s Assistant City Manager Christine Shingleton was awarded the Community Redevelopment Leadership award of efforts in redeveloping the former MCAS-Tustin by the Association of Defense Communities, the largest organization in the country representing active and closed military facilities.

- In August 2008, the City was awarded the Base Redevelopment Community of the Year by the Association of Defense Communities, for its significant progress in redevelopment of the former MCAS-Tustin.

- In February 2007, the Orange County, California Branch of the American Society of Civil Engineers, awarded the City the Land Development Project of the Year award for its significant progress, and its unique public/private partnership approaches to development.

- In May 2010, the City received the “Media Award” from the Orange County Chapter of the American Planning Association for completion of a written history, documentary video, and exhibits on the history of the former Marine Corps Air Station. Visit the City’s web site at www.tustinca.org to view The Tustin Hangars: Titans of History video.

- In August 2010, the City was awarded, the Most Innovative Community Project of the Year by the Association of Defense Communities also for completion of the written history, documentary video and exhibits on the history of the former Marine Corps Air Station.

In addition to the project’s progress and successes to date, there is still a considerable amount of new development within the Tustin Legacy Project yet to come and a Master Plan and “Vision” for the future build out of the Tustin Legacy Project over the next twenty years. The current economic conditions have caused some delays with anticipated future development, but as conditions improve, the development of major residential and commercial projects are expected to recommence.

One of the largest remaining portions of the project, would be the development of 820 acre master planned urban activity center in center of the Project which is still anticipated, of which approximately 420 acres will be available for private residential and non-residential development.

The 820 acres includes public and private park and open spaces, school uses, and local and Tustin Legacy backbone infrastructure right-of-way areas. Some of the unique planned amenities for this future development would include the development of a lineal park that will traverse the development and enhance the view of the nearby Saddleback Mountains. The parkland will include walkable spaces, playgrounds, sports parks, and tranquil natural areas. Plans for additional development within this portion of the Project will include 2,105 new dwelling units, 6.7 million square feet of non-residential space, and new roadways, community facilities and infrastructure.

Other new development activity expected shortly include the following:

- A Master Plan is in preparation for the Tustin Legacy Community Park, a 25-acre active sports park, to be located next to the Columbus Square neighborhoods, construction funds have already been appropriated for this project.
- Plans are near completion for a new fire station to be constructed at Edinger and Kensington Park Road, construction funds have already been appropriated for this project.
- South Orange County Community College District will be proceeding with demolition of most of the remaining military buildings on its site and intends to proceed with a subsequent development phase shortly.
- The County of Orange is moving forward with planning efforts on development of an 84 acre regional park at Tustin Legacy and has plans for development of a Sheriff's Regional Law Enforcement facility and a regional animal control facility. Delays in development are largely a result of active environmental remediation which the Navy is still undertaking on the County sites.

CEQA Compliance

The City (the lead agency responsible for processing and approving the master entitlement and environmental review documents for the Air Station) and the United States Government prepared a Joint Final Environmental Impact Statement and Environmental Impact Report for the Disposal and Reuse of Marine Air Corps Station Tustin ("FEIS/EIR") in accordance with the National Environmental Protection Act and the California Environmental Quality Act. The City adopted the FEIS/EIR on January 21, 2001 and certified a supplement to the FEIS/EIR in December 2004 and an addendum to the FEIS/EIR in April 2006 (as so supplemented from time to time, the "Final FEIS/EIR"). In March 2001 the United States Government issued a Record of Decision approving the FEIS/EIR and the Reuse Plan.

The Final FEIS/EIR is a program environmental impact report ("program EIR") under CEQA. By statute, additional future environmental review on any public or private development activity may be necessary if (i) substantial changes are proposed in the project, (ii) substantial changes occur with respect to the circumstances under which the project is undertaken, or (iii) new information becomes available that was not known at the time the environmental impact report was certified as complete. However, the program EIR may make subsequent, extensive environmental review unnecessary. CEQA guidelines establish that where an EIR has been prepared and certified for a program consistent with the requirements established thereby, any lead agency for a later project pursuant to or consistent with such program should limit the EIR or negative declaration on the later project to effects which (i) were not examined as significant effects on the environment in the prior EIR, or (ii) are susceptible to substantial reduction or avoidance by the choice of specific revisions in the project, by the imposition of conditions or other means.

The developers of property in Tustin Legacy, including the District, will be responsible for adhering to all applicable provisions of the FEIS/EIR and all requirements of CEQA that might apply to development activities by any such developer either on-site or off-site.

In conjunction with the approval of entitlements for the District, the City conducted an initial environmental assessment and determined that no changes to the original FEIS/EIR were needed, and included applicable mitigation measures in the project entitlements for the District. Accordingly, no further CEQA action is required in connection with the development within the District.

Entitlement Status

The City approved the original final tract maps for the District in February 2006, with minor amendments having been subsequently approved by the City.

The master developer, Moffett Meadows, has completed all commitments related to development of Columbus Square and Columbus Grove, with the exception of the final acceptance of certain on-site facilities pending acceptance from the City of Tustin including, but not limited to, dedication of certain right-of-way. In Columbus Square the remaining work also includes on-site installation of landscape and sidewalks adjacent to the lots that have not been improved with dwelling units. The age-restricted housing development known as Coventry Court is proposed for 240 dwelling units for persons 55 years of age and older. This development currently has one 3-story building built with the balance of the land undeveloped. Coventry Court was originally entitled for 240 age-restricted condominium units which would consist of 153 affordable units and 87 market rate units. An application has recently been approved by the City for the age-restricted units to allow for 153 affordable rental units and 87 market rate rental units. See "THE PROJECT."

Property Ownership and Development

The following information regarding ownership and planned development of the District has been provided by publically available sources, the ORA Entities, Resmark, Tustin Coventry Seniors, and William Lyon Homes, or as stated in the Appraisal. The information provided under this caption has been included because it may be considered relevant to an informed evaluation and analysis of the Series 2010 Bonds and the District. No assurance can be given, however, that the proposed development of the remaining partially developed property within the District will occur, or that it will occur in a timely manner or in the configuration or to the density described herein, or that the ORA Entities, Tustin Coventry Seniors, or Moffett Meadows, or any affiliates thereof, or any other property owner described herein will or will not retain ownership of its property within the District. No representation is made by the City or the District as to the accuracy or adequacy of such information.

As described under the caption, "Former Marine Corps Air Station Tustin and Tustin Legacy Project," above, the District represents a phase of residential development within Tustin Legacy consistent with the Reuse Plan. The following discussion describes the various entities involved with the development of the District, commencing with the purchase of the property which constitutes the District from the United States Government. Currently, major infrastructure improvements are complete throughout the District with the exception of sidewalks and landscaping adjacent to vacant homesites. Of 1,540 planned dwelling units, 1,092 have been completed and sold to individual homeowners and, with respect to remaining development, is under the ownership of Moffett Meadows (owner of four near finished lots), Tustin Coventry Seniors (owner of Coventry Court,

consisting of 24 rental dwelling units in one building (none of which are currently rented) and near finished sites to be improved with an additional 216 dwelling units, for a total of 240 total rental dwelling units) and three subsidiaries of ORI. With respect to the land owned by subsidiaries of ORI, title is held by three single purpose entities: ORA Astoria, ORA Mirabella and ORA Ainsley.

All of the single family detached homes proposed to be built in the District have been completed and sold. The remaining development within the District and not yet completed is proposed for a mix of attached dwelling units and the age-restricted housing development known as Coventry Court. As of the August 15, 2010 date of value, 711 dwellings were complete and sold within Columbus Square, with an additional 381 dwellings complete and sold within Columbus Grove.

The three projects expected to be built by William Lyon Homes are in near finished lot condition. Two projects are located within Columbus Square. There is one townhome site proposed for 60 dwelling units known as Mirabella and there are 64 4,500-square foot lots known as Augusta. The ownership of four of the Augusta lots was retained by Moffett Meadows, as a result of timing of transfer of remaining interests to the ORA Entities, and Moffett Meadows reportedly has no time-line to sell its four near finished lots for development and reportedly has not determined who will build on the four near finished lots. The third project expected to be built by William Lyon Homes is located within Columbus Grove. This product is known as Ainsley Park and is proposed for 84 duplex or paired homes. As of the August 15, 2010 date of value, the three proposed subdivisions known as Augusta, Mirabella and Ainsley Park, had not started unit construction. Development of each tract is anticipated to be completed by William Lyon Homes.

The Mirabella townhome project (60 dwelling units) was proposed for dwellings ranging in size from 2,125 to 2,685 square feet. The product has been revised and is currently proposed for three floor plans ranging from 1,661 square feet to 2,106 square feet. Trenching is scheduled to begin for the model townhomes in November 2010. Production construction is scheduled to begin in April 2011, with an expected start for sales in or about April 2011. The Appraiser has estimated costs to bring the Mirabella site from its "As Is" condition to a finished lot condition ready to start unit construction at \$3,109,231 or \$51,820 per proposed unit.

The Augusta product was originally a part of the Astoria product which was originally planned for 102 dwellings on 4,500 square foot lots. The Astoria product ranged in size from 2,749 to 3,529 square feet. Of the 102 dwellings, 4 model homes and 34 production homes were built and sold. The project was then put on hold. The Augusta product is currently planned for 3 floor plans ranging from 2,610 square feet to 3,001 square feet. Trenching is scheduled to begin for the model homes in November 2010. Production construction is scheduled to begin in April 2011, with an expected start for sales in or about April 2011. The Appraiser has estimated costs to bring the 64 Augusta lots from its "As Is" condition to a finished lot condition ready to start unit construction at \$1,542,403 or \$27,707 per lot.

Also remaining to be constructed is the 84 duplex (paired homes) product, known as Ainsley Park. The product ranges in size from 1,659 square feet to 2,364 square feet, offering 4 floor plans. The builder has recently started trenching for the four model homes. A sales trailer is on-site, and pre-sale activities commenced in September 2010, with model homes expected to be open in November 2010. The Appraiser has estimated costs to bring the Ainsley Park site from its "As Is" condition to a finished lot ready to start unit construction are estimated to be \$1,736,502 or \$20,673 per proposed unit.

Finally, the age-restricted development known as Coventry Court is proposed for 240 dwelling units for persons 55 years of age and older. An application has recently been approved by the City to require 153 affordable rental units and allow up to 87 market rate rental units. This development currently has one 3-story building built with the balance of the land in near finished lot condition. The development is owned by Tustin Coventry Seniors, an affiliate of Meta Housing Corporation, a developer of affordable and market-rate apartment communities in Southern California. Of the proposed 240 residential units, 24 have been completed, but are not rented. The project is scheduled to commence vertical construction of the remaining 216 unconstructed units in early 2011 with preleasing scheduled to start in Summer 2011 and occupancies scheduled to commence in the fall of 2011.

As detailed in the Appraisal, major infrastructure improvements are complete throughout the District with the exception of sidewalks and landscaping adjacent to vacant homesites. The development cost to complete is estimated to be \$700,041. See “Entitlement Status” above.

As of August 15, 2010, the property remaining to be developed in the District was as follows:

Table 5
City of Tustin
Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)
Summary of Remaining Development in the District
As of August 15, 2010

Product Name	Description	# of Units Remaining to be Completed	Property Owner	Site Condition
Zone 1 (Columbus Square):				
Mirabella ⁽¹⁾	Townhomes	60	ORA Mirabella	Near finished lots.
Augusta ⁽¹⁾	Detached homes	64	ORA Astoria and Moffett Meadows (4 units)	Near finished lots, 38 models and production homes completed and conveyed to individuals
Coventry Court ⁽³⁾	Age-restricted rental units	216 ⁽²⁾	Tustin Coventry Seniors	Blue-top lots; first building containing 24 homes complete
Subtotal		340		
Zone 2 (Columbus Grove):				
Ainsley Park ⁽¹⁾	Townhomes	84	ORA Ainsley Park	Near finished lots
Subtotal		84		
Total		424		

⁽¹⁾ The ORA Entities, respectively, have retained William Lyon Homes to construct, market and sell residential units upon the sites on behalf of the property owners pursuant to a series of agreements for each of the three products. See “THE DISTRICT – Property Ownership and Development.”

⁽²⁾ 153 units have been designated for affordable housing in the Coventry Court project. The affordable units are subject to special tax, but at a lower rate than market dwelling units. As of the August 15, 2010 date of value of the Appraisal, none of the 24 completed rental dwelling units are rented.

⁽³⁾ The Coventry Court site was conveyed to Tustin Coventry Seniors on August 25, 2010.

Source: ORA Entities, Lennar Homes.

Each of ORA Mirabella, ORA Astoria, and ORA Ainsley Park entered into a separate series of development and services, construction, and marketing and sales agreements with William Lyon Homes under which William Lyon Homes has agreed to construct, market and sell the Mirabella, Augusta, and Ainsley Park products at the direction of the respective property owner. All costs associated with the development of lots and the construction of the homes will be paid by the

respective ORA Entity. The respective ORA Entity retains the discretion over all decisions regarding the type, size, and location of the residential units, as well as the timing of commencement of construction. The various agreements expire on the earlier to occur of the close of escrow on the sale of the last residential unit within a project or December 31, 2020. The ORA Entities have engaged William Lyon Homes as an independent contractor to perform these services. The respective ORA Entity may terminate the agreements at any time upon 30 days' prior written notice to William Lyon Homes, or earlier for cause, and, therefore, there can be no assurance that William Lyon Homes will construct and sell all or any part of the 208 units on the land owned by the ORA Entities.

A description of Resmark, the ORA Entities, Moffett Meadows, and Tustin Coventry Seniors, together with a description of William Lyon Homes, follows. The Coventry Court site was conveyed to Tustin Coventry Seniors on August 25, 2010, after the August 15, 2010 date of value.

Resmark Equity Partners, LLC is a Los Angeles based private equity firm specializing in the U.S. housing sector. Resmark and its affiliates on behalf of its institutional funds provide equity and debt financing to homebuilders and land developers in select markets throughout the United States, acquire land and homesites directly on behalf of its funds and are engaged in the acquisition and the development of, principally, multifamily communities. Resmark was founded in 1995 and maintains offices in Los Angeles and San Diego, California. Resmark's institutional investors include The California Public Employees' Retirement System ("CalPERS") the nation's largest public pension fund and the California State Teachers' Retirement System ("CalSTRS"), the country's second-largest public pension fund. Resmark first became a CalPERS advisor in 1995, initially managing \$60 million of committed equity in CalPERS' acquisition and development fund (under CalPERS' broader housing program). Resmark became a CalSTRS advisor in the summer of 2010 with an initial deal to manage \$125 million.

Resmark and ORI intend to finance development activities for the ORA Entities' projects through third party or internal sources, and intends to use one or more of these sources of funds, together with the proceeds of future home sales, to finance acquisition costs, home construction costs, carrying costs, and all other costs for the property until all of homes in this project have been sold to individual homeowners. While Resmark believes that such sources of funds will be available and sufficient to finance the development of these projects in the District, no assurance can be given that the sources of financing available to Resmark or ORI will be sufficient to complete property development and home construction as currently anticipated. With respect to internal funding, while Resmark has made such internal financing available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Resmark has no legal obligation of any kind to make any internal funds or proceeds of house sales available or to obtain loans.

ORA Astoria, LLC. ORA Astoria, LLC, a California limited liability company (previously defined as "ORA Astoria"), was formed by ORI, the sole member of ORA Astoria. The Astoria project began development with 4 model homes and 34 production homes. As of the August 15, 2010 date of value, the 38 homes have sold to individual homeowners and the project was placed on hold. The build out of Astoria will have a name change to Augusta with revised and smaller floor plans. The project is currently completed to finished lot condition only. Additional in-tract site improvements are required for the new project of Augusta. Development fees are paid by the merchant builder prior to the issuance of a building permit. ORA Astoria is obligated to pay any remaining on-site infrastructure improvements and all general and special real estate taxes, assessments and other charges associated with the lots owned by ORA Astoria. As of the August 15, 2010 date of value, unit construction has not commenced. Trenching is scheduled to begin for the

model homes in November 2010. Production construction is scheduled to begin in April 2011, with an expected start for sales in or about April 2011.

ORA Mirabella 60, LLC. ORA Mirabella 60, LLC, a California limited liability company, was formed by ORI, the sole member of ORA Mirabella 60. The project is currently completed to finished lot condition only. Unit construction never began for Mirabella, although building permits were issued for the larger floor plan products. The floorplans have been revised and are now smaller than those originally envisioned for the site. Although those building permits have since expired, those units will continue to be subject to the Special Tax as the larger product that was originally permitted. Any special tax buydown (as discussed herein) for these units will be determined by the owner voluntarily. Additional in-tract site improvements are required for the Mirabella project, and development fees are paid by the merchant builder prior to the issuance of a building permit. ORA Mirabella 60 is obligated to pay any remaining on-site infrastructure improvements and all general and special real estate taxes, assessments and other charges associated with the lots owned by ORA Mirabella 60. As of the August 15, 2010 date of value, unit construction has not commenced. Trenching is scheduled to begin for the model homes in November 2010. Production construction is scheduled to begin in April 2011, with an expected start for sales in or about April 2011.

ORA Ainsley Park 84, LLC. ORA Ainsley Park 84, LLC, a California limited liability company, was formed by ORI, the sole member of ORA Ainsley Park 84. The project is currently completed to finished lot condition only. Additional in-tract site improvements are required for the Ainsley project. Development fees are paid by the merchant builder prior to the issuance of a building permit. ORA Ainsley Park 84 is obligated to pay any remaining on-site infrastructure improvements and all general and special real estate taxes, assessments and other charges associated with the lots owned by ORA Ainsley Park 84. As of the August 15, 2010 date of value, unit construction has not commenced. The builder has recently started trenching for the four model homes. A sales trailer is on-site, and pre-sale activities commenced in September 2010, with model homes expected to be open in November 2010.

Coventry Court Development Plan and Financing Plan. The Coventry Court site was conveyed to Tustin Coventry Seniors, L.P. ("Tustin Coventry Seniors") on August 25, 2010. The Coventry Court project is a 240 residential unit, age-restricted residential rental project, originally designed as condominiums. Tustin Coventry Seniors is an affiliate of Meta Housing Corporation ("Meta"), a developer of affordable and market-rate apartment communities in Southern California. Over their 40 year history, Meta, its principals and affiliates have developed more than 12,000 residential units. The Coventry Court project is a 240 residential unit, age-restricted residential rental project, originally designed as condominiums. Currently, 24 of the residential units have been completed but are not rented. Tustin Coventry Seniors has obtained commitments from an institutional lender for construction and permanent financing for the project. The project is scheduled to commence vertical construction of the remaining 216 unconstructed units in early 2011 with preleasing scheduled to start in Summer 2011 and occupancies scheduled to commence in the fall of 2011.

William Lyon Homes, Inc. William Lyon Homes, Inc., a California corporation (previously defined as "William Lyon Homes"), is a wholly owned subsidiary of William Lyon Homes, a Delaware corporation ("William Lyon Corporation"). William Lyon Corporation's principal executive offices are located in Newport Beach, California. William Lyon Corporation and its subsidiaries are primarily engaged in designing, constructing and selling single family detached and attached homes in California, Arizona and Nevada. Since the founding of its predecessor in 1956,

William Lyon Corporation has sold over 72,000 homes. William Lyon Corporation conducts its homebuilding operations through four geographic divisions (Southern California, Northern California, Arizona and Nevada) including both wholly owned projects and projects being developed in joint ventures. William Lyon Corporation is a privately-held company.

Moffett Meadows Partners, LLC. Moffett Meadow Partners, LLC (“Moffett Meadows”), is a single-purpose affiliate of Lennar Homes and William Lyon Homes. Moffett Meadows was formed by Lennar Homes and William Lyon Homes to acquire the property within the District from the United States Government, to secure necessary entitlement approvals from the City and the City of Irvine, to construct required infrastructure, to develop the property to a superpad condition (i.e., mass grading and installation of street improvement and utilities to access the parcels, but excluding fine grading, street improvements, utilities and landscape improvements within the parcels), and to sell parcels to, or at the direction of, Lennar Homes and William Lyon Homes. After acquiring the property comprising the District from the United States Government, Moffett Meadows sold the property (except for the four lots that it continues to own) to Lennar Homes, William Lyon Homes and other merchant builders. Moffett Meadows reportedly has no time-line to sell its four near finished lots for development and reportedly has not determined who will build on the four near finished lots.

As indicated above, the preceding description of expected development by the ORA Entities, Moffett Meadows and Tustin Coventry Seniors is based on information made available to the District by publically available sources, the ORA Entities, Resmark, Tustin Coventry Seniors, and William Lyon Homes, or as stated in the Appraisal. No representation is made as to the experience, abilities or financial resources of the ORA Entities, Resmark, Tustin Coventry Seniors, or Moffett Meadows or any other purchaser or potential purchaser of property within the District or as to the likelihood that the ORA Entities, Tustin Coventry Seniors, or Moffett Meadows, or any other purchaser or potential purchaser of property within the District will be successful in developing the purchased properties within the District. The District has not made, nor will it make, any investigation of the ORA Entities, Resmark, Moffett Meadows and Tustin Coventry Seniors or any other purchaser or potential purchaser of property within the District. See “SPECIAL RISK FACTORS – Failure to Develop.”

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 2010 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 the District. Moreover, the occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such a failure to pay Special Taxes could result in the inability of the District to make full and punctual payments on the Series 2010 Bonds.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will be based on whether such parcel is publicly owned or otherwise exempt from Special Taxes and whether such parcel is Developed Property or Undeveloped Property. See “THE DISTRICT – Rate and Method of Apportionment.” Accordingly, to the extent that

Undeveloped Property does not become Developed Property, the collection of a portion of the Special Taxes will be dependent on the willingness and ability of the owners of Undeveloped Property to pay such Special Taxes when due. See “– Failure to Develop,” below, for a discussion of the risks associated with Undeveloped Property. For Developed Property, the annual amount of Special Tax to be levied is further dependent on the Land Use Class designation. See “THE DISTRICT – Rate and Method of Apportionment.”

The Rate and Method specifies a four-step process for determining the amount of the Special Tax A to be levied in order to equal the amount needed to be collected to satisfy the Special Tax Requirement. Basically, with respect to the Special Tax A, each category of Developed Property will be taxed up to the applicable Maximum Special Tax A rates, until the amount levied equals the Special Tax Requirement. 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. All property to be taxed is categorized as Developed Property, Taxable Public Property, Taxable Property Owner Association Property or Undeveloped Property and becomes subject to tax at the beginning of each fiscal year (July 1). See Appendix B – “Rate and Method of Apportionment of Special Tax.”

The Rate and Method exempts up to 31.14 acres of property classified as Property Owner Association Property and Public Property from the Special Tax in Zone 1 and up to 30.47 acres of property similarly classified from the Special Tax in Zone 2. The Act provides that if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special 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, the Special Taxes will be reallocated to the remaining properties within the District. 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.

In addition, pursuant to Section 53321 of the Act as applied to the District, under no circumstances will the special tax levied in any Fiscal Year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. For such purposes, a parcel will be considered used for private residential purposes not later than the date on which an occupancy permit for private residential use is issued. The District contains a substantial residential component consisting of condominiums and apartments. The application of this limitation to an assessor’s parcel containing one or more apartment units is unclear and remains subject to clarification by act of the legislature or the courts.

The Series 2010 Bonds are Limited Obligations of the District

Funds for the payment of the principal of, and interest on, the Bonds are derived from Special Taxes levied in the District. 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 the District due to delinquencies. The District's obligation with respect to delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings under the circumstances described in the Indenture. See "SECURITY FOR THE SERIES 2010 BONDS – Covenant for Superior Court Foreclosure."

The Special Taxes are not Personal Obligations of the Property Owners

The obligation to pay Special Taxes levied within the District does not constitute a personal obligation of the current or subsequent owners of the property in the District. 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 2010 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 will be billed to properties within the District on the *ad valorem* property tax bills sent to owners of such properties. 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. Delinquencies in the payment of annual Special Tax installments typically arise as a result of the failure by the property owner to pay such Special Taxes when due. However, delinquencies in the payment of annual Special Tax installments may also occur as a result of delay by the jurisdiction responsible for tax collection in issuing new tax bills to property owners upon the transfer of property to such property owner and/or delay by the jurisdiction responsible for tax collection in allocating property taxes to individual parcels upon the recordation of a final tract map, subdivision map, master parcel map or lot line adjustment. 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 2010 Bonds. Delinquencies in the collection of the Special Taxes to date have been less than 1% of the annual levy.

See "SECURITY FOR THE SERIES 2010 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.

Failure to Develop Property

Land development operations are subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. It is possible that the approvals necessary to complete development of the remaining partially developed property within the District will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy any such

government requirement could adversely affect land development operations. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the District, will be enacted, and a risk that future land use initiatives approved by the voters in the City could add more restrictions and requirements on development within the District.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within the District 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. See “– Risks Related to Current Market Conditions.”

While property owners are obligated to pay the Special Tax or risk foreclosure, affiliates and related entities are likely not obligated to the payment of the Special Tax or to advance any funds to complete the development as described herein. Investors are advised that ORI and Resmark each has no legal obligation of any kind to make any internal funds or proceeds of house sales available or to obtain loans.

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 2010 Bonds should it be necessary for the District to foreclose on undeveloped property due to the nonpayment of the Special Taxes. 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. A slowdown in or cessation of the development of land within the District 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.

Unconventional Mortgage Structures

One factor contributing to the housing boom in southern California from 2002 through the first quarter of 2006 was the use of adjustable rate mortgages. Adjustable rate mortgages take various forms, but commonly have low initial interest rates. As interest rates begin to rise and adjustable rates are reset and result in higher interest rates, homeowners in the District who financed the purchase of their homes with an adjustable rate mortgage can expect their monthly mortgage payments to increase. Such interest rate adjustments may affect the ability or willingness of the owners to not only meet their mortgage obligations but also pay their Special Tax installments. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.” In addition, it is possible that as interest rates rise on new loans and adjustable rates are reset on existing loans, there will be a decrease in home sale prices, resulting in recent homebuyers having loan balances in excess of the value of their homes. While the majority of the homes in the District have not closed escrow and thus the availability of unconventional mortgage structures for purchasers of homes within the District has been limited, the foregoing conditions have contributed to a general softening of the housing market in Southern California. Some economists believe that community facilities districts are more vulnerable to a softening housing market because they are concentrated in a specific geographic location. Bankruptcy filings by homeowners with delinquent Special Taxes would delay

the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes. See “– Bankruptcy” below.

Risks Related to Current Market Conditions

The Bonds are being issued at a time of economic uncertainty and volatility. Unemployment rates have increased to approximately 9.0% for the City for May 2010 (not seasonally adjusted) as compared to 5.2% for calendar year 2008 and 8.9% for calendar year 2009 (not seasonally adjusted). Unemployment rates have increased to 9.2% for Orange County for May 2010 (not seasonally adjusted) as compared to 5.3% for calendar year 2008 and 9.0% for calendar year 2009 (not seasonally adjusted). The District cannot predict how long these conditions will last or whether to what extent they may affect the ability of homeowners to pay Special Taxes or the marketability of the Bonds. Since 2007, the Southern California housing market has weakened and a number of public home builders with significant operations in the Southern California housing market have reported in SEC filings slowing demand, significant increases in sales cancellation rates and increasing inventory build-ups (including increasing investor/speculator resale inventory). See “– Failure to Develop Properties” below. Additional information is contained in the Appraisal. See Appendix A – “Appraisal.”

Appraised Values

The Appraisal was prepared for the purpose of estimating the Minimum Market Value of the property in the District as of August 15, 2010 on the basis of certain assumptions. See the Appraisal included 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 the District set forth in the Appraisal will be maintained during the period of time the Series 2010 Bonds are Outstanding. The market values of the property in the District 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 the District may lessen the ability or willingness of the owners of such property to pay Special Taxes when due. Prospective purchasers of the Series 2010 Bonds should not assume that the land within the District could be sold for the appraised amount described herein at the present time or at a foreclosure sale for delinquent Special Taxes.

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 2010 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 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 2010 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 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 the District may affect the willingness and ability of future owners of land within the District 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 community facilities district.

Under provisions of the Act, the Special Taxes are to be billed to the properties within the District 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 Special Taxes in the future. See “SECURITY FOR THE SERIES 2010 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

The District, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, 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. In addition, land susceptible to seismic activity may be subject to liquefaction during such an event. The occurrence of earthquakes, fires or flooding in or around the District could result in substantial damage to both property and infrastructure in the District 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.

Soil Conditions in the District

The soils in the District are characterized as poorly drained soils in alluvial fans, flood plains or basins. The soils have slight to no erosion hazard but do have moderate to severe building site development limitations. Moderate limitations can be overcome or minimized through planning and design. Severe limitations require a major increase in construction effort, design or maintenance and require remedial measures prior to construction to prevent damage to foundations, structures and infrastructure. Such remedial measures include soil import and amendment and have been completed in connection with the grading of the property within the District.

Hazardous Substances

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

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District 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 the Special Taxes and interest and penalties specified by State law, and to foreclose the lien of delinquent Special Taxes, may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal governmental agencies has or obtains an interest. On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Property Taxes (the "1991 Policy Statement"). The 1991 Policy Statement was revised and superseded by a new Policy Statement

effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The District is unable to predict what effect the FDIC's application of the Policy Statement would have in the event of a delinquency on a parcel within the District in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed at a judicial foreclosure sale would reduce or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Series 2010 Bonds should assume that the District will be unable to foreclose on any parcel owned by the FDIC. As of January 1, 2010, no property in the District was owned by the FDIC.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County 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.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property 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 "this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding." In the absence of Congressional intent to the

contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessment in 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 the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risk associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see "-Insufficiency of Special Taxes."

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.

Exempt Properties

Certain properties are exempt from the Special Taxes in accordance with the Rate and Method (see Appendix B – “Rate and Method of Apportionment of Special Tax”). In addition, the Act provides that properties or entities of the federal, State or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. Property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes may become exempt from the Special Tax. In addition, although 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. The constitutionality and operation of these provisions of the Act have not been tested. If additional property is dedicated to the City or other public entities, this additional property might become exempt from the Special Tax.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate and method of apportionment of an existing special tax.

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 the District. In addition, the owners of property within the District 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 2010 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 2010 BONDS – Estimated Value-to-Lien Ratios” are based on the appraised minimum market values of property in the District as of August 15, 2010 and the direct and overlapping debt allocable to property in the District as of September 3, 2010. 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 the District. 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 2010 BONDS – Direct and Overlapping Debt.” A decrease in the property values in the District or an increase in the parity liens on property in the District, or both, could result in a lowering of the value-to-lien ratios of the property in the District.

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 2010 Bonds or to preserve the tax-exempt status of the Series 2010 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2010 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 of California. Additionally, the 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, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC (“Article XIIC”) and XIID to the State 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 2010 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 2010 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for 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 2010 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.”

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION – Tax Exemption,” interest on the Series 2010 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2010 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 2010 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.

Forward Looking Statements

This Official Statement contains forward-looking statements within the meaning of the Federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions, projections and general economic conditions. Such words as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements and include, but are not limited to, statements under the captions “SECURITY FOR THE SERIES 2010 BONDS” and “THE DISTRICT” and in Appendix A – “Appraisal.” The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. The District and the City assume no obligation to provide public updates of forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. WHILE THE DISTRICT HAS AGREED TO PROVIDE CERTAIN ONGOING FINANCIAL AND OPERATING DATA (SEE “CONTINUING DISCLOSURE”), THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Limited Liquidity of the Series 2010 Bonds

The District has not applied for, and does not expect to receive, a rating on the Series 2010 Bonds from any nationally recognized rating organization. This fact may limit the secondary market for, and therefore the liquidity of, the Series 2010 Bonds.

LITIGATION

At the time of delivery of and payment for the Series 2010 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 the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Series 2010 Bonds or challenging directly or indirectly the proceedings to levy the Special Taxes or issue the Series 2010 Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Series 2010 Bonds to provide certain financial information and operating data relating to the Series 2010 Bonds, the District, ownership of the property in the District which 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 Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The financial information and operating data will be provided annually. A form of the District's undertaking is included in Appendix E – "Forms of Continuing Disclosure Agreements." Each District Annual Reports is to be provided by the District not later than March 1 of each year, commencing March 1, 2011. The District Annual Reports and any notices of the occurrence of certain enumerated events, if material will be filed by the District with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access (EMMA) system, or such other electronic system designated by the MSRB. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule 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 has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Pursuant to an agreement (each a "Developer Continuing Disclosure Agreement") with Union Bank, N.A., in its capacity as Trustee and as Dissemination Agent, each of the three ORA entities has covenanted for the benefit of the Owners of the Series 2010 Bonds to provide, semi-annually, certain limited data relating, respectively, to the development of property owned by the respective ORA Entity (each a "Developer Disclosure Report"), and to provide notices of the occurrence of certain enumerated events, if material, until such developer's obligation to so provide such information, data and notices is otherwise terminated in accordance with the provisions of the applicable Developer Continuing Disclosure Agreement. A form of each Developer Continuing Disclosure Agreement is included in Appendix E – "Forms of Continuing Disclosure Agreements."

Such information is to be provided, respectively, by the ORA Entities not later than April 1 and October 1 of each year, commencing April 1, 2011. The Developer Disclosure Reports are required to be filed by each of the ORA Entities with the MSRB's Electronic Municipal Market Access (EMMA) system, or such other electronic system designated by the MSRB. These covenants have been made in order to assist the Underwriter in complying with the Rule.

The District has no obligation to enforce the production or dissemination any of the Developer Disclosure Reports. None of the ORA Entities has ever assumed an obligation under any undertakings with regard to said Rule to provide annual reports or notices of material events.

CONCLUDING INFORMATION

Legal Opinions

The validity of the Series 2010 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Orrick, Herrington & Sutcliffe LLP is acting as disclosure counsel in connection with the Series 2010 Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement and Bond Counsel expresses no opinion as to the matters set forth herein. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto and will accompany the Series 2010 Bonds. Certain legal matters will be passed upon for the Underwriter by Quint & Thimmig, LLP, San Francisco, California, and for the City and the District by Woodruff, Spradlin & Smart, A Professional Corporation, Orange, California.

Financial Interest

Payment of the fees and expenses of Bond Counsel and Underwriter's counsel is contingent upon the issuance and delivery of the Series 2010 Bonds. From time to time, Orrick, Herrington & Sutcliffe LLP represents Stone & Youngberg LLC on matters unrelated to the Series 2010 Bonds, and, from time to time, Quint & Thimmig, LLP, San Francisco, California, represents the City and its redevelopment agency on matters unrelated to the Series 2010 Bonds.

Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe LLP, as bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2010 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2010 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is included herein as Appendix C hereto.

To the extent the issue price of any maturity of the Series 2010 Bonds is less than the amount to be paid at maturity of such Series 2010 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2010 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is

treated as interest on the Series 2010 Bonds which is excluded from gross income for Federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2010 Bonds is the first price at which a substantial amount of such maturity of the Series 2010 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2010 Bonds accrues daily over the term to maturity of such Series 2010 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2010 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2010 Bonds. Beneficial Owners of the Series 2010 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2010 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2010 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2010 Bonds is sold to the public.

Series 2010 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2010 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2010 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2010 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2010 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention, after the date of issuance of the Series 2010 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2010 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of the Series 2010 Bonds, or the accrual or receipt of interest on the Series 2010 Bonds, may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2010 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2010 Bonds. Prospective purchasers of the Series 2010 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2010 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2010 Bonds ends with the issuance of the Series 2010 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2010 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2010 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2010 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Underwriting

The Series 2010 Bonds are being purchased by Stone & Youngberg LLC (the "Underwriter") pursuant to a Bond Purchase Agreement between the Underwriter and the District (the "Purchase Agreement"). As provided in the Purchase Agreement, the Underwriter has agreed to purchase all of the Series 2010 Bonds for an aggregate purchase price of \$1,610,198.00, subject to certain conditions set forth therein. The purchase price reflects an underwriter's discount of \$59,775.00 and net original issue discount of \$5,027.00. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2010 Bonds to certain dealers (including dealers depositing Series 2010 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

No Ratings

The District has not made, and does not contemplate making, any application to any rating agency for the assignment of a rating to the Series 2010 Bonds. The Series 2007A Bonds are not rated.

Miscellaneous

The quotations from, and the summaries and explanations of the Indenture and other statutes and 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 2010 Bonds by the District. This Official Statement does not constitute a contract with the purchasers of the Series 2010 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 TUSTIN COMMUNITY
FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY/COLUMBUS
VILLAGES)**

By: /s/ Pamela Arends-King
Finance Director of the City of Tustin

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APPENDIX A

APPRAISAL

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APPRAISAL REPORT

**CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
SPECIAL TAX BONDS, SERIES 2010 A
TUSTIN LEGACY/COLUMUS VILLAGES**

Prepared for:

CITY OF TUSTIN
300 Centennial Way
Tustin, CA 92780

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

August 2010

Harris Realty Appraisal

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

August 19, 2010

Ms. Christine Shingleton
Assistant City Manager
CITY OF TUSTIN
300 Centennial Way
Tustin, CA 92780

Re: Community Facilities District No. 06-1, Series 2010 A
Tustin Legacy/Columbus Villages

Dear Ms. Shingleton:

In response to your authorization, we have prepared a self-contained appraisal report which addresses the property within the boundaries of the City of Tustin Series 2010 A Special Tax Bonds of Community Facilities District No. 06-1 (the "District" or "CFD No. 06-1"). This appraisal includes an estimate of Minimum Market Value of the completed dwellings units and land under site and unit construction within CFD No. 06-1, subject to a special tax levy. The residential land subject to special tax is under the ownerships of Moffett Meadows Partners, LLC (4 lots) and Resmark, a real estate investment company. The land owned by Resmark holds title as ORA Astoria 60, LLC, ORA Ainsley Park 84, LLC and ORA Mirabella 60, LLC. Also within the District is a site proposed for 240 rental units. Of the 240 units, one 3-story building is complete which includes 24 units. This development is under the ownership of Tustin Coventry, LLC (Lennar Homes). As of the date of value the site and building were in escrow and scheduled to close before the end of August 2010. As of the date of value, August 15, 2010, 1,092 model homes and production homes have transferred to individual ownerships. Three proposed for-sale products remain to be built and sold.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), the District is valued in bulk, representing a discounted value to each ownership as of August 15, 2010, the date of value. The aggregate of the bulk values, of the various proposed uses, represents our opinion of the Minimum Market Value of the entire property within CFD No. 06-1 subject to a special tax levy.

Ms. Christine Shingleton
August 19, 2010
Page Two

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 Minimum Market Value is formed as of August 15, 2010.

CFD NO. 06-1

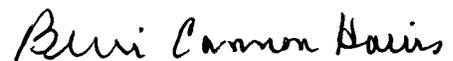
SIX HUNDRED SIXTY-FOUR MILLION NINE HUNDRED THOUSAND DOLLARS

\$664,900,000

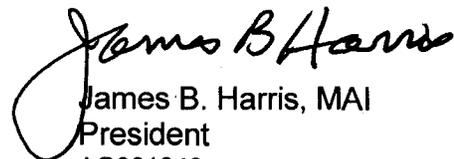
The self-contained report that follows sets forth the results of the data and analyses upon which our opinions of value are, in part, predicated. This report has been prepared for the City of Tustin for use in the sale of City of Tustin Community Facilities District No. 06-1 Series 2010 A Special Tax Bonds. The intended users of this report are City of Tustin, its underwriter, legal counsel, consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of *The Appraisal Standards for Land Secured Financing* as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

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

Respectfully submitted,



Berri Cannon Harris
Vice President
AG009147



James B. Harris, MAI
President
AG001846

City of Tustin

**Community Facilities District No 06-1
Tustin Legacy / Villages of Columbus
Zone 1 & 2**



55

5 Frwy

Red Hill Ave

Edinger Ave

Railroad

Jamboree Rd

Harvard Ave

Warner Ave

Zone 1

Zone 2

Boundaries Approximate

06/05/08/200

SUMMARY OF FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL	August 15, 2010
DATE OF REPORT	August 19, 2010
BOND NAME	City of Tustin Community Facilities District No. 06-1 Special Tax Bonds, Series 2010 A (Tustin Legacy Columbus Villages) (the "District" or "CFD No. 06-1")
INTEREST APPRAISED	Fee Simple Estate, subject to special tax and special assessment liens.
OWNERSHIPS, TRACT NAMES & LEGAL DESCRIPTIONS	COLUMBUS SQUARE – Zone 1 Builder: Lennar Homes <i>Gables</i> – 84 total dwelling units 84 built homes – 84 individual homeowners Lots 1-7, 87-102, 137-180, 249-262 & 362-364, Tract No. 16581 <i>Meriwether</i> – 114 total dwelling units 114 built homes – 114 individual homeowners Unit Nos. 1-114, Lots 315-330 & 355-361, Tract No. 16581 <i>Camden Place</i> – 222 total dwelling units 222 built homes – 222 individual homeowners Units Nos. 1-222, Lots 294 - 314 & 332-354, Tract No. 16581 Builder: William Lyon Homes <i>Cambridge Lane</i> – 156 total dwelling units 156 built homes – 156 individual homeowners Units 1-156, Lots 273- 292, Tract No. 16581 <i>Verandas</i> – 97 total dwelling units 97 built homes – 97 individual homeowners Lots 8-86, & 366-383, Tract No. 16581 <i>Astoria</i> – 38 total dwelling units 38 built homes – 38 individual homeowners Lots 103-136 & 212-215, Tract No. 16581 <i>Augusta</i> – 64 total dwelling units 60 near finished lots – ORA Astoria 60, LLC Lots 181-211, 216-241 & 246-248 Tract No. 16581 4 near finished lots – Moffett Meadows Partners, LLC Lots 242-245 Tract No. 16581

SUMMARY OF FACTS AND CONCLUSIONS

Mirabella – 60 total dwelling units
60 blue-top lots – ORA Mirabella 60, LLC
Lots 266-272, Tract No. 16581

Coventry Court – 240 total rental dwelling units
24 built units in one building – Tustin Coventry, LLC
216 near finished lots – Tustin Coventry, LLC
Lot 265, Tract No. 16581

COLUMBUS GROVE – ZONE 2

Builder: Lennar Homes

Westbourne – 59 total dwelling units
59 built homes – 59 individual homeowners
Lots 99-141 & 271-286, Tract No. 16582

Cantara – 68 total dwelling units
68 built homes – 68 individual homeowners
Lots 89-98, 142-172 & 244-270, Tract No. 16582

Builder: William Lyon Homes

Ciara – 67 total dwelling units
67 built homes – 67 individual homeowners
Lots 1-23 & 36-79, Tract No. 16582

Clarendon – 102 total dwelling units
102 built homes – 102 individual homeowners
Unit Nos. 1-102, Lots 238-241, Tract No. 16582

Ainsley Park – 84 total dwelling units
84 near finished lots – ORA Ainsley Park 84, LLC
Unit Nos. 1-84, Lots 242 & 243 Tract No. 16582

Builder: KB Home

Madison – 85 total dwelling units
85 built homes – 85 individual homeowners
Lots 24-35, 80-88 & 173-236, Tract No. 16582

SITE CONDITION

The District is known as the planned communities of Columbus Square and Columbus Grove, in the City of Tustin, which is a part of the Marine Corp Air Station (MCAS) Tustin Specific Plan/Reuse Plan project. The District has all common area improvements complete. In-tract improvements are required for the proposed Mirabella project.

SUMMARY OF FACTS AND CONCLUSIONS

HIGHEST AND BEST USE

Continued development of the master planned communities known as Columbus Square and Columbus Grove. The District is proposed for 14 subdivisions to be improved with 1,300 attached and detached for-sale dwelling units, plus an age-restricted development known as Coventry Court, proposed for 240 rental dwelling units.

VALUATION CONCLUSION

Minimum Market Value

CFD NO. 06-1 - \$664,900,000

**Value of 1,092 completed and sold dwellings:
\$624,000,000**

**Value of unimproved land proposed for 208
dwellings: \$38,400,000**

Value of 240-Unit Rental Project: \$2,500,000

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INTRODUCTION

Purpose of the Report

The purpose of this appraisal is to estimate the Minimum Market Value for the *fee simple estate, subject to special tax and special assessment liens* for all the taxable property within the City of Tustin Community Facilities District No. 06-1 Special Tax Bonds, Series 2010 A (referred to herein as "CFD No. 06-1" or the "District"). The purpose of this appraisal is to estimate the "As Is" Minimum Market Value of the land and improvements subject to the special tax of the District, under numerous ownerships.

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 Tustin.

Function of the Report and Intended Use

It is our understanding that this Appraisal Report is to be used for District bond financing purposes only. The subject property is described more particularly within this report. The bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The maximum authorized bond indebtedness for the District is \$65,000,000.

Client and Intended Users of the Report

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

Scope of the Assignment

According to specific instructions from the District and the CDIAAC guidelines, the total value conclusion includes the "As Is" estimate of Minimum Market Value giving consideration to the numerous ownerships within the boundaries of CFD No. 06-1. Any lands designated for park, open space or civic uses within CFD No. 06-1 and not subject to tax or special assessment are not included in this assignment. The affordable units are subject to special tax, but at a lower rate than market dwelling units.

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The land and site improvements are valued in their "As Is" condition as of the date of value. Based on physical inspection of the District and interview with the master developer, the District is essentially in a physically finished lot condition. In-tract paving and landscape improvements are required within the proposed Mirabella project. The proposed Augusta project, Ainsley Park project and Coventry Court are in a physically finished lot condition. Weed abatement is required on the undeveloped land. All major streets are complete throughout the District. There are 14 proposed for-sale residential projects, subject to special tax, within the District. Of the 14 proposed projects, all but three projects are developed and have sold to individual homeowners. A total of 1,300 attached and detached for-sale dwellings are proposed. Of the 1,300 dwellings, 1,092 dwellings have been built and sold. The for rent project, known as Coventry Court, includes one completed building with 24 units. None of the units are rented.

Within Columbus Square, Zone 1, the Astoria detached project has built and sold 38 dwellings. The balance of the project, proposed for 64 dwellings is currently on hold. According to the builder, William Lyon Homes, the product has been revised and is known as "Augusta." Trenching is scheduled to begin for the model homes in November, 2010. Production construction is scheduled to begin in April, 2011. The Mirabella townhome project proposed for 60 dwelling units is also currently on hold. Similarly, this product line has been revised to a smaller product. Trenching for the model homes and production homes are expected to begin in November, 2010.

Within Columbus Grove, Zone 2, the Ainsley Park duplex (paired homes) product has recently started trenching for the four model homes. A sales trailer is on-site, and the opening for pre-sales is scheduled for August 28, 2010.

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

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment

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data), City of Tustin (zoning information, building permit trends), City of Tustin Chamber of Commerce (local demographic trends), Hanley Wood Market Intelligence (housing sales, inventory levels, and absorption), and sales personnel of comparable projects (market trends of individual home sales). Subject property information was gathered from the developers/builders and their consultants.

2. Inspected the subject's neighborhoods and reviewed proposed product and similar products for consideration of Highest and Best Use of the proposed lots.
3. Searched for comparable merchant builder land sales within the Orange County market area. Gathered and analyzed and residential attached and detached dwelling unit sales, within the subject's primary and secondary market areas. Data was gathered from sources including, but not limited to, Comps.com, brokers, appraisers, builders active in the area and developers within the Southern California area. Where feasible, data were confirmed with both the buyer and seller.

Date of Value and Report

The opinions of Minimum Market Value expressed in this report are stated as of August 15, 2010. The date of the Appraisal Report is August 19, 2010.

Date of Inspection

The subject property was inspected on numerous occasions, with the most recent inspection on August 22, 2010.

Property Rights Appraised

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

Property Identification

The subject property consists of the taxable land within CFD No. 06-1, commonly known as the planned communities of Columbus Square and Columbus Grove in the City of Tustin, which is a part of the MCAS Tustin Specific Plan/Reuse Plan project. Please refer to the original CFD No. 06-1 boundary maps and the annexation boundary map, on the following pages. Columbus Square, Zone 1, is located on the south side of

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Edinger Avenue, east of Red Hill Avenue, within the City of Tustin. According to the MCAS Tustin Specific Plan/Reuse Plan, Columbus Square, Zone 1 is identified as Planning Areas 4 and 5.

Columbus Grove, Zone 2, is located on the west side of Harvard Avenue between Moffett Avenue to the north and Warner Avenue to the south. The Peters Canyon Channel is situated to the west of the planned community of Columbus Grove. To the south of Zone 2 is the City of Irvine portion of Columbus Grove which is completed and sold to individual homeowners. According to the MCAS Tustin Specific Plan/Reuse Plan, Columbus Grove, Zone 2, is identified as a portion of Planning Area 21.

A report entitled "City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)" (the "Community Facilities District report") prepared by the City's Special Tax Consultant David Taussig & Associates, Inc., stated that the District encompasses approximately 191.8 gross acres. Of the total acres, originally 64.2± acres were subject to special tax within Zone 1, Columbus Square. An additional 5.8 gross acres were authorized to be annexed into Zone 1 on October 7, 2008. At build-out Zone 1 is anticipated to be improved with 1,075 dwelling units, of which 86 units are within the Annexation Area.

The Community Facilities District report states that Columbus Grove, Zone 2 includes approximately 55.8 acres to be subject to special tax, which are expected to be built-out with 465 dwelling units.

Legal Description and Ownership

As previously mentioned, the subject of this appraisal includes 1,092 individual home ownerships as of the valuation date. The Mirabella project is proposed for 60 attached dwellings and is identified as Lots 266 through 272 of Tract No. 16581. This land is under the ownership of ORA Mirabella 60, LLC. A portion of the Astoria project was built and then put on hold due to market conditions. Sixty of the remaining 64 lots proposed for the build-out of the tract, now known as the Augusta product, are under

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the ownership of ORA Astoria 60, LLC and are identified as Lots 181-211, 216-241 and 246-248 of Tract No. 16581. Lots 242-245 are under the ownership of Moffett Meadows Partners, LLC. Ainsley Park is proposed for 84 duplex homes and is identified as Lots 242 and 243 of Tract No. 16582. This land is under the ownership of ORA Ainsley Park 84, LLC. Please refer to the Addenda of this report for a lot by lot summary of the sold dwellings and legal descriptions.

Property History

The appraisers have been provided with numerous purchase and sale agreements for the subject properties. Reportedly, Moffett Meadows Partners, LLC, purchased the property more than 6 years ago. We have not been provided information on this transaction. On July 29, 2005, the majority of the land within the District was sold by Moffett Meadows Partners, LLC to William Lyon Homes, Inc., MW Housing Partners III, L.P., Tustin Villas Partners, LLC, ORA Ciara, LLC, and ORA Astoria, LLC.

On February 28, 2006, Lennar Homes of California, Inc. assigned to KB Home Coastal Inc. land to be developed with the Madison product pursuant to the Assignment and Assumption of Option Agreement. On February 21, 2007, reportedly all of the land under the ownership of MW Housing Partners III, L.P., to be built by Lennar Homes, was sold to Landsource Holding Company, LLC (document no. 2007000111629). A subsequent deed was recorded to correct the legal description of the land on April 18, 2007 (Document No. 2007000250231).

Three transfers of undeveloped land from William Lyon Homes, Inc. to a land investment company occurred on December 27, 2007. William Lyon Homes, Inc. transferred near finished lots proposed for 84 duplex homes to ORA Ainsley Park 84, LLC for an indicated price of \$11,111,500 or \$132,280 per lot. Near finished lots proposed for 60 Augusta (then Astoria) homes sold to ORA Astoria 60, LLC for an indicated price of \$12,344,000 or \$207,538 per lot. Land proposed for a 60 unit townhome product known as Mirabella transferred to ORA Mirabella 60, LLC for an indicated price of \$4,293,500 or \$71,558 per unit.

SHEET 1 OF 3

PROPOSED BOUNDARIES OF
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY / COLUMBUS VILLAGES)
COUNTY OF ORANGE
STATE OF CALIFORNIA

(1) Filed in the office of the City Clerk of the City of Tustin this 14th day of June, 2006.

Maria R. Hvizar
for Pamela Stoker, City Clerk

(2) I hereby certify that the within map showing the proposed boundaries of City of Tustin Community Facilities District No. 06-1 (Tustin Legacy / Columbus Villages), County of Orange, State of California, was approved by the City Council of the City of Tustin at a regular meeting thereof, held on the 5th day of June, 2006, by its Resolution No. 06-67.

Maria R. Hvizar
for Pamela Stoker, City Clerk

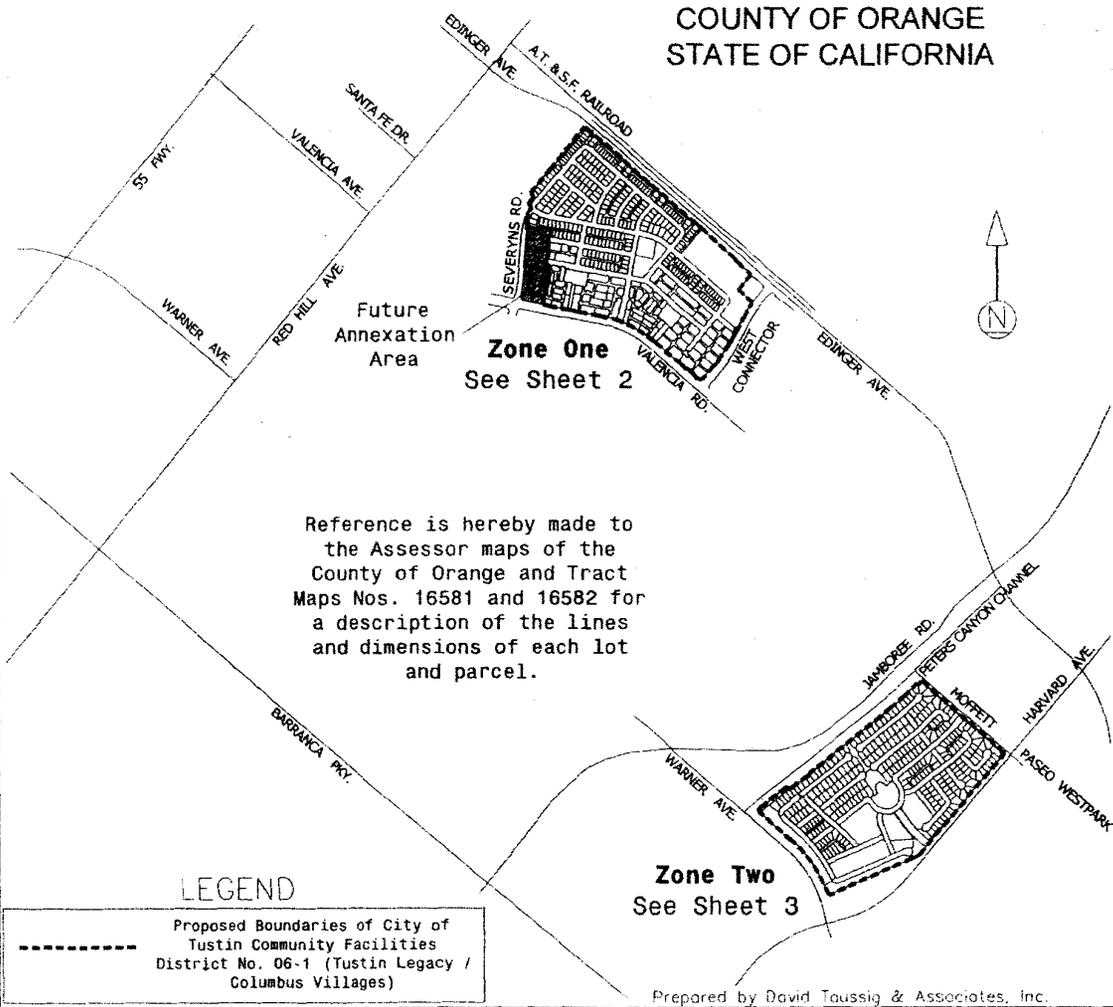
(3) Filed this 14 day of June, 2006, at the hour of 3:27 o'clock P.m, in Book 91 of Maps of Assessment and Community Facilities Districts at page 37-39 and as Instrument No. 20060039917 in the office of the County Recorder of the County of Orange, State of California.

Tom Daly
County Clerk-Recorder of County of Orange

By Mytha Anteaqa
Deputy

Fee NO Fee
Exempt recording requested, per
CA Government Code §6103

CONSULTING REAL ESTATE APPRAISERS
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Reference is hereby made to the Assessor maps of the County of Orange and Tract Maps Nos. 16581 and 16582 for a description of the lines and dimensions of each lot and parcel.

LEGEND

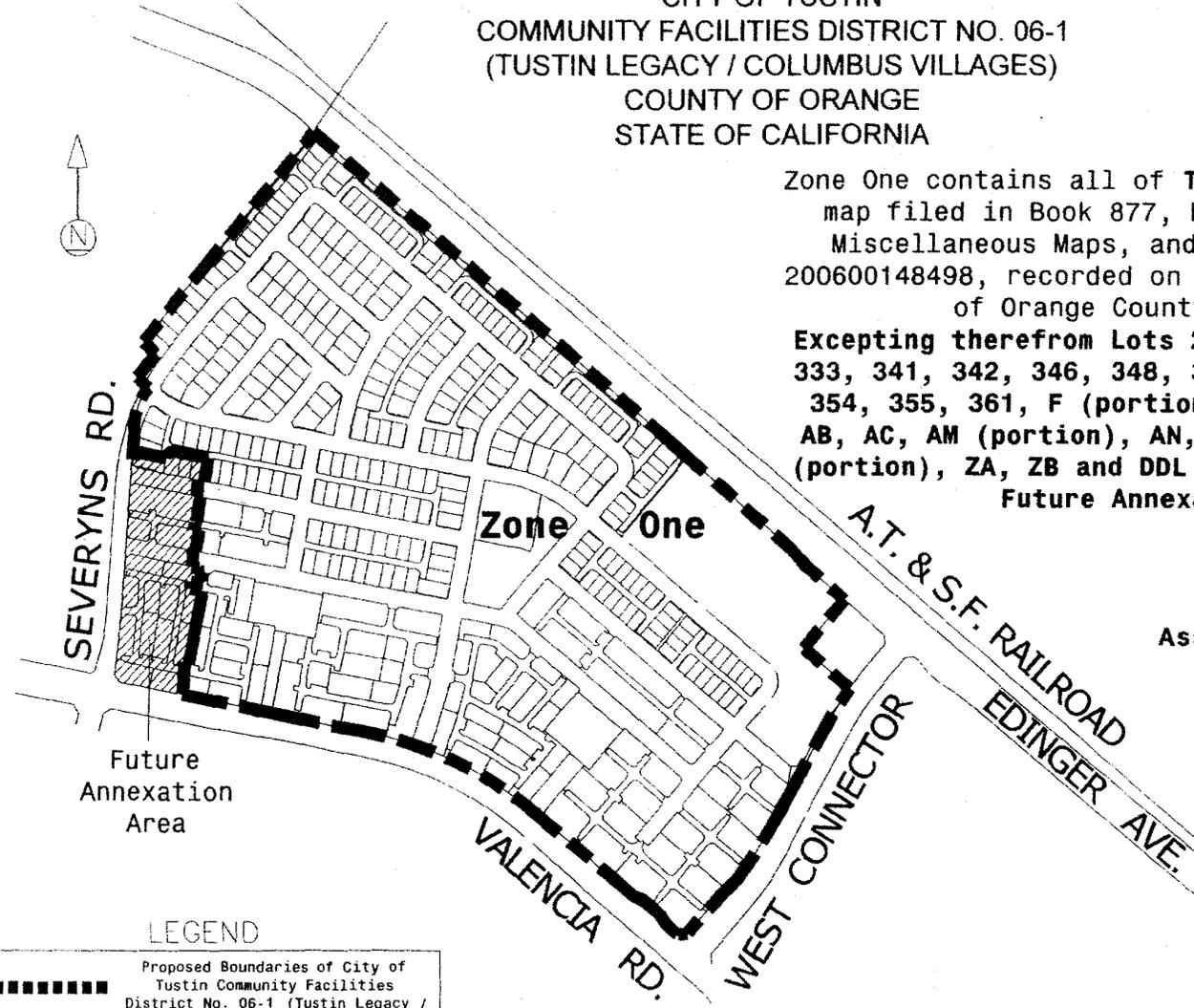
Proposed Boundaries of City of Tustin Community Facilities District No. 06-1 (Tustin Legacy / Columbus Villages)

UNIFORM
Not Computed with CDG

SHEET 2 OF 3

PROPOSED BOUNDARIES OF
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY / COLUMBUS VILLAGES)
COUNTY OF ORANGE
STATE OF CALIFORNIA

Zone One contains all of Tract 16851 as shown on a map filed in Book 877, Pages 33 through 50 of Miscellaneous Maps, and as Instrument Number 200600148498, recorded on March 6, 2006 in Records of Orange County, California, Excepting therefrom Lots 242, 243, 244, 245, 332, 333, 341, 342, 346, 348, 349, 350, 351, 352, 353, 354, 355, 361, F (portion), G (portion), Z, AA, AB, AC, AM (portion), AN, AO, AP, AQ, AR, BA, BB (portion), ZA, ZB and DDL which are in this CFD's Future Annexation Area.



- Assessor Parcel Numbers in Zone One (Columbus Square):
- 430-282-08
 - 430-282-18 (portion)
 - 430-282-19 (portion)
 - 434-061-22
 - 434-061-53
 - 434-061-54

LEGEND

Proposed Boundaries of City of Tustin Community Facilities District No. 06-1 (Tustin Legacy / Columbus Villages)

Prepared by David Taussig & Associates, Inc.

CONSULTING REAL ESTATE APPRAISERS

2011 04 15 00:00 PM
Not Commenced with Original

SHEET 3 OF 3

PROPOSED BOUNDARIES OF
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY / COLUMBUS VILLAGES)
COUNTY OF ORANGE
STATE OF CALIFORNIA

Assessor Parcel Numbers in
Zone Two

(Columbus Grove Tustin):

- 434-062-08
- 434-062-09
- 434-062-16
- 434-062-20

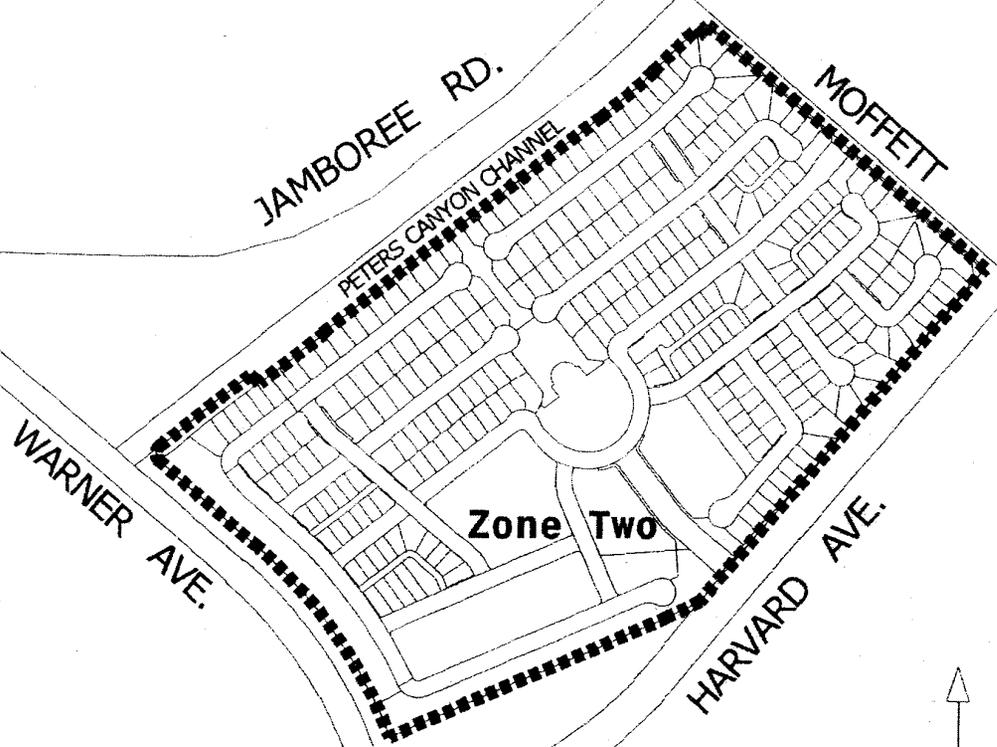
CONSULTING REAL ESTATE APPRAISERS

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Zone Two contains all of Tract
16582 as shown on a map filed
in Book 874, Pages 1 through 30
of Miscellaneous Maps, and as
instrument number 200500867370,
recorded on October 10, 2005 in
Records of Orange County,
California.

LEGEND

 Proposed Boundaries of City of
Tustin Community Facilities
District No. 06-1 (Tustin Legacy /
Columbus Villages)



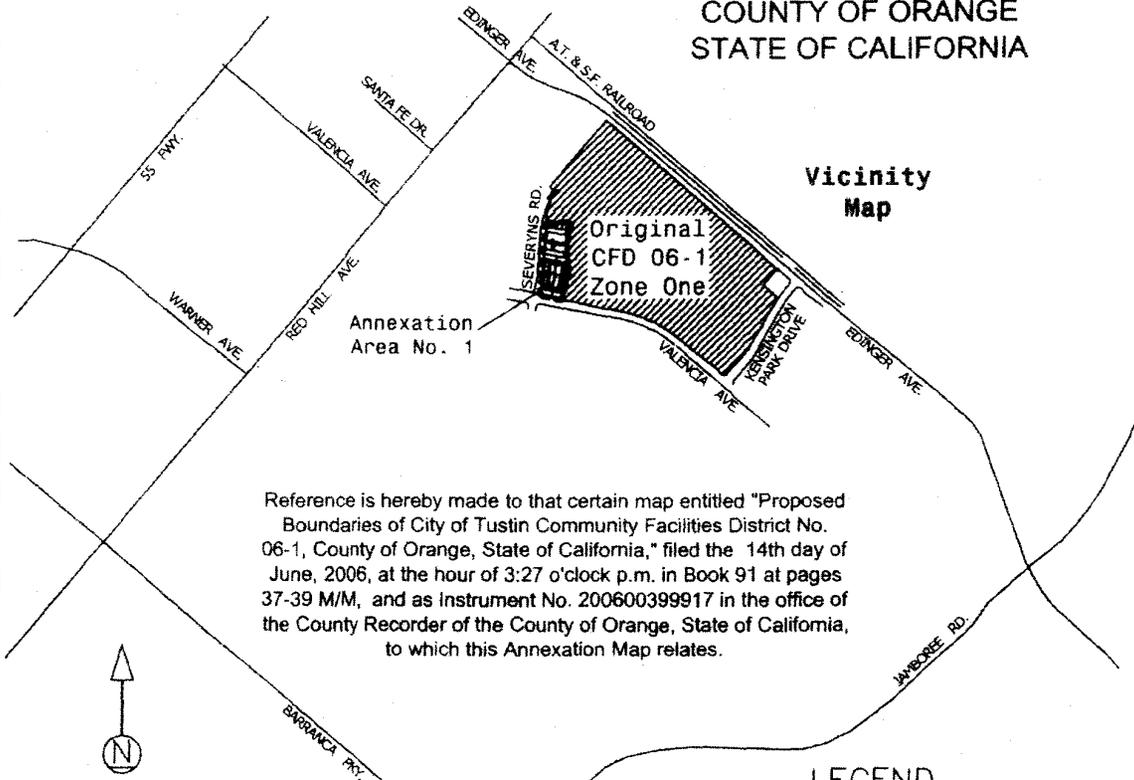
CONFIRMED COPY

SHEET 1 OF 2

ANNEXATION MAP NO. 1 TO
 CITY OF TUSTIN
 COMMUNITY FACILITIES DISTRICT NO. 06-1
 (TUSTIN LEGACY / COLUMBUS VILLAGES)
 COUNTY OF ORANGE
 STATE OF CALIFORNIA

CONSULTING REAL ESTATE APPRAISERS

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Reference is hereby made to that certain map entitled "Proposed Boundaries of City of Tustin Community Facilities District No. 06-1, County of Orange, State of California," filed the 14th day of June, 2006, at the hour of 3:27 o'clock p.m. in Book 91 at pages 37-39 M/M, and as instrument No. 200600399917 in the office of the County Recorder of the County of Orange, State of California, to which this Annexation Map relates.

Reference is hereby made to the Assessor maps of the County of Orange and Tract Map No. 16581 for a description of the lines and dimensions of each lot and parcel.

LEGEND

	Boundary of Annexation No. 1 to City of Tustin Community Facilities District No. 06-1 (Tustin Legacy / Columbus Villages)
	Boundary of Zone 1 of City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/ Columbus Villages)

Prepared by David Taussig & Associates, Inc.

(1) Filed in the office of the City Clerk of the City of Tustin this 10th day of September 2008.

Mani R. Hagar
 for Pamela Stoker, City Clerk

(2) I hereby certify that the within map showing the proposed boundaries of Annexation No. 1 to City of Tustin Community Facilities District No. 06-1 (Tustin Legacy / Columbus Villages), County of Orange, State of California, was approved by the City Council of the City of Tustin at a regular meeting thereof, held on the 2nd day of September, 2008, by its Resolution No. 08-62.

Mani R. Hagar
 for Pamela Stoker, City Clerk

(3) Filed this 10th day of September, 2008, at the hour of 11:42 o'clock A.M., in Book 93 of Maps of Assessment and Community Facilities Districts at page 11-12 1/4 and as Instrument No. 2008000421799 in the office of the County Recorder of the County of Orange, State of California.

Tom Daly
 County Clerk-Recorder of County of Orange

By [Signature]
 Deputy

Fee EXEMPT
 Exempt recording requested, per
 CA Government Code §6103

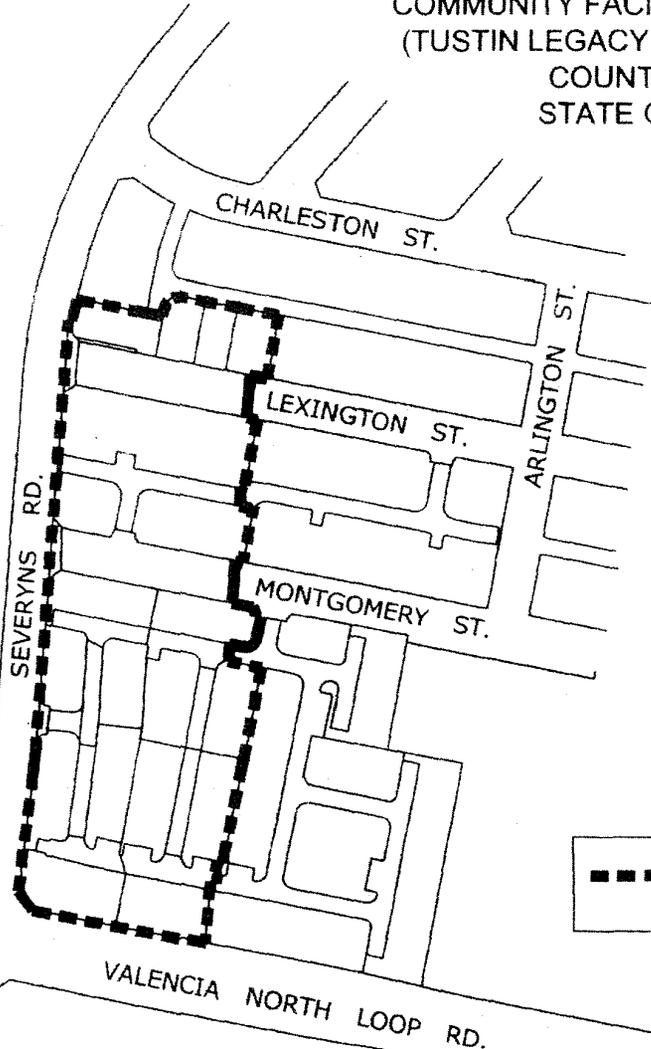
SHEET 2 OF 2

ANNEXATION MAP NO. 1 TO
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY / COLUMBUS VILLAGES)
COUNTY OF ORANGE
STATE OF CALIFORNIA

Annexation No. 1 contains a portion of **Tract 16581** as shown on a map filed in Book 877, Pages 33 through 50 of Miscellaneous Maps, and as Instrument Number 200600148498, recorded on March 6, 2006 in Records of Orange County, California, including Lots 242, 243, 244, 245, 332, 333, 341, 342, 346, 348, 349, 350, 351, 352, 353, 354, 355, 361, F (portion), G (portion), Z, AA, AB, AC, AM (portion), AN, AO, AP, AQ, AR, BA, BB (portion), ZA, ZB and DDL.

**Assessor Parcel Numbers
in Annexation No. 1:**

430-351-01	430-352-30
430-351-02	430-352-31
430-351-52	430-352-32
430-351-53	430-352-33
430-351-54	430-352-41
430-351-55	430-352-42
430-351-82	430-352-43
430-351-83	430-352-44
430-352-01	430-352-45
430-352-02	430-352-46
430-352-03	430-352-47
430-352-08	430-352-48
430-352-09	430-362-21
430-352-10	430-362-22
430-352-11	430-362-23
430-352-12	430-362-24
430-352-13	430-362-25
430-352-14	430-362-26
430-352-15	430-362-27
430-352-16	430-362-28
430-352-17	430-362-29
430-352-18	430-362-30
430-352-29	430-362-31



LEGEND


 Boundary of Annexation No. 1 to
 City of Tustin Community Facilities
 District No. 06-1 (Tustin Legacy /
 Columbus Villages)

CONSULTING REAL ESTATE APPRAISERS

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Numerous phased take-downs between the various land banks and the merchant builder entities occurred between July 2005 and April 2008. All of the land, with the exception of the land proposed for the Mirabella product, Augusta product, Ainsley Park product, and Coventry Court has been improved with attached and detached dwelling units that have closed escrow to individual homeowners. Please refer to the Addenda of this report for a summary of the 1,092 sold model and production homes as of the date of value. The sales information has been abstracted from the individual Grant Deeds as provided by North American Title Company and Fidelity National Title Company. The individual grant deeds are retained in the appraisers' work files.

Definitions

Market Value¹

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

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

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

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

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Fee Simple Estate³

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

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

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

The Minimum Market Value included herein, reflects the value potential home buyers would consider given the special taxes of CFD No. 06-1.

Minimum Market Value

It may be appropriate for projects that have built-out and occupied product to use mass appraisal techniques, *utilizing conservative per dwelling unit estimates*. When conforming groups of property types within the same CFD are built and have achieved a stabilized occupancy, appraisers may use a limited valuation to value a sampling of similar properties. The value conclusions reached, render an overall conservative value estimate, or Minimum Market Value for the tract.

Retail Value

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

Bulk Sale Value⁴

Bulk sale value should be estimated for all vacant properties--both unimproved properties and improved or partially improved but unoccupied properties. Bulk sale value is derived by discounting retail values to present value by an appropriate discount rate, through a procedure called *Discounted Cash Flow Analysis*. A second method is to use bulk land sales.

³ Ibid, Page 140

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

HRA

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.

Mass Appraisal

When a tract or project is built-out and absorbed, the appraiser may use an aggregate value estimate based upon *conservative per dwelling unit estimates*. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, the value conclusions meet attainable standards of accuracy.* The appraisers have used an average conservative value, for the average size unit within each tract. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

Finished Site⁵

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

Blue-top Graded Parcel

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

Mass-Graded Parcel/Superpad Parcel

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

⁵ Ibid, Page 334

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Contingencies, 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:

Contingencies of the Appraisal

The development site cost and builder in-tract site cost information were provided by Lennar Homes and William Lyon Homes. It is a contingency of this appraisal that the costs are all the costs associated with development of the District and that they satisfy the Conditions of Map Approval and the current development plans. These costs are assumed to be correct. We have not engaged an independent cost estimator or civil engineer to examine the reasonableness of the development cost estimates. Any variance in development costs could alter our value conclusion.

Assumptions and Limiting Conditions of the Appraisal

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

The date of value for which the opinion of Minimum Market Value is expressed in this report is August 15, 2010. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

The appraisers have been provided with five preliminary title reports for the undeveloped land within the District. 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. **The title reports for Augusta and Mirabella did not report the lien for the City of Tustin CFD No. 06-1.**

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

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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 previously been provided with geotechnical reports prepared by Leighton and Associates, Inc., dated February 24, 2003, for Columbus Square and dated February 20, 2003 for Columbus Grove. The reports concluded that the proposed developments are feasible from a geotechnical standpoint provided their recommendations included in the reports are incorporated in the project plans. For purposes of this appraisal, the soil is assumed to be of adequate load bearing capacity to support all uses considered under our conclusion of highest and best use.

The appraisers have been provided with several letters from various agencies regarding environmental issues on the former Marine Corps Air Station Tustin. To the best of our review, it appears that all environmental issues have been mitigated. However, the appraisers have not been provided with, nor have they reviewed, all of the documentation prepared for the District regarding environmental issues. For purposes of this appraisal, it is assumed that all environmental issues have been resolved and that the entire District is/or can be developed as currently planned. As previously discussed, all of the District has been graded to at least a near finished site condition. Of the 1,540 planned dwelling units within the District, 1,092 have been built and sold to individual homeowners. A three story building providing 24 dwelling units has been completed within the Coventry Court development. The remaining three for-sale projects are expected to start model home and production home construction within the next year. Current plans for the build-out of the Coventry Court development are to pull building permits by the end of 2010 and begin unit construction the beginning of 2011.

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.

The parcel sizes have been calculated by the engineering firm of Tait & Associates, Inc. and MDS Consulting as shown on the recorded tract maps. We have relied on their calculations in estimating acreage. Our value estimate is, in part, based on the accuracy of this information.

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

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

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, news media or any other public means of communication without the prior consent and approval of the undersigned. **The City of Tustin, its underwriter and legal counsel may publish this report in the Preliminary and Final Official Statements provided or published for the Special Tax Bonds to be issued by CFD No. 06-1, Series 2010 A.**

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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 the Southern California region, Orange County, City of Tustin and the subject market area.

Southern California Regional Overview

The Southern California region, as defined in this report, encompasses six individual counties including Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties. The Southern California region extends from the California-Mexico border on the south to the Tehachapi mountain range on the north and from the Pacific Ocean on the west to the California-Arizona border on the east. The region covers an estimated 38,242 square miles and embodies a diverse spectrum of climates, topography, and level of urban development. Please refer to the following page for a location map.

Population

The Southern California region has added about 8.5 million new residents since 1980 as indicated in the table shown on page 21. According to the California Department of Finance, the most recent data available indicate that as of January 2010, the regional population stood at over 21.8 million. If the region were an individual state, it would rank as one of the most populous in the nation.

Since 2000, annual population gains from natural increase and immigration have ranged from a low of 61,400 persons in 2008 up to 397,400 persons in 2002. These figures represent annual gains of 0.3% to 2.0%. During the past five years, the population of the six-county Southern California region grew by 0.3% to 1.3% per annum.

As of January 2010 the population of the six-county area stood at 21,889,400 persons. Looking toward the future it is estimated that the region's population will continue

Regional Map



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to climb as new residents seek out the Southern California area. Starting with the economic downturn from 1992 through 1996, and continuing through 2010, the population growth rate declined compared to the growth experienced in the late 1980s.

Population Trends 1980-2009

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1980 ¹	13,359,673	--	--
1990	17,029,545	366,987	2.7%
2000	19,187,500	215,795	1.3%
2001	19,522,500	335,000	1.7%
2002	19,919,900	397,400	2.0%
2003	20,299,100	379,200	1.9%
2004	20,629,300	330,200	1.6%
2005	20,902,600	273,300	1.3%
2006	21,147,200	244,600	1.2%
2007	21,430,300	266,100	1.3%
2008	21,491,700	61,400	0.3%
2009	21,710,400	218,700	1.0%
2010	21,889,400	179,000	0.8%

¹April 1, 1980, 1990, and 2000, all other years January 1

Source: California Department of Finance 5/10

The future rate of growth will depend on a number of factors that may dramatically affect the region. Some of the major factors include availability of developable land, availability of water, national economic climate, and public policy toward growth and the assimilation of a large number of new foreign immigrants. The continued growth of the population within the region, even during periods of economic slowdown, provides a positive indicator as to the desirability of the Southern California region.

Employment

In conjunction with the population growth, a key indicator of the region's economic vitality is the trend in employment. The most common measure of employment growth is the change in non-agricultural wage employment. The table on the next page illustrates the non-agricultural wage employment trends in Southern California.

**Southern California Region
Employment Trends
1983-2009¹**

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	5,691,000	--	--
1990	7,288,100	228,157	4.0%
2000	7,918,200	63,000	0.9%
2001	8,015,300	97,100	1.2%
2002	8,007,500	(7,800)	(0.1%)
2003	8,035,400	27,900	0.3%
2004	8,159,700	124,300	1.5%
2005	8,310,500	150,800	1.8%
2006	8,481,600	171,100	2.1%
2007	8,514,100	32,500	0.4%
2008	8,365,100	(149,000)	(1.8%)
2009	7,837,300	(527,800)	(6.3%)

¹ 2008 benchmark

Source: Employment Development Department

3/10

In the Southern California region, average annual non-agricultural employment has grown from 5,691,000 jobs in 1983, to a then peak employment of 8,015,300 in 2001. Employment declined to 8,007,500 in 2002. This decline was mostly caused by a 46,800 job decrease in Los Angeles County. Each year between 2003 and 2007, Southern California employment climbed to a new record level, 8,514,100 in 2007. This was in spite of Los Angeles County only adding an additional 139,000± net jobs in four years. In 2008, the number of jobs declined by 149,000 to 8,365,100. The job losses accelerated in 2009 to a loss of 527,800 jobs for a total of 7,837,300 jobs. This two year decline wipes out about ten years of increases. This represents a decrease of over 80,000 new jobs since 2000 in Southern California.

As the economy entered into an economic recession during the latter part of 1990, employment growth slowed. The average annual gain in 1990 was approximately 192,100 jobs or 2.7%. In 1992 when the full weight of the recession was felt, area employment suffered the highest annual decline in jobs registered in the 25 years, losing nearly 204,000 jobs or a percentage decrease of 2.9%. This was followed by further employment

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declines of 102,600 jobs in 1993. It appears that by the middle of 1994, the economic recovery finally began to take hold in the Southern California region. The adverse employment issues experienced in the prior three years had abated. In 1998, total non-agricultural employment stood at 7.4 million, finally exceeding the prior high in 1990. As of year-end 2001, employment was over 8.0 million. Forecasts prior to September 11, 2001, indicate that job growth would continue to be positive in 2001 and increase moderately over the next one to two years. However, with the terrorist attack on the United States and the conflict with Iraq, there was a flat to slightly declining economy, during 2002 and first half of 2003, but recovery began during the second half of 2003. 2003 showed a small increase over the previous high mark in 2001. 2004 had a moderate gain over 2003. Employment gains continued to recover in 2005, 2006, and 2007 with an additional 354,400 new jobs or a 4.3% increase. 2008 showed the first major decline since 1991-1993 with a loss of 149,000 jobs, or a 1.8% decline from 2007. During 2009, an additional 527,800 jobs were lost, or a 6.3% decline from 2008.

Employment among the individual industry categories reflects some fundamental regional changes in the economy during the past decade. The level of mining activity in Southern California continues to steadily decline as reflected in the consistent decrease in mining employment. Construction employment, as of 1989, was at a high level in response to the level of construction activity that had occurred in the region during the previous five years. During the period from 1991 through 1994, construction employment declined in response to decreased residential and commercial construction activity. From 1994 through 2006, as the economy rebounded, residential construction increased bringing back more than the amount of construction jobs lost during the recession. Construction jobs have declined since the first quarter of 2007 as the residential market and commercial markets have weakened.

Total manufacturing employment in the region has exhibited little gain from the levels recorded in 1980. Due to the high labor, land, and capital costs in most of the Southern California region, some manufacturing firms have expanded or relocated their manufacturing operations outside of the area.

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The Southern California economy, which historically depended heavily on aerospace and defense related employment, was dealt a double blow. First from the reduction of the space program and reduced defense spending which affected manufacturers and suppliers, and second from the closure of several military bases which has had a ripple effect throughout the local economy. Areas heavily dependent on military spending will be impacted as the units are deployed abroad.

The finance, insurance, and real estate ("FIRE") employment category grew rapidly as the economy recovered from the 1981-1982 national recession. As the economy entered a new recessionary cycle, the FIRE employment sector exhibited little growth from 1991 through 1995. Over the last ten years, job growth in this sector has been significant. However, jobs declined in 2006 and continue to decline in 2007, 2008 and 2009 as real estate loan demand declined. Some of the manufacturing and aerospace jobs permanently displaced from the economy were slowly being replaced with administrative, marketing and research employment. It is reasonable to assume that similar stagnant growth in this area will be experienced during the current economy.

The employment group that has contributed most to the employment growth in the region is the service sector. Since 1980, the majority of all new jobs have been created in the service category. The service sector was the leader in new job growth during the last ten years.

Government employment tends to mirror the growth of the population that it services. It is expected that government employment will grow at a rate similar to the area population. The future employment growth in the Southern California region is expected to continue but at a level moderately lower than recent years. Factors that will affect employment growth include the direction of the national economy, wage levels, housing prices, and population trends. However, the California state budget deficit has negatively impacted both state and local government employment.

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Orange County

Orange County consists of 34 individual cities and numerous unincorporated communities. Orange County is bounded by the Pacific Ocean to the west, Los Angeles County to the north, Riverside County to the east, 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 current 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 over 1,200,000 new residents since 1980 as illustrated in the following table. The most recently released population data indicates that as of January 2010, the countywide population stood at 3,160,500 residents. Annual population gains from natural increase and immigration have ranged from 9,400 to 50,300 persons annually, since 2001. These gains represent annual changes of 0.3% to 1.7%.

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Population Trends 1980-2010¹

<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	3,160,500	21,500	0.7%

¹ April 1, 1980, 1990, and 2000, all other years January 1.
Source: California Department of Finance, U.S. Census 5/10

The high cost of housing in Orange County compared to other areas has slowed the number of people relocating to Orange County. The current decline in the Orange County economy began in 2007 and continues today. This weakness was led by the decline in the residential real estate market. Both the sales rate and median dwelling prices have declined over 40% since the peaks of 2006. These declines are estimated to continue until late 2009 or 2010.

Employment

As of July 2010, Orange County had an unemployment rate of 9.8%, compared to one year ago, in July 2009, the County unemployment rate was 7.5%. The annual average rate for 2008 was 5.3%. This indicates a 23% increase in the unemployment rate in one year and a 67% increase in two years. The most common measure of employment growth is the increase in nonagricultural wage and salary employment. During the 1980's, the Orange County employment base expanded rapidly as the area became a financial and service center in the Southern California region. The following exhibit illustrates the area's unemployment compared to California as of July 2010.

	<u>Labor Force</u>	<u>Unemployment</u>
California	18,370,300	12.8%
Orange County	1,619,100	9.8%

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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 33,900 jobs, or a negative 2.2% job growth. The decline increased in 2009 to a job loss of 109,200 positions or a 7.4% decline to 1,371,400 jobs. The job loss over the last three years has wiped out about 10 years of job growth. Over the last 12 months, employment has increased 8,800 or 0.7% to 1,362,000 jobs. This is the first year-over-year employment gain since April 2007. However, the County lost 10,300 jobs compared to June 2010.

Employment Trends 1983-2009¹

<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	(33,900)	(2.2%)
2009	1,371,400	(109,200)	(7.4%)

¹ 2009 benchmark

Source: Employment Development Department – 3/10

The ten largest employers in Orange County are shown below.

Company/Institution	No. of Employees
Walt Disney Co.	19,800
University of California, Irvine (UCI)	19,279
St. Joseph Health System (St. Joseph)	10,929
Boeing Co.	8,477
Yum! Brands Inc.	7,000
Target	6,226
Supervalu	5,923
Kaiser Permanente	5,598
Memorial Health Services	5,533
Bank of America	5,450

Source: Orange County Business Journal – 2010 Book of Lists

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Income

The 2010 median household income in Orange County is estimated to be \$76,412. These figures are significantly above the Southern California region median. The 2010 average income is estimated at \$101,692. This is significantly above the region average. The higher income level is due to the higher percentage of financial, insurance, real estate, and business service employment which typically have higher wage scales.

Orange County Household Income Distribution 2010

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	61,271	6.13%
\$15,000 - \$24,999	61,191	6.12%
\$25,000 - \$34,999	71,396	7.14%
\$35,000 - \$49,999	116,938	11.69%
\$50,000 - \$74,999	180,854	18.09%
\$75,000 - \$99,999	148,001	14.80%
\$100,000 - \$149,999	183,914	18.40%
\$150,000 - \$499,999	159,405	15.94%
\$500,000 or more	17,048	1.70%
Total	1,000,016	100.0%
Median Household Income		\$76,412
Average Household Income		\$101,692
1/ Percent of total distribution		

Source: Claritas 8/10

Over 50% 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 have increased from \$8.5 billion in 1980 to an estimated \$35.77 billion in 2008 (the most recent annual data available). Sales for 1999 and 2000 increased 10.4% and 10.9%, respectively, to \$27.49 billion. In 2001 the sales growth moderated to 3.8% or \$28.52 billion. For 2002, sales increased 4.0%, up to \$29.65 billion. During 2003, taxable retail sales totaled \$32.28 billion; this was an 8.9% increase. This increase continued through 2004 with retail sales at \$35.44 billion, which is a 9.8% increase. In 2005 the growth moderated to 6.3%, with sales at \$37.67 billion. In 2006 the

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growth further moderated to 3.7%, with sales at \$39.07 billion. In 2007, there was an actual decline to \$38.99 billion, a 0.2% decline. In 2008, the decline increased to a negative 8.3% or an actual decline of \$3.2 billion to \$35.77 billion. The 2008 retail sales were at an amount that declined back to the 2004-05 levels. Although not reported yet, 2009 annual retail sales are forecast to decline 5% to 6%.

Retail Sales Trends¹ 1985-2008

Year	Taxable	Average Annual Change	
	Retail Sales (000's)	Number (000's)	Percent
1985	\$13,007,407	--	--
1990	\$17,486,433	\$ 895,805	6.9%
2000	\$27,485,000	\$ 999,857	5.7%
2001	\$28,519,000	\$1,034,000	3.8%
2002	\$29,646,818	\$1,127,848	4.0%
2003	\$32,287,697	\$2,640,879	8.9%
2004	\$35,441,953	\$3,163,256	9.8%
2005	\$37,672,834	\$2,230,881	6.3%
2006	\$39,074,451	\$1,401,617	3.7%
2007	\$38,988,227	(\$ 86,224)	(0.2%)
2008	\$35,768,595	(\$3,219,632)	(8.3%)

¹ Retail stores, taxable retail sales total
Source: State Board of Equalization

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Real Estate

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

Southern California Home Sales

County	No. Sold – All Homes			Median Price – All Homes		
	July 2009	July 2010	Pct. Chg.	July 2009	July 2010	Pct. Chg.
Los Angeles	8,082	6,515	-19.4%	\$321,000	\$339,000	5.6%
Orange County	3,128	2,527	-19.2%	\$420,000	\$450,000	7.1%
Riverside	4,699	3,529	-24.9%	\$185,000	\$200,000	8.1%
San Bernardino	3,549	2,556	-28.0%	\$140,000	\$155,000	10.7%
San Diego	3,809	3,070	-19.4%	\$320,000	\$338,000	5.6%
Ventura	837	749	-10.5%	\$375,000	\$370,000	-1.3%
Southern California	24,104	18,946	-21.4%	\$268,000	\$295,000	10.1%

Source: DQNews.com 8/10

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During the period from 1988 through 1989, housing values appreciated at rates approaching an average of 15% per annum throughout much of Orange County and Southern California. During the period from 1990 through 1993 as the economic recession influenced all segments of potential homebuyers, the rate of house price appreciation 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 past 48± months sales prices have significantly decreased. In all, 2,527 homes were reported to trade hands in July 2010, which is a decrease of 19.2% from July 2009. The July decline followed sales increases in 23 of the last 24 months, which followed 33 straight months of declining sales. Sales for July are more than 41% below the 1997-2006 year average of July home sales for Orange County. The July sales were over 4% lower than the average sales for the first half of 2010. The first half year sales for 2010 are the highest in three years. However, since the end of June 2010, and the end of the time-frame in which to close escrow on a new home and receive the \$8,000 tax credit, sales have significantly declined. The number of sales during all of 2009 was over 40.0% below the annual average sales from 1988 to 2009. Over the past 12 months, the median sales price has increased 7.1%, according to DataQuick. This is a vast improvement from the 20% to 25% annual declines on a monthly basis in 2007 and 2008. The July 2010 median price of \$450,000 is 30.2% below the peak price of \$645,000 in June 2007.

City of Tustin

The City of Tustin is located in central Orange County. It was incorporated on September 2, 1927, though the City's origins date back to the 1860's. It is adjacent to the City of Santa Ana to the west, the City of Irvine to the southeast and the City of Orange to the north. The more rural unincorporated areas of Orange County are located northeast of the City limits. Tustin is accessible from the Santa Ana Freeway (I-5) and the Costa Mesa Freeway (S-55), while the Garden Grove Freeway (S-22) and the Riverside Freeway (S-91) are within five minutes driving time. Please refer to the next page for a neighborhood map of the District.

Neighborhood Map



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Tustin has shared in the rapid growth of the region, particularly during the 1960's and 1970's. Nearly all of this population growth has been the result of people moving to the newer job markets in Orange County. Tustin's population in 2010 was reported at 75,800 according to the California Department of Finance. This is more than double the population in 1980 of 32,317. The primary cause of the population growth is home buyers attracted to the newer residential developments within the City's remaining vacant acreage. These areas have been located predominantly in the eastern portion of the City and include the community of Tustin Ranch and the reuse areas of MCAS Tustin, known as Tustin Legacy.

Population

As of the 2000 Census, Tustin had a population of 67,504 persons or a 33% increase over its 1990 population. The State of California has estimated the City's 2010 population at 75,773 persons for the City of Tustin, a 12.3%± increase since 2000.

Income Levels

The City of Tustin has an income distribution lower than the countywide distribution. The median household income for Tustin is \$70,878, which is below the countywide figure. The average household income in the City is \$95,344, which is lower than the countywide figure. The following data is provided by Claritas as of August 2010.

**City of Tustin
Household Income Distribution 2010**

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	1,396	5.48%
\$15,000 - \$24,999	1,422	5.59%
\$25,000 - \$34,999	1,965	7.72%
\$35,000 - \$49,999	3,540	13.90%
\$50,000 - \$74,999	5,276	20.72%
\$75,000 - \$99,999	3,732	14.66%
\$100,000 - \$149,999	4,230	16.61%
\$150,000 - \$499,999	3,558	13.98%
\$500,000 or more	340	1.34%
Total	25,459	100.0%
Median Household Income		\$70,878
Average Household Income		\$95,344

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Retail Sales

In 2008 the City generated retail sales of \$1,440,485,000 or 4.0% of the County's total retail sales. The retail sales increased 20.6% from the City's 2000 level, while the County increased 30.1% during the same period. Although the annual detail sales for 2009 have not been reported, sales are forecast to decline 5%-6%.

Employment

The City of Tustin has a reported labor force of 42,100 persons, for August 2010. The unemployment rate for this area is 9.5%, similar to the countywide rate. The top ten employers (2008 - most current data available) in the City are shown on the following table.

Major Employers in Tustin

Name of Companies	Products
Ricoh Electronics, Inc.	Electronic Manufacturer
ADC DSL Systems	Telecommunications Manufacturer
Auto Nation	Auto Dealerships in Tustin Auto Center
Raj Manufacturing Inc.	Apparel Manufacturer
Cherokee International	Switch Mode Power Supply Manufacturer
Balboa Instruments	Custom Electronic Controls for Spas
Toshiba America Medical Systems	Distributor of Medical Equipment
Revere SI Allegany	Sensors and Static Weighing Equipment
Tustin Hospital & Medical Center	Hospital
BEI Duncan Electronics	Sensors Manufacturing

Source: City of Tustin 11/08

Transportation

Tustin has very good freeway access provided by State Highway 55 (Costa Mesa Freeway), which is contiguous with the west City limits, and Interstate 5 (Santa Ana Freeway), the major north/south freeway in California. These major freeways intersect at an interchange situated in the west portion of the City. From here, the Costa Mesa Freeway extends north to the Riverside Freeway (S-91) providing access into Riverside and San Bernardino counties and west into Los Angeles. The Costa Mesa Freeway continues southwest from Tustin to Costa Mesa and Newport Beach. The Santa Ana Freeway generally bisects the City. It extends northwest to Los Angeles and further to

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Ventura County and central California. To the south, it provides access to San Clemente and ultimately to San Diego and the international border with Mexico.

Also available is the Eastern Transportation Corridor, a toll road that runs from the Riverside Freeway near Anaheim to Tustin, merging into Jamboree Road just north of the subject. This provides access to the major employment centers of Central and Coastal Orange County.

Jamboree Road is classified as an eight-lane major arterial from the SCRR/CTA Railroad, north of Edinger Avenue, to Barranca Parkway. Jamboree Road forms the transition area for the southerly terminus of the west leg of the Eastern Transportation Corridor (ETC). There is a grade-separated interchange at Edinger Avenue, just west of Zone 2, Columbus Grove. Currently, Jamboree Road has an average daily traffic volume between 65,000 and 78,000 cars. Edinger Avenue has a volume of 23,800 cars. Edinger Avenue has been improved to Major Arterial standards. The City of Tustin acquired approximately six feet of right-of-way along the south side of Edinger Avenue, which has been widened to its ultimate width. Harvard Avenue is classified as a Primary Arterial from Edinger Avenue to Barranca Parkway. Harvard Avenue is classified as a Secondary Arterial from Edinger Avenue to the railroad right-of-way. Moffett Avenue is classified as a Local Collector Street with two travel lanes (one in each direction) and sidewalks from Harvard Avenue to the future Valencia North Loop Road. The current road terminates before the Peters Canyon Channel and will be completed in the future. Kensington Park Road is classified as a secondary arterial from Edinger Avenue to Armstrong Avenue. Armstrong Avenue is also a secondary arterial from Valencia to Warner Avenue (and will be ultimately extended to Barranca Parkway).

Private streets for attached and detached residential dwellings with no parallel parking within the travel way shall have a minimum paved width of 24 feet. Private streets for attached and detached dwellings where on-street parallel parking will be limited to one side only shall have a minimum paved width of 32 feet. Private streets for attached and detached residential dwellings with on-street parallel parking permitted on both sides of the street shall have a minimum paved width of 36 feet.

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Immediate Neighborhood

Tustin Legacy/MCAS Tustin is located in Southern California near the center of Orange County, and is approximately 40 miles southeast of downtown Los Angeles. The MCAS Tustin Specific Plan/Reuse Plan project area encompasses approximately 1,606 gross acres. The majority of the Plan area, 1,533 acres, lies in the southern portion of the City of Tustin and is known as Tustin Legacy. Approximately 74 acres, consisting of former military family housing and vacant land, lies within the City of Irvine. The City of Santa Ana borders the site to the southwest. Columbus Square is located on the south side of Edinger Avenue, east of Red Hill Avenue. This site is generally surrounded by undeveloped land to the south and east.

The MCAS Tustin Specific Plan encompasses an area bounded by four freeways: the Costa Mesa (SR-55), Santa Ana (I-5), Laguna (SR-133), and San Diego (I-405) Freeways. The major roadways which border the project area include Red Hill Avenue on the west, Edinger Avenue/Irvine Center Drive on the north, Harvard Avenue on the east and Barranca Parkway on the south. Jamboree Road transects the site and provides access to the Eastern Transportation Corridor. John Wayne Airport is located approximately three miles to the southwest, and a Metrolink Commuter Rail station providing daily passenger service to employment centers in Orange, Los Angeles, Riverside, and San Diego counties is located immediately to the north of the project area.

Virtually an island in a highly urbanized location, the Specific Plan area is generally bounded by single-family residential uses and business park uses to the north, light industrial and research and development uses to the west, light industrial and commercial uses to the south, and residential uses to the east of Harvard Avenue in the City of Irvine. Tustin Legacy is one of the largest remaining tracts of developable land in central Orange County. Its locational advantages in terms of proximity to transportation facilities, community services, and regional commercial and cultural facilities make it a prime location for urban development.

At the northwest corner of Barranca Parkway and Jamboree Road a new retail center known as "The District" has been constructed. This center is built on approximately

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88 acres within the MCAS Tustin Specific Plan/Reuse Plan area. The extension of Tustin Ranch Road from Walnut Avenue to Barranca Parkway borders the west side of the center. "The District" consists of 1-million square feet of retail space. "The District" consists of three distinct areas known as The Lifestyle and Entertainment Village, Promotional Retail District and the Regional District. The Lifestyle and Entertainment Village is anchored by a AMC/Tustin 14, a 14-screen multiplex theater along Barranca Parkway. The Promotional Retail District features specialty shops along Jamboree Road, including Best Buy, Whole Foods and T.J. Maxx. The Regional District includes big box warehouse stores along Tustin Ranch Road, including Costco, Lowes, Target, Office Depot and Petsmart.

CFD No. 06-1 consists of two non-contiguous sites within the proposed development of Tustin Legacy. Zone 1, Columbus Square, is located on the south side of Edinger Avenue, east of Red Hill Avenue. This site is generally surrounded by undeveloped land to the south and east. Zone 2, Columbus Grove, is located on the west side of Harvard Avenue between Moffett Avenue to the north and Warner Avenue to the south. The Peters Canyon Channel is located on the west side of Zone 2. North of Zone 2 is the recently developed portion of Tustin Legacy by Laing Homes. To the south of Zone 2 is the community of Columbus Grove-Irvine, within the City limits of Irvine. To the west is Jamboree Road, a "super street" which is elevated above the surface level of the subject. West of Jamboree Road is the remainder of the future Tustin Legacy project to Red Hill Avenue.

Conclusions of Area Analysis

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

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The stock market peaked in September 2007, with a Dow Jones Industrial (DJI) average index of over 14,000. As of early March 2009, the average stood at about 6,550, a decline of about 53% in 18 months. As of mid August, 2010, it had gained back to about 10,200, a gain of about 55%, but still 27% below the peak. A significant portion of the drop occurred between September 30, 2008, and October 27, 2008 when the DJI declined 2,675 points or almost 25%. As this crash occurred, financial and credit markets throughout the world also crashed. Commercial and real estate loans and commercial lines of credit are extremely difficult to obtain at the present time, which has negatively impacted all segments of the local, regional, national and world economy. This includes real estate where the ability to obtain financing for home purchases to the ability to obtain construction financing has been severely restricted. At this time, it appears that the housing market may have hit bottom and prices appear to be stabilizing in Orange County. Until July, sales volumes had been rising over the past year. The median price of an existing Orange County home declined by nearly \$3,500 in July from June, 2010. Sales volumes declined almost 15% from the previous month according to the California Association of Realtors.

The communities of Columbus Square and Columbus Grove offer affordable housing (as compared to many nearby communities) while building a good reputation. The area provides good 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 that will be supplemented by jobs resulting from the development of the surrounding business parks. The industrial and retail development of the cities of Tustin and Irvine has generated strong interest in the area. Local development will result in continued demand for housing.

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SITE ANALYSIS

Location

CFD No. 06-1 consists of two non-contiguous sites in the City of Tustin within the MCAS Tustin Specific Plan/Reuse Plan known as Tustin Legacy. The MCAS Tustin Specific Plan/Reuse Plan project area encompasses approximately 1,606 gross acres. The MCAS Tustin Specific Plan/Reuse Plan covers an area bounded by four freeways: the Costa Mesa (SR-55), Santa Ana (I-5), Laguna (SR-133), and San Diego (I-405) Freeways. The major roadways which border the District include Red Hill Avenue on the west, Edinger Avenue/Irvine Center Drive on the north, Harvard Avenue on the east and Barranca Parkway on the south. Jamboree Road transects the site and provides access to the Eastern Transportation Corridor.

Zone 1, commonly known as Columbus Square, is located on the south side of Edinger Avenue, east of Red Hill Avenue. Zone 2, Columbus Grove - Tustin, is located on the west side of Harvard Avenue between Moffett Avenue to the north and Warner Avenue to the south. The Peters Canyon Channel is located on the west side of Zone 2.

Tustin Legacy

The Tustin Legacy Specific Plan envisions a collection of neighborhoods which will have their own characteristics within Tustin Legacy. A neighborhood may be comprised of more than one land use designation. The neighborhoods of Tustin Legacy are intended to establish a community structure and provide the basis for the range of land uses, intensity of development and urban design characteristics. The Tustin Legacy Specific Plan contains eight neighborhoods. The land uses are according to the MCAS Tustin Specific Plan/Reuse Plan, adopted February 3, 2003, and amended and adopted on April 3, 2006.

Neighborhood A – Education Village

Neighborhood A is located along the west edge of Tustin Legacy. The Education Village will be an important anchor for the community with a range of public-serving uses within a walkable campus setting. By virtue of its uses and operation, the Education Village will be linked to many other uses and activities within Tustin

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Legacy. Its primary functions are to provide education, training, and specific social service functions.

Neighborhood B – Village Housing

Neighborhood B is located in the northwestern quadrant of Tustin Legacy. Through reuse or new development of a range of housing types, Neighborhood B is expected to offer basic, affordable housing. The housing will be complemented by commercial services that will meet the daily shopping needs of residents, employees and visitors to the site. The neighborhood will also have a supporting function as a transition or buffer area between existing residential neighborhoods north of Edinger Avenue, which are not part of Tustin Legacy, and the Education Village and Community Core uses. *Zone 1, Columbus Square, is located within this neighborhood.*

Neighborhood C – Urban Regional Park

Neighborhood C is located near the center of Tustin Legacy, bordered by North Loop Road (extension of Valencia Avenue) on the north and Armstrong Avenue on the west. The Urban Regional Park will be a significant public amenity that will not only serve regional needs, but provide a buffer between the living environment and commercial and business areas. This area will serve a number of functions including open space conservation, recreation, community resource services, concession commercial supportive to the park, and historic preservation and/or display.

Neighborhood D – Community Core

Neighborhood D encompasses the central area of Tustin Legacy. This neighborhood will provide an opportunity for one or more unique, large-scale development proposals that would complete the Specific Plan area. The primary functions of Neighborhood D include: maintaining long-range flexibility as a major opportunity area, providing opportunities for mixed-use development (which includes medium-high density residential projects), and revenue generation to offset especially high infrastructure and demolition costs.

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Neighborhood E – Employment Center

Neighborhood E is located in the southwest quadrant of Tustin Legacy. This neighborhood will be an employment center for the community. It will provide a business park setting for a full range of professional offices, research and development, and commercial business uses.

Neighborhood F – Regionally-Oriented Commercial District

Neighborhood F is located on the southeast quadrant of Tustin Legacy. This neighborhood will be an auto-oriented, regional level commercial center. Desired commercial uses will include regional commercial and retail uses, specialty merchandising, wholesale, and discount commercial businesses.

Neighborhood G – Residential Core

Neighborhood G is located on the northeastern portion of Tustin Legacy. The Residential Core is intended to function as the primary residential enclave within the community. The Residential Core will provide a range of housing types including transitional family units, entry-level units, higher-end housing and commercial opportunities. This neighborhood will also include recreationally-based amenities. It will provide the opportunity to tie existing housing to the community through uses, access and design. Neighborhood G will also provide a desirable transition to existing Tustin and Irvine residential neighborhoods to the north and east. *Zone 2, Columbus Grove, is located within this neighborhood.*

Neighborhood H – Irvine Residential Neighborhood

Neighborhood H is in the southeast corner of Tustin Legacy. The family housing provides a buffer between Irvine residential neighborhoods to the east and business uses to the west. It also contains an alternate school facilities and park facilities as needed to support residents in the vicinity.

Current Site Condition

All major infrastructure improvements are complete throughout the District with the exception of sidewalks and landscaping adjacent to vacant home sites and final bond

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exoneration. The estimated development cost to complete is \$700,041. Of the \$700,041, \$195,943 remains to be paid 50/50 by Lennar Homes and William Lyon Homes. The balance is to be paid by Moffett Meadows Partners, LLC.

The master developer, Moffett Meadows Partners, LLC is reportedly a partnership between William Lyon Homes, Inc., Lennar Homes of California, Inc. and an equity partner, with Lennar Homes as the managing partner. The master developer has completed all commitments related to development of Columbus Square and Columbus Grove, with the exception of the final acceptance of certain on-site facilities pending acceptance from the City of Tustin including, but not limited to, dedication of certain right-of-way. In Columbus Square the remaining work also includes on-site installation of landscape and sidewalks adjacent to the lots that have not been improved with dwelling units. The age-restricted housing development known as Coventry Court is proposed for 240 dwelling units for persons 55 years of age and older. This development currently has one 3-story building built with the balance of the land undeveloped. Coventry Court was originally entitled for 240 age-restricted condominium units which would consist of 153 affordable units and 87 market rate units. An application has recently been approved by the City for the age-restricted units to allow for 153 affordable rental units and 87 market rate rental units.

According to one merchant builder, Lennar Homes, all in-tract site improvements for the Lennar neighborhoods are completed. According to the second merchant builder, William Lyon Homes, additional in-tract site improvements are required for the Ainsley Park tract, Mirabella tract and the new project of Augusta. Development fees are paid by the merchant builder prior to the issuance of a building permit. According to the builder, William Lyon Homes, the remaining site costs for Ainsley Park are \$1,736,502 or \$20,673 per lot; for Mirabella are \$3,109,231 or \$51,820 per lot; and \$1,542,403 or \$25,707 per lot for 60 lots of Augusta.

The District is expected to be developed by William Lyon Homes on behalf of Resmark (three entities) and Meta Housing for the age-restricted rental project. As of the date of value, three for-sale proposed subdivisions known as Ainsley Park, Augusta and

HRA

Mirabella have not started unit construction. Development of each tract is anticipated to be completed by William Lyon Homes. The Astoria project, by William Lyon Homes, began development with 4 model homes and 34 production homes. As of the date of value, the 38 homes have sold to individual homeowners and the project was placed on hold. The build out of Astoria will have a name change to Augusta with revised and smaller floor plans. Similarly, the original plans for the Mirabella project did not meet market demands at the time of market entry. Unit construction never began for Mirabella, although building permits were issued, and have since expired. The floorplans have been revised and are smaller than those originally envisioned for the site. Trenching for the model homes is expected to begin in November for both Mirabella and Augusta projects. Trenching for the Mirabella production homes is also scheduled for November. Trenching for the Augusta production homes is scheduled to begin in April 2011. Trenching for the model homes of Ainsley Park is in process and trenching for the production homes is scheduled to begin in September 2010. A sales trailer is on-site, and the opening for pre-sales is scheduled for August 28, 2010. With the exception of Coventry Court, the remaining subdivisions have sold out.

Size and Shape

The District consists of two non-continuous irregular shaped sites. According to the District's Special Tax Consultant, the District encompasses approximately 191.8 gross acres. Of the total acres approximately 88 acres are slated for residential development. Final Tract Map No. 16581, Planning Areas 4 and 5 of the Specific Plan includes all of the proposed development of Zone 1, Columbus Square, proposed for 1,075 dwelling units. Tract Map No. 16581 consists of 105.471 gross acres according to the recorded tract map. As mentioned, Columbus Square in its entirety is proposed for the 835 for-sale dwelling units, plus the age-restricted development of Coventry Court proposed for 240 rental dwelling units.

The Community Facilities District report states that Zone 2, Columbus Grove, includes approximately 55.8 acres subject to special tax, which are proposed for 465 dwelling units. Zone 2 contains all of Tract Map No. 16582, which is a portion of Planning Area 21 of the Specific Plan, which consists of 86.257 gross acres. Please

HRA

refer to the following two pages for copies of the two tract maps. The boundary maps can be found on pages 6 through 10.

Soils and Geology

The appraisers have previously been provided with a geotechnical report prepared by Leighton and Associates, Inc., dated February 24, 2003, for Columbus Square and dated February 20, 2003 for Columbus Grove. The reports concluded that the proposed developments are feasible from a geotechnical standpoint provided their recommendations included in the reports are incorporated in the project plans.

The appraisers have previously reviewed the Environmental Impact Report (EIR) for Tustin Legacy prepared in 1999. The EIR reported that there are generally five soil types found on the total Specific Plan area. The majority of Tustin Legacy, including all of the northern and central area and a portion of the southern area, is covered with Chino silty clay loam, drained. The area adjacent to the Peters Canyon Channel is covered with Chino silty clay loam. Soil classified as Omni clay and Omni clay drained can be found in the former military housing area along Harvard Avenue, along with Sorrento sandy loam.

All of the soils in the Tustin Legacy area are characterized by being poorly drained soils in alluvial fans, flood plains, or basins. The on-site soils have only a slight erosion hazard, but do have a moderate to severe building site development limitation. A moderate limitation (Chino silty clay loam, drained; Chino silty clay loam; Sorrento sandy loam) indicates that soil properties and site features are unfavorable for urban use, but the limitations can be overcome or minimized by special planning and design. A severe limitation (Omni clay and Omni clay, drained) indicates that one or more soil properties or site features are so unfavorable or difficult to overcome that a major increase in construction effort, special design, or intensive maintenance is required. Remedial measures must be taken prior to construction to prevent damage to foundations, structures, and infrastructure.

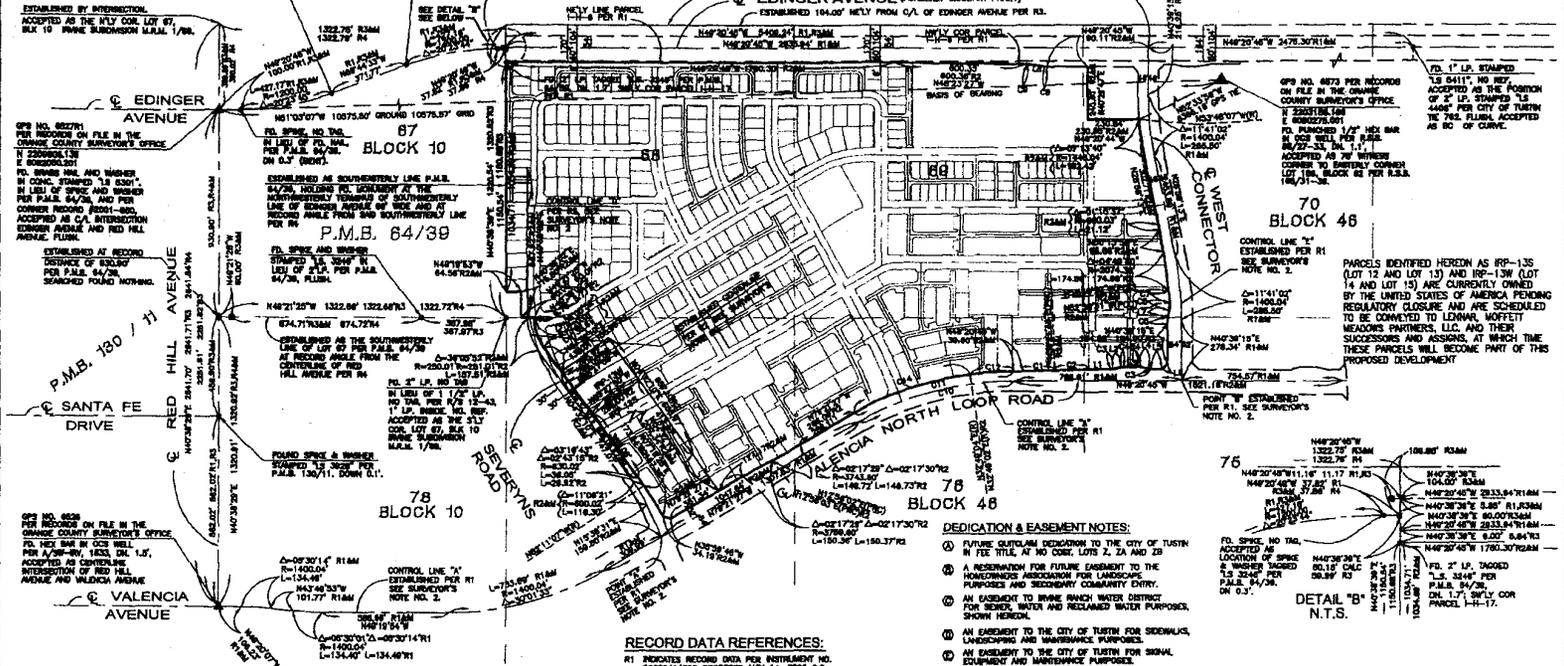
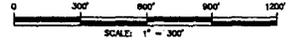
SHEET 4 OF 18
 (ALL OF TENTATIVE TRACT NO. 16581)
 NUMBER OF LOTS:
 NUMBERED: 383
 LETTERED: 192
 AREA = 105,471 ACRES GROSS
 AREA = 72.7 ACRES NET
 DATE OF SURVEY: FEB. 14, 2006

TRACT NO. 16581

IN THE CITY OF TUSTIN, COUNTY OF ORANGE, STATE OF CALIFORNIA
 MICHAEL SIMON, P.L.S. 8034 TAIT & ASSOCIATES, INC.

DATE OF SURVEY: FEBRUARY 14, 2006

LOCATED AT
 A.T. & S.F. RAILROAD R/W
 EDINGER AVENUE (FORMERLY MOULTON PROPERTY)
 ESTABLISHED 104.00' NELY FROM C.V. OF EDINGER AVENUE PER R.I.



MONUMENT NOTES:
 MONUMENTS TO BE SET WITHIN 90 DAYS AFTER THE ACCEPTANCE OF IMPROVEMENTS
 -▲- INDICATES FOUND O.C.S. HORIZONTAL CONTROL STATION AS NOTED HEREON.
 -●- INDICATES FOUND MONUMENT AS NOTED HEREON.
 -■- INDICATES SEARCHED, FOUND NOTHING, SET NOTHING.
 SET 1" IRON PIPE TAGGED "P.L.S. 8034" OR LEAD & TACK TAGGED "P.L.S. 8034" OR GRAY SPRINK & WASTER TAGGED "P.L.S. 8034" FOR ALL BOUNDARY CORNERS.
 A 1" I.P. TAGGED "P.L.S. 8034" OR LEAD & TACK TAGGED "P.L.S. 8034" WILL BE SET AT ALL REAR LOT CORNERS, UNLESS OTHERWISE SHOWN.
 A LEAD & TACK TAGGED "P.L.S. 8034" WILL BE SET ON THE TOP OF CURB IN LIEU OF FRONT CORNERS ON A PROOF OF THE SIDE LOT LINES, THE OFFSET IS 11.70' UNLESS OTHERWISE SHOWN.
 SET SPRINK & WASTER TAGGED "P.L.S. 8034" FLUSH, AT ALL CENTERLINE POINTS OF CONTROL.

BOUNDARY CONTROL MAP
BASIS OF BEARINGS:
 BEARINGS HEREON ARE BASED ON THE BEARINGS BETWEEN O.C.S. HORIZONTAL CONTROL STATION GPS NO. 808781 AND STATION GPS 8073 BEING NORTH 57°33'07" WEST PER RECORDS ON FILE IN THE OFFICE OF THE ORANGE COUNTY SURVEYOR.
DATUM STATEMENT:
 COORDINATES SHOWN HEREON ARE BASED ON THE CALIFORNIA COORDINATE SYSTEM (CCS), ZONE 10, 1983 M.D., (NAD 83) EPOCH O.C.S. ADJUSTMENT. ALL DISTANCES SHOWN ARE GROUND UNLESS OTHERWISE NOTED TO OBTAIN GROUND DISTANCES MULTIPLY GROUND DISTANCES BY 0.99977789
OWNERSHIP NOTE:
 THE UNITED STATES OF AMERICA AS CUSTODIAL OWNER, WILL, UPON COMPLETION OF THE CURRENT RECORDATION WORK, GUARANTEE ALL RIGHTS AND INTERESTS IN AREAS DESIGNATED HEREON AS "RP-130", "RP-130", TO MOFFET MEADOWS PARTNERS, L.L.C.

RECORD DATA REFERENCES:
 R1 INDICATES RECORD DATA PER INSTRUMENT NO. 20020404888 RECORDED MAY 14, 2002 O.R.
 R2 INDICATES RECORD DATA PER INSTRUMENT NO. 20030088888 RECORDED MARCH 11, 2002 O.R.
 R3 INDICATES RECORD DATA PER RECORD OF SURVEY 180/91-30.
 R4 INDICATES RECORD DATA PER PARCEL MAP 64/39.

SURVEYOR'S NOTE:
 1. THE CURVE SHOWN HEREON WITH A RADIUS OF 200.01' ALONG CONTROL LINE "7" IS DIFFERENT FROM THE RECORD PER R3 BECAUSE OF AN ERROR IN SAID DEED DESCRIBED AS BEING R=251.01'.
 2. A DILIGENT SEARCH FOR SET MONUMENTS WAS PERFORMED ALONG THE CENTERLINES OF VALENCIA NORTH LOOP ROAD, WEST CONNECTOR & SEVERNS ROAD, NONE WERE FOUND. CENTERLINES WERE ESTABLISHED PER R1 & R2.
 3. THE ELY RIGHT-OF-WAY OF SEVERNS ROAD WAS ESTABLISHED BY OPERATING THE CENTERLINE OF SEVERNS ROAD ALONG FEET ELY PER R2, THUS ESTABLISHED ELY E.C. OF SAID CURVE BY INTERSECTION SAID CURVE WITH THE RECORD BEARING OF R27°18'26" PER R2 AS SHOWN HEREON.

DEDICATION & EASEMENT NOTES:
 ① FUTURE OUTLAIM DEDICATION TO THE CITY OF TUSTIN IN FEE TITLE, AT NO COST, LOTS 2, 2A AND 2B
 ② A RESERVATION FOR FUTURE EASEMENT TO THE HOMEOWNERS ASSOCIATION FOR LANDSCAPE, PURPOSES AND SECURITY COMMUNITY ENTRY.
 ③ AN EASEMENT TO BRINE WASH WATER DITCH FOR SEWER, WATER AND RECLAIMED WATER PURPOSES, SHOWN HEREON.
 ④ AN EASEMENT TO THE CITY OF TUSTIN FOR SIDEWALK, LANDSCAPE AND MAINTENANCE PURPOSES.
 ⑤ AN EASEMENT TO THE CITY OF TUSTIN FOR SIGNAL EQUIPMENT AND MAINTENANCE PURPOSES.
 ⑥ A RESERVATION FOR A FUTURE "I" INDE EASEMENT TO THE HOMEOWNERS ASSOCIATION FOR INGRESS AND EGRESS FOR PEDESTRIAN ACCESS.
 ⑦ AN EASEMENT TO THE CITY OF TUSTIN FOR PUBLIC USE, PEDESTRIAN ACCESS AND EGRESS OVER LOTS 28A, 28B, 28C, 28D, 28E AND 28F, LOTS E, F, G, H, I, J, K, L, M AND N.
 ⑧ PORTIONS OF SEVERNS ROAD, VALENCIA NORTH LOOP ROAD AND WEST CONNECTOR, AS DEDICATED HEREON.

LINE DATA

NO.	BEARING	DISTANCE
L1	N49°20'48"W	100.89' 106.00' R2
L2	N49°28'49"W	26.80' R28M
L3	N49°28'49"W	80.00' R28M
L4	N38°11'29"W	31.86' R28M
L5	N49°28'49"W	50.00' R28M
L6	N49°27'11"W	34.50' 38.18' R2
L7	N09°47'03"E	30.30' 30.34' R2
L8	N41°11'08"W	77.91' R1M

CURVE DATA

CHD	PHOS	LENGTH
C1 (A-02°17'29")	R=274.85'	L=146.75' R28M
C2 (A-02°17'29")	R=378.80'	L=138.30'
C3 (A-1°02'13")	R=61.00'	L=10.30' R28M
C4 (A-1°02'13")	R=61.00'	L=14.33' R28M
C5 (A-1°02'13")	R=126.18'	L=28.14' R28M
C6 (A-1°02'13")	R=143.00'	L=33.47' R28M
C7 (A-02°18'49")	R=1348.84'	L=81.83' R28M
C8 (A-02°18'49")	R=58.00'	L=28.78' R28M
C9 (A-02°18'49")	R=1408.04'	L=73.34' R28M
C10 (A-02°18'49")	R=1408.04'	L=140.00'
C11 (A-02°18'49")	R=1448.84'	L=73.22' R28M
C12 (A-02°18'49")	R=1448.84'	L=177.78' R28M
C13 (A-02°18'49")	R=1448.84'	L=140.00'
C14 (A-02°18'49")	R=1448.84'	L=59.85' R28M

CONSULTING REAL ESTATE APPRAISERS
44

SHEET 3 OF 30 SHEETS
 AREA 86.257 ACRES GROSS
 AREA 85.702 ACRES NET
 NUMBERED LOTS: 286
 LETTERED LOTS: 70
 (ALL OF TENTATIVE)
 TRACT NO. 16582

TRACT NO. 16582

IN THE CITY OF TUSTIN, COUNTY OF ORANGE, STATE OF CALIFORNIA

MDS CONSULTING

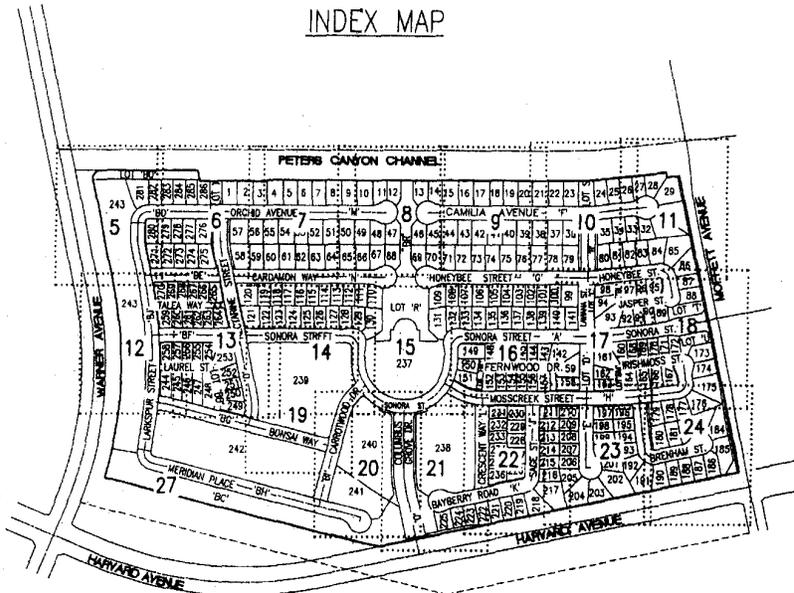
GARY W. DOKICH, L.S. 4863

DATE OF SURVEY: MARCH 2004

LOTS 238 THROUGH 243 INCLUSIVE FOR CONDOMINIUM PURPOSES

SCALE: 1" = 300'

INDEX MAP



GENERAL NOTES:

- ① INDICATES LOT RESERVED TO BE QUITCLAIMED TO THE CITY OF TUSTIN BY SEPARATE INSTRUMENT, AT NO COST TO THE CITY OF TUSTIN, TO ACCOMMODATE FUTURE PETERS CANYON CHANNEL WIDENING, LOT "BF".
- ② INDICATES LOTS RESERVED TO BE QUITCLAIMED TO THE CITY OF TUSTIN BY SEPARATE INSTRUMENT, AT NO COST TO THE CITY OF TUSTIN.
- ③ EASEMENTS ARE DEDICATED HEREON TO THE CITY OF TUSTIN FOR EMERGENCY VEHICLE ACCESS AND PUBLIC SERVICE VEHICLE INGRESS AND EGRESS PURPOSES OVER LOTS "A" THROUGH "Q" INCLUSIVE, "Q", "AY", "BB", AND "BD" THROUGH "BM" INCLUSIVE, PRIVATE STREETS AND DRIVEWAYS.
- ④ EASEMENTS FOR WATER AND SEWER PIPELINE PURPOSES DEDICATED HEREON TO THE IRVINE RANCH WATER DISTRICT OVER LOTS "A" THROUGH "Q" INCLUSIVE, "Q", AND "BD" THROUGH "BJ" INCLUSIVE, PRIVATE STREETS.
- ⑤ LOTS "P", "S" THROUGH "AM" INCLUSIVE, "AP", "AQ" THROUGH "AW" INCLUSIVE, "AY" THROUGH "BM" INCLUSIVE AND "BF" ARE RESERVED FOR FUTURE GRANT TO THE HOMEOWNERS ASSOCIATION FOR LANDSCAPE/MAINTENANCE PURPOSES.
- ⑥ A PORTION OF LOT 237 IS A PRIVATE RECREATION AREA THAT INCLUDES PRIVATE/PUBLIC AMENITIES RESERVED FOR FUTURE GRANT TO THE HOMEOWNERS ASSOCIATION. LOTS "P", "BC", AND A PORTION OF LOT 237 ARE FOR PUBLIC USE (PARK/OPEN SPACE).
- ⑦ LOTS "AY", "BF", AND "BC" THROUGH "BM" INCLUSIVE, ARE PRIVATE DRIVEWAYS.
- ⑧ LOTS 238 THROUGH 243 INCLUSIVE ARE FOR CONDOMINIUM PURPOSES.
- ⑨ LOTS "A" THROUGH "Q" INCLUSIVE, "Q" AND "BD" THROUGH "BF" INCLUSIVE, ARE PRIVATE STREETS.
- ⑩ EASEMENTS ARE DEDICATED HEREON TO THE CITY FOR PUBLIC PARK ACCESS TO THE PUBLIC PARK SITE LOTS 237 & "R" AND FOR PUBLIC TRAILS OVER LOT "BY".

CIRCLED ITEMS ARE INDICATED ON MAP SHEETS.

EASEMENT NOTES:

- ① INDICATES EASEMENT DEDICATED HEREON TO THE IRVINE RANCH WATER DISTRICT FOR SEWER, WATER AND RECLAIMED WATER PURPOSES.
- ② INDICATES EASEMENT DEDICATED HEREON FOR EMERGENCY VEHICLE ACCESS AND PUBLIC SERVICE VEHICULAR INGRESS AND EGRESS PURPOSES.
- ③ INDICATES EASEMENT DEDICATED HEREON FOR PUBLIC ACCESS TO THE PUBLIC PARK/OPEN SPACE SITES: LOTS "BC", "BF", AND "R", AND A PORTION OF LOT 237, OVER PORTIONS OF LOTS 237 AND "R" AND OVER ALL OF LOTS "A", "BF", "R", "Q", "S", "BF", "BC" AND "BY".
- ④ INDICATES EASEMENT RESERVED HEREON TO THE HOMEOWNERS ASSOCIATION FOR LANDSCAPE INSTALLATION & MAINTENANCE PURPOSES.
- ⑤ INDICATES EASEMENT RESERVED HEREON TO THE IRVINE RANCH WATER DISTRICT FOR WASTEWATER PURPOSES.
- ⑥ INDICATES EASEMENT DEDICATED HEREON FOR TRAFFIC SIGNAL EQUIPMENT AND MAINTENANCE PURPOSES.

LETTERED LOT INDEX

LOT #	SHEET	LOT #	SHEET	LOT #	SHEET
A	30	(13,14,15,16,17,18,19,20,21)	AA	13	
B	10		AB	10	
C	17		AC	10	
D	17		AD	17	
E	23		AE	18	
F	28	(8,9,10,11)	AF	17	
G	28	(8,9,10,11,15,16,17,18)	AG	18	
H	27	(16,17,18,22,23,24)	AH	17	
I	25	(23,24)	AI	17	
J	22		AJ	23	
K	26	(21,22)	AK	22	
L	22	(6,7,8)	AL	22	
M	27	(6,7,8)	AM	22	
N	27	(6,7,8,13,14,15)	AN	24	
O	26	(6,13,19)	AO	26	(18,24)
P	20		AP	16	
Q	21		AQ	18	
R	15		AR	26	(11,18)
S	10		AS	5	
T	18		AT	12	
U	18		AU	12	
V	26	(18,24)	AV	13	
W	29	(21,22,23,24)	AW	13	
X	6		AX	25	(12,13)
Y	6		AY	12	
Z	6		AZ	12	
			BA	13	
			BB	25	(12,13)
			BC	27	(20,21)
			BD	26	(5,6)
			BE	25	(5,6,12,13)
			BF	25	(12,13)
			BG	27	(12,13,19,20)
			BH	27	(20)
			BI	20	
			BJ	29	(5,12)
			BK	18	
			BL	25	(17,18)
			BM	25	(17,18)
			BN	21	
			BO	21	
			BP	18	
			BD	25	(5,6)
			BR	8	

MAP SHEET INDEX: SHEETS 25-30 INCLUDE SPECIFIC LETTERED LOTS IN THEIR ENTIRETY
 LOTS A, F, G, H, I, K, M, N, O, V, W, AO, AR, AX, BB, BC, BO,
 BE, BF, BG, BH, BI, BM, BN

HRA

As previously mentioned, all of the land has been graded to a physically finished lot condition throughout the District. Of the 465 dwellings proposed for Zone 2, Columbus Grove, 381 have been completed and sold to individual homeowners. Within Zone 1, Columbus Square, 711 of the 835 for-sale dwellings have been completed and sold to individual homeowners. Coventry Court is planned for 240 rental dwelling units. As of the date of value, one three-story building has been completed which includes 24 units. For purposes of this appraisal assignment, we assume the soil conditions are suitable for the proposed highest and best uses. The appraisers are not experienced in determining the suitability of soil conditions; therefore, it is suggested that the client contact a professional soil expert to determine the suitability of the soil conditions of the land. This appraisal report is also based on the fact that there are no hazardous materials contaminating the soil. No representation is made by the appraisers concerning the soil conditions.

Topography/Drainage

CFD No. 06-1 in its entirety consists of a large flat plain. The neighborhoods are built on the flat plain areas. The parcels do not offer significant view potential.

It is assumed for purposes of this appraisal that the builders have fulfilled all grading/drainage requirements of the City of Tustin.

Zoning

The District is currently zoned SP – Specific Plan, by the City of Tustin. Allowed uses include: residential, commercial, retail, office, entertainment retail, mixed use, and institutional.

Tract No. 16581, Zone 1, Columbus Square, consists of Planning Areas 4 and 5 of the Tustin Legacy Specific Plan. This tract has an approved zoning of MDR-Medium Density Residential and LDR-Low Density Residential. The Low Density zone allows for residential developments with a density of 1 to 7 units per acre. The Medium Density zone allows for residential developments with a density of 8 to 15 units per acre.

HRA

Columbus Square in its entirety is proposed for 1,075 dwelling units. The indicated overall density for Tract No. 16581 is 10.2 units per acre, which appears to be within the allowable densities. Tract Map No. 16581 recorded on March 6, 2006, as Document No. 2006000148498, and is proposed for a total development of 1,075 dwelling units. Zone 1 of the District is within Tract Map No. 16581.

Tract No. 16582, Zone 2, Columbus Grove, consists of Planning Area 21 of the Tustin Legacy Specific Plan. This tract has an approved zoning of LDR-Low Density Residential. The Low Density zone allows for residential developments with a density of 1 to 7 units per acre.

Columbus Grove is proposed for 465 dwelling units. The indicated overall density for Tract No. 16582 is 5.4 units per acre, which is within the allowable density requirements of the Low Density designation. Tract Map No. 16582 recorded on October 28, 2005 as Document No. 200500867370 and is proposed for development of 465 dwelling units. Zone 2 of the District is within Tract Map No. 16582.

Access and Circulation

Regional access to the area is provided by the Santa Ana (I-5) Freeway. Interstate 5 runs in a southeasterly direction from Los Angeles through Orange County, bisecting the Saddleback Valley and continuing southeast to San Diego. Access to the subject's immediate area is via Jamboree Road and Edinger Avenue/Irvine Center Drive. Jamboree Road is a major north/south thoroughfare traversing the Tustin, Irvine, and Newport Beach communities. Jamboree Road has a full interchange with the I-5 Freeway about one mile north of the subject. Edinger Avenue/Irvine Center Drive is a major east/west thoroughfare which connects to full interchange facilities with the SR-55 Freeway, to the west. Full freeway interchange facilities with SR-55 are three miles to the west.

The primary access to Zone 1, Columbus Square, is Edinger Avenue (Irvine Center Drive, east of Red Hill Avenue). Columbus Square is located on the south side of Edinger Avenue, east of Red Hill. The Metrolink Rail line runs north of Columbus Square, with a Metrolink Rail station along Edinger Avenue. Zone 2, Columbus Grove, is located on the

HRA

west side of Harvard Avenue south of Edinger/Irvine Center Drive. Primary access to Columbus Grove is Harvard Avenue and secondary access is Moffett Avenue.

It appears that the interior streets, offer adequate access to the dwellings and minimize traffic. The streets within the development are asphalt paved, with concrete curbs and gutters.

With the completion of the Eastern Transportation Corridor (S-261), additional regional access is available. This link from the S-91 Freeway to the I-5 Freeway and Jamboree Road is complete.

Easements

The appraisers have been provided with five preliminary title policies for the four undeveloped parcels within the District. The policy for the Coventry Court site was prepared by North American Title Company, dated July 6, 2010. The policy does state that Lot 265 of Tract No. 16581 is for condominium purposes. A Deed of Trust for \$16,000,000 dated October 31, 2007 was disclosed showing the Trustor as Tustin Coventry, LLC; Trustee as First Santa Clara Corporation and Beneficiary as Bank of the West.

Fidelity National Title Company prepared three policies, dated March 15, 2010 for the Augusta (60 of the 64 lots) and Mirabella project; dated May 3, 2010 for the Mirabella project and dated July 29, 2010 for the Ainsley Park project. The Ainsley Park title policy disclosed a Deed of Trust for \$9,025,000 dated April 23, 2010 showing the Trustor as ORA Ainsley Park 84, LLC; Trustee as Fidelity National Title Company and Beneficiary as California Bank & Trust. North American Title Company prepared a policy for the 4 lots owned by Moffett Meadows Partners, LLC, that are assumed to be a part of the build-out of the Augusta product. *A Notice of Special Tax Lien for the City of Tustin Community Facilities District No. 06-1 was not disclosed in the title policies for the Augusta or Mirabella sites.*

A review of the policies did not indicate any easements, encroachments, agreements or conditions that would adversely affect the value of the properties.

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However, this appraisal is contingent upon the fact that there are no easements, encroachments, or conditions that would adversely affect the value of the property.

Utilities

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

Electricity:	Southern California Edison
Natural Gas:	Southern California Gas Company
Telephone:	AT&T/Cox
Fire:	Orange County Fire Authority
Police:	City of Tustin
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 Earthquake Study Zone as determined by the State Geologist. However, all of Southern California is subject to seismic activity. In addition, the subject property is located in a Zone "X" flood designated area according to Federal Emergency Management Agency Community Panel No. 06059C0279H, effective date February 18, 2004. This designation references an area of minimal flooding, which is outside the 0.2% annual change flood plain. Flood insurance is not required.

The subject site is affected by noise from an existing railroad line north of Zone 1, Columbus Square. Until 1994, noise was generated by Amtrak passenger trains and Atchison, Topeka and Santa Fe (AT&SF) freight trains. Noise from the trains, combined with noise from vehicular traffic on Edinger Avenue generated an average noise level of about 70 dB CNEL. In March 1994, the SCRRA began the Metrolink Orange County Line commuter rail service. The current number of Metrolink trains on the line is 19. The current number of Amtrak passenger trains on the line is approximately 44. Freight trains of the Burlington Northern Santa Fe also use the tracks. Maintenance of the railroad track, which

HRA

may occur between midnight and 4:00 a.m., when fewer trains are scheduled to operate, may include noisy, heavy on-track equipment, bright lights, and dust.

Hazardous Material/Toxic Waste

Physical inspection of the District did not indicate evidence of on-site hazardous materials and/or toxic waste. All of the District has been blue-top to final-graded. Eleven of the 14 proposed subdivisions are complete and have sold to 1,092 individual owners.

The appraisers have previously been provided with a Phase 1 Environmental Site Assessment Report for Tustin Villas, dated February 23, 2003. We have also reviewed several letters from the United States Environmental Protection Agency, California Regional Water Quality Control Board and the Department of Toxic Substances Control. Based on the information provided and the current physical condition of the parcels, it appears that development as proposed and as it exists is allowed.

Environmental Issues

The subject sites were formerly military use lands. No rare or threatened species were observed on the subject sites.

Transportation

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

Rail:	Amtrak stops in Tustin.
Truck:	11 major trucking lines serve Orange County.
Air:	John Wayne Airport (3 miles), Los Angeles International Airport (50 miles)
Bus:	Orange County Transit District, Dial-A-Ride, Park-N-Ride.
Water:	Long Beach Harbor/Port of Los Angeles (40 miles).
Highways:	Santa Ana Freeway (Interstate 5) San Diego Freeway (Interstate 405) Costa Mesa Freeway (State 55) Eastern Transportation Corridor (S-241).

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Taxes and Special Assessments

Pursuant to Proposition 13, passed in California in 1978, current assessed values may or may not have any direct relationship to current market value. Except in limited circumstances, real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year. If the property is sold, real estate taxes are normally subject to modification to the then current market value.

The basic levy for the properties is 1%. In addition, there are taxes and assessments for Metropolitan Water District, Irvine Ranch Water District and Vector Control. Zone 1, Columbus Square, is also within the boundaries of the Tustin Unified School District. The age-restricted development of Coventry Court is not subject to special tax by the Tustin Unified School District. Zone 2, Columbus Grove, is within the boundaries of the Irvine Unified School District and subject to special taxes. Properties within both zones are subject to special tax by the City of Tustin CFD No. 06-1. Community Facilities District No. 06-1. The developed total tax rate is generally estimated between 1.6%± and 2.1%± of the sales prices of the individual homes. David Taussig & Associates, Inc. has estimated the Special Taxes on the undeveloped land and dwelling units within CFD No. 06-1.

According to the District's CFD Administrator, Willdan Financial Services, there are five parcels with delinquent taxes for Fiscal Year 2008-2009 and 13 parcels with delinquent taxes for Fiscal Year 2009-2010.

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

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IMPROVEMENT DESCRIPTION

General

The proposed and existing residential developments within Columbus Square and Columbus Grove are part of the Tustin Legacy Specific Plan which is a collection of neighborhoods envisioned to have their own characteristics within the Tustin Legacy planned community. The neighborhoods of Tustin Legacy are intended to establish a community structure and provide the basis for the range of land uses, intensity of development and urban design characteristics. The District is being developed by Lennar Homes and William Lyon Homes. One subdivision known as Madison within Columbus Grove was built by KB Home. The age-restricted development, now proposed for 240-rental units, is to be built by Meta Housing, an apartment developer. Columbus Square includes a recreational area, club house and four parks. Columbus Grove includes two parks and a common area which includes pool, tot lot and club house within the District. The residents also have a second park with amenities of pools, tot lot and restrooms in the Irvine portion of the Columbus Grove community.

Columbus Square in its entirety is proposed for a build-out of 1,075 dwelling units. Within Columbus Square is the age-restricted project known as Coventry Court. Coventry Court was originally entitled for 240 age-restricted condominium units which would consist of 153 affordable units and 87 market rate units. An application has recently been approved by the City to allow for 153 affordable rental units and 87 market rate rental units. Single family detached homes have been completed for 283 lots ranging from a minimum lot size of 2,700 square feet to a maximum of 4,950 square feet. The remaining development is proposed for a mix of attached dwelling units, of which 113 units of the attached products are income restricted. As of the date of value, 711 dwellings were complete and sold.

Two for-sale projects remain to be built within Columbus Square. The townhome project, known as Mirabella, was originally planned for a product with larger floor plans than those currently proposed. Due to current market conditions, the development was put on hold and has been redesigned with smaller floor plans. The Astoria project was originally proposed for 102 dwelling units. Due to market demands, only 38 dwelling

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units were built and sold. The project was put on hold and redesigned to better meet current market demands. The build out of Astoria is now known as Augusta with smaller floor plans. The Augusta project is planned to start model home construction in November 2010. Production home construction is planned to begin in April 2011, when sales also will begin. The Mirabella project is also planned to begin model home construction in November 2010. Production home construction is also scheduled to begin in November 2010 with sales to start in April 2011.

Columbus Grove is proposed for a build-out of 465 for-sale dwellings. Of the homes proposed, 279 are single family detached homes on lots ranging from 4,050 square feet to 7,150 square feet. In addition, 186 attached units are proposed, of which a 102-unit triplex product is built and sold. Only the 84 duplex (paired homes) product, known as Ainsley Park, remains to be constructed within Columbus Grove. Model home construction just began in August 2010. Construction of the production homes is scheduled to begin in September 2010. Presales are to begin August 28, 2010. As of the date of value, 381 dwellings within Columbus Grove have been built and sold to individual homeowners. Please refer to the following pages for a summary of the existing and proposed projects within the District. Current base pricing has been estimated by the builder, William Lyon Homes.

Affordable Housing Requirements

The City of Tustin plans to provide for "affordable" housing or subsidized housing so lower-income people can afford to rent or buy in the City. In general, the number of units required to be set aside for "affordable" housing is 15% of the total number of planned residential units. The resale of the new for-sale affordable units will be controlled by the City for 45 years.

According to the information provided by the developer, the current number of units existing and planned to comply with the "affordable" housing requirements are 308 units within Columbus Square which includes the 153 units within Coventry Court that are currently proposed to be rental units. The following table summarizes the number of

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SUMMARY OF EXISTING AND PROPOSED PROJECTS									
Project Name Builder	Minimum Lot Size	Planned Units	Beds	Baths	Number of Floors	Garage Spaces	Unit Size (SF)	Lowest Base Price	Base Price per SF
Columbus Square - Zone 1									
EXISTING PROJECTS									
Verandas William Lyon	2,700	97	3	2.5	2	2	1,887	Sold-out	
			3	2.5	2	2	2,211	Sold-out	
			4	2.5	2	2	2,394	Sold-out	
						<i>Average</i>	2,164		
Cambridge Lane William Lyon	TH Garden	156	1	1.5	1	1	1,114	Sold-out	
			1	1.5	2	1	1,231	Sold-out	
			2	2.5	2	2	1,302	Sold-out	
Includes 50 Income Restricted Units			2	2.5	2	2	1,259	Sold-out	
			3	2.5	2	2	1,599	Sold-out	
						<i>Average</i>	1,301		
Gables Lennar	5,700	84	3	2	1	2	2,125	Sold-out	
			3	3.5	2	2	2,957	Sold-out	
			4	3.5	2	2	3,227	Sold-out	
			4	4.5	2	2	4,191	Sold-out	
						<i>Average</i>	3,125		
Meriwether Lennar	TH Triplex	114	2	2	2	2	1,272	Sold-out	
			3	2	2	2	1,706	Sold-out	
			3	3	2	2	1,922	Sold-out	
						<i>Average</i>	1,633		
Camden Place Lennar	TH Row	222	2	2.5	3	2	1,155	Sold-out	
			2	2.5	3	2	1,465	Sold-out	
			3	3	3	2	1,685	Sold-out	
Includes 63 Income Restricted Units						<i>Average</i>	1,435		
Astoria William Lyon	4,500	38	4	3	1	2	2,749	Sold-out	
			4	3.5	2	2	3,146	Sold-out	
			5	5.5	2	3 (T)	3,529	Sold-out	
						<i>Average</i>	3,141		
PROPOSED PROJECTS									
Mirabella William Lyon	TH	60	3	2.5	2	2	1,661	\$440,000	\$265
			3	2.5	2	2	1,816	\$470,000	\$259
			4	3	2	2	2,106	\$495,000	\$235
						<i>Average</i>	1,861		
Augusta William Lyon	4,500	64	3	2.5	2	2	2,610	\$730,000	\$280
			4	3	2	2	2,739	\$760,000	\$277
			4	3	2	3	3,001	\$800,000	\$267
						<i>Average</i>	2,783		
Coventry Court To Be Determined	Rental units Age-restricted	240 (1 bldg. w/ 24 units has been built)	1	1	N/A	N/A	661	Rental rates	N/A
			2	2	N/A	N/A	916	Rental rates	N/A
			2	2	N/A	N/A	946	Rental rates	N/A
Includes 153 Income Restricted Units			2	2	N/A	N/A	956	Rental rates	N/A
			2	2	N/A	N/A	1,465	Rental rates	N/A
			2	2.5	N/A	N/A	1,757	Rental rates	N/A
Total Dwelling Units Zone 1:		1,075							

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SUMMARY OF EXISTING AND PROPOSED PROJECTS									
Project Name Builder	Minimum Lot Size	Planned Units	Beds	Baths	Number of Floors	Garage Spaces	Unit Size (SF)	Lowest Base Price	Base Price per SF
<u>Columbus Grove - Zone 2</u>									
EXISTING PROJECTS									
Madison KB Home	4,400	85	3	2.5	2	3	2,592		Sold-out
			5	3	2	3	2,732		Sold-out
			5	4	2	3	2,879		Sold-out
						<i>Average</i>			2,734
Westbourne Lennar	5,500	59	4	3.5	1	3	3,004		Sold-out
			5	4	2	3 (T)	3,374		Sold-out
			5	4.5	2	3 (T)	3,822		Sold-out
						<i>Average</i>			3,400
Cantara Lennar	4,050	68	4	3	2	2	2,580		Sold-out
			5	3	2	2	2,765		Sold-out
			4	3	2	2	3,109		Sold-out
						<i>Average</i>			2,818
Ciara William Lyon	7,150	67	4	3.5	1	2	3,101		Sold-out
			5	4.5	2	2	4,237		Sold-out
			5	4.5	2	2	4,271		Sold-out
			5	4.5	2	2	4,524		Sold-out
						<i>Average</i>			4,033
Clarendon William Lyon	TH tri-plex	102	3	2.5	2	2	1,217		Sold-out
			3	2.5	2	2	1,764		Sold-out
			3	2.5	2	2	2,042		Sold-out
						<i>Average</i>			1,674
PROPOSED PROJECTS									
Ainsley Park William Lyon	Duplex paired	84	3	2.5	2	2	1,659	\$490,000	\$295
			3	2.5	2	2	1,766	\$515,000	\$292
			3	2.5	2	2	1,827	\$535,000	\$293
			4	3	2	2	2,364	\$590,000	\$250
						<i>Average</i>			1,904
Total Dwelling Units Zone 2:		465							
TOTAL DWELLING UNITS:		1,540							

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dwelling units to be set aside to meet the affordable housing requirements subject to Special Tax within the District. Due to the higher than required number of income restricted units within Columbus Square, a Density Bonus was granted; allowing for development as currently proposed.

Project Name	Total Units	Very Low	Low	Moderate	Transitional
<i>Columbus Square – Zone 1</i>					
Cambridge Lane	50	14	36	0	0
Camden Place	63	11	28	24	0
Coventry Court – Rental	153	36	61	56	0
<i>Columbus Grove - Zone 2</i>					
Clarendon	42	0	0	30	12
Total for District	308	61	125	110	12

The affordable requirements include three levels of income restrictions combined with the number of bedrooms to reach an appropriate price level for each dwelling unit. The income levels are referred to as Very Low, Low and Moderate. Cambridge Lane includes 50 income restricted units which includes 14 Very Low and 36 Low income. Camden Place has 63 income restricted units which includes 11 Very Low, 28 Low and 24 Moderate. Coventry Court is an age-restricted project proposed for 240 rental units. Of those, 153 units will be set aside to help satisfy the affordable housing requirements; 36 are proposed for Very Low incomes, 61 for Low incomes and 56 for Moderate incomes. Clarendon includes 42 units which includes 30 for Moderate incomes and 12 Transitional units.

Conclusion of the Improvements

Based on physical inspection of the existing projects, the dwellings appear to be of good quality and are consistent with market demands of the subject area. Market response has been consistent with similar developments given market conditions at the time of sales. The floorplans 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.

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Homeowner's Association

All of the projects within the District have individual homeowner's associations. All of the detached projects planned for Columbus Square are estimated to have monthly dues of \$113.40 at build-out for the master association dues. The various attached projects are expected to have monthly dues between \$198.00 and \$230.00 at build-out plus the \$113.40 master association dues. The detached projects within Columbus Grove are planned to have monthly dues of \$158.00 at build-out. The association dues for the paired attached project, Ainsley Park, are estimated to be \$150.00 per month in addition to the master HOA of \$158.00 per month. The association dues for the attached products within Columbus Grove are expected to range between \$147.50 and \$237.00 per month at build-out.

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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 productivity⁶

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.

The District is a portion of the 1,600± gross acre Tustin Legacy Planned Community within the MCAS Tustin Specific Plan, which was approved by the City of Tustin in 2003 and amended in April 2006. The District is currently zoned SP – Specific Plan, by the City of Tustin. Allowable uses include residential development of low density and medium density.

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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Physical and Locational Considerations

The physical and locational characteristics of the subject property, CFD No. 06-1, are considered good for the existing and proposed uses. The subject property is a natural extension of existing residential developments located in the cities of Tustin and Irvine. The subject area is established and offers a large employment base near the District.

Tract No. 16581 consists of Planning Areas 4 and 5 of the Tustin Legacy Specific Plan. This tract has an approved zoning of MDR-Medium Density Residential and LDR-Low Density Residential. Tract No. 16582, Zone 2, consists of Planning Area 21 of the Tustin Legacy Specific Plan. This tract has an approved zoning of LDR-Low Density Residential. The Low Density zone allows for residential developments with a density of 1 to 7 units per acre. The Medium Density zone allows for residential developments with a density of 8 to 15 units per acre.

Zone 1 of the District is proposed for 1,075 dwelling units. The indicated overall density for Tract No. 16581 is 10.2 units per acre, which appears to be within the allowable densities. Zone 2 of the District is proposed for 465 dwelling units. The indicated overall density for Tract No. 16582 is 5.4 units per acre, which is within the allowable density requirements of the Low Density designation.

Tract Map No. 16581 recorded on March 6, 2006, as Document No. 2006000148498 and is proposed for a total development of 1,075 dwelling units. Zone 1 of the District is within this map. Tract Map No. 16582 recorded on October 28, 2005 as Document No. 200500867370 and is proposed for development of 465 dwelling units. Zone 2 of the District is within this map.

The City of Tustin requires all new developments to satisfy their Affordable Housing requirements, which currently requires 15% of all new dwelling units to be reserved and restricted to Very Low, Low or Moderate income households. The developments of Columbus Grove – Tustin and Columbus Square are currently proposed for 1,540 dwelling units. Fifteen percent of the planned development would

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indicate a total of 231 units to be set aside for low income households. According to the information provided by the developers and builders, the current plans are to set aside 308 dwelling units. It is our understanding that the current plans satisfy the Affordable Housing requirements of the City of Tustin. Due to the higher than required number of income restricted units within the District, a Density Bonus was granted; allowing for development as currently proposed.

The subject's planned communities and common area amenities contribute to the demand for residential homes. Development for detached and attached products in the District and adjacent and nearby communities have met with average to good response from the market, even during the past four years of a weak residential market.

All necessary utilities are available within the District. The utility capacity to serve the sites is reported to be adequate for the existing and proposed improvements. All street improvements, including sidewalks, curbs and gutters are in place, with the exception of one tract. The site's access and configuration are good. Topography is level. The subject parcels do not appear to present any development constraints. This report and the values included herein assume there are no soil problems or hazardous conditions that would have an adverse impact to development of the District.

Based on the physical analysis, the subject parcels appear to be viable for numerous types of development based on its size and topography. However, the site's location would suggest the lands have a primary use of residential development due to the adjacent residential developments and existing dwellings within the District.

Market Conditions and Feasibility

The financial feasibility of the development of the District 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 section of this report, which gives support to the financial feasibility of the District.

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Residential Demand

The attractiveness of residential development anywhere in Orange County is evidenced by market activity which has taken place over the last 30 years. Although the market was hampered by the national recession during the early 1980's, the demand for and development of detached dwellings in Orange County increased significantly from 1985 to 1990. However, from 1990 through mid-1996, home prices dropped along with demand. Detached homes in the upper price levels were the most negatively impacted. Sale volumes also dropped dramatically due to the inability of potential buyers to sell their existing residences. The slowdown was due, in part, to the credit crunch, resulting from the lack of residential lenders to replace the faltering savings and loan industry.

Beginning in 1996/1997 and continuing through 2005, significant price increases occurred and incentives and concessions disappeared. The general consensus was that demand for residential land exceeded supply over the 10± year period. Both land sales and home sales showed annual double-digit appreciation from 1996/1997 through 2005. For the last four years, both the number of home sales and sales prices have shown significant declines. However, over the last ten to twelve months sales activity has increased. Both month-to-month and year-to-year prices have appeared to reach a market bottom. However, since the federal income tax credit for first time homebuyers expired in April 2010, home prices and sales rates have once again declined. Home sales in July declined almost 20% for existing homes and about 30% for new homes.

The current condition of the housing market is that there has been a decline in sales and prices over the past 48± months. During the beginning of the downturn there were significant increases in cancellation rates particularly by investors; significant decreases in sales, significant increases in inventory, rising interest rates and significant decreases in sales prices. Incentives and concessions returned in most markets. First concessions were seen, which were difficult to quantify as most sales agents were often not forthcoming in this information. It appears that the amount of concessions and/or incentives can vary for a home that may have just fallen out of escrow and is now standing inventory, to homes that may not be ready to close escrow for 3 to 4 months. However, in most markets there were significant price reductions, particularly for

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projects that just entered the market. The decline in demand for residential homes appears to have started in November 2005. There was a delay in the time it takes for prices to adjust to reduced sales. The slowdown in sales activity appears to have hit both the more affordable markets and the higher end markets. According to sales agents and most builders, incentives, other than price reductions, have not proven very effective in stimulating sales.

The early thinking was that the extreme slowdown in sales was not due to lack of demand, but largely caused by overpriced houses that were not in balance with affordability levels. But, as the downturn continued, demand weakened. Currently, homes are not selling unless prices are 30%± below the price levels of 2006-2007. The current national recession has exacerbated the already weakened residential market. Once the prices and costs are brought down to a level that is more effectively supported by economic growth, demand and sales activity is expected to resume.

There appears to be a belief that a market bottom is occurring and with the current low interest rates, people are deciding it's time to buy. While prices may or may not go down more, interest rates are likely to go up during the next 12 months. However, loan availability and refinancing remain more difficult with stringent underwriting standards. It appears that the more affordable homes are more active than the more expensive homes.

The builder's confidence in current sales activity and in particular the outlook for sales over the next six months has improved, although it is not as optimistic as it was several months ago. The general thinking is that the improvement in sales activity is attributed primarily to improved affordability. The recently expired home tax credit was very helpful in stimulating sales. Some builders have estimated that asking prices of existing homes in Orange County are, on average, lower by about 5% over the past 90 days, since the credit expired.

The subjects' Competitive Market Area ("CMA") is defined as the Central area which includes the cities of Anaheim, Anaheim Hills, Buena Park, Cypress, Fountain

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Valley, Garden Grove, Irvine, Orange, Santa Ana, Stanton, Tustin and Westminster. The median new detached home price in Orange County was at \$773,333 during the second quarter of 2010. The median priced new detached home in the Central market area was \$773,333.

During the second quarter of 2010, a total of 295 new single family detached homes were sold countywide. This was a 19.9% increase from sales levels in the same quarter of 2009. Sales rates of detached projects averaged 2.8 units per project per month, up from 1.8 units per month from last year up 54.7%. Absorption in the Central submarket also increased from 2.6 units per project per month to 4.6 units per project per month, up 72.7% from the second quarter of 2009.

During the second quarter of 2010, there were 179 new detached units reportedly sold in the subject market area, up 23.4%. During the second quarter of 2010, the subject's submarket did not sell any detached homes priced under \$400,000; 17 detached homes priced between \$400,000 and \$599,999 were sold, 65 detached homes priced between \$600,000 and \$749,999 were sold; 91 detached homes priced between \$750,000 and \$999,999 were sold; and 6 detached homes priced over \$1,000,000 were sold.

Within the Central submarket area there are 16 active detached projects, which is two less than the beginning of the quarter. The subject's market area had no standing (built, but unsold) inventory units and 7 unsold units under construction. This is about a 0.1-month absorption time for the completed units and the units under construction. Total inventory, which includes units built, under construction and future construction, totals 200 units which equates to a 3.9-month supply at the current sales rate. One year ago total inventory was at 374 units, and the months to absorb based on last year's sales rate was around 12.5-months. The supply/demand balance for the completed, under construction and total inventory of detached products is well below the 5 to 6 month normal range.

During the second quarter of 2010, a total of 268 new single family attached homes were sold countywide. This was an 8.8% decrease from sales levels in the same quarter

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of 2009. Sales rates of attached projects averaged 2.9 units per project per month, up from 2.7 units per month from last year. Absorption in the Central submarket also increased from 3.2 units per project per month to 3.4 units per project per month.

During the second quarter of 2010, there were 206 new attached units reportedly sold in the subject market area. During the second quarter of 2010, the subject's submarket sold 41 attached homes priced under \$350,000; 27 attached homes priced between \$350,000 and \$399,999 were sold; 77 attached homes priced between \$400,000 and \$499,999 were sold; 40 attached homes priced between \$500,000 and \$749,999 were sold; 13 attached homes priced between \$750,000 and \$999,999 were sold; and 8 attached homes priced over \$1,000,000 were sold.

Within the Central submarket area there are 21 active attached projects, which is four less than the beginning of the quarter. The subject's market area had 69 standing (built, but unsold) inventory units and 97 unsold units under construction. This is about 2.7-month absorption time for the completed units and the units under construction. Total inventory, which includes units built, under construction and future construction, totals 1,097 units which equates to an 18.1-month supply at the current sales rate. One year ago total inventory was at 1,225 units, and the months to absorb based on last year's sales rate was 23.1-months. This indicates that future competition will be very strong if the market continues to decline or all units are built. The supply/demand balance for both completed and under construction attached products is below the 5 to 6 month normal range.

The table on the following two pages illustrates the currently selling projects within the subject's market area. In general, the attached projects are selling at rates between 1.4 and 14.3 units per month. The detached projects are generally selling between 1.5 and 13.1 units per month. Since the beginning of 2010, four attached products and five detached products have opened in the adjacent City of Irvine. The attached products ranged from 2.5 units per month to 14.3 units per month and averaged 10.0 units per month. The detached products ranged from 6.6 units per month to 13.1 units sold per month. The five products averaged 9.5 units sold per month.

**Comparable Residential Project Summary
Attached and Detached Single Family Homes
August 25, 2010**

<u>No.</u>	<u>Project, Builder & City</u>	<u>Units</u>	<u>Product Type</u>	<u>Price Range</u>	<u>Size Range</u>	<u>\$/Sq. Ft. Range</u>	<u>No. Released</u>	<u>No. Sold Start Dt.</u>	<u>Overall Mo. Abs.</u>
ATTACHED PROJECTS									
1	Santa Rosa Van Daele Homes Woodbury East Irvine	112	TH	\$320,000 \$348,000 \$385,000 \$456,000	1,060 1,120 1,180 1,431	\$301.89 \$310.71 \$326.27 \$318.66	98	97 Jan-10	14.3
2	Santa Rosa II Van Daele Homes Stonegate East Irvine	70	TH	\$320,000 \$348,000 \$385,000 \$456,000	1,060 1,120 1,180 1,431	\$301.89 \$310.71 \$326.27 \$318.66	28	16 Jul-10	11.9
3	Ivy William Lyon Homes Woodbury East Irvine	135	TH	\$393,990 \$429,990 \$466,990	1,180 1,394 1,500	\$333.89 \$308.46 \$311.33	114	103 Jul-09	7.6
4	La Casella Lennar Homes Woodbury Irvine	47	TH	\$606,990 \$645,990 \$726,990	1,656 2,090 2,643	\$366.54 \$309.09 \$275.06	27	23 Oct-09	2.2
5	Monterey Brookfield Homes Woodbury East Irvine	78	TH	\$479,750 \$555,000 \$585,000	1,682 1,772 1,806	\$285.23 \$313.21 \$323.92	78	78 Jan-10	11.5
6	Paloma Brookfield Homes Portola Springs Irvine	88	Duplex	\$648,800 \$678,800 \$664,800 \$673,800 \$712,800	1,723 2,245 2,235 2,320 2,530	\$376.55 \$302.36 \$297.45 \$290.43 \$281.74	88	87 Jul-06	1.7
7	San Carlos II William Lyon Homes Portola Springs Irvine	92	TH	\$327,990 \$344,990 \$378,990 \$457,990 \$481,990 \$471,990 \$495,990 \$468,990	1,126 1,220 1,293 1,736 1,901 1,720 1,653 1,756	\$291.29 \$282.78 \$293.11 \$263.82 \$253.55 \$274.41 \$300.05 \$267.08	34	12 Apr-10	2.5
8	Coronado KB Home Woodbury East Irvine	101	Det. Condc	\$580,000 \$647,000 \$656,000	1,715 1,877 1,944	\$338.19 \$344.70 \$337.45	101	100 Dec-09	11.9
9	Harbor Station Shea Homes Glenwood at Aliso Viejo Aliso Viejo	184	TH	Affordable DU Affordable DU \$456,000 \$454,000 \$459,000	833 1,068 1,575 1,526 1,523	N/A N/A \$289.52 \$297.51 \$301.38	117	107 Feb-07	2.5
10	Latitudes North at Vantis Shea Homes Aliso Viejo	165	TH	\$414,900 \$421,900 \$423,900 \$498,900	1,401 1,457 1,594 1,863	\$296.15 \$289.57 \$265.93 \$267.79	80	75 Nov-06	1.6

**Comparable Residential Project Summary
Attached and Detached Single Family Homes
August 25, 2010**

<u>No.</u>	<u>Project, Builder & City</u>	<u>Units</u>	<u>Product Type</u>	<u>Price Range</u>	<u>Size Range</u>	<u>\$/Sq. Ft. Range</u>	<u>No. Released</u>	<u>No. Sold Start Dt.</u>	<u>Overall Mo. Abs.</u>
11	Latitudes South at Vantis Shea Homes Aliso Viejo	101	TH	Affordable DU Affordable DU \$415,900 \$415,900 \$459,900 \$449,900 \$447,900	868 1,188 1,298 1,264 1,480 1,475 1,627	N/A \$0.00 \$320.42 \$329.03 \$310.74 \$305.02 \$275.29	68	62 Nov-06	1.4
DETACHED PROJECTS									
12	Montecito Brookfield Homes Woodbury Irvine	138	Cluster Detached 3,500	\$760,000 \$804,500 \$814,500	2,156 2,308 2,336	\$352.50 \$348.57 \$348.67	98	89 Jan-10	12.1
13	Santa Cruz Van Daele Homes Woodbury East Irvine	112	3,000	\$677,000 \$696,000 \$722,000	2,027 2,144 2,283	\$333.99 \$324.63 \$316.25	63	57 Jan-10	7.8
14	Primrose KB Home Portola Springs Irvine	131	Cluster Detached	\$569,990 \$579,990 \$619,990	1,739 1,873 2,056	\$327.77 \$309.66 \$301.55	14	10 Jul-10	6.6
15	Sonoma TRI Pointe Homes Woodbury Irvine	95	3,500	\$793,500 \$869,990 \$908,990	2,350 2,477 2,622	\$337.66 \$351.23 \$346.68	95	89 Jan-10	13.1
16	Carmel The New Home Company Woodbury Irvine	64	4,500 avg.	\$917,000 \$946,000 \$1,007,000	2,625 3,122 3,250	\$349.33 \$303.01 \$309.85	57	57 Jan-10	7.8
17	Vista Vallarta Shea Homes Glenwood at Aliso Viejo Aliso Viejo	100	6,000	\$964,900 \$1,001,900 \$1,021,900 \$1,034,000	3,474 3,688 3,885 3,892	\$277.75 \$271.66 \$263.04 \$265.67	32	30 Feb-09	1.7
18	Birch River Shea Homes Glenwood at Aliso Viejo Aliso Viejo	69	5,000	\$864,900 \$884,900 \$894,900	3,096 3,258 3,425	\$279.36 \$271.61 \$261.28	62	56 Jun-07	1.5
19	Pasadera Shea Homes Glenwood at Aliso Viejo Aliso Viejo	149	3,240	\$716,900 \$721,900 \$754,900 \$654,900	2,652 2,718 3,163 2,224	\$270.32 \$265.60 \$238.67 \$294.47	93	84 Aug-07	2.3

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Although the Irvine market has been very strong so far this year, other areas of Orange County have lagged behind. The Aliso Viejo products have ranged from 1.4 to 2.5 sales per month. The four remaining submarkets in Orange County averaged on 2.6 sales per month in the second quarter.

As has been discussed, the residential market has slowed significantly since the end of 2005. First decreases in sales traffic occurred, followed by a significant drop in sales activity. Subsequently, incentives and concessions were offered, followed by significant decreases in sales prices. In general, it appears that there has been a decrease of 30%± in net sales prices, particularly for standing inventory. This decrease is seen in actual price reductions plus significant incentives which can range from free upgrades, payment of closing costs, payment of HOA dues, and interest rate buy-downs. Our survey indicated that current incentives for projects outside of Irvine typically range from \$10,000 to \$25,000. Most of the Irvine projects are reporting \$1,500 for using their lender to no incentives. As of the date of value, there were no new projects actively selling in the City of Tustin.

Clearly, most agree that we are entering a market where prices should stabilize. At that time a return to a more normal market is anticipated with normal appreciation, as unemployment goes down and the recession ends.

Maximally Productive

In considering what uses would be maximally productive for the District, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the Specific Plan approved by the City of Tustin are the most productive uses that will be allowed at the present time. Current zoning, approved uses and dwelling unit construction indicate that other alternative uses are not feasible at this time.

The residential development for both attached and detached products should continue to meet with adequate response from the market. Given the improving demand for residential product in Central Orange County, it is our opinion that development as proposed 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 properties, as vacant and as improved, is for residential development similar to that proposed and existing within CFD No. 06-1. The projects appear to have the location, features, and pricing structure 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 a variety of residential for-sale projects is considered the highest and best use of the property.

As Improved

The existing and proposed uses are a legal use of the property and the value of the property as improved far exceeds the value of the site if vacant. This means that the improvements contribute substantial value to the site. Based on these considerations, it is our opinion that the proposed and existing improvements constitute the highest and best use of the District.

VALUATION METHODOLOGY

Basis of Valuation

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

Valuation Approaches

Three basic approaches to value are available to the appraiser:

Cost Approach

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

Income Approach

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

Direct Comparison Approach

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

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Static Residual Analysis is used to estimate the merchant builder finished lot value. From the estimated base retail home price, all costs associated with the home construction including direct construction costs, indirect construction costs, financing and profit are deducted. Following the deduction of costs, the residual figure is an estimate of the merchant builder finished lot value.

The Direct Comparison Approach is typically used for the valuation of land when sufficient recent comparable sales are available. The Static Residual Analysis is also used to value land as it more closely reflects current market conditions. 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.

As previously discussed, the District includes 1,092 completed and sold dwelling units and physically finished lots proposed for one townhome project, one duplex project and one single family detached project. In addition, there is a site with one 24-unit 3-story building complete and the balance of the site in a physically finished lot condition proposed for 216 additional units, known as Coventry Court. For the land without unit construction the Static Residual Analysis is used for valuation purposes due to the lack of recent comparable land sales. From the estimated value of each merchant builder parcel assuming finished lot condition, a deduction for the remaining in-tract site costs is made. A deduction for the remaining developer site costs is also made, to estimate the "As Is" value.

This appraisal assignment is to provide a Minimum Market Value for the District. To value the completed and sold dwellings, the appraisers will estimate a conservative price per square foot for an average size unit of each project. The District includes 1,092 completed and sold attached and detached dwellings within 11 projects.

VALUATION COMPLETED AND SOLD DWELLING UNITS

As previously discussed, there are 1,092 completed dwelling units that are sold to individual homeowners as of August 15, 2010. Please refer to the Addenda of this report for a lot by lot summary of each ownership, date of sale, and sales price. Due to the built-out status of the majority of the District, CFD No. 06-1, the appraisers have utilized a mass appraisal technique in the valuation of the completed and sold dwelling units. When implementing a mass appraisal, conservative estimates are to be used in the valuation. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, the value conclusions meet attainable standards of accuracy.* The appraisers have used an average conservative value, for the average size unit within each tract. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

The 1,092 completed dwellings are located within 11 projects in the District. All of the projects are sold-out or have stopped production due to the weak residential market conditions that have occurred over the past 4+ years. Within the Improvement Description section of this report, a summary of the projects and average size dwelling unit is estimated.

To estimate a conservative price per square foot for the average size unit of each project we have reviewed the average price per square foot per project for 2007, 2008, 2009 and 2010 sales, when available. Also included is the number of sales that were available for analysis each year. Camden Place (18 sales); Meriwether (26 sales) Gables (18 sales); Madison (3 sales); Cantara (39 sales); and Westbourne (19 sales) include sales in 2006, but were not included in this analysis. The appraisers have utilized the public information available to them for all sales prior to August 15, 2010, as provided by the builder's title companies. The average price per square foot of similar projects in an active sales program as illustrated in the Highest and Best Use section of

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this report were also analyzed. Particular consideration is given to the projects recently opened for sales. Current incentives in the actively selling tracts were considered as well as the project's absorption rates. It would be reasonable to expect the 2009 average price per square foot to be below that of the 2008 average price per square foot, and the 2008 average price per square foot to be below that of 2007, due to the declining prices over this time frame. The Camden Place, Cambridge Lane and Clarendon projects have been valued on an overall price per square foot, giving consideration to the number of income restricted units within each tract and the type of income restrictions; that is, for very low, low and moderate income families and transitional units as described within the Improvement Description section of this report. Please refer to the table on the following page that provides indications of average price per square foot per project per year.

The following table includes the appraisers' conservative estimate of price for the average size unit in each project. The following table summarizes the project and number completed homes, of which 1,092 have sold to individual home owners as of the date of value. The table includes the overall Minimum Market Value per project and total estimated Minimum Market Value per Zone and for the 1,092 completed dwellings. The estimated Minimum Market Value for the completed and sold homes within Columbus Square, Zone 1, is \$347,000,000 and within Columbus Grove, Zone 2, is \$277,000,000.

Columbus Square – Zone 1

<u>Project Name</u>	<u>Avg. Sz.</u>	<u>\$/ SF</u>	<u>\$/Avg. Sz DU</u>	<u>No. DUs</u>	<u>Total Value</u>
Cambridge Lane	1,301	\$245	\$318,745	156	\$49,724,200
Camden Place	1,435	\$280	\$401,800	222	\$89,199,600
Meriwether	1,633	\$285	\$465,405	114	\$53,056,170
Verandas	2,164	\$275	\$595,100	97	\$57,724,700
Gables	3,125	\$275	\$859,375	84	\$72,187,500
Astoria	3,141	\$255	\$800,955	38	\$30,436,290
			TOTAL:	711	\$347,537,260
			ROUNDED:		\$347,000,000

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PRICE PER SQUARE FOOT VALUE CONCLUSIONS

Project Name	Avg. Sz	Avg. Lot	Average Price Per Square Foot				Value/SF
			2007	2008	2009	2010	
COLUMBUS SQUARE - ZONE 1							
<i>Attached Products</i>							
Cambridge Lane 50-income rest. (very low & low)	1,301	TH/Condo Garden	\$247 89 sales very low inc.	\$265 36 sales	\$265 31 sales	N/A	\$245
Camden Place 63-income rest. (very low, low & mod)	1,435	TH/Condo Row	\$371 119 sales	\$322 29 sales	\$318 48 sales	\$320 8 sales	\$280
Meriwether	1,633	TH Tri-plex	\$371 52 sales	\$330 25 sales	\$305 11 sales	N/A	\$285
<i>Detached Products</i>							
Verandas	2,164	2,700	\$316 26 sales	\$301 26 sales	\$283 37 sales	\$303 8 sales	\$275
Gables	3,125	5,700	\$297 36 sales	\$301 20 sales	\$283 10 sales	N/A	\$275
Astoria	3,141	4,500	\$303 26 sales	\$255 12 sales	N/A	N/A	\$255
COLUMBUS GROVE - ZONE 2							
<i>Attached Products</i>							
Clarendon 42-income rest. (moderate & transistional)	1,674	TH Tri-plex	\$271 102 sales	N/A	N/A	N/A	\$240
<i>Detached Products</i>							
Madison	2,734	4,400	\$338 28 sales	\$307 39 sales	\$313 15 sales	N/A	\$275
Cantara	2,818	4,050	\$326 29 sales	N/A	N/A	N/A	\$270
Westbourne	3,400	5,500	\$327 40 sales	N/A	N/A	N/A	\$260
Ciara	4,033	7,150	\$345 39 sales	\$294 17 sales	\$274 11 sales	N/A	\$255

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Columbus Grove – Zone 2

<u>Project Name</u>	<u>Avg. Sz.</u>	<u>\$/ SF</u>	<u>\$/Avg. Sz DU</u>	<u>No. DUs</u>	<u>Total Value</u>
Clarendon	1,674	\$240	\$401,760	102	\$40,979,520
Madison	2,734	\$275	\$751,850	85	\$63,907,250
Cantara	2,818	\$270	\$760,860	68	\$51,738,480
Westbourne	3,400	\$260	\$884,000	59	\$52,156,000
Ciara	4,033	\$255	\$1,028,415	67	\$68,903,805
			TOTAL:	381	\$277,685,055
			ROUNDED:		\$277,000,000

The total Minimum Market Value for the 1,092 built and sold dwelling units within the District is \$624,000,000.

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VALUATION OF NEAR FINISHED SITES

General Information

The District is to be built-out by three merchant builders and one apartment builder. Within Columbus Square, eight for-sale products are built or proposed to be built by Lennar Homes and William Lyon Homes. The Coventry Court property, including one building with 24 units, is in escrow and will ultimately be sold for the development of 240 age-restricted rental units. Escrow is expected to close on August 25, 2010. Within Columbus Grove, one product has been built by KB Home and the remaining five products are built or to be built by Lennar Homes and William Lyon Homes.

The total number of existing and proposed for-sale dwelling units within CFD No. 06-1 subject to special tax is 1,540. Of the 1,540 dwelling units, 1,300 units are for-sale detached and attached products. The previous section of this report valued the 1,092 dwelling units that have sold to individual home owners as of the date of value.

This section of the report will value the land without unit construction. There are three for-sale projects to be built by William Lyon Homes that are in near finished lot condition. All of the for-sale lots, with the exception of 4 lots proposed for the Augusta development, are owned by Resmark entities and plan to proceed with development of the lots in the near-term. Two projects are located within Columbus Square. There is one townhome site proposed for 60 dwelling units known as Mirabella. There are 64 4,500-square foot lots known as Augusta. Of the 64 lots, 4 lots are owned by Moffett Meadows Partners, LLC. This ownership entity reportedly has no time-line to sell the lots for development and reportedly has not determined who will build on the 4 lots. For purposes of this appraisal, we have assumed similar size homes as those currently proposed for the Augusta product and that development of the 4 lots will occur in a timely manner. There is one remaining project to be built within Columbus Grove. This product is known as Ainsley Park and is proposed for 84 duplex or paired homes.

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The Mirabella project is proposed for 60 townhomes. The original product was proposed for dwellings ranging in size from 2,125 to 2,685 square feet. According to the builder, the product has been revised and is currently proposed for three floor plans ranging from 1,661 square feet to 2,106 square feet. Trenching for the model homes and production homes is scheduled to begin in November 2010. Sales are scheduled to begin in April 2011. The costs to bring the Mirabella site from its "As Is" condition to a finished lot condition ready to start unit construction are \$3,109,231 or \$51,820 per proposed unit. William Lyon Homes has provided the cost to complete information which is dated August 2010.

The Augusta product was originally a part of the Astoria product which was originally planned for 102 dwellings on 4,500 square foot lots. The Astoria product ranged in size from 2,749 to 3,529 square feet. Of the 102 dwellings, 4 model homes and 34 production homes were built and sold. The project was put on hold. According to the builder, William Lyon Homes, the build out of the 64 lots will be with a new product known as Augusta. The Augusta product is currently planned for 3 floor plans ranging from 2,610 square feet to 3,001 square feet. Trenching for the model homes is scheduled to begin in November 2010. Trenching for the production homes is scheduled to begin in April 2011, along with the sales program. The costs to bring the 64 Augusta lots from its "As Is" condition to a finished lot condition ready to start unit construction are \$1,542,403 or \$27,707 per lot. William Lyon Homes has provided the cost to complete information which is dated August 2010.

The duplex product, Ainsley Park, is planned for 84 "paired" units. The product ranges in size from 1,659 square feet to 2,364 square feet, offering 4 floor plans. Trenching for the model homes began in August 2010. Trenching for the production homes is scheduled to begin in September 2010, along with a sales program. The costs to bring the Ainsley Park site from its "As Is" condition to a finished lot ready to start unit construction are \$1,736,502 or \$20,673 per proposed unit. The costs were provided by William Lyon Homes, dated August 2010.

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Valuation of Finished Sites/Lots

Land is typically valued by the Direct Comparison Approach when recent comparable land sales are available for comparison. The Static Residual Analysis is also used for valuation purposes when recent comparable land sales are not available as it more closely reflects current market conditions. Due to the significant downturn in the residential market over the past three years, recent comparable land sales are not available for comparison. The Static Residual Analysis will be used to value the three merchant builder parcels.

Static Residual Analysis to Finished Lot Value

The purpose of this analysis is to estimate a finished lot value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a subdivision represents the highest and best use and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects that will have a typical holding period of one to two years which represents the typical holding period sought by merchant builders. The Static Residual Analysis best replicates the investor's analysis when determining what can be paid for the land based on proposed product. Purchase of the land is simply treated as one of the components necessary to build the houses to sell to the homeowner. When all the components of the end-product can be identified and reasonable estimates of costs and profit can be allocated, the Static Residual Analysis becomes the best indicator of value to a merchant builder for a specific product. Specific product information is available, which makes this analysis particularly meaningful.

The analysis uses an estimated average base sales price for a specific product, then deducts the various costs including direct and indirect costs of construction, marketing, taxes and overhead, as well as the required profit margin to attract an investor in light of the risks and uncertainties of the project. 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

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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 price without lot premiums. Our estimate of sales price includes a review of the comparable projects included in the Highest and Best Use section of this report and the base prices included in the Improvement Description section of this report, provided by the merchant builder, William Lyon Homes. The estimate of the average base price used in the Static Residual Analyses gives consideration to incentives currently offered in the market.

Direct Development Costs

The builder has provided direct construction costs to build each product. Direct construction costs of \$68.00 per square foot, has been provided for Mirabella, and \$60.25 per square foot has been provided for Augusta and \$60.00 per square foot has been provided for Ainsley Park. The builder's estimate of direct construction costs are as of August 2010. The appraisers have recently interviewed builders in the Orange County area and are aware that direct construction costs have decreased over the past four years. The appraisers have given consideration to the builder's estimates of direct construction costs as well of costs from other builders in the Orange County area in the analyses. Indirect construction costs have been estimated at 4% of sales price, which is found to be an industry standard used for this analysis.

General and Administrative

General and administrative costs are estimated at 4% of retail value. 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.

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Marketing and Warranty

Marketing and sales expenses plus warranty costs are estimated at 8% of retail value. This category covers such expenses as advertising and sales commissions and home warranties. This estimate is considered supported given current market conditions.

Interest During Holding Period

A typical allowance for financing during the holding period has been between 5% and 7%. Due to lenders requiring a higher equity participation from builders, an allowance for profit has been decreased. Based on recent interviews with builders in the subject's market area, we have chosen a 6% deduction for financing during the holding period.

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. Given the current residential market, and demand for the proposed projects, the risk of development is more than in a healthy residential market.

Based on surveys of builders, 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 District is proposed for attached and detached products in an area of demand in Orange County. Based on a review of competing subdivisions, a sales rate of 2.0± units per month for the detached and attached products appears reasonable. Based on current market conditions and the outlook for the next 12 to 24 months, we have used a 12% line item for profit for the two more affordable attached products and 15% for the detached product.

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Site Costs

Because this analysis residuals to a finished lot condition, deductions for costs to bring to a finished lot condition are not included. The following pages illustrate the Static Residual Analysis for the three undeveloped for-sale projects within the District.

Conclusion of Finished Lot Values

Please refer to the following three pages which illustrate the Static Residual Analysis for each product. As indicated, the finished lot value for the detached product, Augusta, is \$285,000. The finished site value for the duplex product, Ainsley Park, is \$207,000. The finished site value for the attached product, Mirabella, is \$165,000.

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AINSLEY PARK Estimated Finished Lot Value

Plan No.	Size	Base Price
1	1,659	\$490,000
2	1,766	\$515,000
3	1,827	\$535,000
4	2,364	\$590,000
Average	1,904	\$532,500

Incentives @ 3%	-\$15,975
Net Base S/P	\$516,525

Ainsley Park by William Lyon Homes
Paired Townhomes
84 Proposed Units

Land
Ratios

Average Retail Value of Improvements	\$516,525	\$271.28 (Per sq. ft.)
--------------------------------------	-----------	---------------------------

Average Dwelling Size (Sq. Feet)	1,904	
Direct Building Cost Per Sq. Ft.	\$70.00	\$133,280
Indirect Construction Costs	4.00%	\$20,661
General & Administrative Costs	4.00%	\$20,661
Marketing and Warranty Costs	8.00%	\$41,322
Builder's Profit	12.00%	\$61,983
Interest During Holding Period	6.00%	\$30,992
Costs to bring to Finished Lot		<u>None</u>

Finished Lot Value Estimate	\$207,627
Rounded to:	<u>\$207,000</u>

Finished Lot 0.40

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AUGUSTA Estimated Finished Lot Value

Plan No.	Size	Base Price
1	2,610	\$730,000
2	2,739	\$760,000
3	3,001	\$800,000
Average	2,783	\$763,333

Incentives @ 3%	-\$22,900
Net Base S/P	\$740,433

Augusta by William Lyon Homes
Detached homes on 4,500 SF Minimum Lots
64 Proposed Units

Land
Ratios

Average Retail Value of Improvements	\$740,433	\$266.02 (Per sq. ft.)
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Average Dwelling Size (Sq. Feet)	2,783	
Direct Building Cost Per Sq. Ft.	\$65.00	\$180,917
Indirect Construction Costs	4.00%	\$29,617
General & Administrative Costs	4.00%	\$29,617
Marketing and Warranty Costs	8.00%	\$59,235
Builder's Profit	15.00%	\$111,065
Interest During Holding Period	6.00%	\$44,426
Costs to bring to Finished Lot		<u>None</u>

Finished Lot Value Estimate	\$285,556
Rounded to:	<u>\$285,000</u>

Finished Lot 0.38

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"As Is" Value of Near-Finished Lots

To arrive at an estimate of value for the "As Is" condition of the land within the District, a deduction for the costs associated with development of the land from its current condition to a finished lot condition is made. A deduction for the costs to complete as of August 2010, is made to arrive at an indication of the "As Is" condition of the land for each product.

In addition to the merchant builder in-tract improvements that require completion, the developer has also provided site improvement costs for the District. According to Lennar Homes, the remaining development costs associated with CFD No. 06-1 is \$700,041. The costs are for installation of sidewalks and landscaping adjacent to vacant home sites and final bond exoneration. The following table summarizes the finished lot estimates, costs to complete, and "As Is" value of each parcel.

Columbus Square – Zone 1

Augusta 64 4,500-square foot detached lots	
\$285,000/ Finished Lot X 64 Lots =	\$18,240,000
Less Cost to Complete	<u>(\$ 1,542,403)</u>
"As Is" Value 64 Near-finished Lots	\$16,697,597
Mirabella 60 Townhome sites	
\$165,000/ Finished Site X 60 Sites =	\$ 9,900,000
Less Cost to Complete	<u>(\$ 3,109,231)</u>
"As Is" Value 60 Near-finished Sites	\$ 6,790,769
Less Developer Cost to Complete for Zone 1	<u>(\$ 395,475)</u>
"As Is" Value 124 Near-Finished Lots/Sites =	\$23,092,891
Rounded to:	\$23,100,000

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Columbus Grove – Zone 2

Ainsley Park 84 duplex lots	
\$207,000/ Finished Lot X 84 Lots =	\$17,388,000
Less Cost to Complete	<u>(\$ 1,736,502)</u>
"As Is" Value 84 Near-finished Lots	\$15,651,498
Less Developer Cost to Complete for Zone 2	<u>(\$ 304,566)</u>
"As Is" Value 84 Near-Finished Lots/Sites =	\$15,346,932
Rounded to:	\$15,300,000

The total Minimum Market Value for the 208 near finished lots/sites within the District is \$38,400,000.

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VALUATION PROPOSED 240-UNIT RENTAL PROJECT

The age-restricted project, Coventry Court, is now proposed for a 240-unit rental development. The 240 unit project is proposed to include 153 income restricted units, of which 36 are for Very Low incomes, 61 for Low incomes and 56 for Moderate incomes. Over 60% of the project is proposed for income restricted units.

Coventry Court was originally planned for small, affordable condominium units. The Very Low and Low income restricted units set sales price that did not cover the direct construction costs, not to mention the other costs of building condominium units. Interviews with a representative of Lennar Homes indicated that their business plan did not show any value for the land proposed for development of Coventry Court.

One building of the Coventry Court development has been built and includes 24 dwelling units. The building was originally planned to include the model homes for the condominium development. Due to the downturn in the housing market, along with the significant number of income restricted units, the project was put on hold. Subsequently, an application was filed with the City to allow for 153 affordable rental units and 87 market rate rental units, which has been approved.

The existing building and near finished land proposed for the 240-unit age-restricted rental development is in escrow and scheduled to close before the end of August, 2010. The reported sales price is \$2,500,000 for the building and land. According to an interview with Lennar Homes, the sales price is less than the building cost to build. The sales price has been confirmed by the buyer.

Based on the above discussions, we have not attributed value to the land proposed for the age-restricted Coventry Court project. The sales price of \$2,500,000 is attributed to the improvements. Therefore, the total Minimum Market Value for the entire Coventry Court project in its "As Is" condition is \$2,500,000.

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 Minimum Market Value has been formed as of August 15, 2010.

CFD NO. 06-1

SIX HUNDRED SIXTY-FOUR MILLION NINE HUNDRED THOUSAND DOLLARS

\$664,900,000

Summary of Land and Unit Values

"As Is" Value for 1,092 sold dwellings:	\$624,000,000
"As Is" Value for land proposed for 208 units:	\$ 38,400,000
"As Is" Value proposed 240 rental units:	<u>\$ 2,500,000</u>
Total Minimum Market Value CFD No. 06-1:	\$664,900,000

HRA

CERTIFICATION

We hereby certify that during the completion of this assignment, we personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

We have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

We have provided appraisal services regarding the subject property within the three years immediately preceding the acceptance of this appraisal assignment, for our client, the City of Tustin and the Tustin Unified School District.

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.

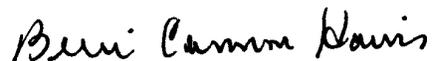
The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

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

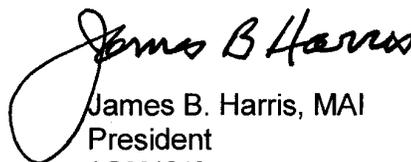
HRA

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
Vice President
AG009147



James B. Harris, MAI
President
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, 1972.

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

Candidate of the Appraisal Institute for the MAI designation.
Co-Chair, Southern California Chapter Hospitality Committee - 1994 - 1998
Chair, Southern California Chapter Research Committee - 1992, 1993

Women in Commercial Real Estate, Member 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.B.A., 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 Hesperia
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 Unified School District

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,
Rocheffort & MacCuish
Palmiri, Tyler, Wiener, Wilhelm, & Waldron
Sonnenschein Nath & Rosenthal
Strauss & Troy
Wyman, Bautzer, Rothman, Kuchel &
Silbert

SUMMARY OF SOLD DWELLING UNITS

Sold Dwelling Units - Cambridge Lane by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16581</i>			
<i>Cambridge Lane</i>			
1	Hill	6/11/2007	\$55,500
2	Moon/Lee	7/17/2007	\$376,000
3	Dept. of Veterans Affairs of the State of CA	6/12/2007	\$498,500
4	Batasee	6/11/2007	\$67,500
5	Jones	6/13/2007	\$76,500
6	Loo	6/13/2007	\$499,500
7	Iturzaeta	6/15/2007	\$590,500
8	Hernandez	5/25/2007	\$623,500
9	Lin	5/25/2007	\$478,000
10	Davis	5/29/2007	\$76,500
11	Vansambeek	5/29/2007	\$137,000
12	Burney	5/30/2007	\$498,000
13	Huang	7/2/2007	\$400,500
14	Pestolesi	5/31/2007	\$55,500
15	Lay	1/25/2008	\$67,500
16	Motschenbacher	6/25/2007	\$395,000
17	Murphy	6/5/2007	\$488,500
18	Park/Tumbaga	6/5/2007	\$495,500
19	Davis	6/7/2007	\$112,500
20	Thai	6/7/2007	\$76,500
21	Ithivongsuphakit/Buranday	7/17/2007	\$460,000
22	Wall	6/8/2007	\$567,500
23	Huang/Okawa	1/25/2008	\$414,500
24	Knapp	6/18/2007	\$498,000
25	Pizana	6/19/2007	\$76,500
26	Tsai	6/19/2007	\$112,500
27	Sharp/Martinez	6/27/2007	\$481,000
28	Tu/Maekawa	6/20/2007	\$475,000
29	Rodriguez/Maguire	6/22/2007	\$443,000
30	Shafer	6/22/2007	\$116,500
31	Bithell	10/24/2007	\$95,000
32	Petersen	11/29/2007	\$370,000
33	Lee	10/22/2007	\$507,500
34	Ochoa/Segura	10/23/2007	\$470,500
35	Espinoza	10/23/2007	\$112,500
36	Tilva	10/26/2007	\$126,500
37	Sarvate/Joshi	10/24/2007	\$479,000
38	Kokawa	10/24/2007	\$592,000
39	Harte	10/5/2007	\$591,000
40	Ascher	10/5/2007	\$504,000
41	Ascencio	10/31/2007	\$126,500
42	Monaghan	10/5/2007	\$67,000
43	Parrett	10/12/2007	\$112,500
44	MacLean	10/9/2007	\$522,000
45	Huson	10/10/2007	\$412,500
46	Esakoff	10/11/2007	\$467,500

Sold Dwelling Units - Cambridge Lane by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
47	Kadi/Skvirskaya	10/12/2007	\$116,500
48	Torres	10/12/2007	\$387,000
49	Halverson	10/16/2007	\$480,500
50	Yoshida	10/15/2007	\$468,000
51	Leavitt	10/18/2007	\$112,500
52	Zayed/Haque	10/15/2007	\$126,500
53	Nguyen/Tran	10/25/2007	\$462,500
54	Gewelber	11/5/2007	\$592,000
55	Liu/Anuccavech	10/26/2007	\$594,000
56	Ideo	10/30/2007	\$484,000
57	Avila	10/19/2007	\$126,500
58	Schennum/Davis	10/29/2007	\$122,500
59	Marasco	10/30/2007	\$464,500
60	Cat	12/4/2007	\$456,000
61	Agnes	11/21/2007	\$404,500
62	Cao	10/31/2007	\$95,000
63	Cart	12/14/2007	\$95,000
64	Murray	12/14/2007	\$386,500
65	Almeida	12/18/2007	\$453,500
66	Ananad	12/28/2007	\$397,500
67	Le	12/18/2007	\$112,500
68	Chen/Liu	12/18/2007	\$126,500
69	Bishop	12/19/2007	\$407,500
70	Iliff	12/27/2007	\$504,500
71	Froman	11/30/2007	\$577,500
72	Lomax	12/28/2007	\$399,000
73	Martinez	12/5/2007	\$126,500
74	Baker	12/5/2007	\$112,500
75	Freyermuth	12/24/2007	\$404,500
76	Mastrodonato	12/28/2007	\$420,000
77	Cabezas/Narmaki	12/7/2007	\$394,000
78	Trump	12/5/2007	\$116,500
79	Martinez	12/20/2007	\$55,500
80	Ksiazkiewica/Jhunjhunuwala	12/21/2007	\$350,500
81	Azizollahoff	12/26/2007	\$414,000
82	Vaglienty/Larson	12/26/2007	\$407,500
83	Vasquez	12/27/2007	\$67,500
84	Foster	12/27/2007	\$76,500
85	Huang	12/28/2007	\$397,500
86	Wang/Chen	4/30/2008	\$482,500
87	Green	6/6/2008	\$488,500
88	Gratzer	2/21/2008	\$410,000
89	Nguyen	12/10/2007	\$126,500
90	Printzen	12/11/2007	\$67,500
91	Pack	12/26/2007	\$414,500
92	Takata	12/28/2007	\$426,000
93	Dizon	12/12/2007	\$388,000
94	Finn	12/12/2007	\$55,500

Sold Dwelling Units - Cambridge Lane by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
95	Fernandez	9/26/2008	\$95,000
96	Myers	9/25/2008	\$369,500
97	Rowe/Tran	10/10/2008	\$417,500
98	Wallace/Ferrin	9/29/2008	\$435,500
99	Farmand	9/30/2008	\$67,500
100	Favis	9/30/2008	\$154,000
101	Nagai/Teramoto	10/1/2008	\$423,000
102	Gellerman	10/31/2008	\$487,000
103	Tajmiri	10/3/2008	\$472,500
104	Pike	10/20/2008	\$436,000
105	Scott	10/3/2008	\$126,500
106	Chen	10/3/2008	\$112,500
107	D'Souza/Bhatankar	10/7/2008	\$409,500
108	Wilson/Brunnell	10/7/2008	\$426,500
109	Smail	10/8/2008	\$365,000
110	Nguyen	10/8/2008	\$360,500
111	Cornelius	11/14/2008	\$394,500
112	Schlatter	11/14/2008	\$394,000
113	Mayoral	11/13/2008	\$428,000
114	Pena	1/16/2009	\$425,000
115	Ridgeway	11/18/2008	\$425,000
116	Weaver	11/18/2008	\$126,500
117	Huang and Cheung	11/19/2008	\$408,000
118	Townsend	12/1/2008	\$507,500
119	Pan	11/6/2008	\$509,500
120	Montilla and Fernandez	11/14/2008	\$413,000
121	McAulay	11/20/2008	\$126,500
122	Martinez	11/18/2008	\$112,500
123	Zheng and Yi	11/24/2008	\$411,000
124	Restrepo	11/12/2008	\$434,000
125	Mandich	11/12/2008	\$373,000
126	Powell and Diaz	11/26/2008	\$347,000
127	Ngoc	4/16/2009	\$332,500
128	Lee	4/29/2009	\$318,000
129	Swain	4/30/2009	\$418,500
130	Wang and Kwan	4/24/2009	\$370,000
131	To	5/22/2009	\$376,500
132	Del Rosario	5/26/2009	\$126,500
133	Tierney	5/11/2009	\$395,000
134	Chai	4/28/2009	\$467,500
135	Quevedo and Vance	5/11/2009	\$480,000
136	Ma	6/26/2009	\$373,000
137	Del Rosario and Gamallo	8/7/2009	\$154,000
138	Wu and Cheng	6/11/2009	\$396,000
139	McCabe and Duong	5/15/2009	\$433,000
140	Liang	5/6/2009	\$353,000
141	Giermann	5/6/2009	\$321,500
142	Johnson	8/6/2009	\$355,000

Sold Dwelling Units - Cambridge Lane by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
143	Raza	9/10/2009	\$350,000
144	Park	9/18/2009	\$420,000
145	Cheung	8/25/2009	\$411,000
146	Zahid and Sobhana	9/2/2009	\$154,000
147	McCarthy and Huang	9/11/2009	\$388,000
148	Baker	8/17/2009	\$515,000
149	Dash	7/31/2009	\$470,000
150	Kwok	8/17/2009	\$385,000
151	McBride	8/20/2009	\$126,500
152	Murlock amd Storm	8/14/2009	\$137,000
153	Schmidt	7/31/2009	\$370,500
154	Hacatoryan	8/12/2009	\$403,000
155	Ngoc	9/10/2009	\$327,000
156	Spietz	8/26/2009	\$116,500
156	Closed Escrows	TOTAL:	\$51,660,000
		AVG. S/P:	\$331,154

Sold Dwelling Units - Camden Place by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16581, Lots 294 through 314, Unit Nos.</i>			
<i>Camden Place - Parcel 1</i>			
1	Ready Development Advisors, LLC	7/26/2006	\$594,500
2	Gross	8/29/2006	\$575,500
3	Caputo	7/31/2006	\$539,000
4	Schumann	8/1/2006	\$577,500
5	Russel	11/20/2006	\$582,000
6	Dizon	12/29/2006	\$565,000
7	Ly	11/21/2006	\$552,000
8	Hernandez	11/22/2006	\$568,500
9	Aranda Jr.	11/30/2006	\$586,000
10	Bhatt	11/30/2006	\$586,000
11	Crume	11/27/2006	\$545,000
12	Ratnam	11/29/2006	\$530,000
13	Peck	11/28/2006	\$529,000
14	Pham	12/29/2006	\$530,000
15	Fender	11/29/2006	\$609,500
16	Argo	12/29/2006	\$570,000
17	Dahl	12/27/2006	\$562,000
18	English	2/28/2007	\$539,000
19	Quon	12/28/2006	\$568,000
20	Parker	1/19/2007	\$599,000
21	Rickard	1/22/2007	\$552,500
22	Larkins	1/22/2007	\$530,000
23	Sterck	1/25/2007	\$539,000
24	Cerda	2/28/2007	\$549,000
25	Bielman	1/24/2007	\$578,000
26	Nichols	1/25/2007	\$603,500
27	Butterworth-Contino	1/30/2007	\$561,000
28	Apodaca	1/23/2007	\$545,000
29	Talebi	1/31/2007	\$611,000
30	Green	2/9/2007	\$588,000
31	Sanborn	2/9/2007	\$582,500
32	Pavico	2/28/2007	\$539,000
33	Yip	2/14/2007	\$588,000
34	Doll/Ching	2/16/2007	\$590,000
35	Kaneko	2/16/2007	\$565,500
36	Dicostanzo	2/18/2007	\$539,000
37	Achackzad	2/21/2007	\$555,000
38	Monjazeab	2/23/2007	\$580,000
39	Perez-Osorio/Perez	2/28/2007	\$580,000
40	Cadra/Wise	2/26/2007	\$536,000
41	Mcgowan	2/26/2007	\$579,000
42	Noyola	2/28/2007	\$538,000
43	Hansen	2/27/2007	\$591,000
44	Woods	3/8/2007	\$616,500
45	Kirkwood	3/9/2007	\$579,500
46	Shroff	3/9/2007	\$570,000
47	Tonelli	3/12/2007	\$570,500

Sold Dwelling Units - Camden Place by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
48	Pascua/Bai	3/15/2007	\$580,000
49	Lu/Lee	3/15/2007	\$580,000
50	Raefski	3/16/2007	\$574,000
51	Klein	3/18/2007	\$551,000
52	Harapanahalli	3/20/2007	\$564,500
53	Kufuor-Mensah	3/20/2007	\$604,000
54	Bui	4/30/2007	\$587,000
55	Rudolf	3/23/2007	\$552,000
56	Peiffer-Seitz	3/26/2007	\$568,000
57	Caruso	4/27/2007	\$564,000
58	Crooker/Chamberlin	3/28/2007	\$586,000
59	Cuenca	6/26/2007	\$550,000
60	Yee	4/5/2007	\$551,000
61	Ortiz	4/20/2007	\$589,500
62	Kerr	4/13/2007	\$577,500
63	Johnson/Biegler	4/12/2007	\$587,000
64	Mercado	4/16/2007	\$586,000
65	Hare	4/18/2007	\$579,500
66	Velasquez	4/19/2007	\$539,000
67	Luu/Hoang	4/18/2007	\$585,500
68	Kerr	4/19/2007	\$553,000
69	Lee and Chau	5/31/2007	\$587,000
70	Biener	4/20/2007	\$586,000
71	Huynh/Truong	4/24/2007	\$564,000
72	George	4/27/2007	\$581,500
73	Smirnov/Mironova	4/26/2007	\$572,500
74	Aguilera	4/27/2007	\$587,000
75	Quijano	5/31/2007	\$599,000
76	Herman	5/24/2007	\$546,000
77	Tanabe	5/24/2007	\$554,000
78	Wong and Lau	6/1/2007	\$587,000
79	Ali	5/25/2007	\$587,000
80	Chen	6/25/2007	\$529,000
81	Sorensen	5/30/2007	\$569,000
82	Higuchi	5/31/2007	\$539,000
83	Thai and Hau	6/22/2007	\$529,000
84	Ward	6/4/2007	\$594,000
85	Emanuelson and McLaughlin	5/30/2007	\$619,000
86	Angelakis	5/31/2007	\$571,000
87	Cone and Sigismondo	6/7/2007	\$613,000
88	Tday	8/21/2007	\$587,000
89	Garvey and Lanz	10/31/2007	\$453,000
90	Segesman	8/24/2007	\$570,500
91	Johnson and Gorski	10/29/2007	\$439,000
92	Wade Jr. and Shahin	8/29/2007	\$597,500
93	Baraan	8/29/2007	\$596,000
94	Ou	8/29/2007	\$566,500
95	Colburn	8/30/2007	\$544,000
96	Vo	8/23/2007	\$559,000

Sold Dwelling Units - Camden Place by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
97	Nguyen	5/2/2008	\$500,000
98	Yeh	2/18/2010	\$521,000
99	Chiu	2/19/2010	\$458,000
100	Vossoughi	2/23/2010	\$424,000
101	Dai	2/23/2010	\$458,000
102	Abboud	2/24/2010	\$458,000
103	Pinzon	2/25/2010	\$495,000
103	Closed Escrows - Parcel 1	TOTAL:	\$57,813,000
		AVG. S/P:	\$561,291
<i>Tract 16581, Lots 332 through 354, Unit Nos.</i>			
<i>Camden Place - Parcel 2</i>			
1	Castro	10/31/2007	\$466,500
2	Pokrywa and Nguyen	11/1/2007	\$436,000
3	Campbell and Mendez	10/23/2007	\$454,000
4	Beyrouthy	10/26/2007	\$468,000
5	Dimmerling	10/30/2007	\$458,000
6	Williams and Howerton	10/30/2007	\$439,000
7	Burrows	11/2/2007	\$430,000
8	Matsunaga	10/18/2007	\$447,500
9	Torres and Cocker	10/19/2007	\$464,000
10	Ahinaquah	10/22/2007	\$587,000
11	Lam and Yan	10/31/2007	\$434,000
12	Botello and Herrera	11/9/2007	\$434,000
13	Vuong and Nguyen	10/26/2007	\$566,500
14	Townes and Roshak	10/30/2007	\$459,000
15	Gupta and Gupta	11/15/2007	\$459,000
16	Chang and Zhou	11/16/2007	\$414,000
17	Terry	11/16/2007	\$551,000
18	Pham	11/29/2007	\$500,000
19	Chen	11/20/2007	\$436,500
20	Hustedt	11/19/2007	\$439,000
21	Blush	12/18/2007	\$530,000
22	Do	11/20/2007	\$415,500
23	Kwong	11/21/2007	\$434,000
24	Wang and Liu	11/21/2007	\$408,000
25	Reed	11/16/2007	\$487,000
26	Hansalia	11/15/2007	\$587,000
27	Popham Jr.	11/28/2007	\$434,000
28	Hays	11/27/2007	\$414,000
29	Heo and Park	5/28/2008	\$450,000
30	Wang and Hsu	11/28/2007	\$459,000
31	Shbeeb	12/20/2007	\$506,000
32	Zhou	12/17/2007	\$444,000
33	Williams and Brougher	12/21/2007	\$478,000
34	Simkin	12/21/2007	\$436,000
35	Peck	12/18/2007	\$464,000
36	Weber	12/31/2007	\$489,000

Sold Dwelling Units - Camden Place by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
37	Kurada and Chitrapu	12/27/2007	\$470,500
38	Grabinger	12/27/2007	\$464,000
39	Shu	12/28/2007	\$414,000
40	Kwong	12/28/2007	\$464,000
41	Shafii	12/28/2007	\$450,000
42	Chedalawada and Ravipati	12/28/2007	\$469,000
43	Mazza and Weiss	9/24/2008	\$506,000
44	Lee	9/26/2008	\$420,000
45	Jewell	11/5/2008	\$445,000
46	Nelson	9/26/2008	\$489,000
47	Romero	10/6/2008	\$495,000
48	Woods Jr.	10/7/2008	\$443,000
49	Valle and Herrera	10/17/2008	\$445,000
50	Serkovich and Whetstone	10/10/2008	\$465,500
51	Perez	10/15/2008	\$489,000
52	Narciso	10/20/2008	\$495,000
53	Ting	10/20/2008	\$443,000
54	Needham	10/24/2008	\$420,000
55	Chui	10/22/2008	\$489,000
56	Perez and Medina	12/19/2008	\$495,000
57	Hill and Yakos	11/13/2008	\$445,000
58	Khare and Sheth	11/14/2008	\$462,000
59	Chen and Peden	1/30/2009	\$423,000
60	Beaty and Lin	11/17/2008	\$500,000
61	Chinen	11/17/2008	\$506,500
62	Tran	11/18/2008	\$443,000
63	Peros	11/18/2008	\$443,000
64	Correa	11/19/2008	\$435,000
65	Yoder	11/19/2008	\$449,000
66	Fremgen and Bergeron	2/13/2009	\$480,000
67	Bonno	11/26/2008	\$460,000
68	Barnes	11/20/2008	\$443,000
69	Baker	12/1/2008	\$435,000
70	Tan and Chung	11/21/2008	\$443,000
71	Mobley	11/24/2008	\$443,000
72	Shen	3/2/2009	\$483,500
73	Lear	2/20/2009	\$490,000
74	Tran	2/26/2009	\$423,000
75	Nieves	2/18/2009	\$430,000
76	Tran	2/18/2009	\$425,000
77	Creasey	2/19/2009	\$482,000
78	Ong	3/2/2009	\$480,000
79	Chang and Cheung	2/23/2009	\$423,000
80	Keese	8/28/2009	\$443,000
81	Schnars and Rooney	3/2/2009	\$435,000
82	Chang	5/29/2009	\$482,000
83	Shang	3/23/2009	\$482,000
84	Lovelady	3/23/2009	\$430,500
85	Chang	3/24/2009	\$423,000

Sold Dwelling Units - Camden Place by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
86	Olson and Vliem	3/25/2009	\$423,000
87	Soni	3/25/2009	\$425,500
88	Spiruangsakun	3/26/2009	\$480,000
89	Negishi	8/27/2009	\$491,000
90	Flinn	8/27/2009	\$443,000
91	Wong	8/28/2009	\$429,000
92	Fisher and Pinheiro	8/28/2009	\$443,000
93	Klittivit and Shimizu	8/31/2009	\$443,000
94	Peck	8/31/2009	\$491,000
95	Lowe	9/15/2009	\$489,000
96	Martin and Lambden	9/15/2009	\$424,000
97	Burns	11/13/2009	\$433,000
98	Nguyen and Kim	10/21/2009	\$480,000
99	Fong and Deering	9/8/2009	\$491,000
100	Floyd	9/9/2009	\$443,000
101	Shea	12/1/2009	\$424,000
102	Gonzalez	9/11/2009	\$491,000
103	Huang	11/24/2009	\$501,000
104	Bartolome and Ventus	11/20/2009	\$443,000
105	Haga	11/18/2009	\$443,000
106	Brown	3/31/2010	\$435,000
107	Hu	11/19/2009	\$443,000
108	Chah	11/17/2009	\$501,000
109	Sedlezky	11/20/2009	\$480,000
110	Nguyen and Diaz	11/20/2009	\$443,000
111	Ochoa	11/24/2009	\$424,000
112	Sabado	11/23/2009	\$443,000
113	Cordell	11/23/2009	\$433,000
114	McCormick	11/23/2009	\$499,000
115	Wu	12/29/2009	\$501,000
116	Phan	12/17/2009	\$443,000
117	Estiandan	2/25/2010	\$435,000
118	Goei and Callilong	12/18/2009	\$443,000
119	Puente	12/18/2009	\$481,000
119	Closed Escrows - Parcel 2	TOTAL:	\$54,726,500
		AVG. S/P:	\$459,887
222	Total Sales Camden Place		\$112,539,500
		AVG. S/P:	\$506,935

Sold Dwelling Units - Meriwether by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16581 & Unit Nos.</i>			
<i>Meriwether</i>			
1	Seiler	7/31/2006	\$572,500
2	LeWinter etal	7/31/2006	\$677,000
3	LeWinter etal	7/31/2006	\$697,000
4	Mastroianni Jr.	10/27/2006	\$498,000
5	Starczewski	10/27/2006	\$697,500
6	Long	10/1/2006	\$673,000
7	Carter Sr.	10/27/2006	\$498,500
8	Whyld	10/27/2006	\$653,000
9	Mumaw	10/30/2006	\$713,000
10	Le	10/27/2006	\$500,500
11	Wong	10/27/2006	\$674,000
12	Lavarro	10/27/2006	\$690,000
13	Kim	10/27/2006	\$521,000
14	Quon	11/7/2006	\$655,500
15	McDonald	11/9/2006	\$699,000
16	Thornton	11/27/2006	\$560,500
17	Enders	11/27/2006	\$671,000
18	Stelzner	11/28/2006	\$731,500
19	Cano	11/28/2006	\$523,500
20	Casteel	11/29/2006	\$679,500
21	Pan	11/29/2006	\$710,500
22	Downie	11/29/2006	\$518,500
23	Ramirez	11/30/2006	\$701,500
24	Roy	11/30/2006	\$688,000
25	Bailey	12/19/2006	\$515,000
26	McManus	11/30/2006	\$662,500
27	Cuyugan	1/17/2007	\$720,500
28	Enes amd Stemmler	2/13/2007	\$529,000
29	Ditto	2/27/2007	\$639,000
30	Arnold	2/15/2007	\$657,000
31	Javaheri/Chiang	2/20/2007	\$534,500
32	Kubat Jr.	2/22/2007	\$635,000
33	Lubinski	2/16/2007	\$652,000
34	Scott	2/28/2007	\$516,000
35	Irwin	3/7/2007	\$661,000
36	Hingorani	3/23/2007	\$687,000
37	Swiney	3/13/2007	\$516,500
38	Ta	2/28/2007	\$674,500
39	Dienhart	3/15/2007	\$692,500
40	Do	4/25/2007	\$520,500
41	Ridge	5/3/2007	\$674,500
42	Tostado and Ng	6/25/2007	\$688,000
43	Stone	4/30/2007	\$523,500
44	Singer	5/1/2007	\$662,000
45	Gould	6/22/2007	\$689,500

Sold Dwelling Units - Meriwether by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
46	Nitta	4/30/2007	\$515,000
47	Hawley	5/9/2007	\$660,000
48	Dang	4/30/2007	\$670,000
49	Riding	5/9/2007	\$531,000
50	Vo/Le	5/14/2007	\$650,000
51	Vint	5/16/2007	\$657,500
52	Stavast	5/14/2007	\$521,000
53	Hazboun	5/30/2007	\$679,500
54	Hazboun	5/30/2007	\$595,000
55	Chu and Kim	5/17/2007	\$523,000
56	Reinmiller	5/21/2007	\$664,000
57	Miller	7/31/2007	\$669,000
58	Randazzo	5/23/2007	\$524,000
59	Castillo	5/30/2007	\$654,000
60	Blankinship	6/28/2007	\$699,500
61	Ansari	5/31/2007	\$520,000
62	Fuschi	5/31/2007	\$667,000
63	Perlberg	7/20/2007	\$660,000
64	Self and Miyahara	10/23/2007	\$494,000
65	Morris	10/29/2007	\$600,000
66	Nair	11/20/2007	\$582,000
67	Harrison	10/30/2007	\$513,500
68	Alhakeem and Mahmoud	11/5/2007	\$612,000
69	Chang and Van	10/26/2007	\$658,000
70	Yoshimoto	10/31/2007	\$495,000
71	Hekimian	11/2/2007	\$602,500
72	Zaidi and Ursani	11/16/2007	\$635,500
73	Morris, II and Wagner	11/5/2007	\$499,500
74	Nguyen and Duong	11/21/2007	\$565,000
75	Shen	11/7/2007	\$625,000
76	Sueiro	11/13/2007	\$521,000
77	Bortman	11/21/2007	\$542,000
78	Chua and Wong	11/13/2007	\$607,000
79	Dooley	1/25/2008	\$494,000
80	Panetti	2/20/2008	\$569,000
81	Chandra and Sanu	2/27/2008	\$575,000
82	Maeda	1/30/2008	\$494,000
83	Zhao and Qian	2/29/2008	\$553,000
84	Wendelin	1/29/2008	\$575,000
85	Wang	2/4/2008	\$495,000
86	Chew	2/28/2008	\$560,000
87	Chen	2/25/2008	\$585,000
88	Kiyotake	4/20/2009	\$424,000
89	Williston	11/21/2008	\$530,000
90	Watanabe	10/30/2008	\$572,000
91	Dabbene	10/24/2008	\$461,000
92	Van Dorp	10/31/2008	\$557,000

Sold Dwelling Units - Meriwether by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
93	Davis	10/1/2008	\$574,000
94	Rieser and Martinelli	10/30/2008	\$451,500
95	Gadre	10/30/2008	\$557,000
96	Pham	10/31/2008	\$574,000
97	Artunian	11/12/2008	\$465,000
98	Rohde and Mayor	11/12/2008	\$559,000
99	Darnell	11/13/2008	\$575,500
100	Cheng	11/14/2008	\$452,500
101	Chao	11/21/2008	\$557,000
102	Lee	11/17/2008	\$572,000
103	Rumley and Chea	4/24/2009	\$424,000
104	Yrueta	11/18/2008	\$555,000
105	Solis	11/19/2008	\$570,000
106	Goode	5/1/2009	\$424,000
107	Lang	4/27/2009	\$535,000
108	Umali	5/29/2009	\$584,000
109	Killets	5/29/2009	\$424,000
110	Pon	5/28/2009	\$537,000
111	Crumpton and Pye	5/29/2009	\$586,000
112	Bamon	6/11/2009	\$424,000
113	Lam and Yang	7/31/2009	\$535,000
114	Kang and Lee	6/11/2009	\$584,000
114	Closed Escrows	TOTAL:	\$66,829,000
		AVG. S/P:	\$586,219

Sold Dwelling Units - Verandas by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
Tract 16581			
Verandas			
8	Monje	11/17/2007	\$670,000
9	Berwick	9/26/2007	\$699,500
10	Trinh	12/11/2007	\$702,500
11	Chang/Sevilla	9/28/2007	\$716,500
12	Cheenan/Balaram	12/21/2007	\$601,500
13	Nguyen	12/7/2007	\$687,500
14	Nguyen	10/2/2007	\$678,500
15	Hawkins	10/3/2007	\$678,000
16	Lee	12/11/2007	\$705,500
17	Korori	2/29/2008	\$600,000
18	Knighton	10/15/2007	\$722,500
19	Roszkowski/Szmitko	10/5/2007	\$658,500
20	Lin/Hsia	10/12/2007	\$705,500
21	Ahmad	10/12/2007	\$669,500
22	Gingrich/Samra	12/21/2007	\$684,000
23	Policare	12/3/2007	\$715,500
24	Jones	12/28/2007	\$585,500
25	Nance	11/15/2007	\$703,000
26	Patel	12/28/2007	\$640,500
27	Kellogg	11/14/2007	\$693,500
28	Vakil	11/14/2007	\$708,500
29	Lee	12/28/2007	\$639,500
30	Bui/Nguyen	11/16/2007	\$665,000
31	Atherton	11/21/2007	\$723,500
32	Chen	3/25/2008	\$620,000
33	Ho	12/21/2007	\$686,500
34	Hurst	12/10/2007	\$774,000
35	Tran/Do	12/12/2007	\$640,000
36	Contreras	5/30/2008	\$602,500
37	Rajan	6/25/2008	\$668,500
38	Salha	5/28/2008	\$669,000
39	Rosenblum	5/8/2008	\$626,000
40	Chu/Vu	4/30/2008	\$697,000
41	Cabada/Baez	6/6/2008	\$646,000
42	Helgesen	6/10/2008	\$642,500
43	Contreras	5/6/2008	\$593,000
44	Chung/Nagaishi	4/30/2008	\$660,500
45	Schlosser	6/20/2008	\$638,000
46	Wang/Lau	4/30/2008	\$668,000
47	Maclean/Schreiber	5/23/2008	\$669,000
48	Aranke	12/4/2008	\$638,000
49	Tandjung and Lo	11/20/2008	\$662,000
50	Nguyen	12/29/2008	\$658,000
51	Tong and Shen	11/21/2008	\$628,000
52	Shao and Meng	11/25/2008	\$644,500
53	Collie	12/24/2008	\$690,000
54	Hale	2/5/2009	\$627,000
55	Twer	12/11/2008	\$690,000
56	Huang	4/30/2009	\$565,000

Sold Dwelling Units - Verandas by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
57	Blake	12/26/2008	\$710,000
58	Shallahamer	6/26/2009	\$575,000
59	Liao	5/20/2009	\$644,000
60	Pomeroy and Meister	12/29/2008	\$603,000
61	Portman	12/31/2008	\$700,000
62	Rudolph	1/23/2009	\$670,500
63	Huang	12/31/2008	\$662,000
64	Refa	12/30/2008	\$638,000
65	Mehta	3/29/2010	\$638,000
66	Wang and Kao	3/29/2010	\$655,500
67	Lam and Chang	12/21/2009	\$627,000
68	Chen	12/23/2009	\$634,500
69	Chang	12/22/2009	\$627,000
70	Le and Cao	12/21/2009	\$572,000
71	Hwang and Lee	12/24/2009	\$630,000
72	Zhao and Chen	10/22/2009	\$575,000
73	Zhong	10/19/2009	\$604,000
74	Chang	11/3/2009	\$616,000
75	Kwong	10/21/2009	\$620,500
76	Ho and Yeung	12/21/2009	\$630,000
77	Le	12/23/2009	\$617,500
78	Windsor	12/22/2009	\$625,000
79	Zucker	12/29/2009	\$679,000
80	Shih	12/24/2009	\$600,000
81	Lee and Niu	3/26/2010	\$635,000
82	Levy	3/26/2010	\$638,000
83	Shu and Yin	3/30/2010	\$684,000
84	Chang	3/30/2010	\$630,500
85	Chen	3/29/2010	\$670,000
86	Chiang	3/29/2010	\$710,000
366	Li and Yeh	10/27/2009	\$605,000
367	Terra	10/26/2009	\$551,500
368	Agnew	11/6/2009	\$649,000
369	Kim	10/28/2009	\$572,000
370	Liu	11/4/2009	\$607,500
371	Kaczor	11/18/2009	\$626,000
372	Kwong	9/23/2009	\$634,000
373	Linton	9/24/2009	\$647,500
374	Hoang	9/28/2009	\$604,500
375	Yu and Ung	9/30/2009	\$564,500
376	Orzel	10/1/2009	\$578,500
377	Chung	11/13/2009	\$622,000
378	Choi	11/6/2009	\$620,000
379	Lee and Nishimura	10/8/2009	\$600,000
380	Vu	9/29/2009	\$629,000
381	Bryant	10/1/2009	\$647,500
382	He	10/7/2009	\$602,000
383	O'Neil and Corrie	10/9/2009	\$591,000
97	Closed Escrows	TOTAL:	\$62,629,500
		AVG. S/P:	\$645,665

Sold Dwelling Units - Gables by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16581 & Lot No.</i>			
<i>Gables</i>			
1	Tsai	4/26/2007	\$830,000
2	Bui	4/6/2007	\$815,500
3	Wolverton	4/10/2007	\$809,500
4	Akiona	9/28/2007	\$980,500
5	Uboldi	9/28/2007	\$930,000
6	Gana	10/1/2007	\$966,500
7	Shube	10/19/2007	\$854,000
87	Adelseck	11/25/2008	\$1,150,000
88	Rodriguez and Hessler	5/26/2009	\$915,000
89	Nguyen and Tran	5/29/2009	\$815,000
90	Nguyen	7/13/2009	\$1,000,000
91	Licuanan and Bhansali	5/28/2009	\$800,000
92	Watkins and Ramirez	5/29/2009	\$940,000
93	Le	5/28/2009	\$815,000
94	Teng and Chen	5/27/2009	\$985,000
95	Miller	7/28/2006	\$1,572,000
96	Eodgers	7/31/2006	\$1,429,000
97	Wiyanto	7/31/2006	\$1,309,500
98	Pon	5/21/2009	\$815,000
99	Wong	5/29/2009	\$800,000
100	Hingorani	11/26/2008	\$1,090,000
101	Nguyen	11/14/2008	\$920,000
102	Nguyen	10/21/2008	\$800,000
137	Chang	5/20/2008	\$950,000
138	Shitanishi	5/22/2008	\$860,000
139	Bates	5/29/2008	\$899,000
140	Parrish and Stone	5/29/2008	\$770,000
141	J-M Manufacturing Company, Inc.	7/25/2008	\$1,264,000
142	Estes	5/23/2008	\$860,000
143	Lontoc	6/2/2008	\$899,000
144	McCafferty	5/30/2008	\$809,000
145	Chung	5/29/2009	\$950,000
146	Nguyen and Le	10/29/2008	\$930,000
147	Burress	11/19/2007	\$999,000
148	Truong	11/19/2007	\$890,000
149	Tong and Chia	11/21/2007	\$980,000
150	Crain	12/5/2007	\$1,297,000
151	Shaked and Schroer	3/31/2008	\$923,000
152	Madrid and Galvez	4/25/2008	\$1,000,000
153	Tu and Le	6/13/2008	\$800,000
154	Shif	4/1/2008	\$1,044,000
155	Nanduri	4/3/2008	\$999,000
156	Smith	3/28/2008	\$820,000
157	Chueh and Yao	4/28/2008	\$999,000
158	Chopra	12/1/2007	\$1,337,000

Sold Dwelling Units - Gables by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
159	O'Heany	11/20/2007	\$960,000
160	Akoubian	11/21/2007	\$1,088,000
161	Nguyen	11/22/2006	\$896,000
162	Hu	1/31/2007	\$1,025,000
163	Black	11/10/2006	\$1,152,500
164	Gill	12/20/2006	\$936,000
165	Crawford	11/29/2006	\$870,500
166	Pham	2/14/2007	\$900,000
167	Chen	2/21/2007	\$1,007,000
168	Dsa	12/28/2006	\$925,000
169	Johnson/Chen	2/20/2007	\$890,000
170	Ghotra	12/19/2006	\$842,500
171	Hintermeyer	1/29/2007	\$1,016,000
172	Chien/Tu	2/28/2007	\$919,000
173	Suhrwardy	2/27/2007	\$919,000
174	Nguyen	2/26/2007	\$910,000
175	Nguyen	12/21/2006	\$1,191,000
176	Martinez	10/27/2006	\$931,000
177	Chieu-Chin	10/27/2006	\$979,000
178	Le	10/30/2006	\$1,050,000
179	Chung	10/27/2006	\$1,024,000
180	Mann etal	11/29/2006	\$1,099,000
249	Pepys	4/20/2007	\$854,000
250	Fong	4/12/2007	\$961,000
251	Tousey/Firouzbakhsh	3/27/2007	\$939,000
252	Byde	4/24/2007	\$829,000
253	Liu	9/24/2007	\$1,035,000
254	Scanzio	9/25/2007	\$994,000
255	Paik	9/27/2007	\$1,115,000
256	Doan	2/16/2007	\$834,000
257	Mogulla/Changal	2/27/2007	\$930,000
258	Call	2/23/2007	\$919,000
259	Lee	1/23/2007	\$875,500
260	Chin	2/26/2007	\$950,000
261	Wong	3/30/2007	\$919,000
262	Foothill Properties	3/23/2007	\$790,000
362	DelValle	11/1/2006	\$1,018,000
363	Markowitz	11/3/2006	\$1,042,000
364	Chin	11/28/2006	\$1,090,000
84	Closed Escrows	TOTAL:	\$81,245,500
		AVG. S/P:	\$967,208

Sold Dwelling Units - Astoria by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16581 & Lot No.</i>			
<i>Astoria</i>			
103	Sharma/Verma/Godhad	5/25/2007	\$1,035,000
104	Buckalew/Gandolfo	10/31/2007	\$933,500
105	Phan/Bui	2/20/2007	\$1,064,500
106	Grandolfo	10/29/2007	\$884,000
107	Jensen/Park	2/16/2007	\$1,052,500
108	Nixon	2/22/2007	\$1,129,500
109	Le	7/6/2007	\$939,500
110	Yang/Ho	8/30/2007	\$922,000
111	Swanson	5/11/2007	\$881,000
112	Bryant	7/20/2007	\$918,000
113	Bell	9/27/2007	\$914,000
114	Sanders/Caudle	7/5/2007	\$1,008,500
115	Wan	3/8/2007	\$955,000
116	Bromma/Pham	8/9/2007	\$901,500
117	Anderson/Bonjean	2/28/2007	\$1,082,500
118	Whiteley	11/30/2007	\$1,053,500
119	Dinnebier	2/26/2008	\$762,000
120	Roque/Ortiz	11/30/2007	\$889,000
121	Moysychyn	3/7/2008	\$809,000
122	Cheung	3/31/2008	\$754,000
123	Whittington	11/16/2007	\$851,500
124	Pierro	12/18/2007	\$865,000
125	Chen	11/29/2007	\$958,000
126	Nguyen/Wa	4/4/2008	\$786,500
127	Sherbanee	4/23/2008	\$785,000
128	Badin	11/27/2007	\$915,000
129	Spear/Daniels	5/6/2008	\$758,000
130	Rambod	3/3/2008	\$734,000
131	Chan	12/14/2007	\$927,500
132	Sun/Sun-Chiang	12/14/2007	\$854,500
133	McCraner/Friedland	12/6/2007	\$952,500
134	Ayres	3/14/2008	\$743,000
135	Casillas/Garcia	12/10/2007	\$905,500
136	Molina	12/11/2007	\$978,000
212	Dejen	6/30/2008	\$816,000
213	Lawrence	9/26/2008	\$900,000
214	Muller	5/29/2008	\$905,000
215	Hernandez/Kranz	6/24/2008	\$865,000
38	Closed Escrows	TOTAL:	\$34,388,500
		AVG. S/P:	\$904,961

Sold Dwelling Units - Madison by KB Home

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16582</i>			
<i>Madison</i>			
24	Allam	1/11/2008	\$825,000
25	Cruz	5/29/2008	\$853,000
26	Lau and Cheung	5/30/2008	\$857,500
27	Mansour	5/23/2008	\$919,000
28	Diep and Lu	11/29/2007	\$854,500
29	Lee and Chiu	11/30/2007	\$939,500
30	Goodemote and Tran	11/29/2007	\$904,000
31	Bishop	12/26/2007	\$951,500
32	Coords and Warren	1/31/2008	\$931,000
33	Zhao and Liu	12/6/2007	\$853,500
34	Bakr	11/31/07	\$899,000
35	Stearns	2/1/2008	\$405,000
80	Li	7/28/2008	\$858,000
81	Yoon	7/17/2008	\$877,000
82	Kim and Chiueh	7/2/2008	\$837,500
83	Chen	6/30/2008	\$902,500
84	Bluemke	7/1/2008	\$355,000
85	Barbery and Dye	8/13/2008	\$905,000
86	Yu	7/11/2008	\$839,000
87	Witherspoon	7/10/2008	\$902,500
88	Silva	7/25/2008	\$872,000
173	Huynh and Lee	11/2/2007	\$862,500
174	Jiang	2/22/2008	\$900,000
175	Liang and Weng	12/7/2007	\$850,000
176	Mullins	11/1/2007	\$972,500
177	Chase	12/4/2007	\$810,000
178	Jiang and Shao	10/31/2007	\$940,000
179	Basit	9/27/2007	\$958,500
180	Tran and Wong	11/14/2008	\$855,000
181	Nagori	11/19/2008	\$784,000
182	Breller and Chen	11/21/2008	\$833,000
183	Pla	12/31/2008	\$862,000
184	Wilhelm and Huynh	11/21/2008	\$882,000
185	Stimson	11/24/2008	\$885,000
186	Bowman	11/19/2008	\$874,500
187	Vu and Dinh	11/26/2008	\$825,000
188	Imhoof	11/25/2008	\$881,500
189	Le 2007 Family Trust	3/3/2009	\$819,000
190	Phillips	11/26/2008	\$850,000
191	Sabeh and Colarelli	11/19/2008	\$887,500
192	Heiberg	11/19/2008	\$868,500
193	Li and Wang	11/25/2008	\$897,500
194	Kim and Nguyen	11/14/2008	\$800,500
195	Kumar and Munassery	1/9/2008	\$860,000
196	Lo and Wang	10/30/2007	\$881,000
197	Kuo	11/26/2008	\$865,500
198	Kuo	11/26/2008	\$826,500
199	Cheng	11/25/2008	\$890,000
200	Wolf	12/3/2008	\$828,000

Sold Dwelling Units - Westbourne by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16582</i>			
<i>Westbourne</i>			
99	Paulsen	10/10/2006	\$1,122,500
100	Chan	10/26/2006	\$1,254,500
101	Xiao	11/27/2006	\$1,120,000
102	Paster	10/18/2006	\$1,106,500
103	Wang	10/30/2006	\$1,050,000
104	Lee	10/24/2006	\$1,179,000
105	Hong	11/29/2006	\$1,050,000
106	Joe	11/3/2006	\$1,107,500
107	Tonthat	11/16/2006	\$1,274,000
108	Bhargava	11/7/2006	\$1,100,000
109	Good	11/8/2006	\$1,303,000
110	Lee and Yamato	8/30/2007	\$1,171,000
111	Doyle	8/31/2007	\$1,197,500
112	Yang and Shiao	8/23/2007	\$1,133,000
113	Toshima	8/23/2007	\$1,218,500
114	Son	9/24/2007	\$1,063,000
115	Nguyen and Dao	10/29/2007	\$1,050,000
116	Nguyen and Luu	11/7/2007	\$1,117,000
117	Samuel	11/15/2007	\$1,118,000
118	Malet and Koonin	11/29/2007	\$1,073,000
119	Nguyen	11/19/2007	\$1,050,000
120	Skelly	11/21/2007	\$1,100,000
121	Nguyen	1/5/2007	\$1,352,000
122	Mukherji	1/10/2007	\$1,074,500
123	Holden	2/23/2007	\$1,134,000
124	Ha	1/12/2007	\$1,104,000
125	D'Ambrosio	2/27/2007	\$1,120,000
126	Lin	1/31/2007	\$1,039,500
127	Templin	3/27/2007	\$1,099,000
128	Kundu	1/24/2007	\$1,082,500
129	Kuan	1/26/2007	\$1,178,000
130	Rice	1/29/2007	\$1,160,500
131	Lee	7/27/2006	\$1,367,000
132	Ku	8/3/2006	\$1,466,000
133	Pham	8/29/2006	\$1,260,500
134	Kim	11/21/2007	\$975,000
135	Vivanco	11/20/2007	\$1,000,000
136	Khalid	11/9/2006	\$1,274,000
137	Chang	11/13/2006	\$1,130,000
139	Nguyen	8/25/2008	\$950,000
138	Huang	11/21/2006	\$1,050,000
140	Wagner	11/15/2006	\$1,102,500
141	Stiegler	11/22/2006	\$1,240,000
271	Lesseos	3/30/2007	\$1,035,000

Sold Dwelling Units - Westbourne by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
272	Wu	3/21/2007	\$1,100,000
273	Lee	3/23/2007	\$1,087,000
274	Cowell	3/28/2007	\$1,153,000
275	Vickers/Templin	3/29/2007	\$1,068,500
276	Ward	4/17/2007	\$1,098,500
277	Hackett	4/4/2007	\$1,175,000
278	Swaroop/Tripathi	4/10/2007	\$1,075,000
279	Russell	5/17/2007	\$1,236,500
280	Seif and Bassily	5/17/2007	\$1,117,500
281	Bramucci and Cannon	5/18/2007	\$1,140,500
282	Orr	7/16/2007	\$1,142,000
283	Ho	6/25/2007	\$1,098,000
284	Grando	6/12/2007	\$1,182,000
285	Park	6/19/2007	\$1,088,000
286	Wainberg and Gleiter	6/4/2007	\$1,197,000
59		TOTAL:	\$67,110,500
		AVG. S/P:	\$1,137,466

Sold Dwelling Units - Cantara by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16582</i>			
<i>Cantara</i>			
89	Torres	12/15/2006	\$967,000
90	Bach	11/29/2006	\$800,000
91	Tran	11/29/2006	\$907,000
92	Zamora	11/29/2006	\$967,000
93	He	12/15/2006	\$1,017,500
94	Stottlemyer	12/18/2006	\$947,000
95	Woll	12/20/2006	\$1,061,000
96	Gerard	12/22/2006	\$865,000
97	Tran	11/30/2006	\$1,031,000
98	Arshaid	11/29/2006	\$925,000
142	Kuang-Yu Lin	7/31/2006	\$1,153,000
143	Paul & Jana Lu	8/7/2006	\$1,101,500
144	Timothy & Jennifer Brown	8/9/2006	\$998,000
145	Paul & Tanya Cocking	8/11/2006	\$925,000
146	Jee Sun Choi	8/15/2006	\$1,094,500
147	Chowdhury	9/27/2007	\$859,000
148	Araque	9/24/2007	\$944,000
149	Miller	8/1/2006	\$1,049,000
150	Miller	7/28/2006	\$1,102,000
151	Miller	8/1/2006	\$1,194,000
152	Won & Young Keh	8/17/2006	\$1,105,000
153	Alfred Shen & Kim Nguyen	8/31/2006	\$930,000
154	Celeste Barnes, Trustee	8/23/2006	\$916,500
155	Timothy Truong & Twie Tran	8/31/2006	\$955,000
156	Benjamin & Jacqueline Karter	8/31/2006	\$870,000
157	Norbert & Jacquelyn Oesch	9/12/2006	\$1,091,000
158	Hitesh & Nina Patel	9/28/2006	\$950,000
159	Robert Johnson	9/18/2006	\$1,024,500
160	Kim	10/31/2006	\$890,000
161	Akerman	10/4/2006	\$1,086,500
162	Kelm	10/26/2006	\$855,000
163	Obeid	10/24/2006	\$909,000
164	Thongsrinoon	10/27/2006	\$899,000
165	Hoover	10/16/2006	\$902,000
166	Risser	10/18/2006	\$934,500
167	Poblete	10/26/2006	\$921,000
168	Song	10/30/2006	\$905,000
169	Shagat	10/24/2006	\$894,000
170	Muayadazem	10/31/2006	\$835,500
171	Cavic	10/31/2006	\$875,000
172	Thai	10/31/2006	\$853,000
244	Yim	5/18/2007	\$909,000
245	Elgaali	5/16/2007	\$947,500
246	De Luca	5/30/2007	\$919,000
247	Kim	5/25/2007	\$990,500

Sold Dwelling Units - Cantara by Lennar Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
248	Calisang	5/22/2007	\$949,000
249	Jeang and Wang	5/24/2007	\$939,000
250	Lepe	5/29/2007	\$988,000
251	Kim and Lee	5/31/2007	\$910,000
252	Smaili	9/7/2007	\$953,000
253	Mehl	8/16/2007	\$1,033,500
254	Luchetta	8/20/2007	\$870,000
255	Zhang and Hua	8/22/2007	\$925,000
256	Shen	10/25/2007	\$799,000
257	Sheth	8/23/2007	\$835,000
258	Wu and Au	8/21/2007	\$910,000
259	Tran/Ong	2/28/2007	\$925,000
260	Subramaniam/Haran	3/7/2007	\$930,000
261	Cowell	2/28/2007	\$943,500
262	Suppe/Tep	3/12/2007	\$890,000
263	Hao/Xue	3/13/2007	\$899,000
264	Cortopassi	3/15/2007	\$949,000
265	Loscialpo	3/19/2007	\$930,000
266	Nguyen/Tran	3/21/2007	\$899,000
267	Farooq	3/29/2007	\$899,000
268	Pacheco	3/26/2007	\$890,000
269	Sun/Xu	3/27/2007	\$896,500
270	Depasquale	3/28/2007	\$934,000
68		TOTAL:	\$64,371,500
		AVG. S/P:	\$946,640

Sold Dwelling Units - Clara by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
Tract 16582			
Clara			
1	Garrett	4/21/2009	\$1,040,000
2	Hung	6/25/2009	\$1,045,000
3	Park	4/24/2009	\$1,078,000
4	Leh	4/30/2009	\$982,000
5	Nguyen	5/6/2009	\$1,077,000
6	Hajjawi	5/29/2009	\$1,200,000
7	Cadavona	6/20/2009	\$1,095,000
8	Wolfe	6/27/2008	\$1,066,000
9	Thayer	6/12/2008	\$1,350,000
10	Guiang	9/8/2008	\$1,210,000
11	Khan	7/15/2008	\$1,312,000
12	Cheng	8/15/2008	\$1,050,000
13	Nahum	9/27/2007	\$1,278,500
14	Dinh	1/25/2008	\$1,225,000
15	McKnight	5/28/2008	\$950,000
16	Aleman	10/23/2007	\$1,536,000
17	Forbis	10/16/2007	\$1,530,500
18	Yu	9/28/2007	\$1,317,000
19	Hsin-Kai/Nie	4/20/2007	\$1,489,000
20	Robinson	8/9/2007	\$1,283,000
21	Patel	4/24/2007	\$1,565,000
22	Blanchet	5/10/2007	\$1,551,500
23	Wang	4/30/2007	\$1,324,500
36	Khodai	5/4/2007	\$1,467,000
37	Cervantes	5/8/2007	\$1,760,000
38	Sharshar	5/11/2007	\$1,513,000
39	Doan and Nguyen	5/23/2007	\$1,447,000
40	Robertson	5/31/2007	\$1,339,000
41	You	10/4/2007	\$1,537,500
42	Dorpe	10/31/2007	\$1,190,000
43	Hu	10/5/2007	\$1,302,500
44	Chung	10/9/2007	\$1,415,000
45	Makhani	11/15/2007	\$1,370,000
46	Nguyen	12/28/2007	\$1,160,000
47	Tsai	8/11/2008	\$1,103,500
48	Khamis	9/5/2008	\$1,212,500
49	Pham and Le	8/5/2008	\$1,027,500
50	Chang	11/21/2008	\$1,100,000
51	Liu and Hsu	9/22/2008	\$1,283,500
52	Chang and Liao	10/10/2008	\$1,230,000
53	Lee and Chao	5/13/2009	\$1,048,000
54	Hsieh	12/19/2008	\$1,350,000
55	Lee	3/2/2009	\$1,410,000
56	Tseng	4/17/2009	\$1,200,000
57	Huynh	5/18/2009	\$1,011,500
58	Chen and Lam	3/25/2008	\$1,188,000
59	Kennedy	12/18/2007	\$1,430,000
60	Wang	12/11/2007	\$1,483,000
61	Marino	12/13/2007	\$1,269,000

Sold Dwelling Units - Clara by William Lyon Homes

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
62	Huang	12/18/2007	\$1,349,500
63	Swen	5/13/2008	\$1,188,000
64	Young	4/11/2008	\$1,310,000
65	Stein	12/19/2007	\$1,274,500
66	Bouman and Jiang	12/28/2007	\$1,283,000
67	Lee	12/21/2007	\$1,427,500
68	Han	12/27/2007	\$1,245,500
69	Patel	5/21/2007	\$1,260,000
70	Cheung	5/29/2007	\$1,335,000
71	Canton and Patel	5/15/2007	\$1,294,000
72	Rossi	2/28/2007	\$1,464,500
73	Patel	3/5/2007	\$1,305,500
74	Koh	6/12/2007	\$1,512,500
75	Saran	3/2/2007	\$1,278,500
76	Mehta	3/7/2007	\$1,468,500
77	Lee	3/8/2007	\$1,454,500
78	Truong/Le	3/14/2007	\$1,466,000
79	Ashour	3/21/2007	\$1,309,500
67	Closed Escrows	TOTAL:	\$86,629,000
		AVG. S/P:	\$1,292,970

Sold Dwelling Units - Clarendon by William Lyon

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
<i>Tract 16582 & Unit No.</i>			
<i>Clarendon</i>			
1	Human Options, Inc.	8/24/2007	\$0
2	Courtney	3/23/2007	\$656,000
3	Shin	3/23/2007	\$634,000
4	Lim	8/17/2007	\$302,500
5	Rao	3/27/2007	\$670,500
6	Haung/Chien	3/28/2007	\$663,500
7	Liang and Chen	5/24/2007	\$270,500
8	Safarian/Bozorgkhan	3/29/2007	\$656,500
9	Taslim/Dewi	3/30/2007	\$633,500
10	Yee	3/30/2007	\$629,000
11	Gee	3/30/2007	\$749,500
12	Orange Coast Interfaith Shelther, Inc.	7/27/2007	\$0
13	Attia	6/29/2007	\$270,500
14	Zhang	4/6/2007	\$665,500
15	Pinheiro	4/6/2007	\$619,000
16	Do	4/14/2007	\$270,500
17	Morad	4/24/2007	\$270,500
18	Human Options, Inc.	8/24/2007	\$0
19	Durham	4/12/2007	\$634,500
20	Yang	4/13/2007	\$663,500
21	Esmaili	5/17/2007	\$270,500
22	Robertson	4/25/2007	\$270,500
23	Tjia	4/17/2007	\$712,500
24	Dhillon	4/18/2007	\$647,500
25	Htay	4/30/2007	\$270,500
26	Lee	4/24/2007	\$270,500
27	Orange Coast Interfaith Shelther, Inc.	7/27/2007	\$0
28	Bermudez	5/18/2007	\$270,500
29	Kan/Liew	5/11/2007	\$660,000
30	Ng/Bak	5/11/2007	\$652,000
31	DePaul	5/18/2007	\$659,500
32	Chen/Meng	5/15/2007	\$663,500
33	L'Ecuyer	8/17/2007	\$302,500
34	Dang	5/17/2007	\$270,500
35	Espartero	5/17/2007	\$679,000
36	Lapidus	5/18/2007	\$634,500
37	Oelschlager	5/21/2007	\$636,500
38	Lee and Ahn	6/4/2007	\$683,000
39	Human Options, Inc.	8/24/2007	\$0
40	Vu	6/20/2007	\$270,500
41	Biener	5/8/2007	\$656,500
42	Payawai	5/16/2007	\$446,682
43	Singh and Kaur	5/16/2007	\$270,500
44	Goulding	5/25/2007	\$270,500
45	Orange Coast Interfaith Shelther, Inc.	7/27/2007	\$0
46	Park	8/31/2007	\$302,500
47	Tirona	5/3/2007	\$683,000

Sold Dwelling Units - Clarendon by William Lyon

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
48	Shah/Shrishrimal	5/2/2007	\$630,000
49	Chew	4/26/2007	\$270,500
50	Katabi/Alamin	4/26/2007	\$270,500
51	Human Options, Inc.	8/24/2007	\$0
52	Orange Coast Interfaith Shelther, Inc.	8/21/2007	\$0
53	Moon	8/30/2007	\$666,500
54	Suttle	8/20/2007	\$658,500
55	Tannenbaum	8/17/2007	\$627,500
56	Chung	8/16/2007	\$665,000
57	Ayati	8/17/2007	\$270,500
58	Armstrong	9/28/2007	\$270,500
59	Choi	8/15/2007	\$677,000
60	Gilbert	8/20/2007	\$649,000
61	Bradshaw and Leonardo	8/10/2007	\$610,500
62	Chang	8/27/2007	\$635,000
63	Orange Coast Interfaith Shelther, Inc.	8/10/2007	\$0
64	Tsai	8/7/2007	\$623,000
65	Ahn	8/7/2007	\$652,000
66	Ngo	8/31/2007	\$302,500
67	Human Options, Inc.	8/24/2007	\$0
68	Tirona	8/23/2007	\$686,000
69	Vu	8/30/2007	\$591,000
70	Jung and Son	8/28/2007	\$623,500
71	Flint	8/31/2007	\$660,500
72	Gladnikov	12/10/2007	\$270,500
73	Chvat	12/19/2007	\$618,500
74	Hauge	12/24/2007	\$630,000
75	Barrios	12/20/2007	\$270,500
76	Lea	12/3/2007	\$625,000
77	Sun	12/28/2007	\$599,000
78	Culciar	12/5/2007	\$270,500
79	Human Options, Inc.	10/16/2007	\$0
80	Paul	10/5/2007	\$270,500
81	Delgadillo	10/5/2007	\$270,500
82	Bee	12/14/2007	\$560,000
83	Duggireddy and Mutyala	11/7/2007	\$641,000
84	Quant	11/21/2007	\$302,500
85	Sabbagh and Singhal	12/20/2007	\$449,000
86	Gupta	10/18/2007	\$672,000
87	Lowe and Kim	10/19/2007	\$593,500
88	Calipatti and Subramanian	10/17/2007	\$525,000
89	Le, Le and Nguyen	10/26/2007	\$614,000
90	Sun	1/30/2008	\$525,000
91	Srinivasan	11/15/2007	\$654,000
92	Monterastelli	10/18/2007	\$635,000
93	Sabbagh and Singhal	10/19/2007	\$551,000
94	Achackzad	10/31/2007	\$270,500
95	Lee	2/11/2008	\$570,000
96	Ponniah and Ramachandran	12/21/2007	\$540,000

Sold Dwelling Units - Clarendon by William Lyon

Project/Lot & Tr #	Ownership as of August 15, 2010	Sale Date	Sales Price
97	Orange Coast Interfaith Shelther, Inc.	10/24/2007	\$0
98	Settles	10/25/2007	\$270,500
99	Rector	12/14/2007	\$571,000
100	Hy and Flaum	12/4/2007	\$610,500
101	Guerra and Lintotawela	12/4/2007	\$691,500
102	Ng and Zheng	11/30/2007	\$270,500
102	Closed Escrows	TOTAL:	\$46,094,182
		AVG. S/P:	\$451,904

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APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RATE AND METHOD OF APPORTIONMENT FOR CITY OF TUSTIN COMMUNITY FACILITIES DISTRICT NO. 06-1 (TUSTIN LEGACY/COLUMBUS VILLAGES)

A Special Tax shall be levied on all Assessor's Parcels in the City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) ("CFD No. 06-1") and collected each Fiscal Year commencing in Fiscal Year 2006-2007, in an amount determined through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 06-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. 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, 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. 06-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County 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. 06-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 06-1 or any designee thereof of complying with City, CFD No. 06-1 or obligated persons disclosure requirements of 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. 06-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 06-1 for any other administrative purposes of CFD No. 06-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure as a result of delinquent Special Taxes.

"Affordable Units" 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 providing for affordable housing. Affordable Units shall be further classified as Moderate Income, Lower Income, or Very Low Income (as defined in Sections 50079.5, 50093, and 50105 of the California Health and Safety Code) and Affordable Housing Costs for said households are defined in Section 50052.5 (9b) of the California Health and Safety Code. Before the annexation of the Future Annexation Area, the total number of Affordable Units in Zone 1 shall not exceed 71 Moderate Income units, 117 Lower Income Units and 61 Very Low Income units

and the total number of Affordable Units in Zone 2 shall not exceed 30 Moderate Income units and 12 Very Low Income units. After the annexation of the Future Annexation Area, the total number of Affordable Units in Zone 1 shall not exceed 80 Moderate Income units, 125 Lower Income Units and 61 Very Low Income units and the total number of Affordable Units in Zone 2 shall not exceed 30 Moderate Income units and 12 Very Low Income units. Affordable Units constructed within each Zone within the CFD shall be designated by the CFD Administrator in the chronological order in which the building permits for such units are issued within that Zone. However, if for either Zone, the total number of Affordable Units constructed in any one of the three affordable income categories exceeds the amount stated above for such income category, then the units exceeding such total shall not be considered Affordable Units and shall be assigned to a Land Use Class based on the type of use and Residential Floor Area for each such unit.

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

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

"Authorized Services" means those authorized services proposed to be financed by CFD No. 06-1 pursuant to the Act and listed in Exhibit A to this Rate and Method of Apportionment.

"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. 06-1 under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services and providing for the levy and collection of the Special Taxes.

"CFD No. 06-1" means City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages).

"City" means the City of Tustin.

"Consumer Price Index" means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for "All Urban Consumers" in the Los Angeles - Anaheim - Riverside Area, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the City of Los Angeles.

"Council" means the City Council of the City, acting as the legislative body of CFD No. 06-1.

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision 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, 2005 and prior to May 1 of the prior Fiscal Year.

"Final Subdivision" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et

seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

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

"Future Annexation Area" means the property designated as Future Annexation Area on the boundary map for CFD No. 06-1, as identified in Exhibit B.

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

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

"Maximum Special Tax" means the maximum Special Tax A and/or maximum Special Tax B, as applicable.

"Maximum Special Tax A" means the Maximum Special Tax A determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel within CFD No. 06-1.

"Maximum Special Tax B" means the Maximum Special Tax B determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel within CFD No. 06-1.

"Non-Residential Property" means all Assessor's Parcels 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.

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

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 06-1 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is equal for all Assessor's Parcels of Developed Property and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A 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.

"Public Property" means property within the boundaries of CFD No. 06-1 owned by, irrevocably offered or dedicated to, or over, through or under which an easement for purposes of public right-of-way has been granted, to the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

"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 all Assessor's Parcels 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.

"Single Family Attached Property" means all Assessor's Parcels of Residential Property for which building permits have been issued for attached residential units.

"Single Family Detached Property" means all Assessor's Parcels of Residential Property for which building permits have been issued for detached residential units.

"Special Tax" means the Special Tax A and/or Special Tax B, as applicable.

"Special Tax A" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 06-1 to fund the Special Tax Requirement for Facilities.

"Special Tax A Buydown" means a mandatory bond principal buydown payment made by the property owner to reduce the amount of Outstanding Bonds to compensate for a loss of Special Tax A revenues resulting from the construction of fewer residential dwelling units, smaller residential dwelling units, or a modified amount of non-residential Acreage, as determined in accordance with Section D below.

"Special Tax B" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 06-1 to fund the Special Tax Requirement for Services.

"Special Tax Requirement for Facilities" means that amount required in any Fiscal Year for CFD No. 06-1 to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated Special Tax A delinquencies based on the delinquency rate for the Special Tax A levy in the previous Fiscal Year; (vi) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax for Facilities levy on Undeveloped Property; less (vii) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Indenture.

"Special Tax Requirement for Services" means that amount required in any Fiscal Year for CFD No. 06-1 to (i) pay directly for Authorized Services due in the calendar year commencing in such Fiscal Year; (ii) pay a proportionate share of Administrative Expenses; less (iii) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 06-1 which are not exempt from the Special Tax pursuant to law or Section F below.

"Taxable Property Owner Association Property" means, for each Fiscal Year, all Assessor's Parcels of Property Owner Association Property that are not exempt from the Special Tax pursuant to Section F below.

"Taxable Public Property" means, for each Fiscal Year, all Assessor's Parcels of Public Property that are not exempt from the Special Tax pursuant to Section F below.

"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, Taxable Public Property or Taxable Property Owner Association Property.

"Zone" means Zone 1 or Zone 2, as applicable.

"Zone 1" means the land geographically identified as Tract 16851 on a map filed in Book 877, Pages 33 through 50 of Miscellaneous Maps, and as Instrument Number 200600148498, in Records of Orange County, California, excepting therefrom lots 242, 243, 244, 245, 332, 333, 341, 342, 346, 348, 349, 350, 351, 352, 353, 354, 355, 361, F (portion), G (portion), Z, AA, AB, AC, AM (portion), AN, AO, AP, AQ, AR, BA, BB (portion), ZA, ZB and DDL.

"Zone 2" means the land geographically identified as Tract 16582 on a map filed in Book 874, Pages 1 through 30 of Miscellaneous Maps, and as instrument number 200500867370 in Records of Orange County, California.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within each Zone shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C, D, and E below.

C. MAXIMUM SPECIAL TAX

1. Developed Property

(a). Maximum Special Tax

The Maximum Special Tax A and the Maximum Special Tax B for each Land Use Class in each Zone is shown below in Tables 1 and 2. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the Maximum Special Tax A plus Maximum Special Tax B applicable to such Assessor's Parcel for the Zone in which the Assessor's Parcel is located.

TABLE 1

**Maximum Special Tax for Developed Property in Zone 1
City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)
Fiscal Year 2006-2007**

Land Use Class	Description	Residential Floor Area	Maximum Special Tax A	Maximum Special Tax B
1	Single Family Detached Property	> 3,600 s.f.	\$3,256 per unit	\$1,950 per unit
2	Single Family Detached Property	3,226 – 3,600 s.f.	\$2,843 per unit	\$1,725 per unit
3	Single Family Detached Property	2,851 – 3,225 s.f.	\$2,507 per unit	\$1,538 per unit
4	Single Family Detached Property	2,476 – 2,850 s.f.	\$2,498 per unit	\$1,425 per unit
5	Single Family Detached Property	2,101 – 2,475 s.f.	\$2,229 per unit	\$1,245 per unit
6	Single Family Detached Property	<= 2,100 s.f.	\$2,217 per unit	\$1,170 per unit
7	Single Family Attached Property	> 2,550 s.f.	\$2,410 per unit	\$1,335 per unit
8	Single Family Attached Property	2,301 – 2,550 s.f.	\$2,338 per unit	\$1,260 per unit
9	Single Family Attached Property	2,051 – 2,300 s.f.	\$2,217 per unit	\$1,170 per unit
10	Single Family Attached Property	1,801 – 2,050 s.f.	\$1,905 per unit	\$1,020 per unit
11	Single Family Attached Property	1,551 – 1,800 s.f.	\$1,352 per unit	\$795 per unit
12	Single Family Attached Property	<= 1,550 s.f.	\$895 per unit	\$600 per unit
13	Senior Units	NA	\$734 per unit	\$488 per unit
14	Affordable Units – Moderate	NA	\$350 per unit	\$600 per unit
15	Affordable Units – Low	NA	\$200 per unit	\$200 per unit
16	Affordable Units – Very Low	NA	\$50 per unit	\$50 per unit
17	Non-Residential Property	NA	\$22,478 per Acre	\$6,000 per Acre

TABLE 2

**Maximum Special Tax for Developed Property in Zone 2
City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)
Fiscal Year 2006-2007**

Land Use Class	Description	Residential Floor Area	Maximum Special Tax A	Maximum Special Tax B
1	Single Family Detached Property	> 4,300 s.f.	\$7,448 per unit	\$2,250 per unit
2	Single Family Detached Property	3,951 – 4,300 s.f.	\$6,988 per unit	\$2,115 per unit
3	Single Family Detached Property	3,601 – 3,950 s.f.	\$6,629 per unit	\$2,010 per unit
4	Single Family Detached Property	3,251 – 3,600 s.f.	\$6,118 per unit	\$1,860 per unit
5	Single Family Detached Property	2,901 – 3,250 s.f.	\$5,094 per unit	\$1,560 per unit
6	Single Family Detached Property	2,551 – 2,900 s.f.	\$4,838 per unit	\$1,485 per unit
7	Single Family Detached Property	<= 2,550 s.f.	\$4,582 per unit	\$1,410 per unit
8	Single Family Attached Property	> 1,800 s.f.	\$3,268 per unit	\$1,020 per unit
9	Single Family Attached Property	1,601 – 1,800 s.f.	\$2,961 per unit	\$930 per unit
10	Single Family Attached Property	<= 1,600 s.f.	\$2,449 per unit	\$780 per unit
11	Affordable Units – Moderate	NA	\$350 per unit	\$600 per unit
12	Affordable Units – Very Low	NA	\$50 per unit	\$50 per unit
13	Non-Residential Property	NA	\$39,534 per Acre	\$6,000 per Acre

(b). Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2007 the Maximum Special Tax A, identified in Tables 1 and 2 above, be increased by an amount equal to two percent (2%) of the amount in effect for the previous fiscal year. On each July 1, commencing on July 1, 2007, the Maximum Special Tax B listed in Tables 1 and 2 above shall be increased based on the percentage change in the Consumer Price Index, with a maximum annual increase of six percent (6%) and a minimum annual increase of two percent (2%) per Fiscal Year.

(c). Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall

be the sum of the Maximum Special Taxes for all Land Use Classes located on that Assessor's Parcel.

2. Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property

(a). Maximum Special Tax A

The Fiscal Year 2006-2007 Maximum Special Tax A for Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property shall be \$40,377 per Acre.

(b). Maximum Special Tax B

The Fiscal Year 2006-2007 Maximum Special Tax B for Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property shall be \$6,000 per Acre.

(c). Increase in the Maximum Special Tax A and Special Tax B

On each July 1, commencing on July 1, 2007 the Maximum Special Tax A for Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property, shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous fiscal year. On each July 1, commencing on July 1, 2007, the Maximum Special Tax B for Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property, shall be increased based on the percentage change in the Consumer Price Index, with a maximum annual increase of six percent (6%) and a minimum annual increase of two percent (2%) per Fiscal Year.

D. SPECIAL TAX A BUYDOWN

All of the requirements of this Section D, which describes the need for a Special Tax A Buydown that may result from a change in development as determined pursuant to this Section D, shall only apply after the sale of Bonds by CFD No. 06-1. The following definitions apply to this Section D:

"Certificate of Satisfaction of Special Tax A Buydown" means a certificate from the CFD Administrator stating that the property described in such certificate has sufficiently met the Special Tax A Buydown Requirement for such property as calculated under this Section D.

"Letter of Compliance" means a letter from the CFD Administrator allowing the issuance of building permits based on the prior submittal of a request for Letter of Compliance by a property owner.

"Special Tax A Buydown Requirement" means the total amount of Special Tax A Buydown necessary to be prepaid to permit the issuance of building permits listed in a request for Letter of Compliance, as calculated under this Section D.

"Update Property" means an Assessor's Parcel of Undeveloped Property for which a building permit has been issued. For purposes of all calculations in this Section D, Update Property shall be taxed as if it were already Developed Property during the current Fiscal Year.

1. Request for Letter of Compliance

The CFD Administrator must submit a Letter of Compliance to the City for a specific Assessor's Parcel or lot prior to the issuance by the City of a building permit for the construction of any residential and/or non-residential development on that Assessor's Parcel or lot. If a Letter of Compliance has not yet been issued, and a property owner wishes to request a building permit for an Assessor's Parcel or lot, the property owner must first request a Letter of Compliance from the CFD Administrator. The request from the property owner shall contain a list of all building permits currently being requested, the Assessor's Parcels or tract and lot numbers on which the construction is to take place, and the Residential Floor Area (for each residential dwelling unit) or the Acreage (for each non-residential parcel) associated with each building permit.

2. Issuance of Letter of Compliance

Upon the receipt of a request for Letter of Compliance, the CFD Administrator shall assign each building permit identified in such request to Land Use Classes 1 through 17 for Zone 1 and Land Use Classes 1 through 13 for Zone 2 as listed in Tables 3 and 4 below, based on the type of use and the Residential Floor Area identified for each such building permit. When using Table 3, if Bonds are secured solely by parcels in the portion of Zone 1 that does not include the Future Annexation Area, the column entitled "Expected Units Without Future Annexation Area" shall be utilized for purposes of this analysis. If Bonds are secured by all of Zone 1, including the Future Annexation Area, the column entitled "Expected Units Including Future Annexation Area" shall be utilized for purposes of this analysis. If the CFD Administrator determines (i) that the number of building permits requested for each Land Use Class, plus those building permits previously issued for each Land Use Class, will not cause the total number of residential units or non-residential Acreage within any such Land Use Class to exceed the number of units or Acreage for such Land Use Class identified in Tables 3 and 4 below, and (ii) that the total number of residential dwelling units anticipated to be constructed pursuant to the current development plan for CFD No. 06-1 will not be less than 989 for Zone 1 and 465 for Zone 2 prior to the annexation of the Future Annexation Area and not less than 1,075 for Zone 1 and 465 for Zone 2 after the annexation of the Future Annexation Area, then a Letter of Compliance shall be submitted to the City by the CFD Administrator approving the issuance of the requested building permits. This Letter of Compliance shall be submitted by the CFD Administrator within ten days of the submittal of the request for Letter of Compliance by the property owner. However, should (i) the building permits requested, plus those previously issued, cause the total number of residential units or non-residential Acreage within any such Land Use Class to exceed the number of units or non-residential Acreage for such Land Use Class identified in Tables 3 and 4 below, or (ii) the CFD Administrator determine that changes in the development plan may cause a decrease in the number of residential dwelling units within CFD No. 06-1 to below 989 dwelling units in Zone 1 or 465 dwelling units in Zone 2 before the annexation of the Future Annexation Area or below 1,075 dwelling units in Zone 1 or 465 dwelling units in Zone 2 after the annexation of the Future Annexation Area, then a letter of Compliance will not be issued and the CFD Administrator will be directed to determine if a Special Tax A Buydown shall be required.

TABLE 3

**Expected Dwelling Units per Land Use Class and Non-Residential Acreage
City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)
Zone 1**

Land Use Class	Description	Residential Floor Area	Expected Units Without Future Annexation Area	Expected Units Including Future Annexation Area
1	Single Family Detached Property	> 3,600 s.f.	10 units	10 units
2	Single Family Detached Property	3,226 – 3,600 s.f.	61 units	62 units
3	Single Family Detached Property	2,851 – 3,225 s.f.	66 units	67 units
4	Single Family Detached Property	2,476 – 2,850 s.f.	25 units	27 units
5	Single Family Detached Property	2,101 – 2,475 s.f.	86 units	86 units
6	Single Family Detached Property	<= 2,100 s.f.	31 units	31 units
7	Single Family Attached Property	> 2,550 s.f.	27 units	27 units
8	Single Family Attached Property	2,301 – 2,550 s.f.	9 units	9 units
9	Single Family Attached Property	2,051 – 2,300 s.f.	24 units	24 units
10	Single Family Attached Property	1,801 – 2,050 s.f.	32 units	38 units
11	Single Family Attached Property	1,551 – 1,800 s.f.	164 units	217 units
12	Single Family Attached Property	<= 1,550 s.f.	118 units	124 units
13	Senior Units	NA	87 units	87 units
14	Affordable Units – Moderate	NA	71 units	80 units
15	Affordable Units – Low	NA	117 units	125 units
16	Affordable Units – Very Low	NA	61 units	61 units
17	Non-Residential Property	NA	0 Acres	0 Acres

TABLE 4

**Expected Dwelling Units per Land Use Class and Non-Residential Acreage
City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)
Zone 2**

Land Use Class	Description	Residential Floor Area	Number of Units/Acres
1	Single Family Detached Property	> 4,300 s.f.	20 units
2	Single Family Detached Property	3,951 – 4,300 s.f.	37 units
3	Single Family Detached Property	3,601 – 3,950 s.f.	26 units
4	Single Family Detached Property	3,251 – 3,600 s.f.	23 units
5	Single Family Detached Property	2,901 – 3,250 s.f.	51 units
6	Single Family Detached Property	2,551 – 2,900 s.f.	107 units
7	Single Family Detached Property	<= 2,550 s.f.	15 units
8	Single Family Attached Property	> 1,800 s.f.	51 units
9	Single Family Attached Property	1,601 – 1,800 s.f.	85 units
10	Single Family Attached Property	<= 1,600 s.f.	8 units
11	Affordable Units – Moderate	NA	30 units
12	Affordable Units – Very Low	NA	12 units
13	Non-Residential Property	NA	0 Acres

3. Calculation of Special Tax A Buydown

If a Special Tax A Buydown calculation is required as a result of item 2, above, the CFD Administrator shall review the current development plan for CFD No. 06-1 in consultation with the current property owners for all remaining Undeveloped Property in CFD No. 06-1, and shall prepare an updated version of Tables 3 and 4 identifying the revised number of units or non-residential Acreage anticipated within each Land Use Class. The CFD Administrator shall not be responsible for any delays in preparing the updated Tables 3 and 4 that result from a refusal on the part of one or more current property owners of Undeveloped Property to provide information on their future development.

The CFD Administrator shall then review the updated Tables 3 and 4 and determine the Special Tax A Buydown Requirement, if any, to be applied to the property identified in the request for Letter of Compliance to assure the CFD's ability to collect Special Taxes equal to 110% debt service coverage on the Outstanding Bonds, plus the cost of annual CFD administration. The calculations shall be undertaken by the CFD Administrator as follows:

- Step 1. Compute the sum of the Maximum Special Tax A to be levied on all Developed Property and Update Property within CFD No. 06-1, plus the sum of the Maximum Special Tax A to be levied on all future development as identified in the current development plan as determined by the CFD Administrator in consultation with the property owner.
- Step 2. Determine the amount of Special Tax A required to provide 110% debt service coverage on the Outstanding Bonds, plus any other costs associated with the Special Tax Requirement for Facilities.
- 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 Special Tax A Buydown will be required and a Letter of Compliance shall immediately be issued by the CFD Administrator for all of the building permits currently being requested. If the total sum computed pursuant to step 1 is less than the amount computed pursuant to step 2, then continue to step 4.
- Step 4. Determine the Maximum Special Tax A shortfall by subtracting the total sum computed pursuant to step 1 from the amount computed pursuant to step 2. Divide this Maximum Special Tax A shortfall by the amount computed pursuant to step 2.
- Step 5. The Special Tax A Buydown Requirement shall be calculated using the prepayment formula described in Section I.1, with the following exceptions: (i) skip Paragraphs 1, 2 and 3, and begin with Paragraph 4; (ii) the Bond Redemption Amount in Paragraph 4 of the prepayment formula described in Section I.1 shall equal the product of the quotient computed pursuant to step 4 above times the Previously Issued Bonds, as defined in Section I.1; (iii) the Capitalized Interest Credit described in Paragraph 12 of Section I.1 shall be \$0; and (iv) any payments of the Special Tax A Buydown (less Administrative Fees and Expenses) shall be disbursed pursuant to the Indenture.

The Special Tax A Buydown computed under step 5 shall be billed directly to the property owner of each Assessor's Parcel identified in the request for Letter of Compliance and shall be due within 30 days of the billing date. If the Special Tax A Buydown is not paid within 45 days of the billing date, a delinquent penalty of 10 percent shall be added to the Special Tax A Buydown. Upon receipt of the Special Tax A Buydown payment, the CFD Administrator shall issue a Letter of Compliance and a Certificate of Satisfaction of Special Tax A Buydown for the subject property.

4. Costs and Expenses Related to Implementation of Special Tax A Buydown

The property owner of each Assessor's Parcel identified in the request for Letter of Compliance shall pay all costs of the CFD Administrator or other consultants required to review the application for building permits, calculate the Special Tax A Buydown, issue Letters of Compliance or any other actions required under Section D. Such payments shall be due 30 days after receipt of invoice by such property owner. A deposit may be required by the CFD Administrator prior to undertaking work related to the Special Tax A Buydown.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

1. Special Tax A

Commencing with Fiscal Year 2006-2007 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement for Facilities and shall levy the Special Tax A until the total Special Tax A levy equals the Special Tax Requirement for Facilities. The Special Tax A shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax A;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax A for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax A for Taxable Property Owner Association Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax A for Taxable Public Property.

2. Special Tax B

Commencing with Fiscal Year 2006-2007 and for each following Fiscal Year, the Council shall levy the Special Tax B until the total Special Tax B levy equals the Special Tax Requirement for Services. The Special Tax B shall be levied each Fiscal Year as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax B for Undeveloped Property.

F. EXEMPTIONS

1. Special Tax A Prior to Annexation of Future Annexation Area

No Special Tax A shall be levied on up to 0.13 Acres of Public Property and up to 31.01 Acres of Property Owner Association Property in Zone 1, and on up to 0.16 Acres of Public Property and up to 30.31 Acres of Property Owner Association Property in Zone 2. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Public Property and Property Owner Association Property within each Zone. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked.

Public Property or Property Owner Association Property that is not exempt from the Special Tax A under this section shall be subject to the levy of the Special Tax A and shall be taxed Proportionately as part of the third and fourth steps in Section E.1.

2. Special Tax A After Annexation of Future Annexation Area

No Special Tax A shall be levied on up to 0.20 Acres of Public Property and up to 32.80 Acres of Property Owner Association Property in Zone 1, and on up to 0.16 Acres of Public Property and up to 30.31 Acres of Property Owner Association Property in Zone 2. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Public Property and Property Owner Association Property within each Zone. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked.

Public Property or Property Owner Association Property that is not exempt from the Special Tax A under this section shall be subject to the levy of the Special Tax A and shall be taxed Proportionately as part of the third and fourth steps in Section E.1.

3. Special Tax B

No Special Tax B shall be levied on Public Property or Property Owner Association Property.

G. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on such landowner's or resident's Assessor's Parcel is in error may submit a written appeal to CFD No. 06-1. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified.

The Council may interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses and any landowner or resident appeals. Any decision of the Council shall be final and binding as to all persons.

H. MANNER OF COLLECTION

Special Tax A and Special Tax B will be collected in the same manner as ordinary *ad valorem* property taxes or in such other manner as the Council shall determine, including direct billing of the affected property owners. The Special Tax A Buydown shall be directly billed to the property owner at the time such Special Tax is being levied.

I. PREPAYMENT OF SPECIAL TAX A

The following additional definitions apply to this Section I:

"Buildout" means, for CFD No. 06-1, that all expected building permits have been issued.

"CFD Public Facilities" means either \$42,949,043 in 2006 dollars, which shall increase by the Construction Inflation Index on July 1, 2007, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 06-1 under the authorized bonding program for CFD No. 06-1, or (ii) shall be

determined by the City Council concurrently with a covenant that it will not issue any more CFD No. 06-1 Bonds (except refunding bonds) to be supported by the Special Tax for Facilities levy under this Rate and Method of Apportionment as described in Section D above.

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

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the cost of CFD Public Facilities.

"Improvement Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct CFD Public Facilities eligible under the Act.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

Only an Assessor's Parcel of Developed Property, or Taxable Property Owner Association Property, Taxable Public Property or Undeveloped Property for which a building permit has been issued, may be prepaid. The obligation of the Assessor's Parcel to pay the Special Tax for Facilities may be permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 06-1 Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax B may not be prepaid.

The Special Tax A Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total:	equals Special Tax A Prepayment Amount

As of the proposed date of prepayment, the Special Tax A Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, Taxable Property Owner Association Property, or Taxable Public Property for which a building permit has been issued, compute the Maximum Special Tax A for the current Fiscal Year applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax A for the current Fiscal Year applicable for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. Divide the Maximum Special Tax A computed pursuant to paragraph 2 by the total estimated Maximum Special Tax A for the entire CFD No. 06-1 based on the Developed Property Special Tax A which could be levied in the current Fiscal Year on all expected development through Buildout of CFD No. 06-1, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "*Redemption Premium*").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds.
9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax A Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "*Defeasance Amount*").

12. The administrative fees and expenses of CFD No. 06-1 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 06-1 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
13. If reserve funds for the Previously Issued Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Previously Issued Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "*Special Tax A Prepayment Amount*").

From the Special Tax for Facilities Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire CFD No. 06-1 Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 06-1.

The Special Tax for Facilities Prepayment Amount may be insufficient to redeem a full \$5,000 increment of CFD No. 06-1 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 06-1 Bonds or to make debt service payments.

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

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax A that may be levied on Taxable Property within CFD No. 06-1 (after excluding Public Property and Property Owner Association Property in Zone 1 and Zone 2 as set forth in Section F) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Previously Issued Bonds, plus the cost of annual CFD administration.

2. Prepayment in Part

The Special Tax A on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Special Tax A Prepayment Amount calculated according to Section I.1

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Special Tax A.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax A and the percentage by which the Special Tax A shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the Council shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of CFD No. 06-1 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section E.1.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax A that may be levied on Taxable Property within CFD No. 06-1 (after excluding Public Property and Property Owner Association Property in Zone 1 and Zone 2 as set forth in Section F) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Previously Issued Bonds, plus the cost of annual CFD administration.

J. TERM OF SPECIAL TAX

The Special Tax A shall be levied for a period not to exceed forty years commencing with Fiscal Year 2006-2007. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

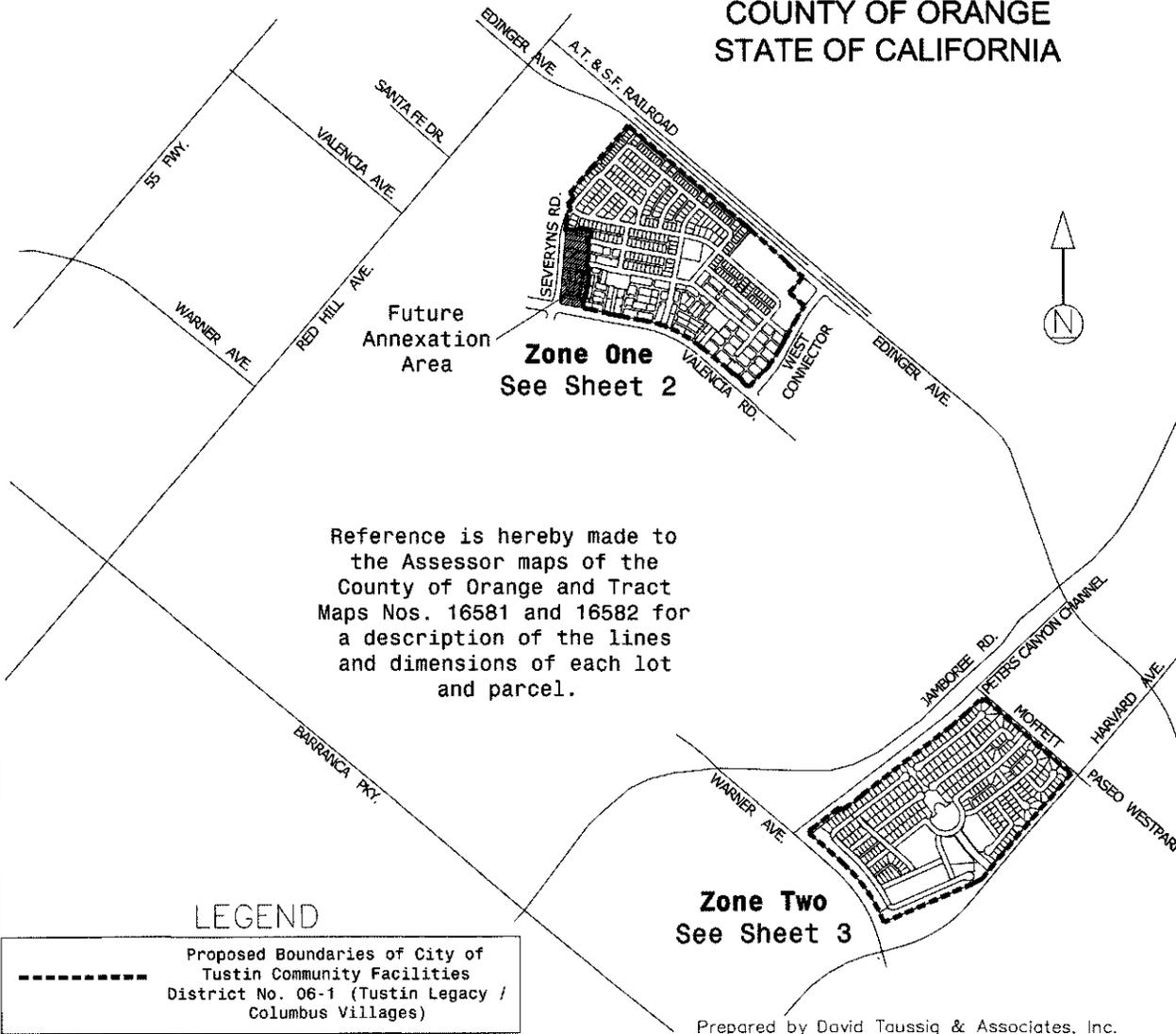
EXHIBIT A

AUTHORIZED SERVICES

The types of services proposed to be financed by CFD No. 06-1 are police protection services, fire protection services, ambulance and paramedic services, recreation program services, maintenance of parks, parkways and open space and flood and storm protection services.

EXHIBIT B
BOUNDARY MAP

PROPOSED BOUNDARIES OF
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY / COLUMBUS VILLAGES)
COUNTY OF ORANGE
STATE OF CALIFORNIA



(1) Filed in the office of the City Clerk of the City of Tustin this ____ day of _____, 2006.

Pamela Stoker, City Clerk

(2) I hereby certify that the within map showing the proposed boundaries of City of Tustin Community Facilities District No. 06-1 (Tustin Legacy / Columbus Villages), County of Orange, State of California, was approved by the City Council of the City of Tustin at a regular meeting thereof, held on the ____ day of _____, 2006, by its Resolution No. _____.

Pamela Stoker, City Clerk

(3) Filed this ____ day of _____, 2006, at the hour of ____ o'clock __m, in Book _____ of Maps of Assessment and Community Facilities Districts at page _____ and as Instrument No. _____ in the office of the County Recorder of the County of Orange, State of California.

Tom Daly
County Clerk-Recorder of County of Orange

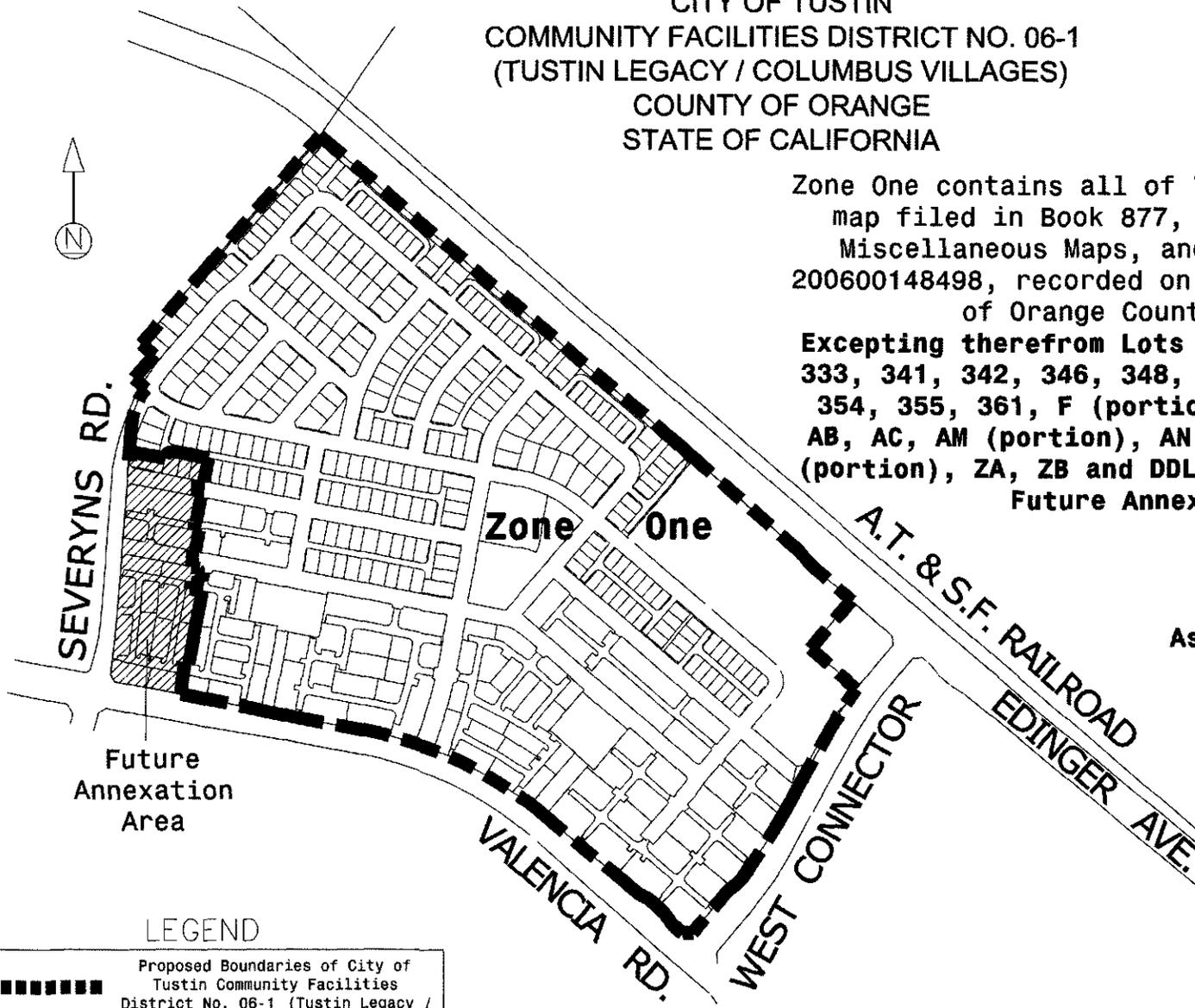
By _____
Deputy

Fee _____
Exempt recording requested, per
CA Government Code §6103

PROPOSED BOUNDARIES OF
CITY OF TUSTIN
COMMUNITY FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY / COLUMBUS VILLAGES)
COUNTY OF ORANGE
STATE OF CALIFORNIA

Zone One contains all of **Tract 16851** as shown on a map filed in Book 877, Pages 33 through 50 of Miscellaneous Maps, and as Instrument Number 200600148498, recorded on March 6, 2006 in Records of Orange County, California,
Excepting therefrom Lots 242, 243, 244, 245, 332, 333, 341, 342, 346, 348, 349, 350, 351, 352, 353, 354, 355, 361, F (portion), G (portion), Z, AA, AB, AC, AM (portion), AN, AO, AP, AQ, AR, BA, BB (portion), ZA, ZB and DDL which are in this CFD's Future Annexation Area.

- Assessor Parcel Numbers in
Zone One
(Columbus Square):
- 430-282-08
 - 430-282-18 (portion)
 - 430-282-19 (portion)
 - 434-061-22
 - 434-061-53
 - 434-061-54



LEGEND


 Proposed Boundaries of City of
 Tustin Community Facilities
 District No. 06-1 (Tustin Legacy /
 Columbus Villages)

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2010 Bonds, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2010 Bonds in substantially the following form:

[Date of Delivery]

City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)
300 Centennial Way
Tustin, California

City of Tustin
Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)
Special Tax Bonds, Series 2010
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) (the “Community Facilities District”) in connection with the issuance by the Community Facilities District of its Special Tax Bonds, Series 2010 (the “Series 2010 Bonds”), in the aggregate principal amount of \$1,675,000 issued pursuant to the Indenture, dated as of September 1, 2007, by and between the Community Facilities District and Union Bank of California, N.A. (now known as Union Bank, N.A.), as trustee (the “Trustee”), as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2010, by and between the Community Facilities District and the Trustee (as so amended and supplemented, the “Indenture”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, 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.

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. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the

Series 2010 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. 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 Series 2010 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 Series 2010 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, choice of venue, waiver or severability 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 Taxes levied upon any individual parcel. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2010 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2010 Bonds constitute valid and binding special obligations of the Community Facilities District, payable, as provided in the Indenture, solely from Net Special Tax Revenues and the 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 Series 2010 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, nor is it 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 Series 2010 Bonds.

Faithfully yours,

APPENDIX D

SUMMARY OF INDENTURE

The following is a brief summary of certain provisions of the Indenture. Additional provisions of the Indenture are summarized in the body of the Official Statement. This summary does not purport to be complete and is qualified in its entirety by reference to the Indenture.

Definitions

“Acquisition Account” means the account by that name within the Improvement Fund established and held by the Trustee pursuant to the Indenture.

“Acquisition Agreement” means the Acquisition and Funding Agreement, dated as of August 1, 2007, by and among the Community Facilities District, the City, Moffett Meadows Partners LLC, and Lennar Homes of California, Inc., as originally executed or as the same may be amended from time to time in accordance with its terms.

“Acquisition Project” means the portion of the Project described on Exhibit B to the Indenture under the caption “Acquisition Project.”

“Act” means the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311 *et seq.* of the California Government Code.

“Additional Bonds” means Bonds other than the Series 2010 Bonds and the Series 2007 Bonds issued under the Indenture in accordance with the provisions thereof.

“Administrative Expense Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Administrative Expenses” means costs directly related to the administration of the Community Facilities District, consisting of the costs of computing the Special Taxes and preparing the annual Special Tax schedules and the costs of collecting the Special Taxes, the costs of remitting the Special Taxes to the Trustee, the fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture, the costs incurred by the Community Facilities District in complying with the disclosure provisions of any continuing disclosure undertaking and the Indenture, including those related to public inquiries regarding the Special Tax and disclosures to Owners, the costs of the Community Facilities District related to an appeal of the Special Tax, any amounts required to be rebated to the federal government in order for the Community Facilities District to comply with its tax covenants, an allocable share of the salaries of the staff of the City providing services on behalf of the Community Facilities District directly related to the foregoing and a proportionate amount of general administrative overhead of the City related thereto, and the costs of foreclosure of delinquent Special Taxes.

“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 amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

“Appraised Value” means the value of all or any portion of the Taxable Property, as set forth in a Qualified Appraisal Report prepared by a Qualified Appraiser.

“Assessed Value” means, with respect to all or any portion of the Taxable Property, as of any date, the assessed value thereof, as such value is shown on the most recently equalized assessment roll.

“Auditor” means the auditor of the County of Orange.

“Authorized Representative” means, with respect to the Community Facilities District, the Finance Director of the City, and any other Person designated as an Authorized Representative of the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee.

“Available Special Taxes” means, for any Fiscal Year, the sum of (a) the amount of Maximum Special Taxes that may be levied for such Fiscal Year, pursuant to the Rate and Method and the Act, on all Taxable Property, less (b) the Projected Administrative Expenses in such Fiscal Year.

“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.

“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 the Indenture.

“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 Series 2007 Closing Date and end on September 1, 2007.

“Bonds” means the Series 2007 Bonds and the Series 2010 Bonds and any Additional Bonds.

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State of California, (b) a day on which banking institutions in the State of California, 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.

“Capitalized Interest Account” means the account by that name within the Bond Fund established and held by the Trustee pursuant to the Indenture.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“City ” means the City of Tustin, a general law city organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

“City Council” means the City Council of the City.

“Code” means the Internal Revenue Code of 1986.

“Community Facilities District” means City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages), a community facilities district organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

“Construction Account” means the account by that name within the Improvement Fund established and held by the Trustee pursuant to the Indenture.

“Construction Project” means the means the portion of the Project described on Exhibit B to the Indenture under the caption “Acquisition Project.”

“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 the Indenture.

“Developed Property” has the meaning ascribed thereto in the Rate and Method.

“District Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of November 1, 2010, 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, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“Federal Securities” means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of November 1, 2010, by and between the Community Facilities District and the Trustee.

“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 designated in a Written Certificate of the Community Facilities District delivered to the Trustee.

“Improvement Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Indenture” means the Indenture, 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 domination 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 Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2008, so long as any Bonds remain Outstanding.

“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 and by virtue of 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.

“Net Special Tax Revenues” means Special Tax Revenues, less amounts required to pay Administrative Expenses.

“Office of the Trustee” means the principal 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.

“ORA Ainsley” means ORA Ainsley Park 84, LLC, a limited liability company organized and existing under the laws of the State of Delaware, and its successors.

“ORA Ainsley Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of November 1, 2010, by and between ORA Ainsley and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“ORA Astoria” means ORA Astoria 60, LLC, a limited liability company organized and existing under the laws of the State of Delaware, and its successors.

“ORA Astoria Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of November 1, 2010, by and between ORA Astoria and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“ORA Mirabella” means ORA Mirabella 60, LLC, a limited liability company organized and existing under the laws of the State of Delaware, and its successors.

“ORA Mirabella Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of November 1, 2010, by and between ORA Mirabella and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Ordinance” means any ordinance adopted by the City Council levying the Special Taxes.

“Original Purchaser” means the original purchaser of the Series 2010 Bonds from the Community Facilities District.

“Other CFD Bonds” means, as of the date of determination, any and all bonds, notes or other evidences of indebtedness, other than the Bonds, then outstanding issued under the Act and payable at least partially from special taxes to be levied on parcels of Taxable Property.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture relating to disqualified Bonds, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the 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 the Indenture, including Bonds (or portions of Bonds) disqualified, and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“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.

“Payment Request” has the meaning ascribed to such term in the Acquisition Agreement.

“Permitted Investments” means the following, to the extent that such securities are otherwise eligible legal investments of the Community Facilities District:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand deposit accounts or time deposits (including certificates of deposit) in a federal or state chartered bank (including the Trustee and its affiliates) or a state licensed branch of a foreign bank or a state or federal association (as defined in Section 5102 of the California Financial Code), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated A1 or better by S&P, or (ii) such demand deposit accounts or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by S&P, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by S&P, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are rated A or better by S&P;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P;

(h) money market funds which are rated Am or better by S&P, including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(i) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution or corporation, the long-term unsecured obligations of which are or, in the case of an insurance company, the long term financial strength of which is, rated "AA-" or better by S&P at the time of initial investment; provided, that the investment agreement shall be subject to a downgrade provision with at least the following requirements:

(1) the agreement shall provide that within ten Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, or reduced below "AA-" by S&P (such events referred to as "rating downgrades") the financial institution shall give notice to the Community Facilities District and the Trustee and, within such ten-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the Community Facilities District or the Trustee Federal Securities with an aggregate current market value equal to at least 105% of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional Federal Securities as needed to maintain an aggregate current market value equal to at least 105% of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and

(2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A-" by S&P, the financial institution shall give notice of the downgrade to the Community Facilities District and the Trustee within five Business Days, and the Trustee may, upon five Business Days' written notice to the financial institution, withdraw all amounts invested pursuant to the investment agreement, with accrued but unpaid interest thereon to the withdrawal date, and terminate the agreement.

(j) repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; (ii) any broker-dealer with "retail customers" or a related affiliate thereof, which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors

Protection Corporation; or (iii) any other entity (or entity whose obligations are guaranteed by an affiliate or parent company) rated at least “A” by S&P and Moody’s, provided that:

(1) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

(2) the Trustee or a third party acting solely as agent therefor or for the Community Facilities District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(4) all other requirements of S&P and Moody’s in respect of repurchase agreements shall be met; and

(5) the repurchase agreement shall provide that if during its term the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3” respectively, the provider must immediately notify the Community Facilities District and Trustee and the provider must, at the direction of the Community Facilities District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Community Facilities District or Trustee.

“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.

“Project” means the facilities authorized to be financed by the Community Facilities District, as more particularly described in the Resolution of Formation.

“Projected Administrative Expenses” means (a) for Fiscal Year 2007-08, \$75,000 and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Projected Administrative Expenses on each July 1, from and including July 1 immediately following the end of the then current Fiscal Year to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.

“Qualified Appraisal Report” means a real estate appraisal report which (a) has been prepared by a Qualified Appraiser, (b) uses a date of value that is no earlier than three months prior to the date on which the value reported in such appraisal report is used in accordance with the provisions of the Indenture, (c) is prepared in accordance with the applicable standards of the Appraisal Institute for such reports, and (d) is prepared in accordance with the applicable guidelines of the California Debt and Investment Advisory Commission for such reports, as such guidelines are in effect on the respective closing date.

“Qualified Appraiser” means a real estate appraiser selected by the Community Facilities District and having an “MAI” designation from the Appraisal Institute.

“Rate and Method” means the rate and method of apportionment of the Special Taxes approved by the qualified electors of the Community Facilities District.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Rebate Requirement” has the meaning ascribed thereto in the Tax Certificate.

“Record Date” means the 15th calendar day of the month preceding each 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 the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Representation Letter” means the Letter of Representations from the Community Facilities District to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the Community Facilities District makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“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.

“Resolution of Formation” means Resolution No. 06-89, adopted by the City Council on July 17, 2006, 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 and by virtue of 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 pursuant to the Indenture, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2007 Bonds” means the City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2007 A, issued under the Indenture.

“Series 2007 Closing Date” means the date upon which the Series 2007 Bonds are delivered to the Original Purchaser, being September 6, 2007.

“Series 2010 Bonds” means the City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2010, issued under the First Supplemental Indenture.

“Series 2010 Closing Date” means the date upon which the Series 2010 Bonds are delivered to the Original Purchaser, being November 17, 2010.

“Series 2010 District Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of November 1, 2010, 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.

“Series 2010 Original Purchaser” means the original purchaser of the Series 2010 Bonds from the Community Facilities District.

“Series 2010 Participating Underwriter” has the meaning ascribed thereto in the Series 2010 District Continuing Disclosure Agreement and the Series 2010 Developer Continuing Disclosure Agreement.

“Series 2010 Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Series 2010 Rebate Requirement” has the meaning ascribed thereto in the Series 2010 Tax Certificate.

“Series 2010 Tax Certificate” means the Tax Certificate executed by the Community Facilities District at the time of issuance of the Series 2010 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.

“Special Tax Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“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 described in the Rate and Method as “Special Tax A” levied within the Community Facilities District pursuant to the Act, the Ordinance and the Indenture.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Taxable Property” has the meaning ascribed thereto in the Rate and Method.

“Tax Certificate” means the Tax Certificate executed by the Community Facilities District at the time of issuance of the Series 2010 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.

“Trustee” means Union Bank of California, N.A., a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

“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

Transfer and Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond 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 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 Bond 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 Bond 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 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.

Registration Books. The Trustee will 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 as provided in the Indenture.

Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Community Facilities District, shall be in fully registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Community Facilities District and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Community Facilities District issues temporary Bonds of a Series it shall execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series and maturities in authorized denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered under the Indenture.

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 like tenor and Series 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 delivered to, or upon the order of, the Community Facilities District. 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 like tenor and Series 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 and of the expenses which may be incurred by the Community Facilities District and the Trustee. Any Bond of a Series issued 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 the Indenture with all other Bonds of such Series secured by the Indenture.

Book-Entry Bonds. (a) 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 shall be in the form of a separate single fully registered Bond (which may be typewritten). The Series 2010 Bonds shall initially be issued as Book-Entry Bonds.

Except as provided in (c), the registered Owner of all of the Book-Entry Bonds shall be DTC and the Book-Entry Bonds shall be registered in the name of Cede & Co., as nominee of DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Book-Entry Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the payment date for the Book-Entry Bonds at the address indicated on the Record Date for Cede & Co. in the Registration Books or as otherwise provided in the Representation Letter.

(b) The Trustee and the Community Facilities District may treat DTC (or its nominee) as the sole and exclusive Owner of the Book-Entry Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Book-Entry Bonds, selecting the Book-Entry Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, registering the transfer of Book-Entry Bonds, obtaining any consent or other action to be taken by Owners of Book-Entry Bonds and for all other purposes whatsoever, and neither the Trustee nor the Community Facilities District shall be affected by any notice to the contrary. Neither the Trustee nor the Community Facilities District shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Book-Entry Bonds under or through DTC or any Participant, or any other person which is not shown on the Registration Books as being an Owner, with respect to the accuracy of any records maintained by DTC or any Participant, the payment by DTC or any Participant of any amount in respect of the principal, premium, if any, or interest with respect to the Book-Entry Bonds, any notice which is permitted or required to be given to Owners of Book-Entry Bonds under the Indenture, the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Book-Entry Bonds, or any consent given or other action taken by DTC as Owner of Book-Entry Bonds. The Trustee shall pay all principal, premium, if any and interest with respect to the Book-Entry Bonds, only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Community Facilities Districts obligations with respect to the principal, premium, if any, and interest with respect to the Book-Entry Bonds to the extent of the sum or sums so paid. Except under the conditions of (c),

no person other than DTC shall receive an executed Book-Entry Bond for each separate stated maturity. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to record dates, the term “Cede & Co.” in the Indenture shall refer to such new nominee of DTC.

(c) In the event (i) DTC, including any successor as securities depository for a Series of Bonds, determines not to continue to act as securities depository for such Series of Bonds, or (ii) the Community Facilities District determines that the incumbent securities depository shall no longer so act as securities depository for such Series of Bonds, and delivers a written certificate to the Trustee to that effect, then the Community Facilities District will discontinue the book-entry system with the incumbent securities depository for such Series of Bonds. If the Community Facilities District determines to replace the incumbent securities depository for such Series of Bonds with another qualified securities depository, the Community Facilities District shall prepare or direct the preparation of a new single, separate fully registered Bond of such Series for the aggregate outstanding principal amount of Bonds of such Series of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the Community Facilities District, the Trustee and the successor securities depository for the Bonds of such Series as are not inconsistent with the terms of the Indenture. If the Community Facilities District fails to identify another qualified successor securities depository for such Series of Bonds to replace the incumbent securities depository, then the Bonds of such Series shall no longer be restricted to being registered in the Registration Books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for such Series of Bonds, or its nominee, shall designate. In such event the Community Facilities District shall execute, and deliver to the Trustee, a sufficient quantity of Bonds of such Series to carry out the transfers and exchanges provided in the Indenture. All such Bonds of such Series shall be in fully registered form in denominations authorized by the Indenture.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Book-Entry Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest with respect to such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Owners of Book-Entry Bonds pursuant to the Indenture by the Community Facilities District or the Trustee with respect to any consent or other action to be taken by Owners, the Community Facilities District or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Additional Bonds

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 2007 Bonds and the Series 2010 Bonds) payable from Net Special Tax Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for

the purpose of (i) providing funds to pay costs of the Project, (ii) providing funds to refund any Bonds issued under the Indenture, (iii) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (iv) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (6) below;

(ii) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(iii) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (i) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on September 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on September 1, (ii) the Additional Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, 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 and the interest shall be payable thereafter semiannually on March 1 and September 1, (iii) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (iv) 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;

(iv) The redemption premiums and terms, if any, for such Additional Bonds;

(v) The form of such Additional Bonds;

(vi) The amount to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Fund; provided, that the Reserve Fund shall be increased at the time that such Additional Bonds become Outstanding to an amount at least equal to the Reserve Requirement, and an amount at least equal to the Reserve Requirement shall thereafter be maintained in the Reserve Fund; and

(vii) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(b) Upon the issuance of such Additional Bonds, the Community Facilities District shall be in compliance with all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by it; and

(c) The Community Facilities District shall have received a certificate from one or more Independent Consultants, which, taken together, certify that:

(1) on the basis of the parcels of land and improvements existing in the Community Facilities District as of the January 1 preceding the proposed issuance of such Additional Bonds, for each Fiscal Year that Bonds will be Outstanding, the amount of the Available Special Taxes that may be levied on all Taxable Property in such Fiscal Year is at least equal to 110% of Annual Debt Service for the Corresponding Bond Year

on all Outstanding Bonds; provided, however, that there shall be excluded from such calculation any Available Special Taxes levied or that may be levied on any parcel of Taxable Property that, as of the date of such certificate, is in default in the payment of any Special Taxes levied thereon; and

(2) the sum of (A) the Assessed Value of parcels of Taxable Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Taxable Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least three times the sum of (I) the aggregate principal amount of Outstanding Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Taxable Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Taxable Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, if such Additional Bonds are to be issued solely for the purpose of providing funds to refund any Outstanding Bonds issued hereunder and, upon such issuance, Annual Debt Service in each Bond Year, calculated for all Bonds to be Outstanding after the issuance of such Additional Bonds, shall be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds Outstanding immediately prior to the issuance of such Additional Bonds, then the receipt of such certificate or certificates shall not be a condition precedent to the issuance of such Additional Bonds.

Nothing contained in the Indenture 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 under the Indenture 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 under the Indenture 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) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Community Facilities District as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the 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 of

California), (ii) such Additional Bonds constitute valid and binding special obligations of the Community Facilities District payable solely from Net Special Tax Revenues as provided in the Indenture 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 of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) The proceeds of the sale of such Additional Bonds; and

(e) Such further documents or money as are required by the provisions of the Indenture 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 Net Special Tax Revenues on a parity with the Bonds. So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any obligations payable from Net Special Tax Revenues on a basis senior or subordinate to the Bonds.

Funds and Accounts

Costs of Issuance Fund. The Trustee shall reopen and reestablish the Costs of Issuance Fund. On the Series 2010 Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the First Supplemental Indenture.

On the last Business Day that is no later than six months after the Series 2010 Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Construction Account and, upon making such transfer, the Costs of Issuance Fund shall be closed.

Improvement Fund. The Trustee shall establish and maintain a separate fund designated the "Improvement Fund." Within the Improvement Fund, the Trustee shall establish and maintain a separate account designated the "Acquisition Account" and a separate account designated the "Construction Account."

The moneys in the Acquisition Account shall be used and withdrawn by the Trustee from time to time to pay the costs of the Acquisition Project upon submission to the Trustee 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 constitutes a cost of the Acquisition Project and is a proper charge against the Acquisition Account, (v) that such amounts have not been the subject of a prior disbursement from the Acquisition Account, and (vi) whether or not such costs of the Acquisition Project are to be paid pursuant to a Payment Request submitted in accordance with the Acquisition Agreement, in each case together with a statement or invoice for each amount requested under the Indenture. If costs of the Acquisition Project are to be paid pursuant to a Payment Request submitted in accordance with the Acquisition Agreement, a duplicate original of the signed and approved Payment Request relating to such costs of the Acquisition Project, together with all exhibits and attachments thereto, must accompany such Written Request of the Community Facilities District.

Upon the filing of a Written Certificate of the Community Facilities District stating (i) that the portion of the Acquisition Project to be financed from the Acquisition Account has been completed and that all costs of such Acquisition Project have been paid, or (ii) that such portion of the Acquisition Project has been substantially completed and that all remaining costs of such portion of the Acquisition Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Acquisition Account (less any such retention) is equal to or greater than \$25,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Redemption Fund, to be applied to the redemption of Bonds, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Acquisition Account (less any such retention) to the Bond Fund, to be applied to the payment of interest on the Bonds; provided, however, that if so specified in a Written Request of the Community Facilities District, all or a portion of said remaining amount shall be transferred to the Construction Account.

The moneys in the Construction Account shall be used and withdrawn by the Trustee from time to time to pay the costs of the Construction Project upon submission to the Trustee 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 constitutes a cost of the Construction Project and is a proper charge against the Construction Account, and (v) that such amounts have not been the subject of a prior disbursement from the Construction Account.

The Trustee shall make all payments requested pursuant to this Section by check or wire transfer in accordance with the payment instructions contained in such Written Request of the Community Facilities District or any schedule or invoice submitted with such Written Request. The Trustee shall have no duty or obligation to authenticate such payment instructions.

Upon the filing of a Written Certificate of the Community Facilities District stating (i) that the portion of the Construction Project to be financed from the Construction Account has been completed and that all costs of such Construction Project have been paid, or (ii) that such portion of the Construction Project has been substantially completed and that all remaining costs of such portion of the Construction Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Construction Account (less any such retention) is equal to or greater than \$25,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Redemption Fund, to be applied to the redemption of Bonds, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Construction Account (less any such retention) to the Bond Fund, to be applied to the payment of interest on the Bonds; provided, however, that if so specified in a Written Request of the Community Facilities District, all or a portion of said remaining amount shall be transferred to the Acquisition Account.

Special Tax Fund. The Trustee shall establish and maintain a separate fund designated the “Special Tax Fund.” As soon as practicable after the receipt by the Community Facilities District of any Special Tax Revenues, but in any event no later than the date ten Business Days prior to the Interest Payment Date after such receipt, the Community Facilities District shall transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, however, that any portion of any such Special Tax Revenues that represents prepaid Special Taxes that are to be applied to the payment of the Redemption Price of Bonds in accordance with the provisions of the Indenture shall be identified to the Trustee as such by the Community Facilities District and shall be deposited in the Redemption Fund.

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.

On the Business Day immediately preceding each Interest Payment Date, after having made any requested transfer to the Administrative Expense Fund, the Trustee shall withdraw from the Special Tax Fund and transfer, first, to the Bond Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Bond Fund to be equal to the principal and interest due on the Bonds on such Interest Payment Date, and, second, to the Reserve Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement.

Bond Fund. (a) 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 “Capitalized Interest Account.” The Trustee shall deposit in the Bond Fund from time to time the amounts required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Bond Fund and the Capitalized 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.

(b) In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, 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 Bond Fund.

(c) On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds. On each Interest Payment Date certain amounts set forth in the Indenture shall be transferred from the Capitalized Interest Account to the Bond Fund. Any amount remaining in the Capitalized Interest Account after a specified date set forth in the Indenture, shall, unless otherwise provided in a Supplemental Indenture, be transferred to the Bond Fund. There shall additionally be transferred from the Capitalized Interest Account to the Bond Fund the amounts required to be so transferred under any Supplemental Indenture.

Redemption Fund. The Trustee shall establish and maintain a special fund designated the “Redemption Fund.” As soon as practicable after the receipt by the Community Facilities District of prepaid Special Taxes, but in any event not later than ten Business Days after such receipt, the Community Facilities District shall transfer such prepaid Special Taxes to the Trustee for deposit in the Redemption Fund. Additionally, the Trustee shall deposit in the Redemption Fund amounts received from the Community Facilities District in connection with the Community Facilities District’s exercise of its rights to optionally redeem Series 2010 Bonds and any other amounts required to be deposited therein pursuant to the Indenture or pursuant to any Supplemental Indenture.

Amounts in the Redemption Fund shall be disbursed therefrom for the payment of the Redemption Price of Series 2010 Bonds and to pay the Redemption Price of Additional Bonds redeemed under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Reserve Fund. The Trustee shall establish and maintain a special fund designated the “Reserve Fund.” 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 below, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any

deficiency at any time in the Bond Fund of the amount then required for payment of the principal of and interest on the Bonds or for the purpose of redeeming Bonds. Transfers shall be made from the Reserve Fund to the Bond Fund in the event of a deficiency in the Bond Fund, in accordance with the Indenture.

So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Fund in excess of the Reserve Requirement on September 2 of each year shall be withdrawn from the Reserve Fund by the Trustee and shall be deposited in the Bond Fund. Notwithstanding the foregoing before any such deposit shall be made, such amount shall be available for the payment of any rebate that may be owed under the Code, as specified in a Written Request of the Community Facilities District delivered to the Trustee.

Whenever the balance in the Reserve Fund 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, upon receipt of a Written Request of the Community Facilities District, transfer the amount in the Reserve Fund to the Bond Fund 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.

Whenever Bonds are to be redeemed, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the Business Day prior to the date on which such Bonds are to be redeemed, be transferred by the Trustee from the Reserve Fund to the Redemption Fund 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 \$5,000 that is not larger than the amount equal to the product of (a) the amount on deposit in the Reserve Fund on the date five Business Days prior to the date notice of redemption of such Bonds is required to be given pursuant to the provisions of the Indenture, times (b) 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.

Series 2010 Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Series 2010 Rebate Fund." There shall be deposited in the Series 2010 Rebate Fund such amounts as are required to be deposited therein pursuant to the Series 2010 Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Series 2010 Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Series 2010 Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Series 2010 Bonds pursuant to the Indenture or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Series 2010 Rebate Fund shall be governed exclusively by this Section and by the Series 2010 Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows 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 Series 2010 Tax Certificate. The Trustee may conclusively rely upon the Community Facilities District's determinations, calculations and certifications required by the Series 2010 Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District's calculations.

(b) Any funds remaining in the Series 2010 Rebate Fund after payment in full of all of the Series 2010 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.

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 amounts transferred from the Special Tax Fund and required to be deposited therein pursuant to the Indenture.

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 (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred and that such purpose constitutes an Administrative Expense, (d) that such payment is a proper charge against the Administrative Expense Fund, and (e) 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 under the Indenture.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Community Facilities District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee 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 the 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; 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 timely written direction from the Community Facilities District, the Trustee shall invest any funds held by it in Permitted Investments described in clause (h) of the definition thereof.

Subject to certain provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Capitalized Interest Account and the Reserve Fund) shall be retained therein. Subject to certain provisions of the Indenture, all interest, profits or other income received from the investment of moneys in the Capitalized Interest Account shall be transferred to the Acquisition Account. Subject to such same provisions, 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, be transferred to the Acquisition Account and, thereafter, shall be deposited in the Bond Fund; 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 the 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 shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15. The Trustee may utilize and rely upon securities pricing services available to it for such valuations, including those available through the Trustee’s accounting system.

The Trustee or an affiliate 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 is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle

moneys in any of the funds and accounts established under the Indenture. The Community Facilities District acknowledges that 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, 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 cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Certain 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 Orange 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 by each August 10 that the Bonds are Outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Community Facilities District 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 Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Community Facilities District shall fix and levy the amount of Special Taxes within the Community Facilities District 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 sufficient to yield the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Bond Year commencing in such Fiscal Year, the amount required for any necessary replenishment of the Reserve Fund and the amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in the funds and accounts established under the Indenture.

The 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, 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.

Foreclosure. Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants with and for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than August 15 of each year, whether or not any owners of property within the Community Facilities District are delinquent in the payment of Special Taxes and, if such delinquencies exist, the Community Facilities District will order and cause to be commenced no later than October 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due; provided, however, that the Community Facilities District shall not be required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the Community Facilities District for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. Notwithstanding the foregoing, if the Community Facilities District determines that any single property owner in the Community Facilities District is delinquent in excess of \$5,000 in the payment of the Special Tax, then the

Community Facilities District will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

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 the Indenture, according to the true intent and meaning thereof, but only out of Net Special Tax Revenues and other assets pledged for such payment as provided in the 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 under the Indenture, to the benefits of the 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 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. The Community Facilities District shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Special Tax Revenues and other assets pledged under the Indenture while any of the Bonds are Outstanding, except as permitted by the Indenture.

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 the 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 a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

Series 2010 Tax Covenants. (a) 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 2010 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 Series 2010 Tax Certificate, which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Series 2010 Bonds.

(b) 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 as may be necessary in accordance with such instructions.

(c) 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 2010 Bonds, the Trustee may conclusively rely on such

opinion in complying with the requirements of this Section and of the Series 2010 Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Continuing Disclosure. (a) Each of the Community Facilities District and the Trustee shall comply with and carry out all of the provisions of the Series 2010 District Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of the Indenture, failure of the Community Facilities District or the Trustee to comply with the Series 2010 District Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of the Series 2010 Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2010 Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2010 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

(b) ORA Ainsley and the Trustee have entered into the ORA Ainsley Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of ORA Ainsley or the Trustee to comply with the ORA Ainsley Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of the Series 2010 Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2010 Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2010 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

(c) ORA Astoria and the Trustee have entered into the ORA Astoria Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of ORA Astoria or the Trustee to comply with the ORA Astoria Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of the Series 2010 Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2010 Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2010 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

(d) ORA Mirabella and the Trustee have entered into the ORA Mirabella Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of ORA Mirabella or the Trustee to comply with the ORA Mirabella Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of the Series 2010 Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2010 Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2010 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Non-Cash Payments of Special Taxes. The Community Facilities District shall not authorize owners of taxable parcels within the Community Facilities District 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 or referendum measure is proposed 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.

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 the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default; Remedies

Events of Default. The following events shall be Events of Default:

(a) 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.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Community Facilities District to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 60 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 the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the Community Facilities District the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Community Facilities District within such 60 day period and the Community Facilities District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Community Facilities District or the City shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Foreclosure. If any Event of Default shall occur 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 Community Facilities District with delinquent Special Taxes, as provided in Section 53356.1 of the Act; provides, however, that the Trustee need not Commence any such foreclosure if such foreclosure has been commenced by the Community Facilities District.

Other Remedies. If an Event of Default shall have occurred, the Trustee shall have the right:

(a) 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 the 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 the Indenture and the Act;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Trustee's or Bond Owner's rights; or

(c) 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.

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Special Tax Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds 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 the Indenture;

(b) To the payment of the principal of 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 the 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.

(c) Any remaining funds shall be transferred by the Trustee to the Special Tax Fund.

Power of Trustee to Enforce. All rights of action under the 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 the Indenture.

Bond Owners Direction of Proceedings. Anything in the 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 reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and 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 Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds 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 the Indenture, the Act or any other applicable law with respect to such Bonds, 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 granted before the Indenture 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 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 declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation. Nothing in any other provision of the Indenture or in 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 of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Net Special Tax Revenues and other assets pledged therefor and received by the Community Facilities District or the Trustee, 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 Bond 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 Bond Owners, then in every such case the Community Facilities District, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Community Facilities District, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Trustee or to the Owners of the Bonds 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 under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Duties and Liabilities of Trustee. (a) *Duties of Trustee Generally.* 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 the 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 the 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.

(b) *Removal of Trustee.* The Community Facilities District may upon 30 days prior written notice remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if 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 if at any time the Trustee shall cease to be eligible in accordance with (e), 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 and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) *Resignation of 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 Bond Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Community Facilities District shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) *Appointment of Successor Trustee.* 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 under any circumstances the successor Trustee shall be qualified as provided in (e). If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond 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 the 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 after payment by the Community Facilities District of all unpaid fees and expenses of the predecessor Trustee, then 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 in the Indenture; 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 the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Trustee, the Community Facilities District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Community Facilities District shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to each

rating agency which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Community Facilities District fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Community Facilities District.

(e) *Qualifications of Trustee.* The Trustee shall be a trust company 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 bank or trust company 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 federal or state agency. If such bank or trust company 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 bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under the Indenture shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. (a) The recitals of facts in the Indenture 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 make any representations as to the validity or sufficiency of the Indenture or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated therein in connection with the respective duties or obligations therein 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. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the 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 the Indenture. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the 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 Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(b) 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.

(c) 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 the Indenture.

(d) No provision of the Indenture shall require the Trustee to risk or advance its own funds. The Trustee may execute any of its powers or duties under the Indenture 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.

(e) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

(f) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement or any other disclosure material prepared or distributed with respect to the Bonds.

Right to Rely on Documents. 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. The Trustee may consult with counsel, who may be counsel of or 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 under the Indenture in good faith and in accordance therewith.

Whenever in the administration of the duties imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) 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 the 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.

Amendments to Indenture

Amendments Permitted. (a) The Indenture and the rights and obligations of the Community Facilities District, the Owners of the Bonds and the Trustee 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 with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, reduce the amount of principal thereof or the rate of interest thereon, alter the redemption provisions thereof or extend the time of payment thereof, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Net Special Tax Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Net Special Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners of the Bonds 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 Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Community Facilities District in the 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 in the Indenture reserved to or conferred upon the Community Facilities District;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) 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 the Indenture;

(iv) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(v) to modify, amend or supplement the Indenture in such manner as 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

(vi) 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 interests of the Bond Owners under the Indenture.

(c) 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 of the Bonds 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, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Community Facilities District, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture 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 the Indenture for any and all purposes.

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 therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Net Special Tax Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Community Facilities District to the

Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and 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 to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds 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 the Indenture required or contemplated to be kept, performed and observed by the Community Facilities District or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Community Facilities District under the Indenture shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the 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 the Bonds 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 the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Community Facilities District.

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 Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds 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 the Indenture if (a) 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 the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance therewith, (b) there shall have been deposited with the Trustee either (i) money in an amount which shall be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds 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 Bonds, which sufficiency shall be verified in a report of an independent firm of nationally recognized certified public accountants, and (c) in the event such Bonds are not by their 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 owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid 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 Bonds.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, shall be repaid to the Community Facilities District free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Community Facilities District as aforesaid, the Trustee may (at the cost of the Community Facilities District) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Community Facilities District of the moneys held for the payment thereof.

Miscellaneous

Special Obligations. All obligations of the Community Facilities District under the Indenture shall be special obligations of the Community Facilities District, payable solely from Special Tax Revenues and the other assets pledged therefor under the Indenture; provided, however, that all obligations of the Community Facilities District under the Bonds shall be special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth in the Indenture), the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Successor Is Deemed Included in All References to Predecessor. Whenever in the 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 the Indenture contained 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 the 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 of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein 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 of the Bonds.

Severability of Invalid Provisions. If any one or more of the provisions contained in the 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 the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained therein.

Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in Person or by an agent or agents duly appointed in writing.

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 the Indenture, 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 if the pledgee shall establish to the satisfaction of 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. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

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 of the Bonds entitled thereto, subject, however, to the provisions of the Indenture relating to defeasance but without any liability for interest thereon.

Payment on Non-Business Days. In the event any payment is required to be made under the Indenture on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

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 contained in the Indenture shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Conflict with Act. In the event of any conflict between any provision of the Indenture and any provision of the Act, the provision of the Act shall prevail over the provision of the Indenture.

Governing Laws. The Indenture shall be governed by and construed in accordance with the laws of the State of California.

Effect of First Supplemental Indenture. The First Supplemental Indenture and all of the terms and provisions therein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented thereby. If there shall be any conflict between the terms of the First Supplemental Indenture and the terms of the Indenture (as in effect on the day prior to the effective date of this First Supplemental Indenture), the terms of the First Supplemental Indenture shall prevail.

APPENDIX E

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of November 1, 2010, is by and between CITY OF TUSTIN COMMUNITY FACILITIES DISTRICT NO. 06-1 (TUSTIN LEGACY/COLUMBUS VILLAGES), a community facilities district organized and existing under the laws of the State of California (the “Community Facilities District”), and UNION BANK, N.A. (formerly known as Union Bank of California, N.A.), a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”).

WITNESSETH:

WHEREAS, pursuant to the Indenture, dated as of September 1, 2007, by and between the Community Facilities District and the Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2010, by and between the Community Facilities District and the Trustee (as so amended and supplemented, the “Indenture”), the Community Facilities District has issued the City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2010 (the “Series 2010 Bonds”) in the aggregate principal amount of \$1,675,000; 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 2010 Bonds and in order to assist the underwriter of the Series 2010 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture. In addition, the following capitalized terms shall have the following meanings:

“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 eight months after the end of the Community Facilities District’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“Disclosure Representative” means the Finance Director of the City of Tustin, or such other officer, employee or agent of the Community Facilities District as the Community Facilities District shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means the Trustee, 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.

“EMMA System” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Listed Events” means any of the events listed in Section 4(a) hereof.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” means the Official Statement, dated October 28, 2010, relating to the Series 2010 Bonds.

“Participating Underwriter” means Stone & Youngberg LLC.

“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.

Section 2. Provision of Annual Reports. (a) The Community Facilities District shall, or, upon furnishing the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2009-10 fiscal year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and 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 not available by that date. If the Community Facilities District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under subsection (e) of Section 4 hereof.

(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 inquire 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 send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Community Facilities District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was so provided.

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 2010 Bonds Outstanding as of the September 30 next preceding the Annual Report Date.

(ii) The principal amount of 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 Construction Account and the Acquisition Account, as of the September 30 next preceding the Annual Report Date.

(v) The total assessed value of all parcels within the Community Facilities District on which the Special Taxes are levied, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g. "below 3:1", "3:1 to 4:1" etc.).

(vi) The Special Tax delinquency rate for all parcels within the Community Facilities District on which the Special Taxes are levied, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of parcels within the Community Facilities District on which the Special Taxes are levied and which are delinquent in payment of Special Taxes, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the Community Facilities District; provided, however, that parcels with aggregate delinquencies of \$2,500 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 Community Facilities District on which the Special Taxes are levied and a summary of the results of any foreclosure sales as of the September 30 next preceding the Annual Report Date.

(viii) The identity of any property owner representing more than 5% of the annual Special Tax levy who is delinquent in payment of such Special Taxes, as shown on the assessment roll of the Orange County Assessor last equalized prior to the September 30 next preceding the Annual Report Date.

(ix) A land ownership summary listing property owners responsible for more than 5% of the annual Special Tax levy, as shown on the assessment roll of the Orange County Assessor last equalized prior to the December next preceding the Annual Report Date.

In addition to any of the information expressly required to be provided under paragraphs (a) and (b), above, 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, which have been submitted to the MSRB through the EMMA System. 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 2010 Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or uncheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Community Facilities District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (e) of this Section.

(c) As soon as practicable based on the time needed to discover the occurrence of a Listed Event and to assess the materiality thereof, the Community Facilities District shall, if the Community Facilities District has determined that the occurrence of such Listed Event would be material under applicable Federal securities law, notify the Dissemination Agent thereof in writing and instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) of this Section.

(d) If in response to a request under subsection (b) of this Section, the Community Facilities District determines that the Listed Event would not be material under applicable Federal securities law, the Community Facilities District shall so notify the Trustee in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e) of this Section.

(e) If the Dissemination Agent has been instructed by the Community Facilities District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in paragraphs (viii) and (ix) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2010 Bonds pursuant to the Indenture.

Section 5. 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 2010 Bonds. If such termination occurs prior to the final maturity of the Series 2010 Bonds, the Community Facilities District shall give notice of such termination in the same manner as for a Listed Event under subsection (e) of Section 4 hereof.

Section 6. 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. The Dissemination Agent shall have no duty to prepare the Annual Report. The Dissemination Agent shall be paid compensation by the Community Facilities District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, as agreed to between the Dissemination Agent and the Community Facilities District, and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 7. 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 obligations of the Trustee hereunder), 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 Sections 2(a), 3 or 4(a) 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 2010 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Series 2010 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.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial statements or information, in order to provide information to investors to enable them to evaluate the ability of the Community Facilities District to meet its obligations, including its obligation to pay debt service on the Series 2010 Bonds. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be given in the same manner as for a Listed Event under subsection (e) of Section 4 hereof.

Section 8. 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 of occurrence of a Listed Event, 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 of occurrence of a Listed Event 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.

Section 9. 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% aggregate principal amount of Outstanding Series 2010 Bonds, shall), or any Owner or Beneficial Owner of the Series 2010 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 10. 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. 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 hereunder as are specifically set forth in this Disclosure Agreement, and the Community Facilities District agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct. The obligations of the Community Facilities District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2010 Bonds.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Series 2010 Bonds, and shall create no rights in any other person or entity.

Section 12. 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 TUSTIN COMMUNITY
FACILITIES DISTRICT NO. 06-1
(TUSTIN LEGACY/COLUMBUS
VILLAGES)**

By: _____

UNION BANK, N.A., AS TRUSTEE

By: _____
Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)

Name of Bond Issue: City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2010

Date of Issuance: November 17, 2010

NOTICE IS HEREBY GIVEN that City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) (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 November 1, 2010, by and between the Community Facilities District and Union Bank, N.A., as Trustee. [The Community Facilities District anticipates that the Annual Report will be filed by _____, 20__.]

Dated: _____

UNION BANK, N.A., as Trustee, on behalf of
the City of Tustin Community Facilities
District No. 06-1 (Tustin Legacy/Columbus
Villages)

By: _____
Authorized Signatory

cc: City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)

FORM OF DEVELOPER CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of November 1, 2010, is by and between _____, a Delaware limited liability corporation (the “Developer”) and UNION BANK, N.A. (formerly known as Union Bank of California, N.A.), a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Trustee”).

W I T N E S S E T H :

WHEREAS, pursuant to the Indenture, dated as of September 1, 2007, by and between the Community Facilities District and the Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of November 1, 2010, by and between the Community Facilities District and the Trustee (as so amended and supplemented, the “Indenture”), the Community Facilities District has issued the City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2010 (the “Series 2010 Bonds”) in the aggregate principal amount of \$1,675,000; and

WHEREAS, the Series 2010 Bonds are payable from and secured by special taxes levied on certain of the real property within the Community Facilities District;

WHEREAS, the Developer is developing a portion of the property within the Community Facilities District; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Developer and the Trustee for the benefit of the Owners and Beneficial Owners of the Series 2010 Bonds;

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture. In addition, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Disclosure Representative” means any officer as the Developer, its General Partner or any Managing Member shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means the Trustee, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Trustee a written acceptance of such designation.

“EMMA System” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“First Report Date” means the date in each year that is four months after the end of the Developer’s fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

“Listed Events” means any of the events listed in Section 4(a) hereof.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto.

“Official Statement” means the Official Statement, dated October 28, 2010, relating to the Series 2010 Bonds.

“Participating Underwriter” means Stone & Youngberg LLC.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the real property within the boundaries of the District that is not exempt from the Special Taxes.

“Property Owner” means any Person that owns a fee interest in any Property.

“Report Date” means, as applicable, the First Report Date or the Second Report Date.

“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.

“Second Report Date” means the date in each year that is ten months after the end of the Developer’s fiscal year, which date, as of the date of this Disclosure Agreement, is October 1.

“Semi-Annual Report” means any Semi-Annual Report provided by the Developer pursuant to, and as described in, Sections 2 and 3 hereof.

Section 2. Provision of Semi-Annual Reports. (a) The Developer shall, or, upon furnishing the Semi-Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, provide to the MSRB through the EMMA System, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, a Semi-Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Report Date, commencing April 1, 2011. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 hereof.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Semi-Annual Report to the MSRB, the Developer shall provide the Semi-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 Semi-Annual Report, the Trustee shall contact the Disclosure Representative and the Dissemination Agent to inquire if the Developer is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that a Semi-Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall send a notice to the MSRB through the EMMA System, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Semi-Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Developer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was so provided.

Section 3. Content of Semi-Annual Reports. The Developer's Semi-Annual Report shall contain or incorporate by reference the following information:

(a) A description of the number of building permits issued with respect to the Developer's Property during the six-month period ending on the last day of the second month preceding the month in which the Report Date occurs.

(b) The number of single family residences on the Developer's Property conveyed to individual buyers by the Developer during the six-month period ending on the last day of the second month preceding the month in which the Report Date occurs.

(c) A description of the number of certificates of occupancy issued with respect to the Developer's Property during the six-month period ending on the last day of the second month preceding the month in which the Report Date occurs.

(d) An update of the status of any previously reported Listed Event described in Section 4 hereof.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Developer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Developer:

(i) Any conveyance by the Developer of Property owned by the Developer to any person or entity, other than an individual homeowner, that is not an Affiliate of such Developer.

(ii) Any failure of the Developer, or any Affiliate of such Developer, to pay prior to delinquency general property taxes or assessments with respect to its Property.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, if there is no Dissemination Agent, the Developer shall promptly file a notice of such occurrence with the Trustee, the Community Facilities District and the MSRB through the EMMA System. Whenever the Developer obtains knowledge of the occurrence of a Listed Event, if there is a Dissemination Agent, the Developer shall promptly notify the Dissemination Agent, the Trustee and the Community Facilities District in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (c). The Developer shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the MSRB through the EMMA System.

(c) If the Dissemination Agent has been instructed by the Developer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through the EMMA System.

Section 5. [Intentionally Left Blank].

Section 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the earliest to occur of (a) the date on which the Developer has no more than ten units remaining to be sold on its Property, or (b) the date on which all of the Series 2010 Bonds have been legally defeased, redeemed, or paid in full; upon such termination, the Developer shall have no obligation to provide any Semi-Annual Report that it would otherwise have been obligated to provide after the date of such termination. Upon the occurrence of any such termination prior to the final maturity of the Series 2010 Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 4 hereof.

Section 7. Dissemination Agent. The Developer 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, without cause, 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 Developer, the Community Facilities District and the Trustee. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The Dissemination Agent shall have no duty to prepare the Semi-Annual Report. The Developer shall be responsible for paying the fees and expenses of the Dissemination Agent.

Section 8. Default. In the event of a failure of the Developer or the Trustee 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% aggregate principal amount of Outstanding Series 2010 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2010 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer or the Trustee, 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 Developer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance. Neither the Developer nor the Trustee shall have any liability to the holders of the Series 2010 Bonds or any other party for monetary damages relating to or arising from the default of the Developer or the Trustee under this Disclosure Agreement.

Section 9. 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. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Semi-Annual Report or any notice of a 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 hereunder as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may conclusively rely on the determination of the Developer as to the materiality of any event for purposes of Section 4 hereof. The Developer's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Series 2010 Bonds, and shall create no rights in any other person or entity.

Section 11. 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.

[DEVELOPER]

By: _____

UNION BANK, N.A., AS TRUSTEE

By: _____

Authorized Signatory

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages)

Name of Bond Issue: City of Tustin Community Facilities District No. 06-1
(Tustin Legacy/Columbus Villages) Special Tax Bonds, Series 2010

Date of Issuance: November 17, 2010

NOTICE IS HEREBY GIVEN that _____ (the "Developer") has not provided a Semi-Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of as of November 1, 2010, by and between the Developer and Union Bank, N.A., in its capacity as Trustee and in its capacity as Dissemination Agent. [The Developer anticipates that the Semi-Annual Report will be filed by _____.]

Dated: _____

UNION BANK, N.A., as Trustee, on behalf of

By: _____
Authorized Signatory

cc: _____
City of Tustin Community Facilities District No. 06-1 (Tustin Legacy/Columbus Villages)

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Series 2010 Bonds, payment of principal, interest and other payments on the Series 2010 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Series 2010 Bonds, other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2010 Bonds. The Series 2010 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 Series 2010 Bond certificate will be issued for the Series 2010 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 Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture and other documents securing the Bonds. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 2010 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 2010 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 2010 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 2010 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.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). If the District determines to replace the DTC (or a successor securities depository) with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully-registered Series 2010 Bond 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 District fails to identify another qualified securities depository to replace DTC (or a successor securities 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 Indenture.

NOTWITHSTANDING THE FOREGOING, THE TRUSTEE, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE SERIES 2010 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 2010 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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