

COMMUNITY FACILITIES DISTRICT NO. 2006-1
(EAST GARRISON / BENCHMARK COMMUNITIES)

MARKET ABSORPTION STUDY



Model Home

PREPARED FOR:
EAST GARRISON PUBLIC FINANCING AUTHORITY
COUNTY OF MONTEREY, CALIFORNIA

PREPARED BY:
EMPIRE ECONOMICS, INC.
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AUGUST 30, 2016

EXECUTIVE SUMMARY

The purpose of the Market Absorption Study is to perform a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the marketing of the currently active/forthcoming projects in CFD No. 2006-1, in order to arrive at their estimated absorption schedules.

CRITICAL FACTORS UNDERLYING THE ABSORPTION FORECASTS

➤ **Employment and Real Estate Conditions:**

- ✓ For the County of Monterey as a whole, employment recently attained a new peak level, so the recent recessionary job losses have been fully recouped; consequently, further employment gains will continue to generate a net new demand for housing.
- ✓ The impact of potentially higher mortgage rates during the foreseeable future is counter-balanced by stronger rates of employment growth.
- ✓ Within the CFD No. 2006-1 Market Area, the cities of Monterey and Marina have relatively low unemployment rates while Salinas has a somewhat higher unemployment rate, as compared to the County of Monterey as a whole.
- ✓ However, the level of demand for new homes will be somewhat challenged by the composition of the local economic base with regards to the sectors with the most employment having relatively low wage levels (accommodations and food as well as agriculture).
- ✓ Permits for new single-family homes in the County of Monterey have recently increased from a trough of about 100 in 2012 to almost 400 in 2015 and to over 200 in the first half of 2016 as compared to the long-term average of 600/yr. during 2000-2015.
- ✓ Sales of existing homes during 2015 amounted to 1,300 for Salinas (slightly up from 2014), 400 for Monterey (somewhat up from 2014) and 140 for Marina (about the same for 2014).
- ✓ Housing prices for existing/new homes reached their peak level in 2006-2007, declined to their trough in 2009-2012, and since then have increased. Gilroy and Santa Cruz have exceeded their prior peak while San Jose is close; however, Monterey, Marina, and Salinas have not.

➤ **Competitive Market Analysis**

- ✓ The total prices for the projects/plans in CFD No. 2006-1 are generally BELOW the total prices for The Dunes and BELOW/SIMILAR to the total prices for Gilroy.
- ✓ Since April 2015, prices for The Dunes project Sea House appreciated at a much higher rate than the prices for the similarly sized East Garrison project Garden/Monarch (12.6% vs. 5.0%, respectively).

➤ **Recent Marketing Patterns for CFD No. 2006-1**

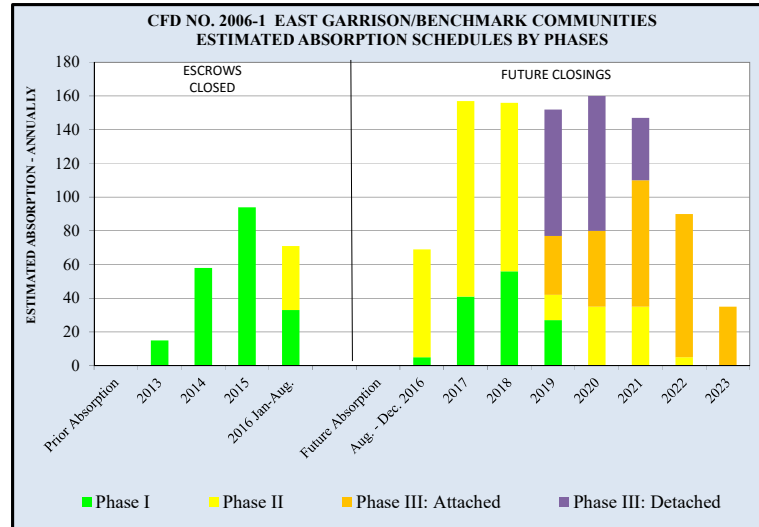
- ✓ During December 2013 through August 2016 there have been approximately 238 homes that have closed escrows.
- ✓ On an overall basis, there have been about 20 escrow closings per quarter, and the rate of closings has increased over time to a level of 25 per quarter.
- ✓ Comparing the market entry sales prices with the 2016 sales prices (base prices plus options/upgrades), the sales price changes have a range of -1% (for the highest priced project) to 6% (for the lowest priced project)

➤ **Anticipated Development Schedule for the Projects**

Phase I has had projects on the marketplace since March 2013, most of the Phase II projects entered the market recently and Phase III is expected to be developed in a sequential manner as the prior phases close-out their projects.

ESTIMATED ABSORPTION SCHEDULES

Accordingly, based upon a consideration of the factors discussed above, the absorption schedules for the residential projects in CFD No. 2006-1 are estimated to be as follows:



DISCUSSION OF POTENTIAL RISK FACTORS

Macroeconomic: Potential adverse changes in overall economic conditions due to some unforeseen event that causes substantial reductions in employment and/or significantly higher mortgage rates. With regards to potential increases in mortgage rates, the economic - real estate model underlying the estimation of the absorption schedule takes into consideration a gradual increase in mortgage rates during the foreseeable future; the risk factors discussed herein applies to a spike in mortgage rates in a short period of time.

Microeconomic: CFD No. 2006-1 is regarded as having a moderately favorable location, between the cities of Monterey and Salinas; however, the recent opening of The Dunes project is providing significant competition; additional projects may open in the future as well.

Project Related: Potential shifts in the development strategy by the developer/builder, Benchmark Communities, for the projects in CFD No. 2006-1, in response to changes in the marketplace, including the pricing structure as well as the levels of Special Taxes.

Finally, Empire recommends that the market Absorption Study be read in its entirety

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INTRODUCTION

A. OVERVIEW OF THE BOND FINANCING PROGRAM

The County of Monterey previously formed Community Facilities District No. 2006-1 to assist with the financing of the public infrastructure that is required to support the development of the active/forthcoming for-sale residential products in the Planned Community of East Garrison which is being developed by Benchmark Communities.

CFD No. 2006-1 is located in the County of Monterey about 13 miles to the northeast of the City of Monterey and about 7 miles to the southwest of the City of Salinas.

CFD No. 2006-1 encompasses the for-sale homes in the Planned Community of “East Garrison” which has the following characteristics:

- There are expected to be 1,204 for-sale homes; additionally, there are another 196 affordable apartment units that are not subject to Special Taxes. East Garrison has been partitioned into three phases: 329 homes in Phase 1 (active/near-term projects), 408 homes in Phase II (active/forthcoming projects), and 467 homes in Phase 3 (forthcoming projects).
- The prices for the homes in Phase I amount to some \$560,982 on the average, and they have a range of \$370,000 to \$775,000 while the prices in Phase II amount to some \$514,797 on the average, and they have a range of \$370,000 to \$663,000. 1
- The living areas for the homes in Phase 1 amount to some 2,100 sq.ft., on the average, and they have a range of 1,330 to 3,349 sq.ft. while the living areas for the homes in Phase II amount to some 1,920 sq. ft., on the average, and they have a range of 1,330 to 2,877 sq. ft.

The County of Monterey retained Empire Economics, Inc. (Empire), an economic and real estate consulting firm, to perform a Market Absorption Study for the currently active/forthcoming projects in CFD No. 2006-1. This Study will perform a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors that are expected to influence the absorption of the forthcoming for-sale homes in CFD No. 2006-1, in order to arrive at conclusions regarding the following:

- Estimated absorption schedules for the projects in each of the three phases, from market-entry to build-out, on an annualized basis.
- Discussion of potential economic and real estate risk factors that may adversely impact their marketability.

The relevant geographical areas for the economic and real estate research are as follows:

- The Market Region represents the County of Monterey
- The Market Area encompasses the cities/communities in the vicinity of CFD No. 2006-1, including Monterey, Salinas and Marina.

For information on the location of CFD No. 2006-1, please refer to the map on the following page.

APPROXIMATE LOCATION OF CFD NO. 2006-1 EAST GARRISON



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

The Market Absorption Study for CFD No. 2006-1 has a multiplicity of roles with regards to the Bond Financing; accordingly, these are set-forth below:

Marketing Prospects for the Residential Products

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

Potential Risk Factors that may Adversely Impact
the Marketability of the Projects

Relationship of the Market Study to the Special Tax Payments

Special Taxes for the Residential Projects/Products

Aggregate Levels of Special Tax Revenues for Bond Sizing

Absorption Rate Determines the Proportionate Shares of Payments:
Developer/Builder vs. Final-Users/Homeowners

Relationship of the Market Absorption Study to the Appraisal/Valuation

Appraisal of Property
Appraiser Uses Absorption Schedules for
Discounted Cash Flow – Present Value

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

The Issuing Agency along with the Finance Team, can utilize the information found in the Market Absorption Study and the Appraisal as well as the Special Tax Revenues to structure the bonds for CFD No. 2006-1.

C. METHODOLOGY UNDERLYING THE MARKET ABSORPTION STUDY FOR CFD NO. 2006-1

The Market Absorption Study performs a comprehensive analysis of the product mix characteristics, macroeconomic factors, and microeconomic factors as well as the potential risk factors that are expected to influence the absorption of the forthcoming homes in CFD No. 2006-1 (East Garrison).

Introduction an Overview

I: CFD No. 2006-1's Expected Residential Product Mix Characteristics and Recent Sales Trends/Price Patterns

II: Economic and Real Estate Model Underlying the Market Absorption Study for the CFD No. 2006-1

III: Overview of Recent Sales Trends and Price Patterns: CFD Market Region and Market Area

IV: Competitive Market Analysis of the Residential Projects in the CFD No. 2006-1

V: Estimated Absorption Schedules for the Projects in CFD No. 2006-1

Assumptions and Limiting Conditions

D. CERTIFICATION OF INDEPENDENCE

EMPIRE ECONOMICS PROVIDES CONSULTING SERVICES ONLY FOR PUBLIC ENTITIES

The Securities & Exchange Commission has taken action against firms that have utilized their research analysts to promote companies with whom they conduct business, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients, including the County of Monterey, are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence.

This Certificate states that Empire performs consulting services only for public entities such as the County of Monterey, in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders.

For example, if a research firm for a specific Community Facilities District were to provide consulting services to both the public entity as well as the property owner/developer/builder, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer.

Accordingly, Empire Economics certifies that the Market Absorption Study for the CFD No. 2006-1 of the County of Monterey was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Market Absorption Study by the County of Monterey, not the CFD's developer/builders, such as Benchmark Communities.
- Empire has not performed any consulting services for the CFD's property owner or the developer/builders during the past twenty+ years.
- Empire will not perform any consulting services for the CFD's property owner or the developer/builders during the next five years.
- Empire's compensation for performing the Market Absorption Study for the CFD is not contingent upon the issuance of bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Market Absorption Study for CFD No. 2006-1 of the County of Monterey was performed in an independent professional manner.

SECTION I

CFD NO. 2006-1'S EXPECTED RESIDENTIAL PRODUCT MIX CHARACTERISTICS AS WELL AS RECENT SALES TRENDS AND PRICE PATTERNS

A. EXPECTED CHARACTERISTICS OF CFD NO. 2006-1'S PRODUCT MIX

CFD No. 2006-1 (East Garrison/Benchmark Communities) is expected to have a total of 1,204 for-sale single-family detached and also attached homes; accordingly, due to its size, East Garrison has been partitioned into three phases, and their characteristics are as follows:

- **Phase I:** This phase is expected to have a total of 329 for-sale homes in six projects: five currently active projects with single-family homes and one near-term project with attached townhomes. Their estimated base prices range from about \$370,000 to \$775,000, for an overall average of \$560,982. Their living areas are expected to range from 1,330 sq.ft. to 3,349 sq.ft., for an overall average of 2,100 sq.ft. The expected value ratio (price/living area) amounts to \$268/sq.ft., on the average.
- **Phase II:** This phase is expected to have a total of 408 for-sale homes in five projects: four currently active projects with single-family homes and one future project with attached townhomes. Their estimated base prices range from about \$370,000 to \$663,000, for an overall average of \$514,797. Their living areas are expected to range from 1,330 sq.ft. to 2,877 sq.ft., for an overall average of 1,920 sq.ft. The expected value ratio (price/living area) amounts to \$270/sq.ft., on the average.
- **Phase III:** This phase is expected to have a total of 467 for-sale homes in eight projects.
 - ✓ There are expected to be 275 homes in four attached projects with product types such as condominiums, lofts, live-work and townhomes.
 - ✓ There are also expected to be 192 homes in four detached projects such as traditional single-family and bungalow.Since none of these projects have entered the marketplace thus far, information is not currently available on their pricing and sizes of living areas.

Furthermore, it is worthwhile to note that some of the projects with single-family homes that start in Phases I or II also continue in Phases II and III as well.

The maximum total tax burden for the homes in CFD No. 2006-1, ad valorem as well as Special Taxes/Assessments, based upon the County of Monterey's policies, is 2.00% of the prices for the homes. The estimated tax burden for the currently active projects in CFD No. 2006-1 amounts to about 1.93%, and so it is expected to be below the County's maximum. The estimated base tax rate is some 1.25%, on the average, and so the Special Tax rate amounts up to some 0.68%, on the average.

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

PROPOSED SITE-PLAN FOR CFD NO. 2006-1 EAST GARRISON

(Note: CFD No. 2006-1 has 196 affordable apartment units that are NOT subject to Special Taxes)



LOT SUMMARY

| UNIT TYPE | PHASE 1 | PHASE 2 | PHASE 3 | TOTALS |
|---|------------|------------|------------|-------------|
| APARTMENTS | 65 | 65 | 66 | 196 |
| CONDOMINIUMS | 0 | 0 | 151 | 151 |
| TOWN CENTER LOFTS | 0 | 0 | 40 | 40 |
| LIVE-WORK UNIT (22X70') | 0 | 0 | 49 | 49 |
| TOWNHOUSE (22X70') - LIBERTY | 41 | 58 | 2 | 101 |
| AFFORDABLE TOWNHOUSE (22X70') - LIBERTY | 19 | 32 | 33 | 84 |
| GROVE (30X70') | 0 | 94 | 94 | 188 |
| GARDEN (35X70') - MONARCH | 62 | 73 | 67 | 202 |
| BUNGALOW (40X100') - ARTISAN | 77 | 79 | 22 | 178 |
| COURTYARD (70X85') | 50 | 0 | 0 | 50 |
| VILLAGE (60X100') - HERITAGE | 71 | 69 | 0 | 140 |
| BLUFF (60X100') | 12 | 0 | 9 | 21 |
| UNIT TOTALS | 397 | 470 | 533 | 1400 |
| CARRIAGE HOUSE | 23 | 24 | 21 | 68 |
| CARRIAGE HOUSE MANAGER UNIT (APT) | 1 | 1 | 0 | 2 |
| UNIT TOTALS | 421 | 495 | 554 | 1470 |

LEGEND

- ARTSPACE/ARTS HABITAT UNITS
- MONTEREY COUNTY
- MIXED USE
- PUBLIC USE
- IMPROVED PARKS
- OPEN SPACE
- PUBLIC PARKING LOT
- INFRASTRUCTURE PHASE BOUNDARY
- LOT PHASE BOUNDARY
- ONE WAY STREET DIRECTION ARROW

ABBREVIATION

- A AFFORDABLE HOUSING (PRELIMINARY LOCATION)
- R CARRIAGE UNIT (PRELIMINARY LOCATION)

* LOT PHASING DOES NOT NECESSARILY EQUAL INFRASTRUCTURE PHASING, AS DELINEATED BY PHASE BOUNDARIES ABOVE.

BUILD-OUT LOTTING EXHIBIT
EAST GARRISON
 MONTEREY COUNTY, CA

UCP EAST GARRISON, LLC



Whitson Engineers
 9899 Blue Larkspur Lane | Suite 105 | Monterey, CA 93940 | 831 648-5225 | F 831 373-5065
 CIVIL ENGINEERING • LAND SURVEYING • PROJECT MANAGEMENT | www.whitsonengineers.com

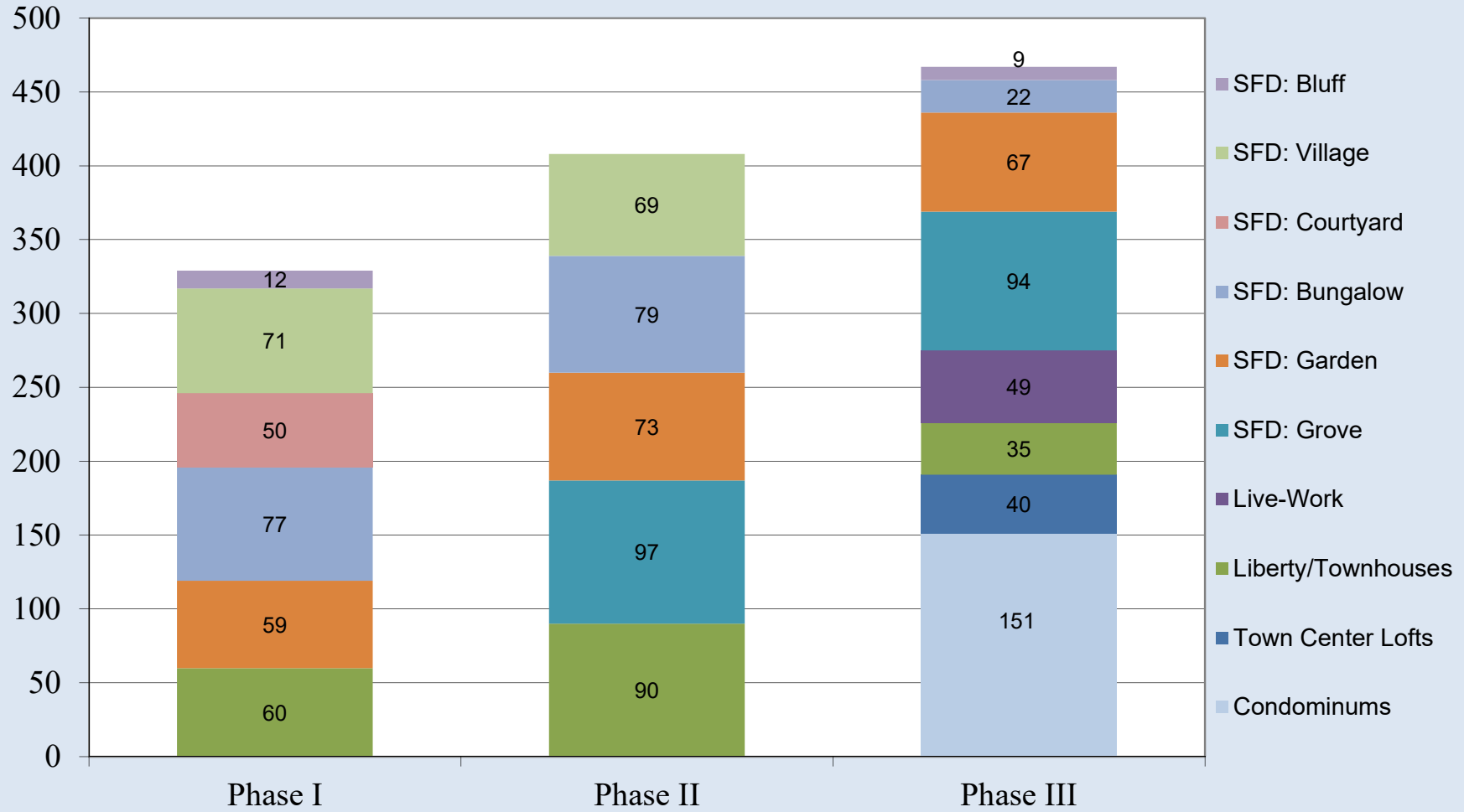


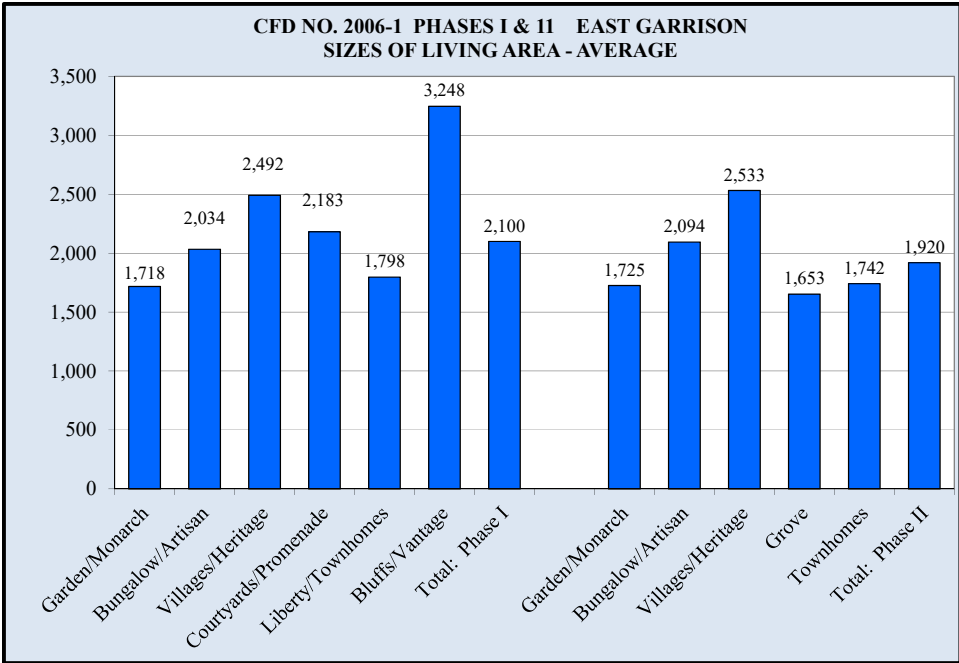
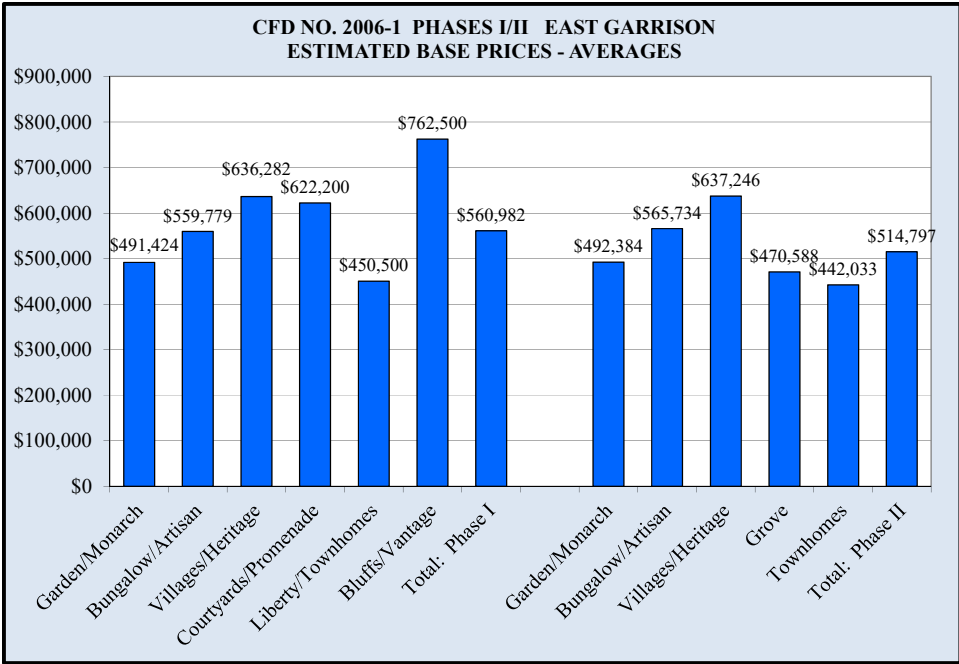
Revised On:
JULY 14, 2014



1" = 200'

**CFD NO. 2006-1 PRODUCT MIX BY PHASES
(EAST GARRISON / BENCHMARK COMMUNITIES)
CURRENT ESTIMATE - SUBJECT TO REVISION**





EXPECTED CHARACTERISTICS THE ACTIVE/FORTHCOMING PROJECTS IN CFD NO. 2006-1

| Phases > | Phase I | | | | | | | Phase II | | | | | Phase III | | |
|---|----------------|------------------|-------------------|----------------------|-------------------|----------------|-------------------|----------------|------------------|-------------------|---------------|--------------|-------------------|-------------------|------------------|
| | Garden/Monarch | Bungalow/Artisan | Villages/Heritage | Courtyards/Promenade | Liberty/Townhomes | Bluffs/Vantage | Total: Phase I | Garden/Monarch | Bungalow/Artisan | Villages/Heritage | Grove | Townhomes | Total: Phase II | Future: Attached | Future: Detached |
| Builders | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark |
| Development Status | Active | Active | Active | Active | Near-Term | Active | | Active | Active | Active | Active | Future | | Future | Future |
| Expected Product Types | Single-family | Single-family | Single-family | Single-family | Attached | Single-family | Attached/Detached | Single-family | Single-family | Single-family | Single-family | Attached | Attached/Detached | Attached | Detached |
| Housing Units | | | | | | | | | | | | | | | |
| Totals | 59 | 77 | 71 | 50 | 60 | 12 | 329 | 73 | 79 | 69 | 97 | 90 | 408 | 275 | 192 |
| Share | 4.9% | 6.4% | 5.9% | 4.2% | 5.0% | 1.0% | 27.3% | 6.1% | 6.6% | 5.7% | 8.1% | 7.5% | 33.9% | 22.8% | 15.9% |
| Marketing Status: | | | | | | | | | | | | | | Condominiums | SFD: Grove |
| Closed | 56 | 73 | 59 | 12 | 0 | 0 | 200 | 9 | 8 | 6 | 15 | 0 | 38 | 151 | 94 |
| In-Escrow: | 0 | 0 | 0 | 3 | 0 | 2 | 5 | 20 | 14 | 14 | 16 | | 64 | | |
| Total Future Closings | 3 | 4 | 12 | 38 | 60 | 12 | 129 | 64 | 71 | 63 | 82 | 90 | 370 | | |
| Expected Product Mix | | | | | | | | | | | | | | Town Center Lofts | SFD: Garden |
| Plan # 1 | 20 | 26 | 26 | 15 | 3 | 6 | | 22 | 19 | 21 | 32 | *Estimated * | 40 | 67 | |
| Plan # 2 | 18 | 20 | 17 | 14 | 10 | 6 | | 24 | 20 | 17 | 32 | 13 | | Live-Work | SFD: Bungalow |
| Plan # 3 | 21 | 14 | 15 | 21 | 11 | | | 27 | 19 | 17 | 33 | 15 | | 49 | 22 |
| Plan # 4 | | 17 | 13 | | 17 | | | | 21 | 14 | | 19 | | | |
| Plan # 5 | | | | | 19 | | | | | | | 32 | | | |
| Totals | 59 | 77 | 71 | 50 | 60 | 12 | 329 | 73 | 79 | 69 | 97 | 90 | 408 | Townhomes | SFD: Bluff |
| | | | | | | | | | | | | | | 35 | 9 |
| Living Areas (Sq. Ft.) | | | | | | | | | | | | | | *Estimated * | |
| Plan # 1 | 1,575 | 1,719 | 2,127 | 1,895 | 1,726 | 3,146 | | 1,575 | 1,719 | 2,127 | 1,437 | 1,726 | | | |
| Plan # 2 | 1,700 | 1,975 | 2,492 | 2,139 | 1,845 | 3,349 | | 1,700 | 1,975 | 2,492 | 1,649 | 1,845 | | | |
| Plan # 3 | 1,870 | 2,245 | 2,791 | 2,417 | 1,963 | | | 1,870 | 2,245 | 2,791 | 1,866 | 1,963 | | | |
| Plan # 4 | | 2,411 | 2,877 | | 2,198 | | | | 2,411 | 2,877 | | 2,198 | | | |
| Plan # 5 | | | | | 1,330 | | | | | | | 1,330 | | | |
| Averages | 1,718 | 2,034 | 2,492 | 2,183 | 1,798 | 3,248 | 2,100 | 1,725 | 2,094 | 2,533 | 1,653 | 1,742 | 1,920 | | |
| Current Prices | | | | | *Estimated * | | | | | | | | | *Estimated * | |
| Plan # 1 | \$472,000 | \$528,000 | \$631,000 | \$594,900 | \$447,000 | \$750,000 | | \$472,000 | \$528,000 | \$631,000 | \$444,000 | \$447,000 | | | |
| Plan # 2 | \$489,000 | \$555,000 | \$618,000 | \$624,900 | \$455,000 | \$775,000 | | \$489,000 | \$555,000 | \$618,000 | \$472,000 | \$455,000 | | | |
| Plan # 3 | \$512,000 | \$578,000 | \$643,000 | \$639,900 | \$496,000 | | | \$512,000 | \$578,000 | \$643,000 | \$495,000 | \$496,000 | | | |
| Plan # 4 | | \$599,000 | \$663,000 | | \$509,000 | | | | \$599,000 | \$663,000 | | \$509,000 | | | |
| Plan # 5 | | | | | \$370,000 | | | | | | | \$370,000 | | | |
| Averages | \$491,424 | \$559,779 | \$636,282 | \$622,200 | \$450,500 | \$762,500 | \$560,982 | \$492,384 | \$565,734 | \$637,246 | \$470,588 | \$442,033 | \$514,797 | | |
| Value Ratios : (Price / Living Area) | \$286 | \$275 | \$255 | \$285 | \$251 | \$235 | \$268 | \$285 | \$270 | \$252 | \$285 | \$254 | \$270 | | |
| Tax Burden | | | | | | | | | | | | | | | |
| Ad Valorem - Percent of Price | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Special Taxes S/Yr - Avg. | \$3,414 | \$3,881 | \$4,462 | \$4,192 | \$2,833 | \$5,122 | \$3,824 | \$3,414 | \$3,881 | \$4,462 | \$3,143 | \$2,798 | \$3,481 | | |
| * Total Tax Burden %/Price | 1.94% | 1.94% | 1.95% | 1.92% | 1.88% | 1.92% | 1.93% | 1.94% | 1.94% | 1.95% | 1.92% | 1.88% | 1.93% | | |

B. RECENT CFD NO. 2006-1 SALES TRENDS AND PRICE PATTERNS

CFD No. 2006-1 (East Garrison/Benchmark Communities) had its Grand Opening in March 2013, and commenced escrow closing to homeowners starting in December 2013, and so information is available on its sales trends and price patterns; accordingly, these are now discussed.

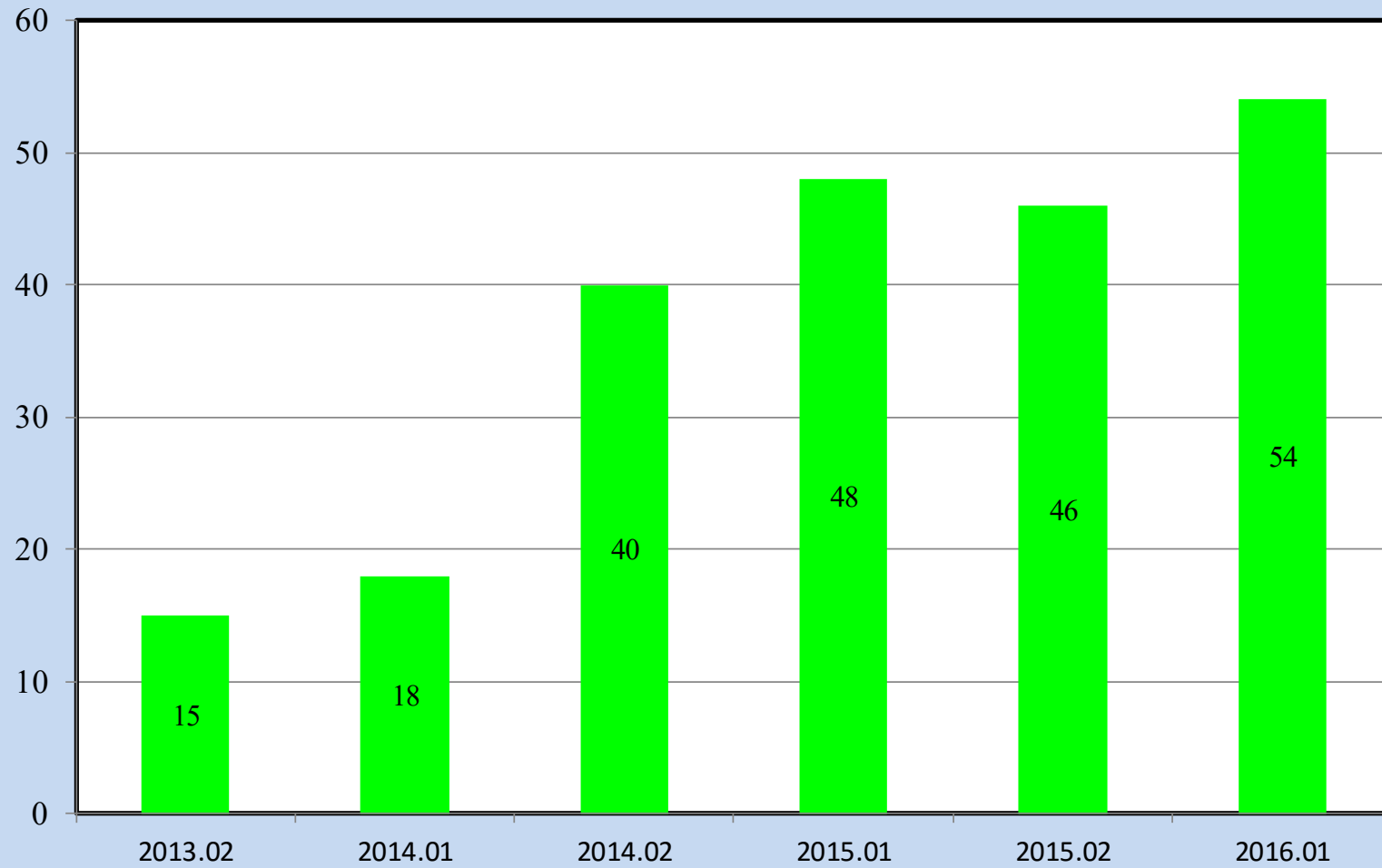
- **Housing Sales/Escrow Closings:** During December 2013 through August 2016 there have been approximately 238 homes that have closed escrows:
 - Bungalow/Artisan: 73 homes in Phase 1 and 8 homes in Phase II for a total of 81 homes
 - Garden/Monarch: 56 homes in Phase 1 and 9 homes in Phase II for a total of 65 homes
 - Villages/Heritage: 59 homes in Phase 1 and 6 homes in Phase II for a total of 65 homes
 - Courtyards/Promenade: 12 homes in Phase 1
 - Grove: 15 homes in Phase 2

- **Housing Sales/Escrow Closings Trends:** On an overall basis, there have been about 20 escrow closings per quarter, and the rate of closings has increased over time:
 - During 4th-2013 to 2nd-2014, escrow closings amounted to 11 per quarter, on the average.
 - During 3rd-2014 to 2nd-2015, the number of escrow closings increased to about 22 per quarter, on the average.
 - During 3rd-2015 to 2nd-2016, the number of escrow closings increased to about 25 per quarter, on the average.
 - For 3rd-2016, escrow closings are continuing at a similar pace of 25 per quarter.

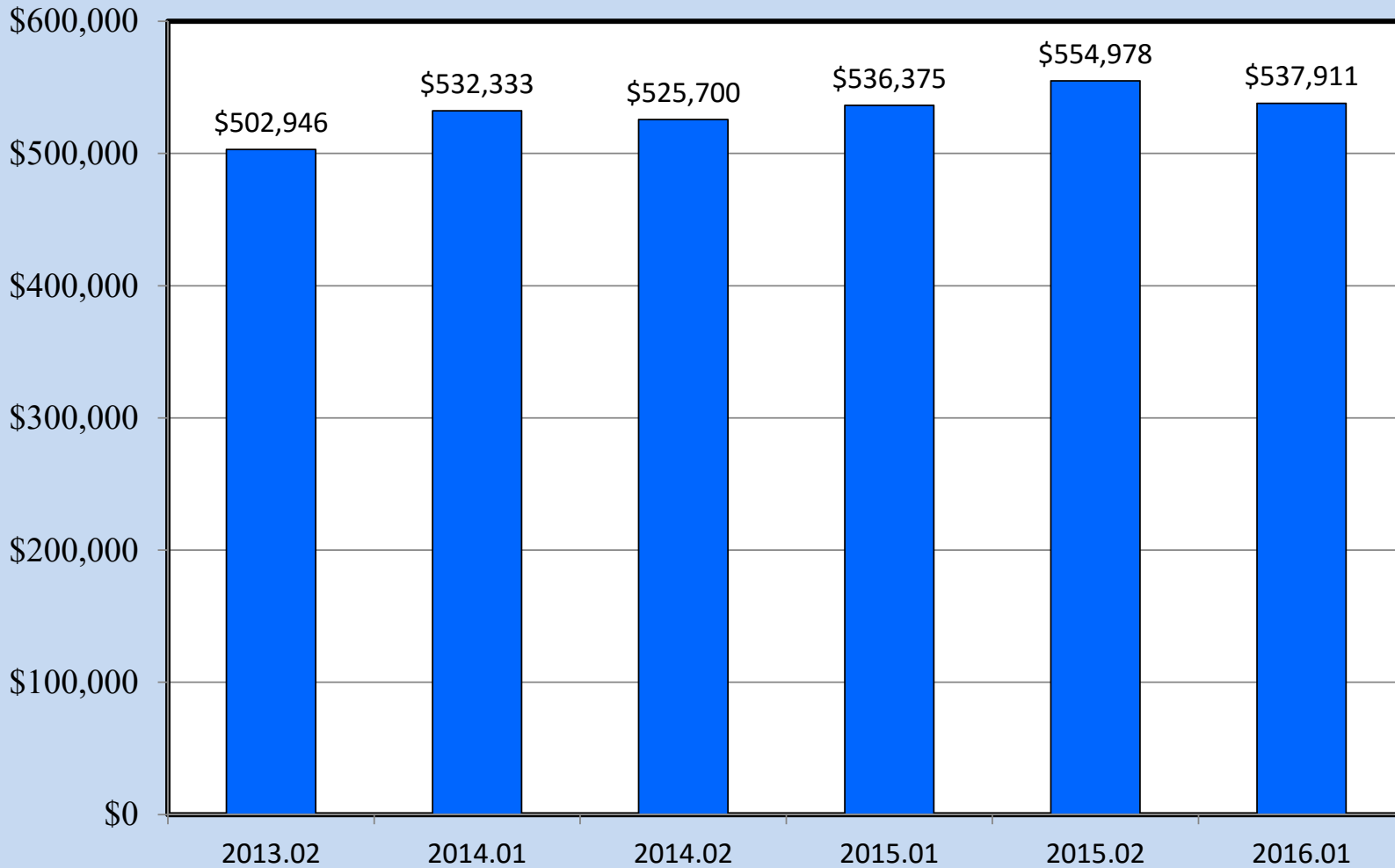
- **Recent Sale Price Patterns:** Comparing the market entry sales prices with the 2016 sales prices (base prices plus options/upgrades), the sales price changes for the various projects have been as follows:
 - Garden/Monarch: Sales prices rose from \$459,250 to \$486,250, a change of +5.9%.
 - Bungalow/Artisan: Sales prices rose from \$530,125 to \$544,077, a change of +2.6%.
 - Villages/Heritage: Sales prices declined from \$615,000 to \$609,000 a change of -1.0%.

For more information on the recent CFD No. 2006-1 project's sales/escrow closings trends and price patterns, please refer to the following graphs.

**CFD NO. 2006-1 RECENT SALES TRENDS; SEMI-ANNUALLY
CURRENTLY ACTIVE PROJECTS**



**CFD NO. 2006-1 RECENT PRICE PATTERNS; SEMI-ANNUALLY
CURRENTLY ACTIVE PROJECTS**



SECTION II

ECONOMIC AND REAL ESTATE FORECASTING MODEL UNDERLYING THE MARKET ABSORPTION STUDY FOR CFD NO. 2006-1 (EAST GARRISON)

This section describes the Economic and Real Estate Forecasting Model underlying the Market Absorption Study for the forthcoming residential projects in the CFD No. 2006-1 (East Garrison); accordingly, the primary components are as follows:

- A. Overview of the Economic and Real Estate Forecasting Model
- B. Critical Components of the Forecasting Model
 - Employment as the Primary Driver of Housing Demand and Prices
 - Mortgage Rates as a Secondary Economic Driver of Housing Demand and Prices
 - New Residential Development Activity
 - Additional Factors – Median Household Income, Student Debt, Homeownership Rates, and Gas Prices
- C. Recent Employment Trends in the San Francisco Region, County of Monterey as well as the Nearby Cities
 - Recent Unemployment Rates: California, San Francisco Region, County of Monterey and Nearby Cities/Communities
 - County of Monterey: Population Change, Recent Employment Levels, Growth Rates by Industry Sectors, and Top Employers
 - Cities of Monterey and Salinas: Employment Levels and Salaries by Sectors
- D. County of Monterey: Recent Development Trends/Patterns - Building Activity by Product Types:
 - Residential: Single-Family and Multi-Family
 - Non-Residential: Retail, Office, Industrial, and Hotel
- E. Conclusion on the Recent/Future Housing Market Conditions

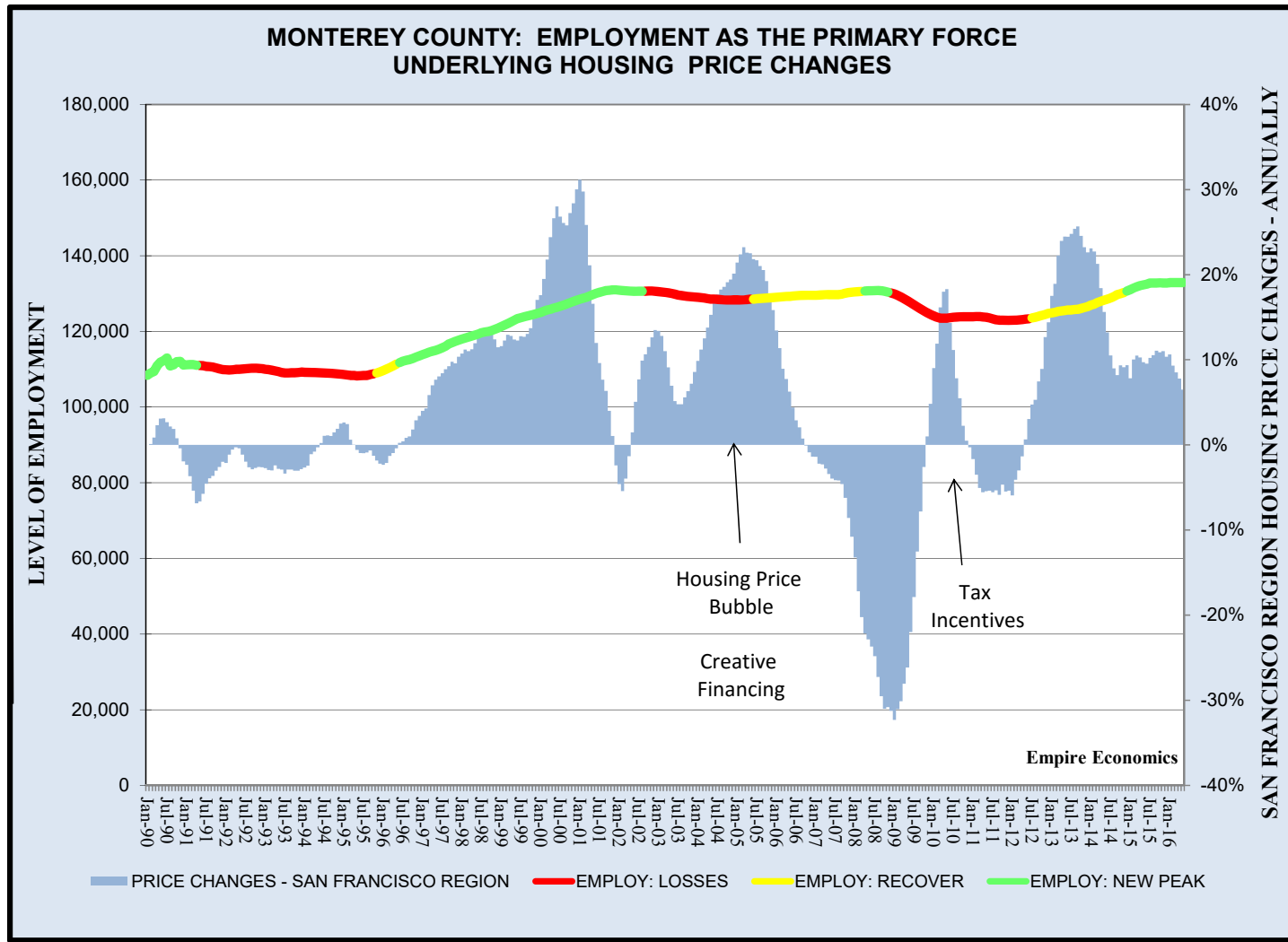
A. OVERVIEW OF THE ECONOMIC AND REAL ESTATE FORECASTING MODEL

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



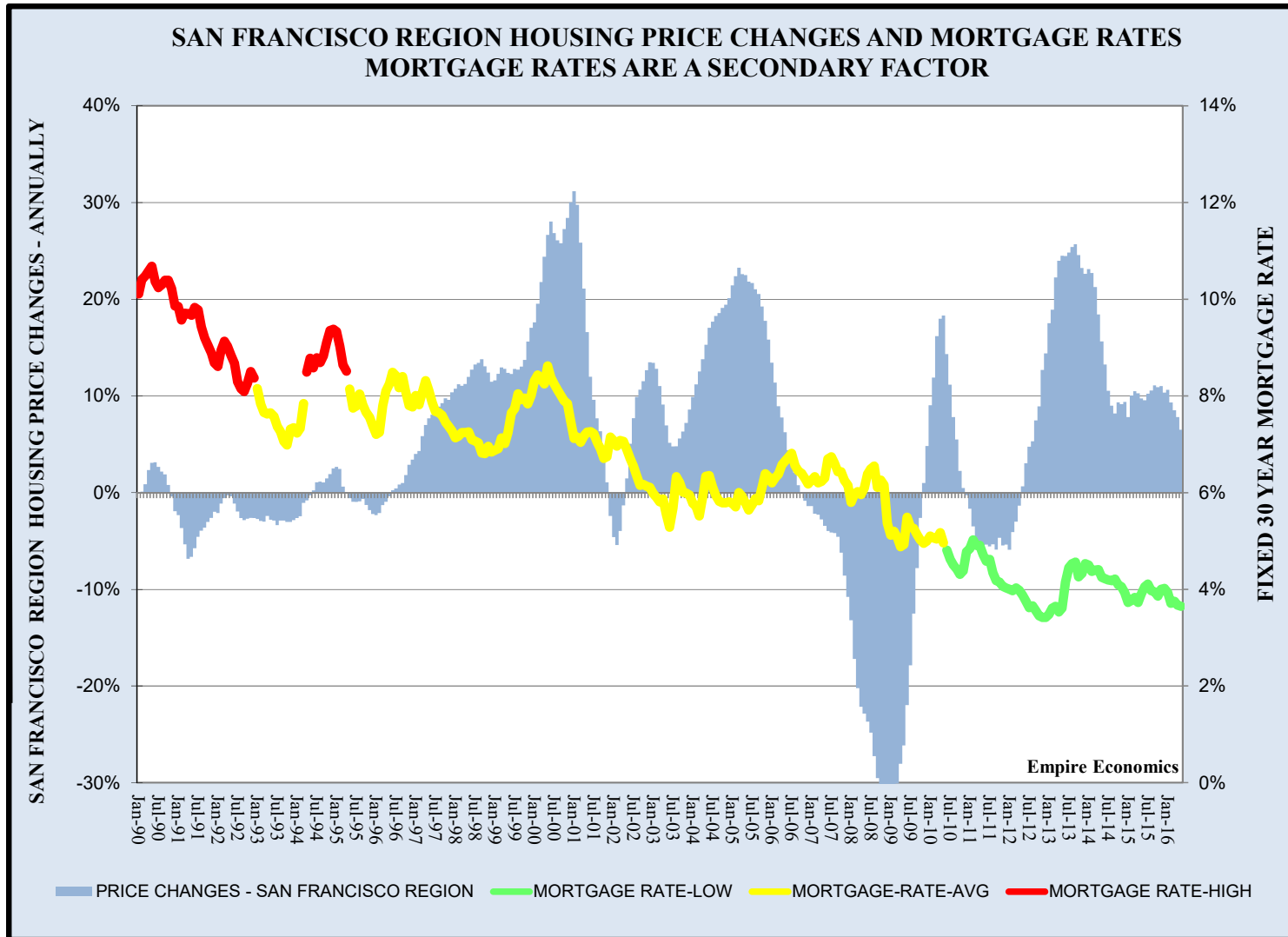
B. CRITICAL COMPONENTS OF THE FORECASTING MODEL

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



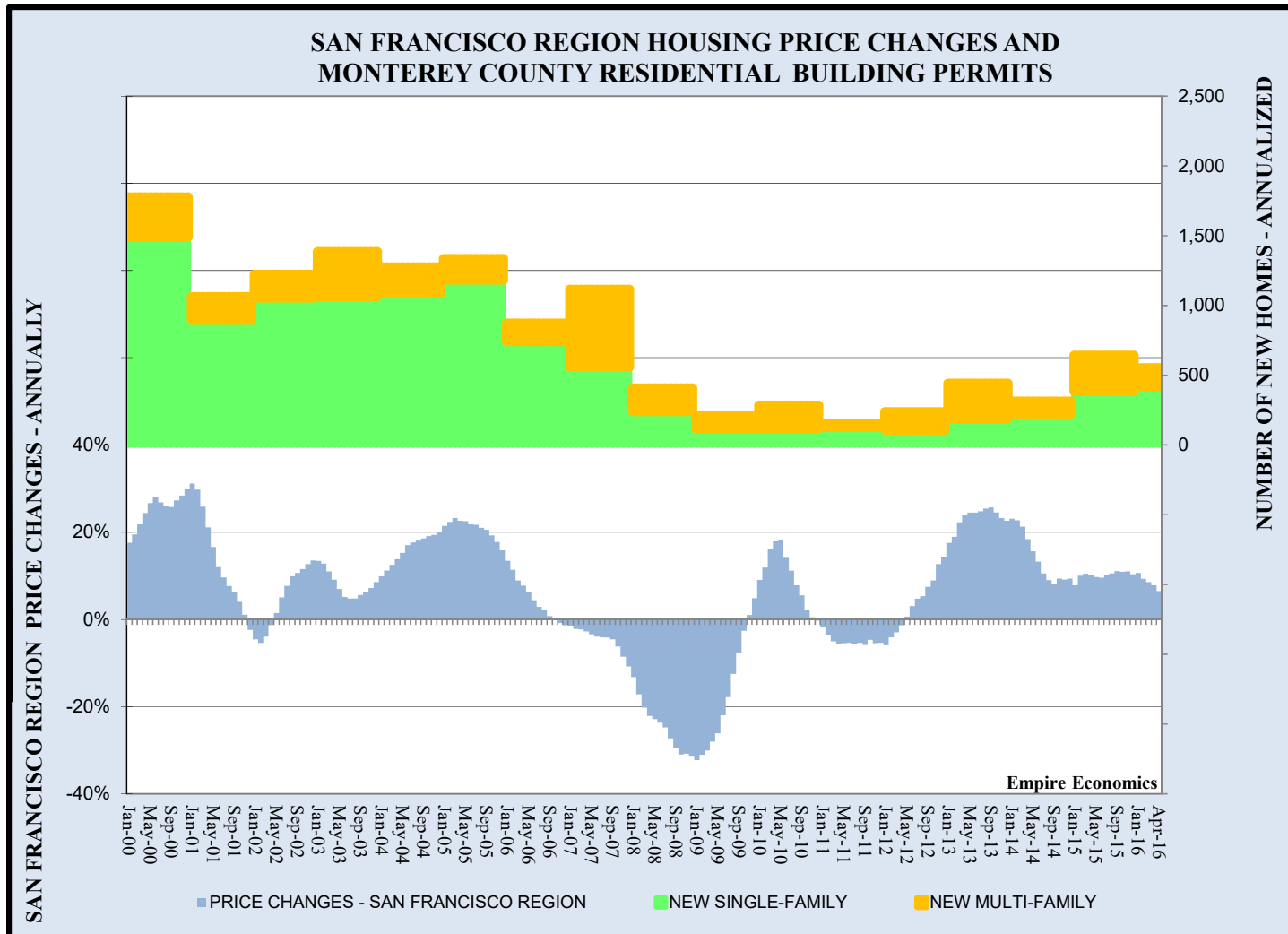
MORTGAGE RATES ARE A SECONDARY ECONOMIC DRIVER OF HOUSING PRICES:

HIGH/LOW MORTGAGE RATES HAVE A MODERATE INFLUENCE ON HOUSING PRICES
LENDING CRITERIA ALSO PLAYS ROLE: LOOSE (2002-2006) VS. TIGHT (2010-2016)

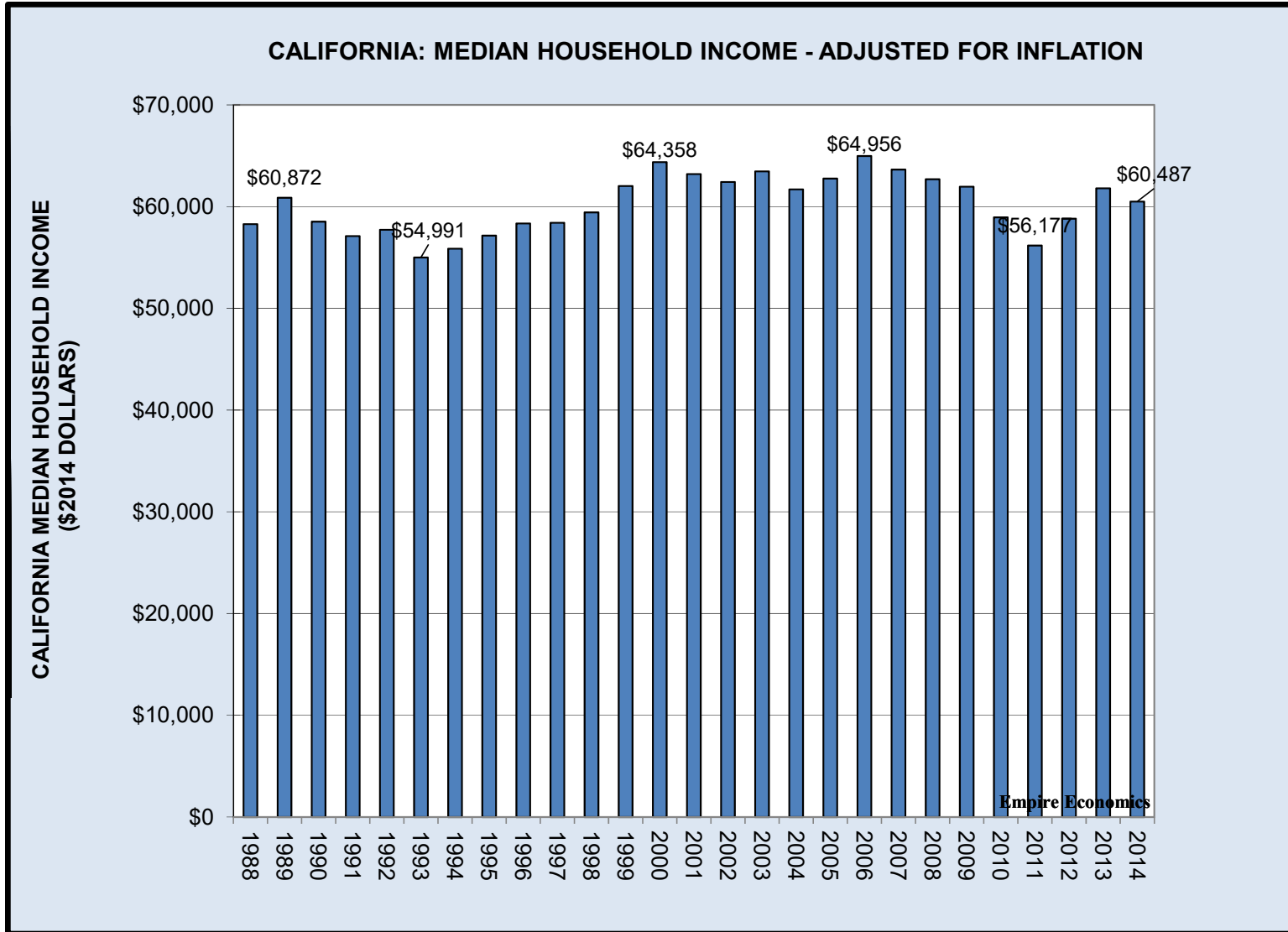


NEW RESIDENTIAL DEVELOPMENT ACTIVITY IS DRIVEN BY EMPLOYMENT GROWTH AND HOUSING PRICE INCREASES

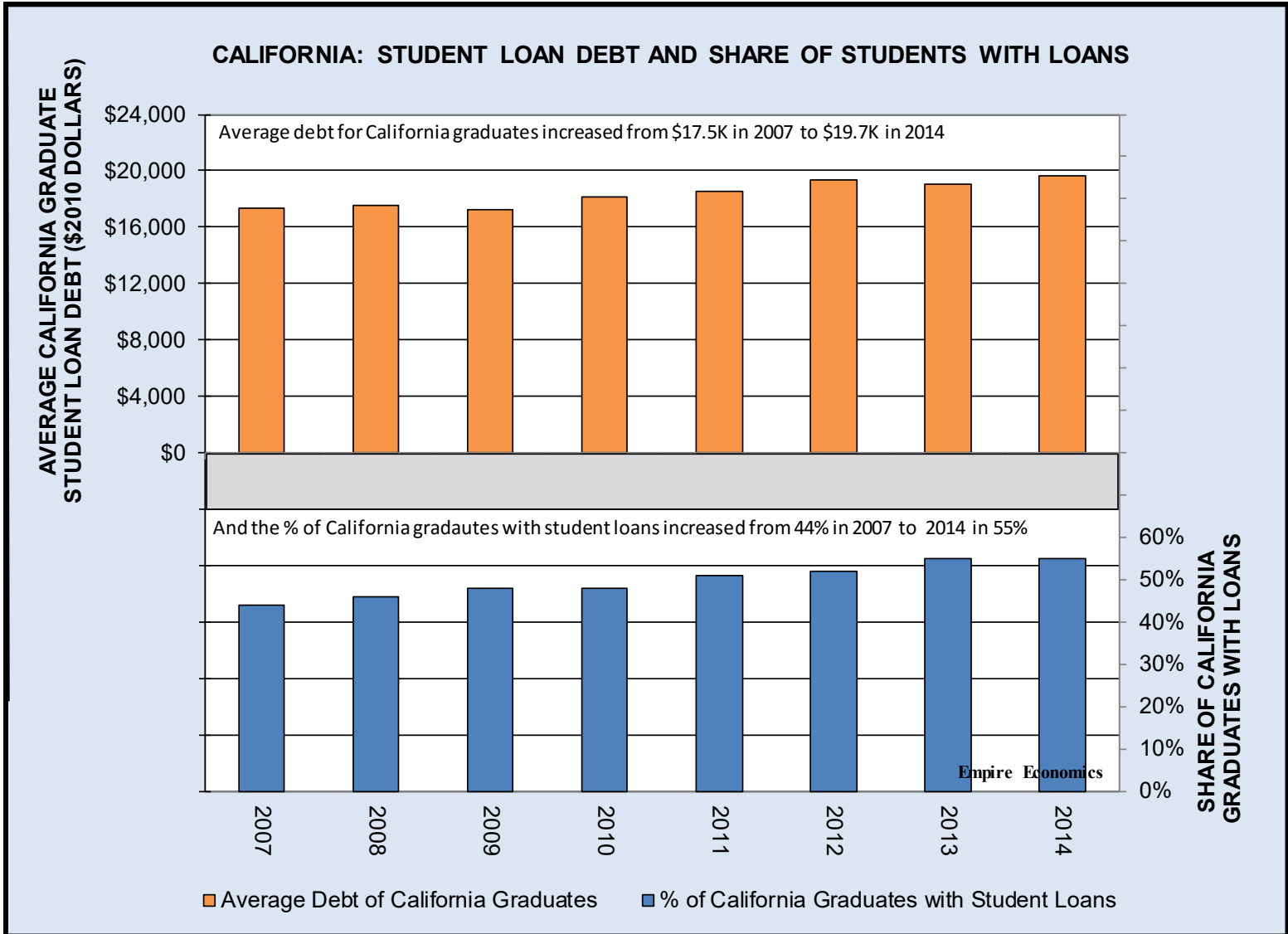
IN RECENT YEARS, THE SHARE OF MULTI-FAMILY HAS INCREASED SIGNIFICANTLY,
REFLECTING THE CULTURAL PREFERENCES OF MILLENNIALS TO RENT APARTMENTS IN URBANIZED AREAS



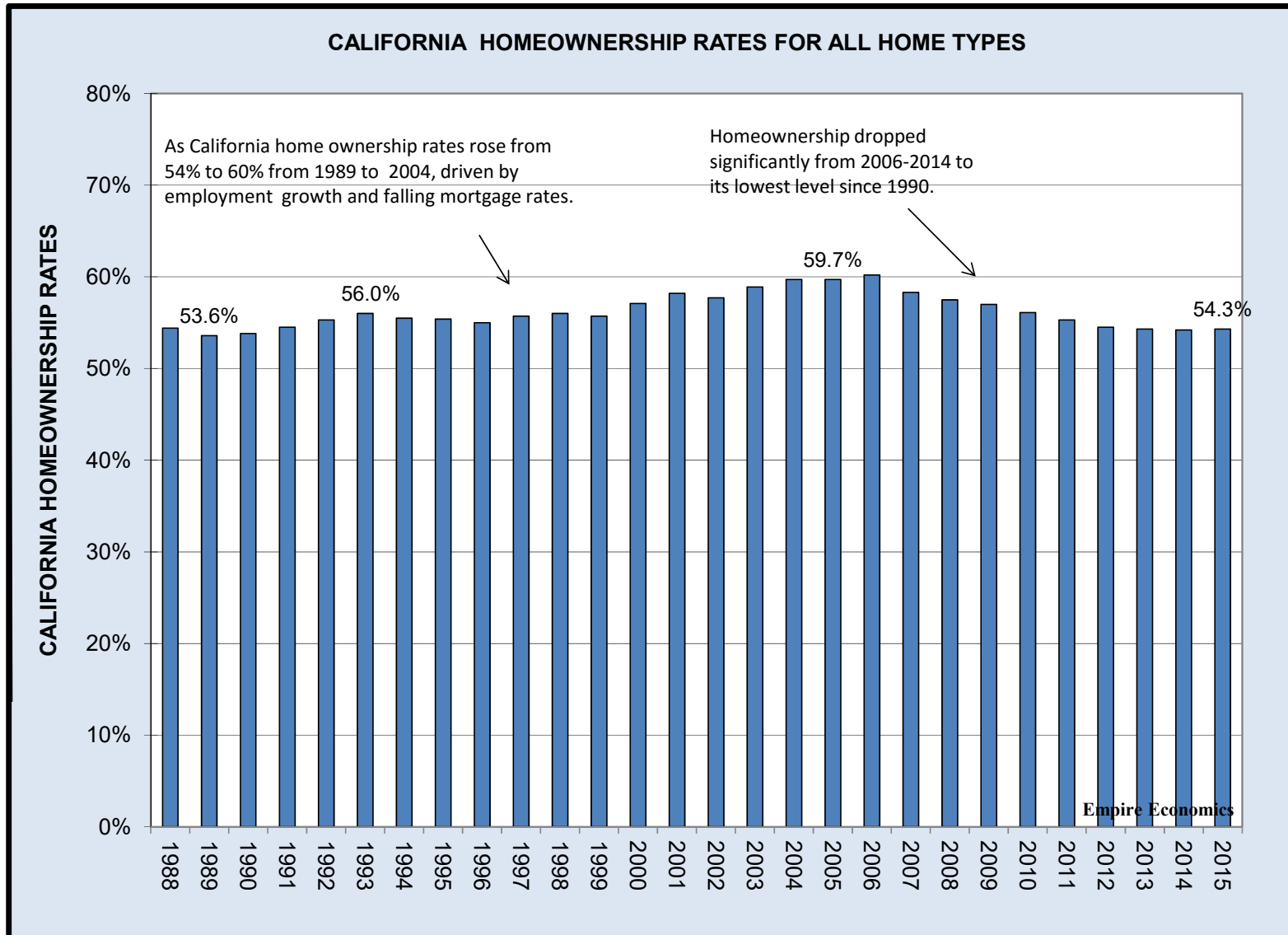
THERE HAS BEEN NO GROWTH IN **REAL** MEDIAN HOUSEHOLD INCOME SINCE 1989



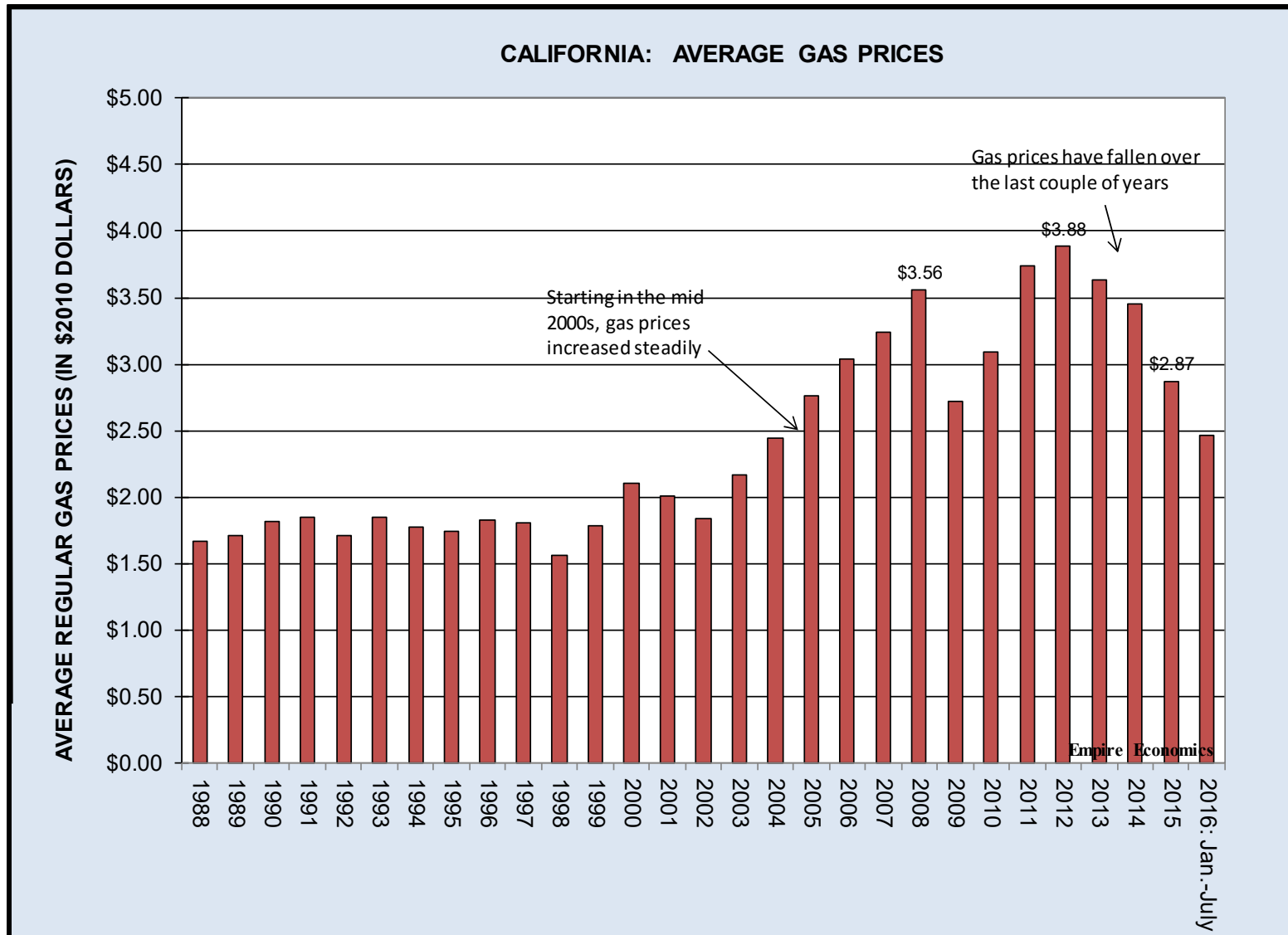
FOR CALIFORNIA COLLEGE GRADUATES, THE AVERAGE STUDENT DEBT AND PERCENT OF TOTAL WITH STUDENT DEBT BOTH ROSE FROM 2007 to 2014



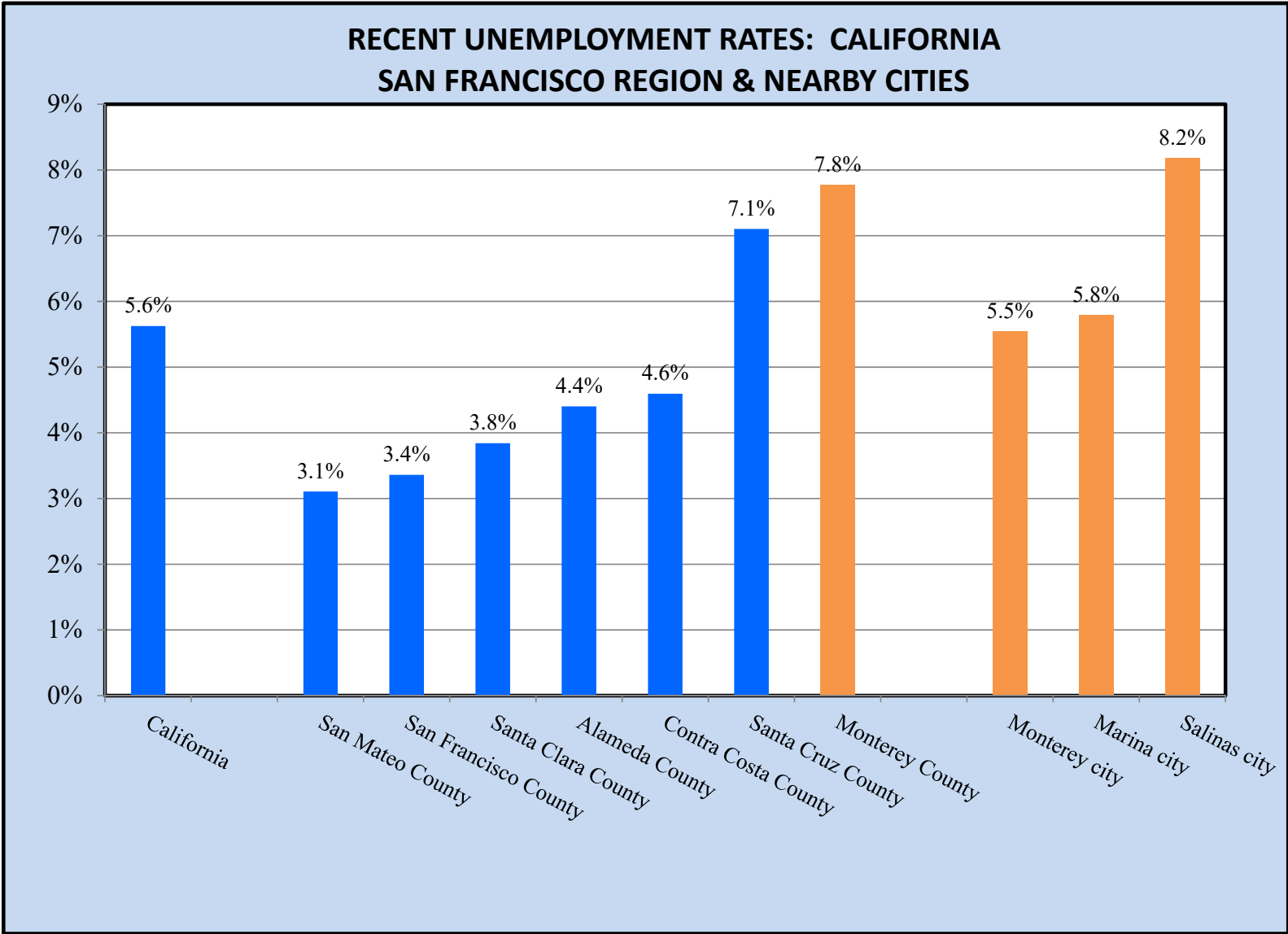
DECLINES IN HOMEOWNERSHIP RATES COINCIDE WITH STAGNANT MEDIAN INCOME AND RISING STUDENT DEBT



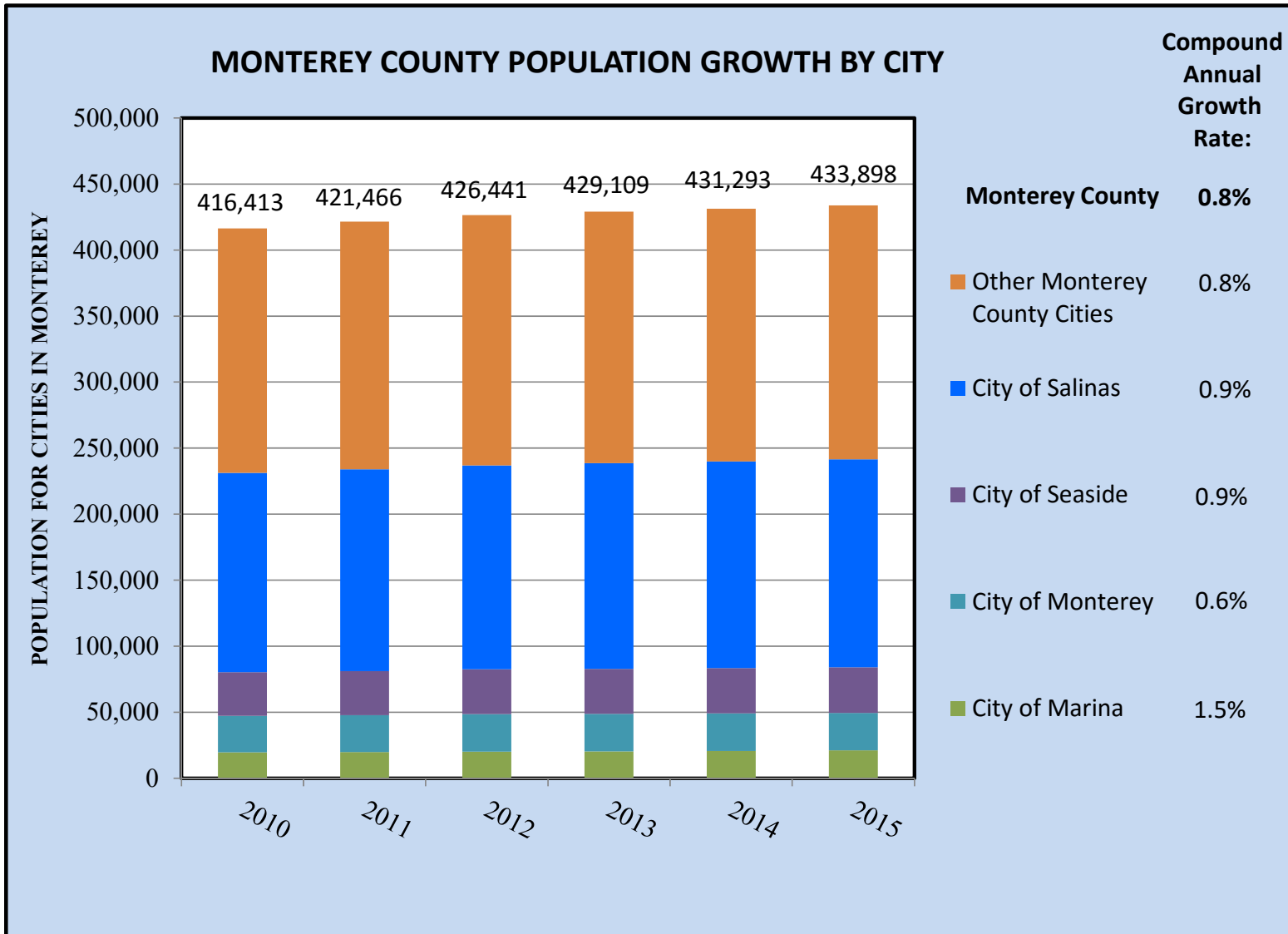
COMMUTING COSTS ARE DRIVEN BY **GAS PRICES** AND
RECENT LOWER GAS PRICES HAVE MADE COMMUTING MORE AFFORDABLE



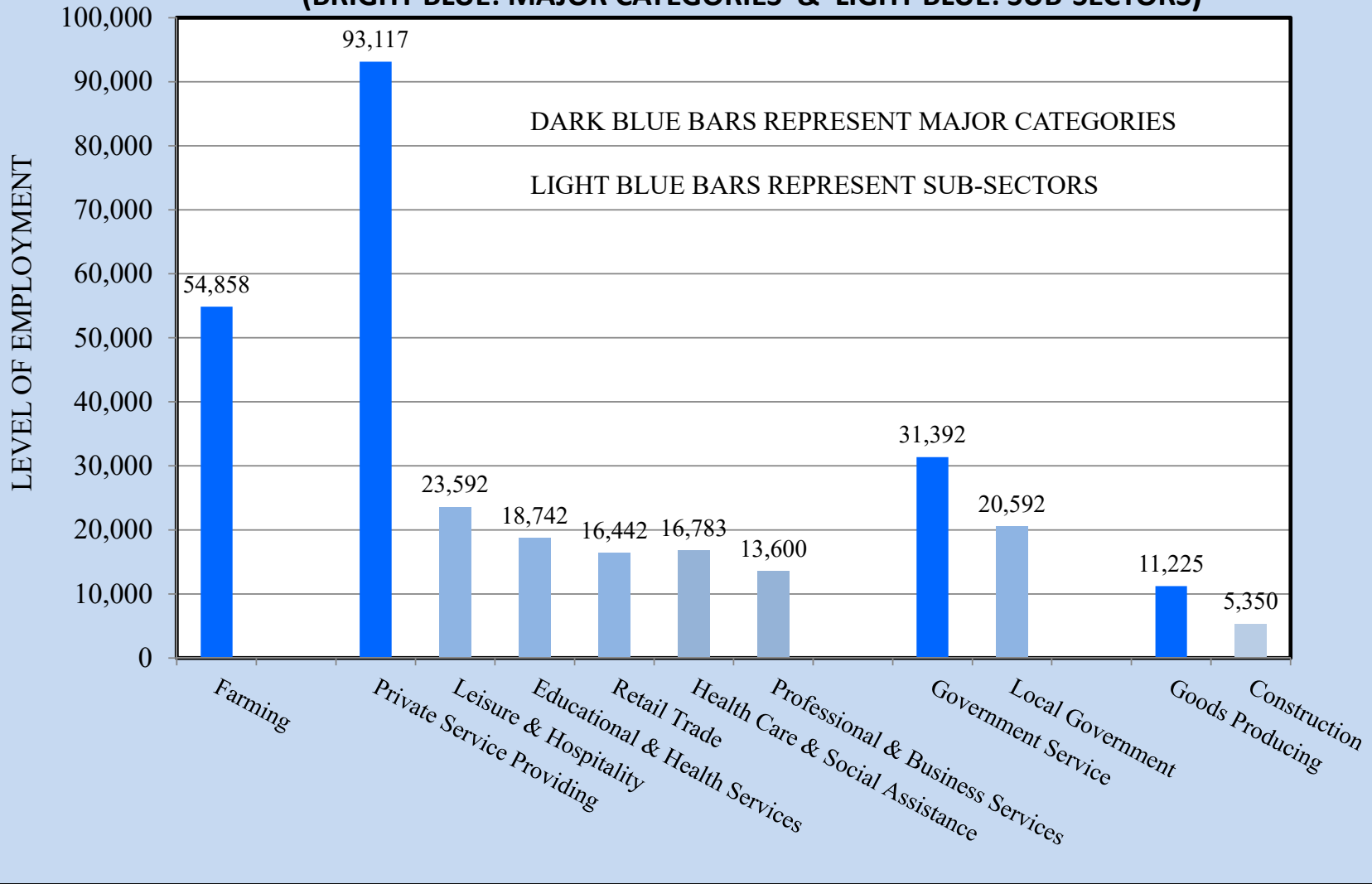
C. RECENT EMPLOYMENT TRENDS IN THE SAN FRANCISCO REGION AND THE COUNTY OF MONTEREY AS WELL AS THE NEARBY CITIES



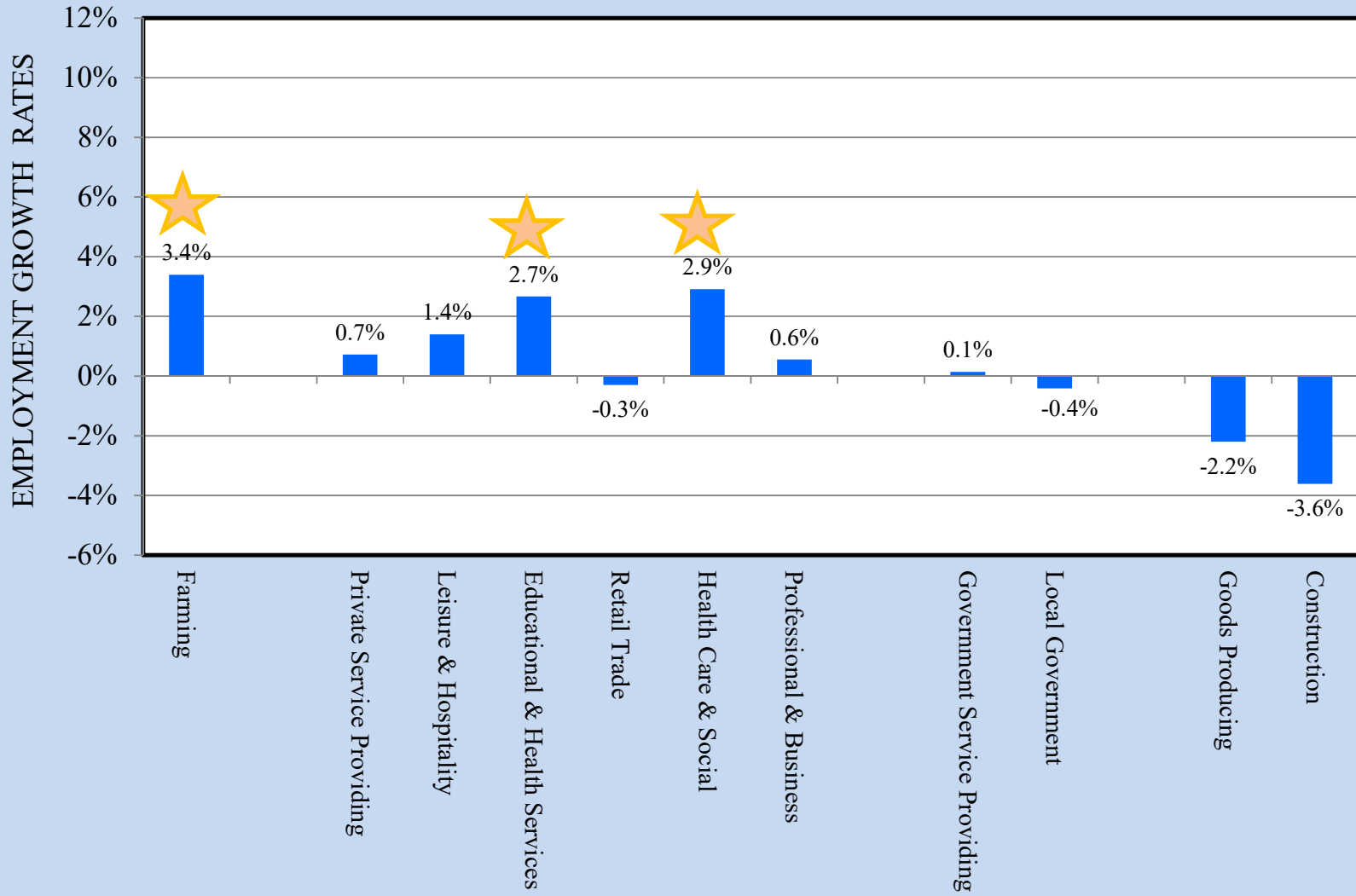
MONTEREY COUNTY POPULATION GROWTH



**COUNTY OF MONTEREY COMPOSITION OF EMPLOYMENT
BY ECONOMIC SECTORS - ANNUAL AVERAGE
(BRIGHT BLUE: MAJOR CATEGORIES & LIGHT BLUE: SUB-SECTORS)**



**COUNTY OF MONTEREY: EMPLOYMENT GROWTH RATES
FOR 2007-2016 - ANNUALIZED AVERAGES**
"STARS" REPRESENTS SECTORS WITH RECENT STRONG GROWTH RATES



TOP EMPLOYERS IN MONTEREY COUNTY

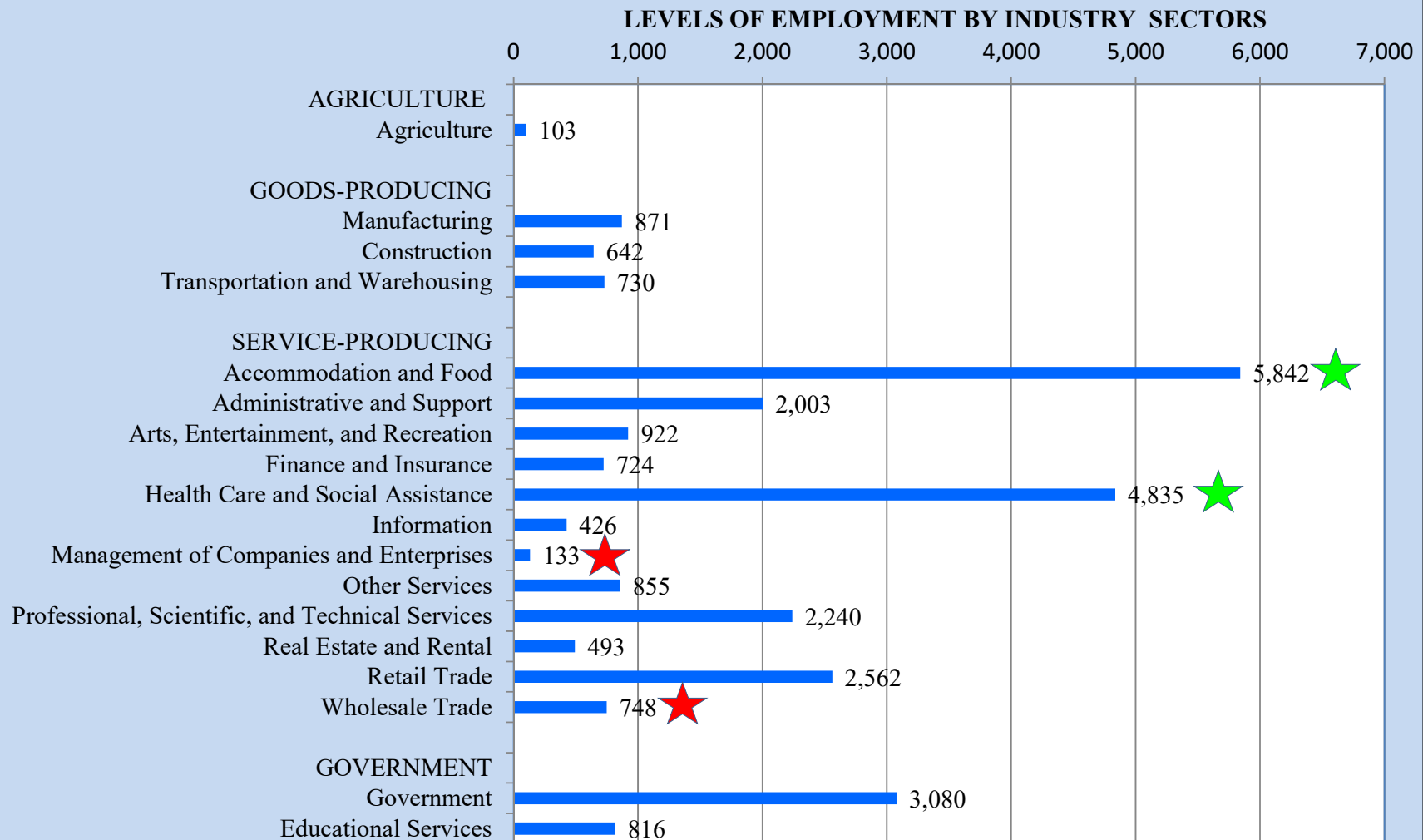
Located in Monterey or Salinas Cities

| Employer Name | City | Industry |
|--|----------|--|
| Breast Care Center | Monterey | Diagnostic Imaging Centers |
| CTB/MC Graw-Hill | Monterey | Publishers-Book (mfrs) |
| Naval Postgraduate School | Monterey | Schools-Universities & Colleges Academic |
| D'Arrigo Brothers | Salinas | Fruits & Vegetables-Growers & Shippers |
| Hilltown Packing | Salinas | Harvesting-Contract |
| Mann Packing | Salinas | Fruits & Vegetables-Growers & Shippers |
| Monterey County Social Services Committee | Salinas | Government Offices-County |
| Monterey County Social Services Department | Salinas | Government Offices-County |
| Monterey County Office Education | Salinas | School Districts |
| Natividad Medical Center | Salinas | Hospitals |
| Salinas Valley Memorial Hospital | Salinas | Hospitals |

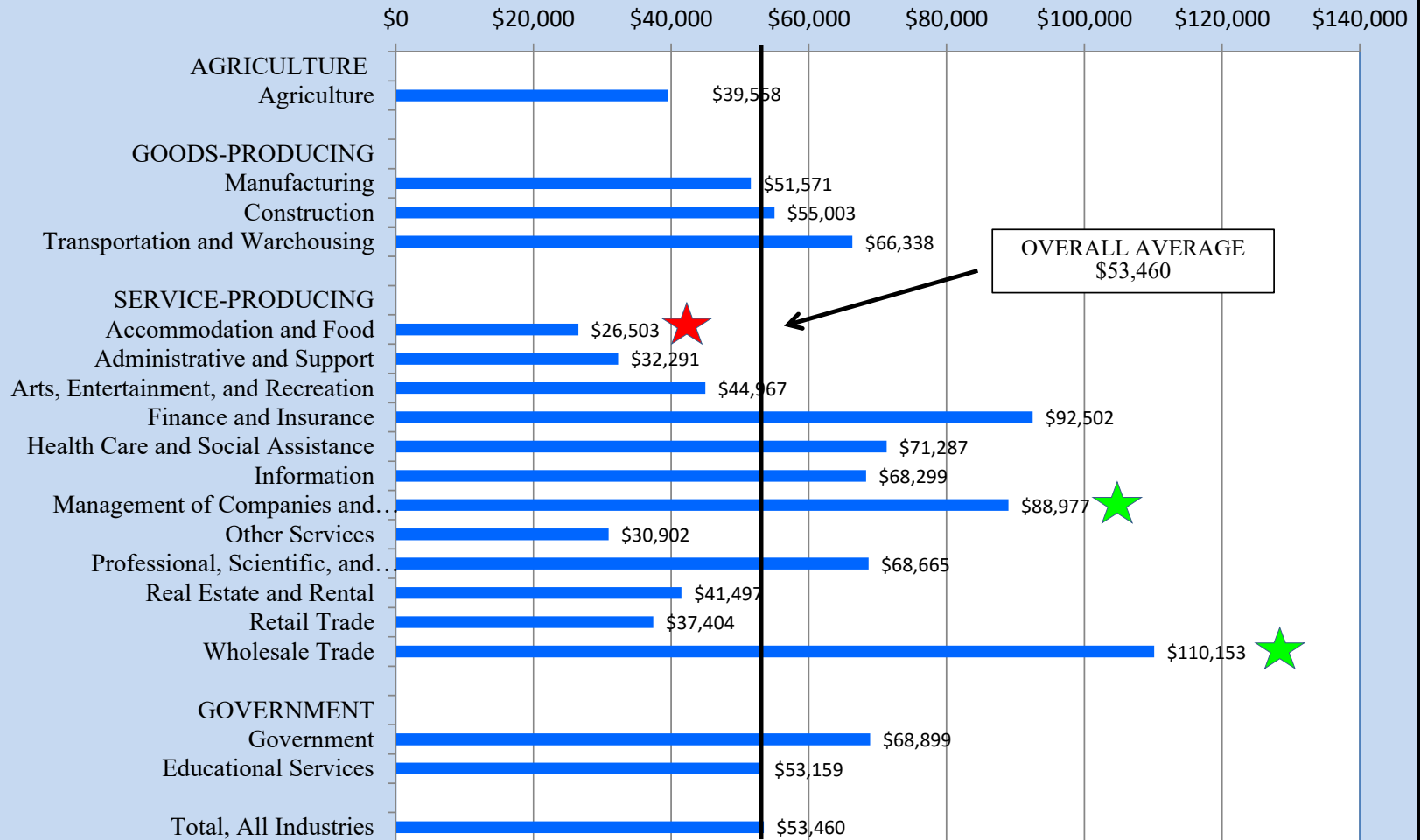
Located in Other Monterey County Cities

| Employer Name | City | Industry |
|-----------------------------------|--------------|--|
| Arroyo Labor Contracting Services | Gonzales | Labor Contractors |
| Misionero Vegetables | Gonzales | Fruits & Vegetables-Growers & Shippers |
| Quality Farm Labor | Gonzales | Labor Contractors |
| Azcona Harvesting | Greenfield | Harvesting-Contract |
| Liberty Tax | King City | Tax Return Preparation & Filing |
| Casa Palmero | Pebble Beach | Hotels & Motels |
| Pebble Beach Company | Pebble Beach | Resorts |
| Pebble Beach Resorts | Pebble Beach | Resorts |
| Al Pak Labor | Soledad | Labor Contractors |
| Bud of California | Soledad | Fruits & Vegetables-Growers & Shippers |
| Dole Fresh Vegetables | Soledad | Fruits & Vegetables-Growers & Shippers |

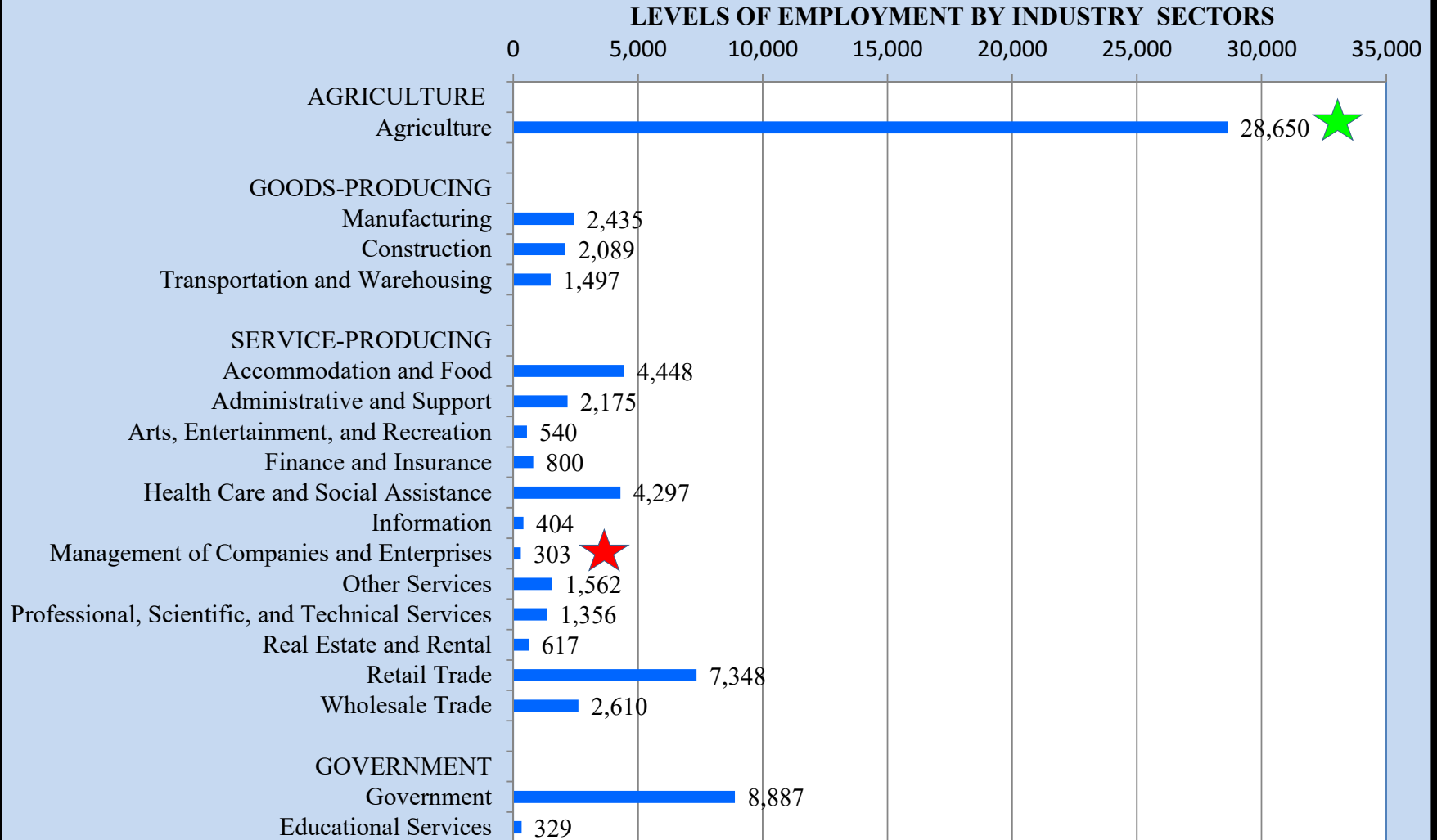
CITY OF MONTEREY 2015 EMPLOYMENT LEVELS BY INDUSTRY SECTORS PART-TIME AND FULL-TIME EMPLOYEES: 28,022



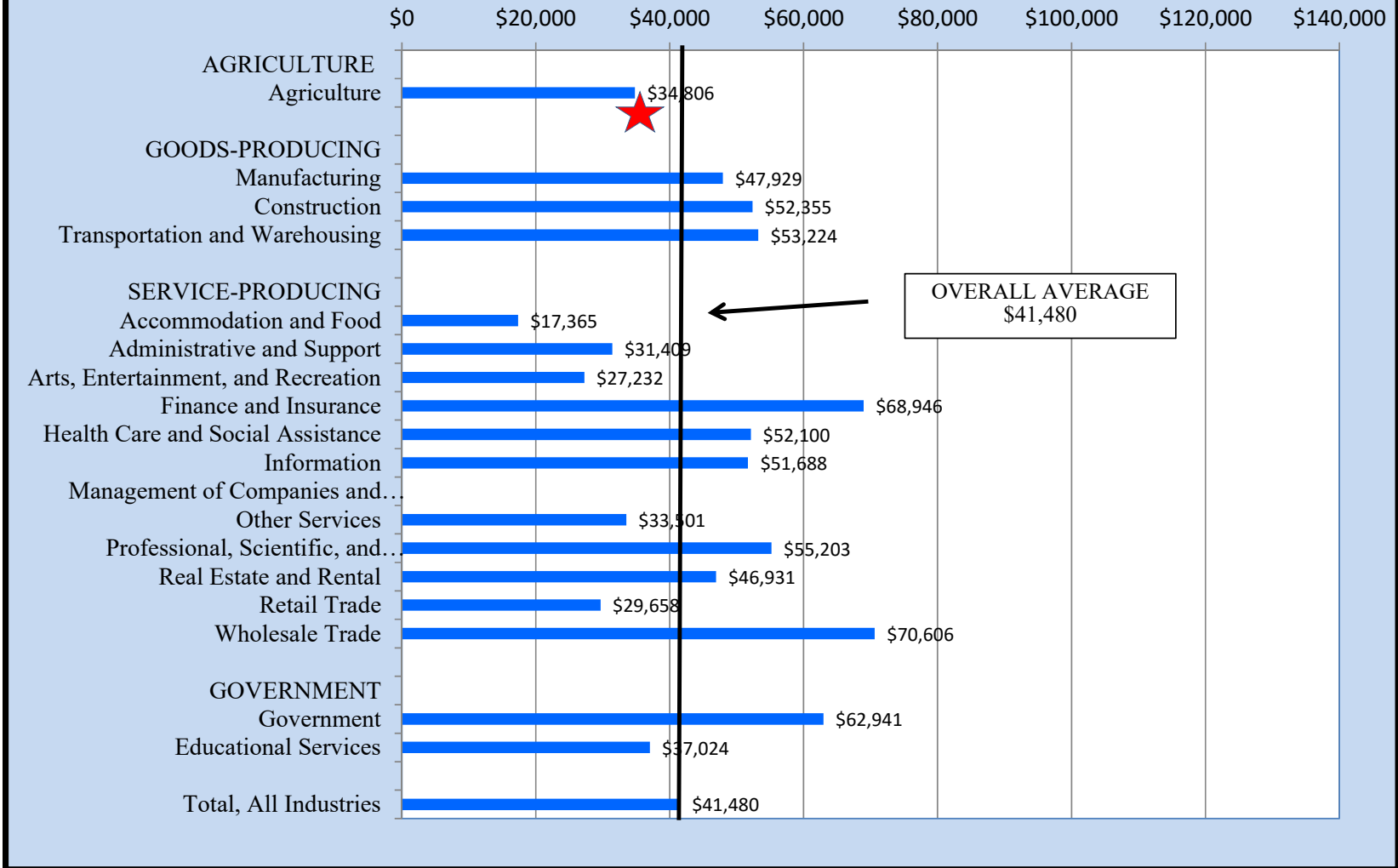
CITY OF MONTEREY 2015 PAYROLL BY EMPLOYMENT SECTORS FULL AND PART-TIME EMPLOYEES



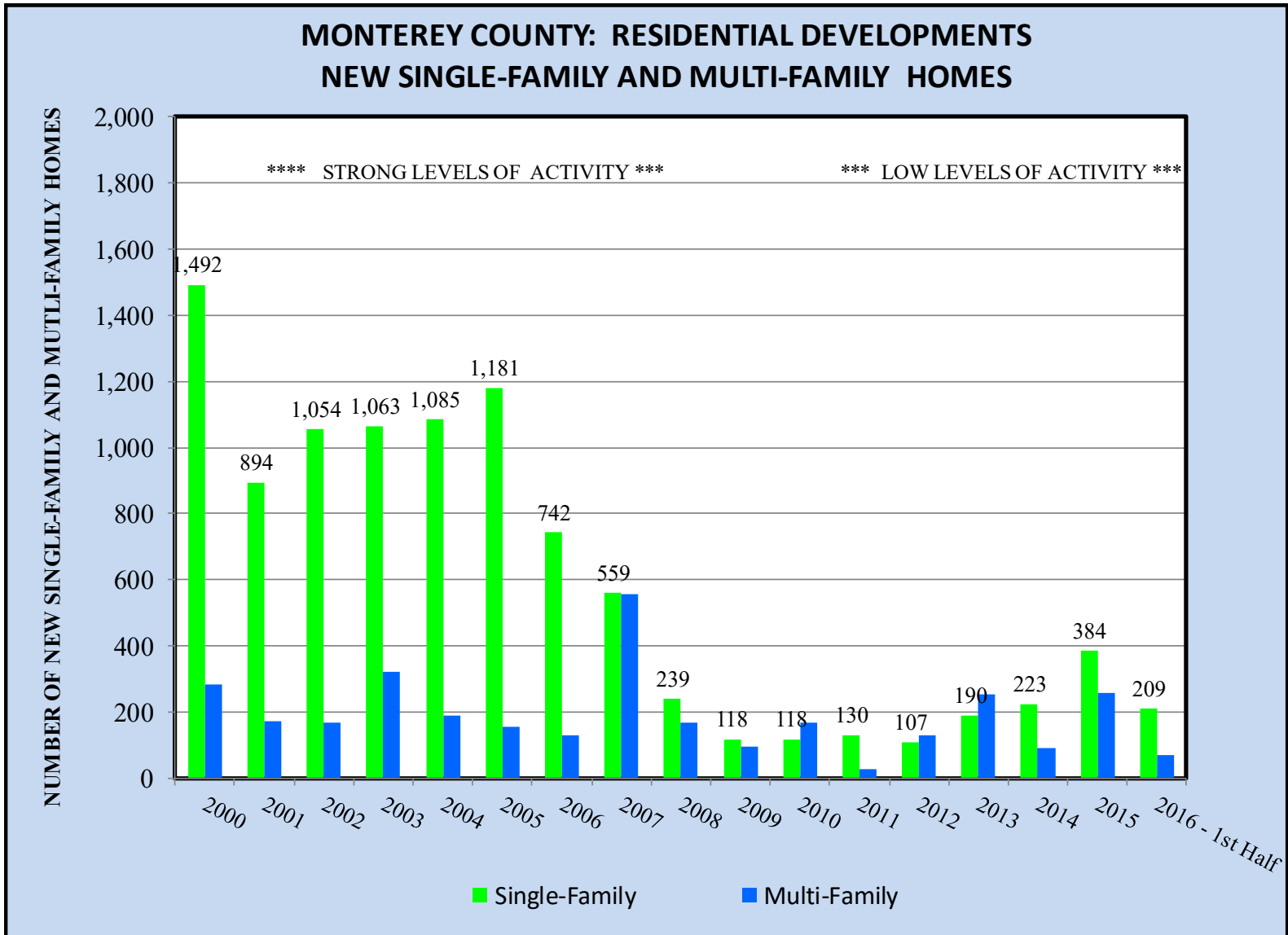
**CITY OF SALINAS
2015 EMPLOYMENT LEVELS BY INDUSTRY SECTORS
PART-TIME AND FULL-TIME EMPLOYEES: 70,343**



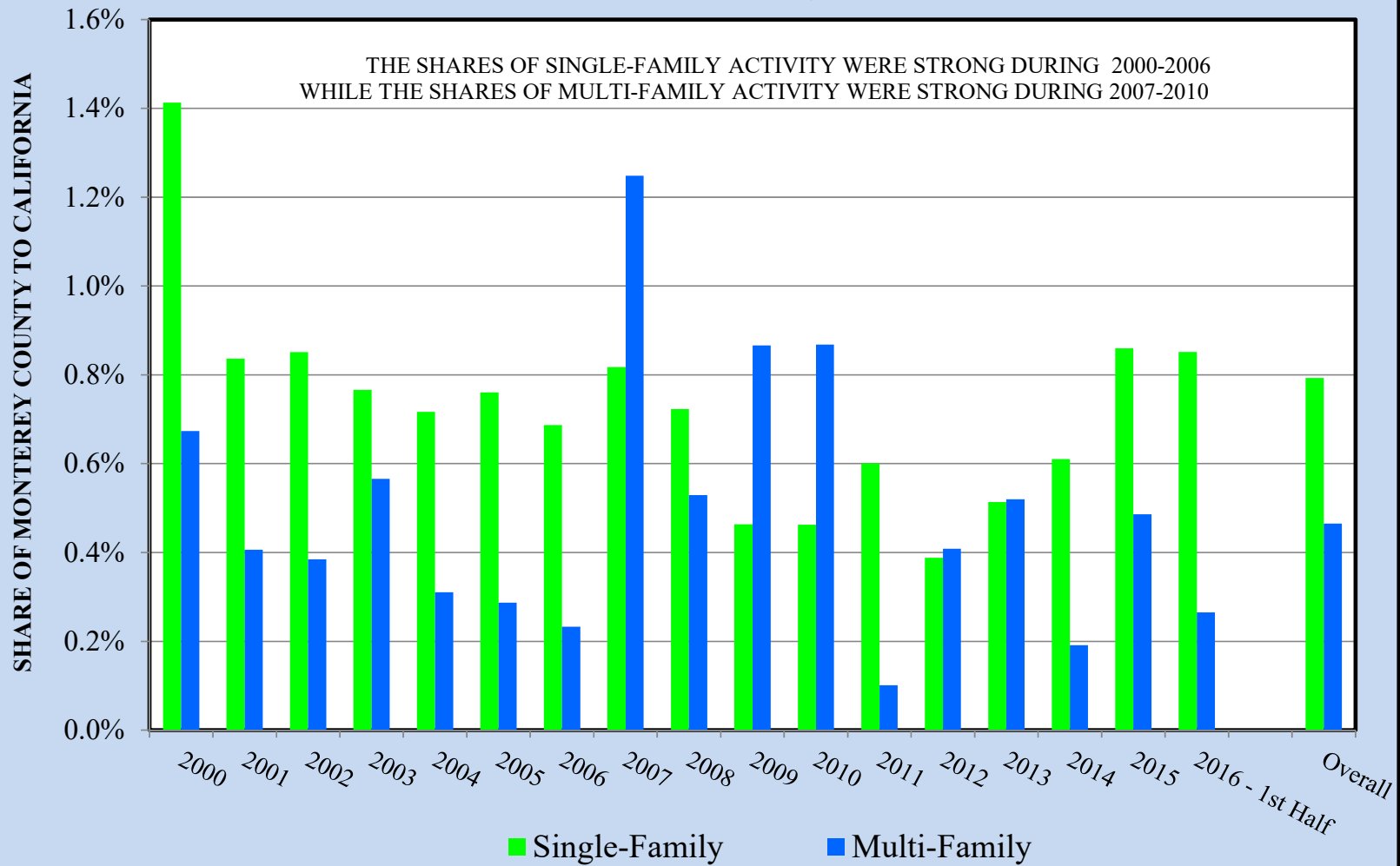
**CITY OF SALINAS
2015 PAYROLL BY EMPLOYMENT SECTORS
FULL AND PART-TIME EMPLOYEES**



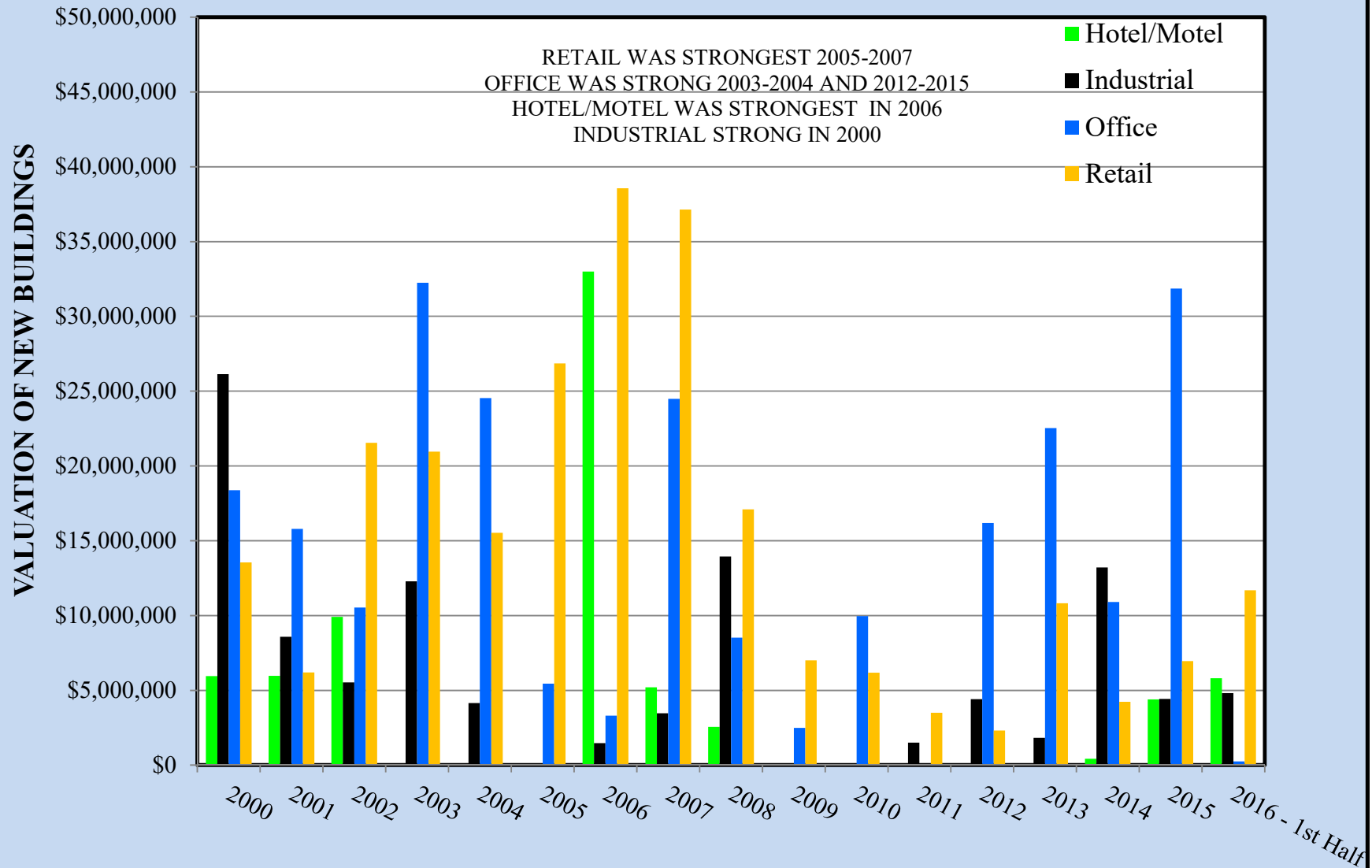
**D. COUNTY OF MONTEREY: RECENT DEVELOPMENT TRENDS AND PATTERNS
NEW RESIDENTIAL AND NON-RESIDENTIAL PRODUCT TYPES**



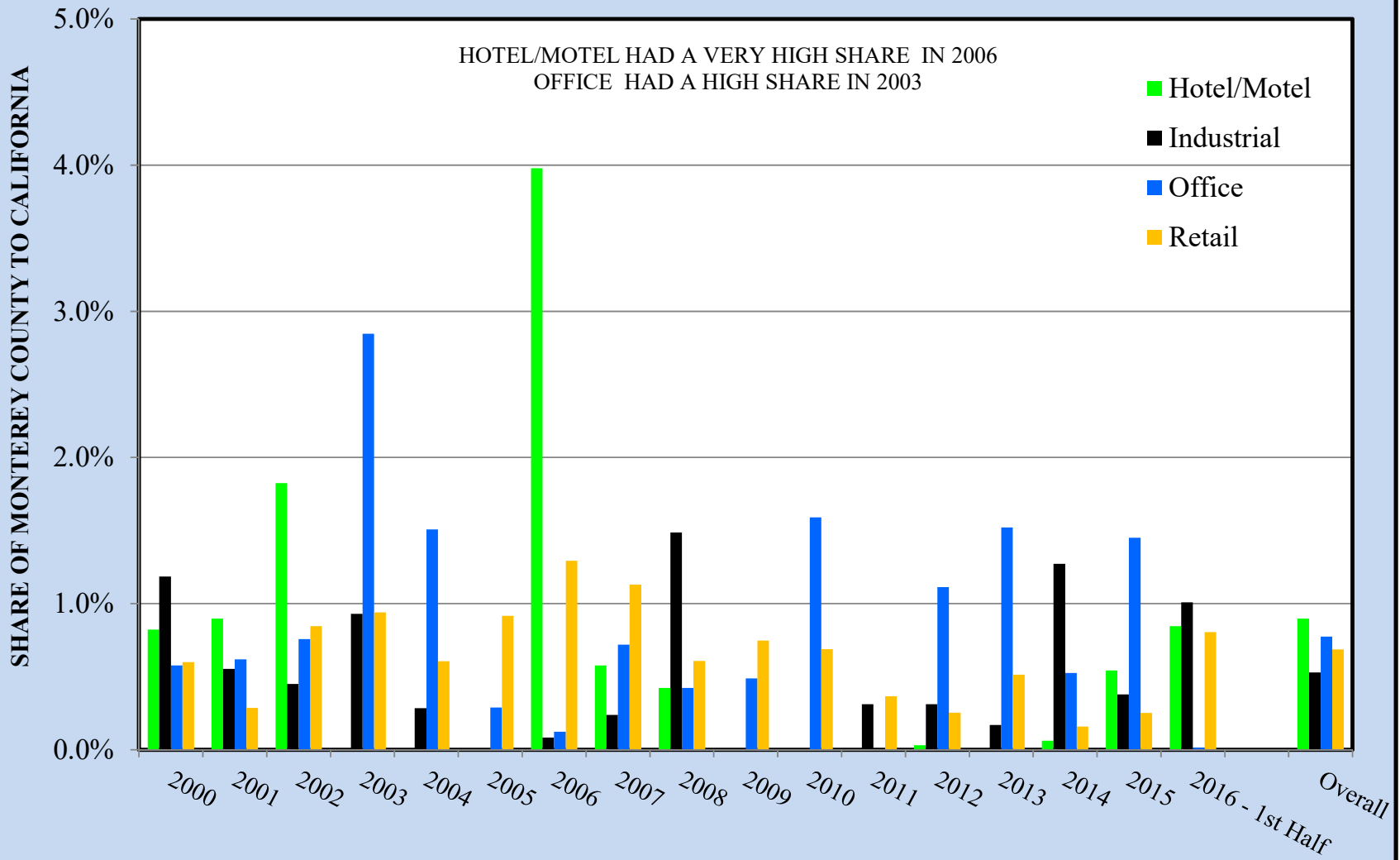
MONTEREY COUNTY: RESIDENTIAL DEVELOPMENTS SHARES OF NEW SINGLE-FAMILY AND MULTI-FAMILY HOMES MONTEREY COUNTY / CALIFORNIA



MONTEREY COUNTY: NON-RESIDENTIAL DEVELOPMENTS VALUATION OF NEW HOTEL, INDUSTRIAL, OFFICE & RETAIL BUILDINGS



MONTEREY COUNTY: NON-RESIDENTIAL DEVELOPMENTS SHARES OF HOTEL, INDUSTRIAL, OFFICE & RETAIL MONTEREY COUNTY / CALIFORNIA



E. CONCLUSIONS ON RECENT/FUTURE HOUSING MARKET CONDITIONS

The recent employment/housing trends/patterns in the County of Monterey and the CFD Market Area along with Empire's forecast for economic growth and housing demand based upon its Designated Economic and Real Estate Scenario are now discussed.

Price Appreciation: Starting in 2002, housing prices began to appreciate as mortgage rates declined, and then the rate of appreciation accelerated during 2004 to 2006 due to the pervasive use of non-conventional (creative) financing structures. During this time period, these financing structures and related financing factors, rather than employment growth, were the primary driving forces underlying the extraordinary rate of housing price appreciation for California, and also for the County of Monterey.

Price Declines – Negative Equity: During 2007 to 2009, housing prices decreased significantly, pushing a substantial proportion of homeowners who purchased their homes during the price bubble into a position of negative equity, especially those that had high loan to value ratios. The enormous number of homeowners under duress caused an over-supply of homes which, in turn, severely depressed new development activity.

Foundation for Recovery: Since 2009, and continuing through 2012, housing prices were relatively stable, and this enabled the housing market to go through a consolidation phase:

- Homeowners with negative equity went through the foreclosure and short sales process.
- These homes, in turn, were purchased by new bona-fide homeowners as well as investors that benefited from lower prices. Although mortgage rates were very favorable, mortgage lending criteria were tighter for households and many investors were cash buyers.

Market Recovery Starting in 2013: The housing market moved into a recovery phase, with the return of employment growth, and housing prices have increased by significantly for the Market Region.

Normal Market Conditions During 2014+: Employment, the traditional driver of housing price appreciation, continued to increase to new peak levels which enabled the housing market to return to its normal rate of price appreciation. However, the housing market is not expected to surpass the recent price bubble peak in the near term due to the following macroeconomic conditions:

- Reducing the Federal Deficit through higher tax rates, reduced deductions and lower spending.
- Federal Reserve Board re-balancing its accounts by selling recently purchased securities.

The County of Monterey and the CFD No. 2006-1 Market Area are regarded as being strong local economies:

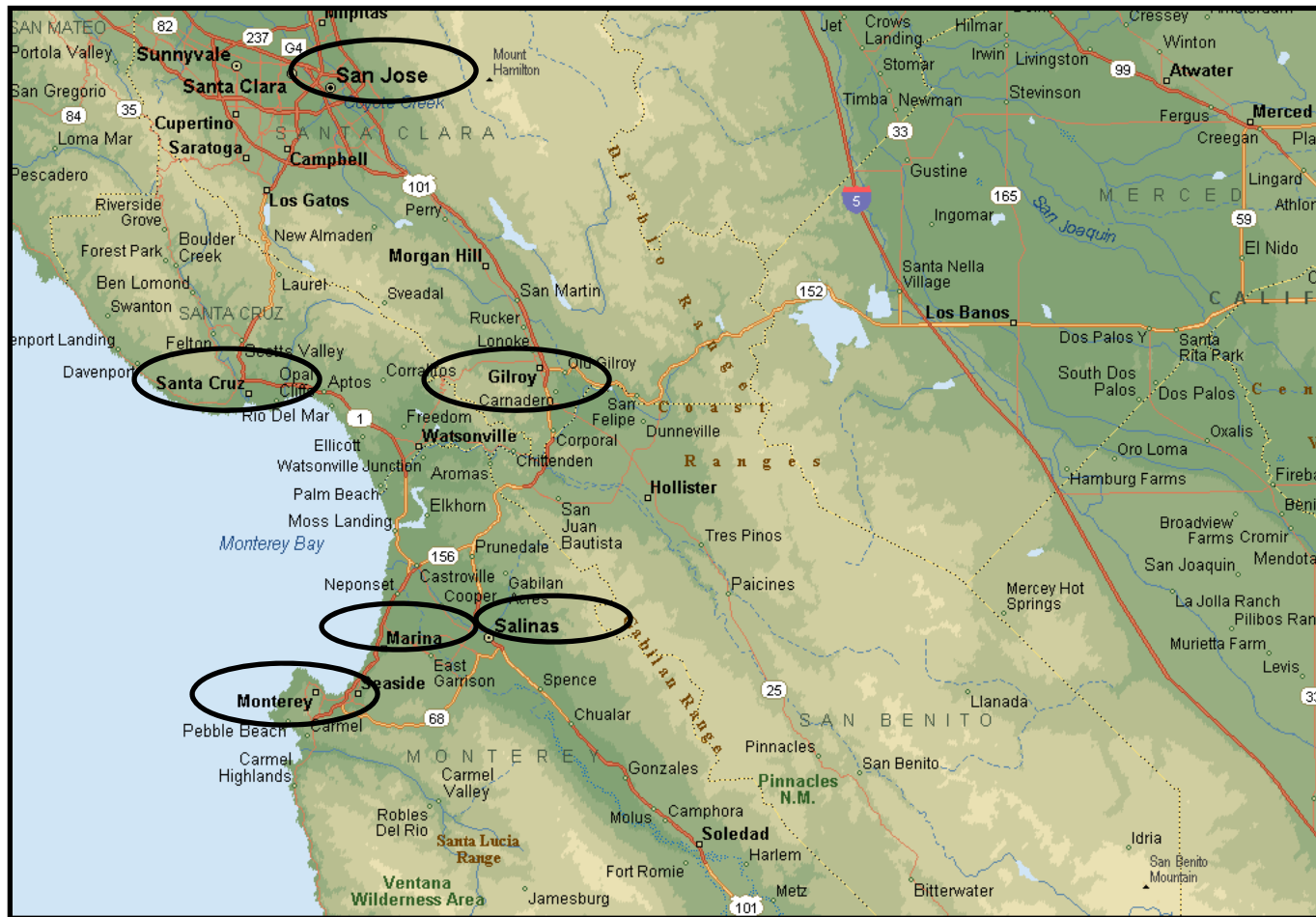
- ✓ The County's level of employment recently reached a new peak level thereby generating a demand for new housing.
- ✓ The Market Area has relatively low unemployment rates for the cities of Monterey and Marina.

Due to its strengthening economic base, the CFD No. 2006-1 housing market will continue to generate a stronger demand for new homes, thereby providing support for the forthcoming residential projects in CFD No. 2006-1. However, the level of demand for new homes will be somewhat challenged by the composition of the local economic base with regards to the sectors with the most employment having relatively low wage levels (Accommodations and Food, and Agriculture) .

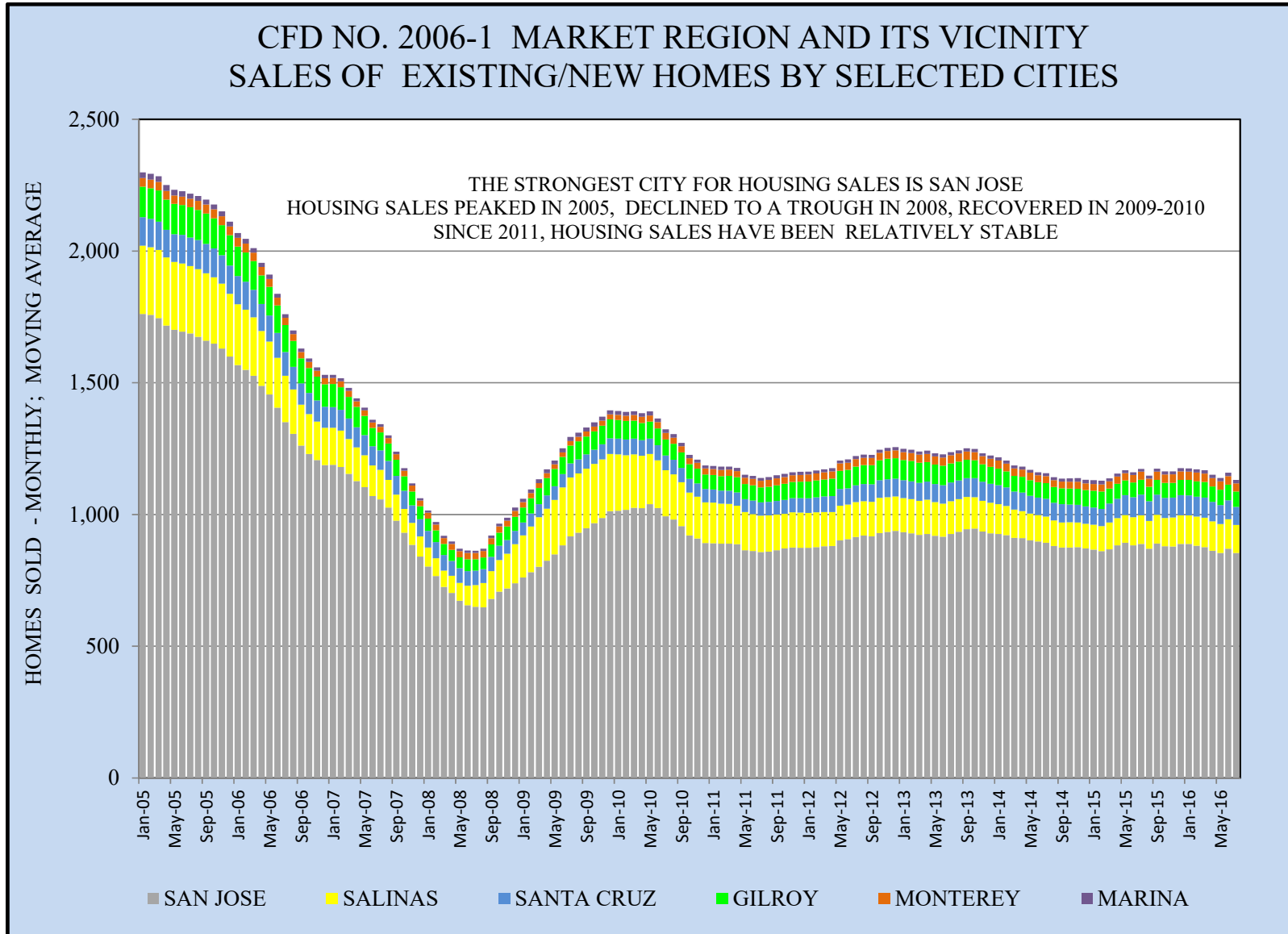
SECTION III. OVERVIEW OF RECENT SALES TRENDS AND PRICE PATTERNS CFD NO. 2006-1 MARKET REGION AND ITS VICINITY

The purpose of this section is to perform an analysis of the recent/current housing market sales trends and price patterns for homes in the CFD No. 2006-1 Market Area and its vicinity to compare their differences/similarities.

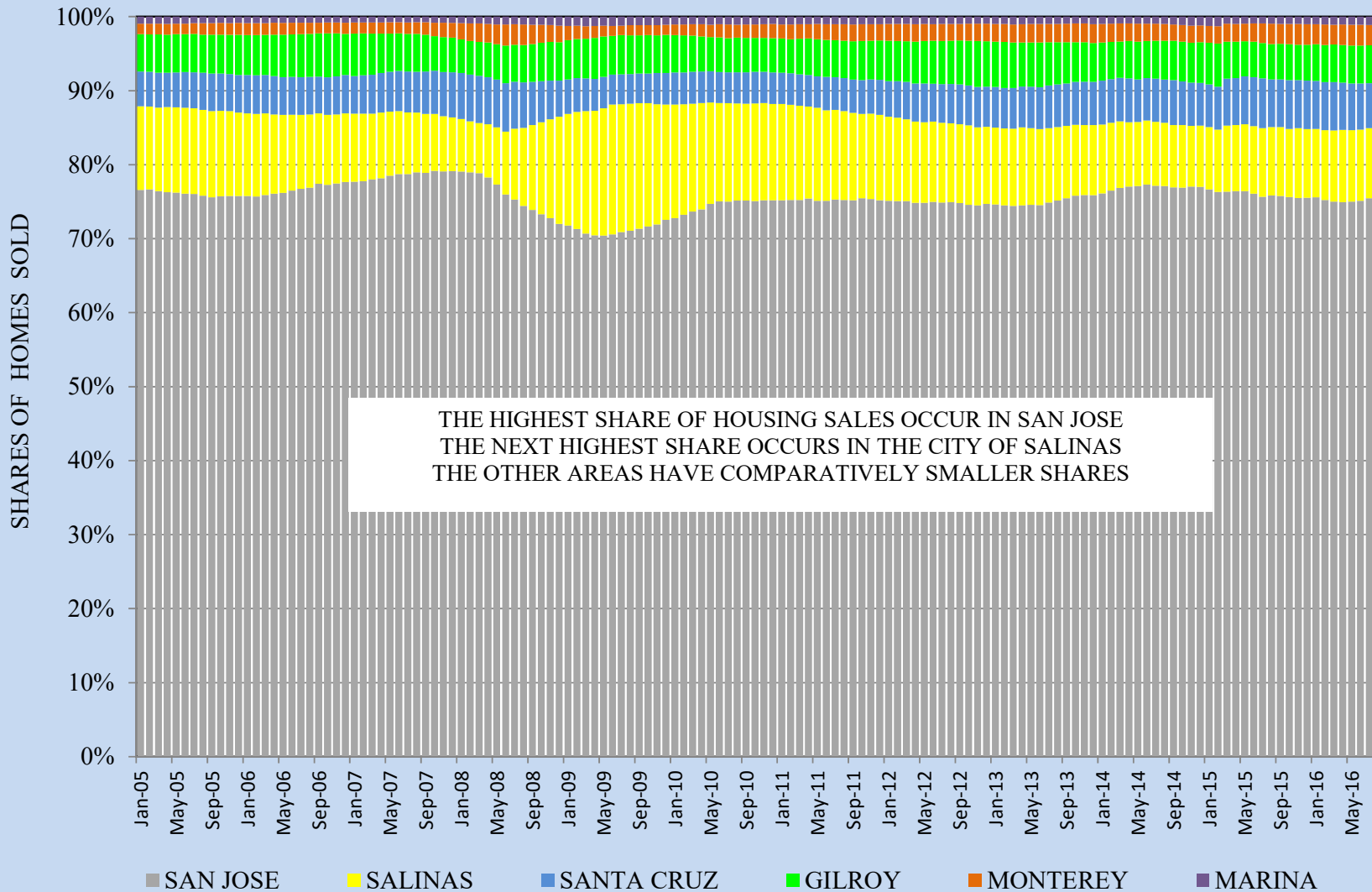
SELECT CITIES IN THE GEOGRAPHICAL AREA FOR THE HOUSING MARKET ANALYSIS



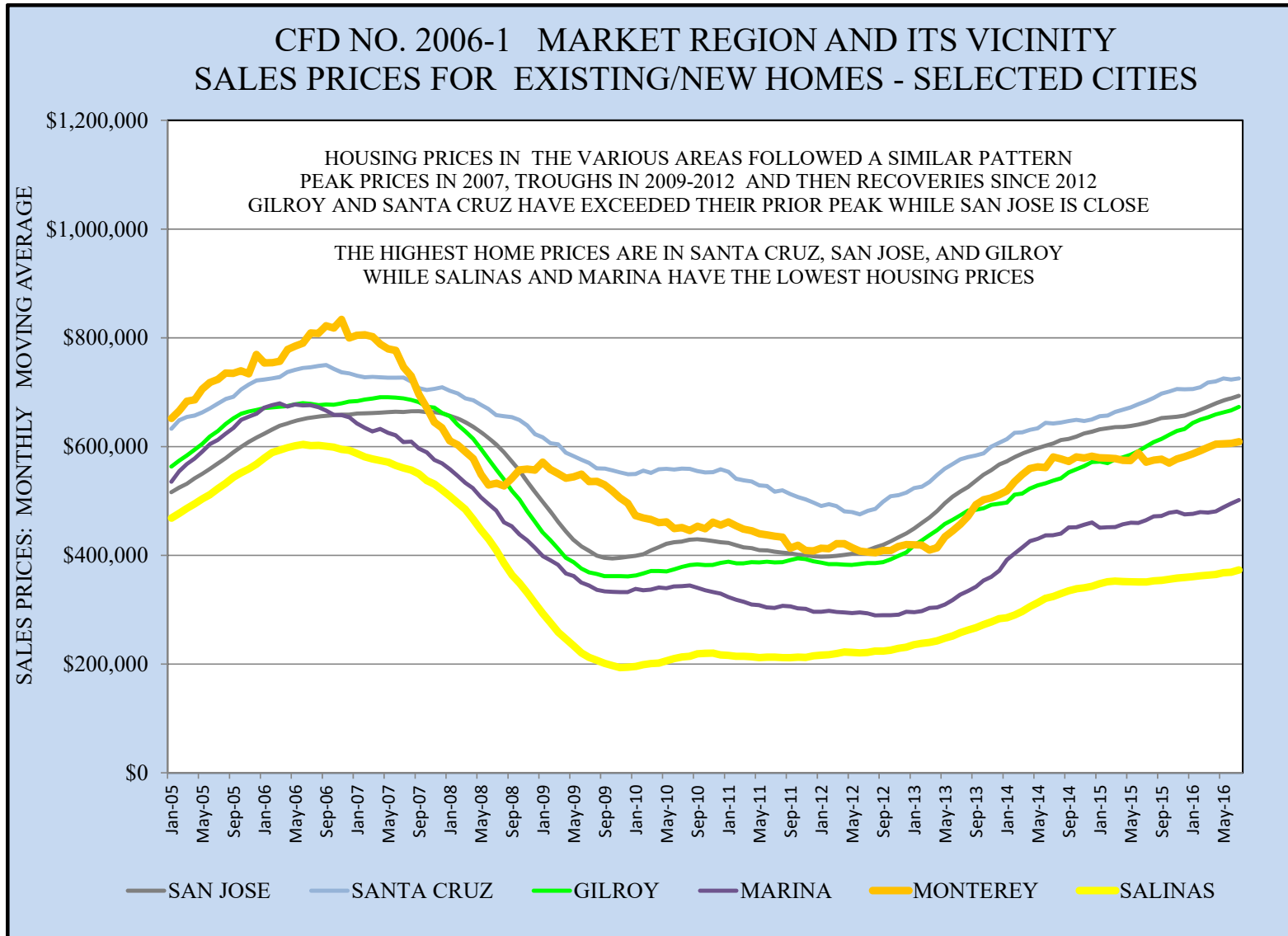
A. SALES: RECENT TRENDS AND MARKET SHARE



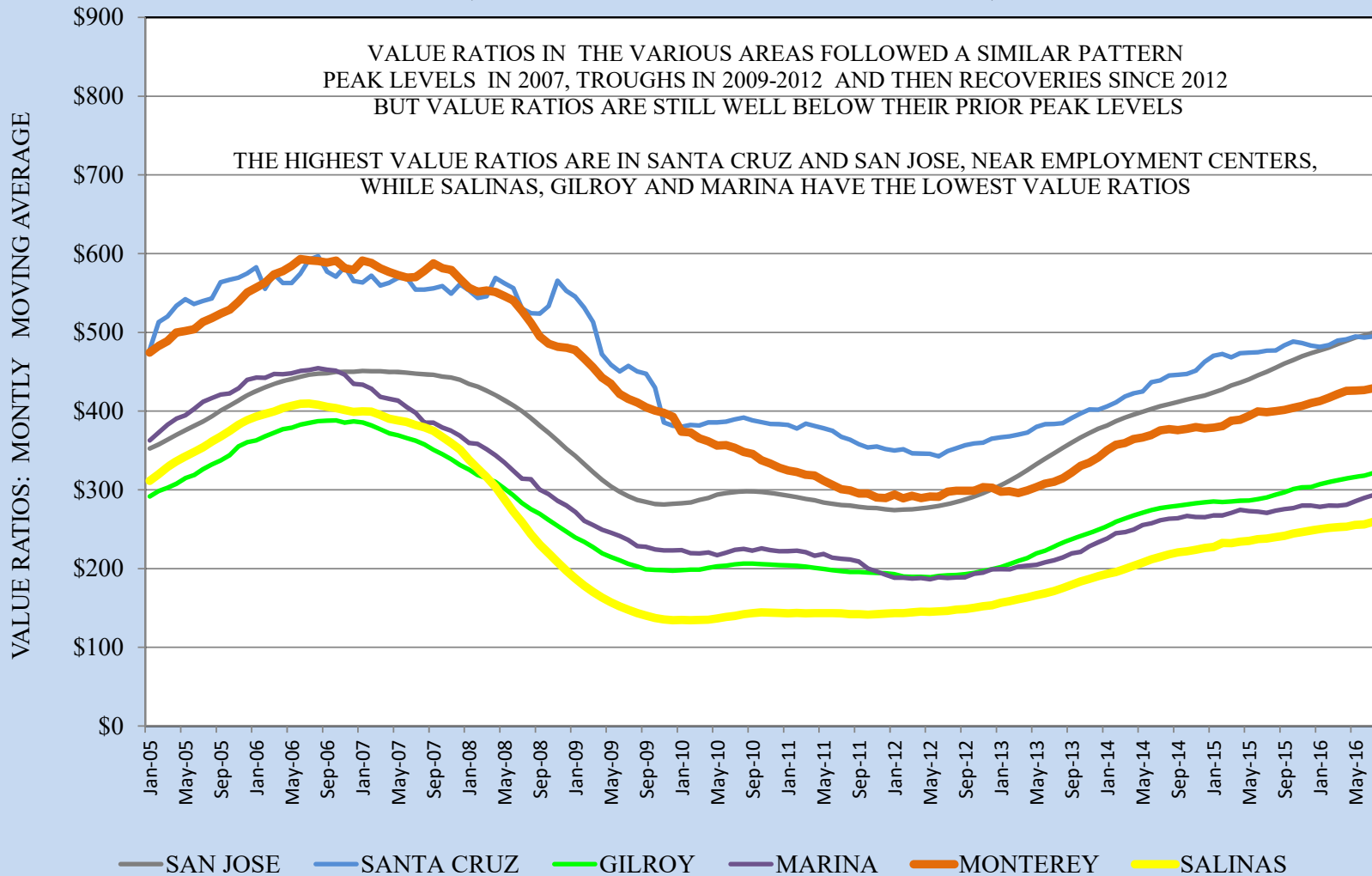
CFD NO. 2006-1 MARKET REGION AND ITS VICINITY SHARES OF EXISTING/NEW HOME SALES BY SELECTED CITIES



B. RECENT PRICE AND VALUE RATIO PATTERNS



**CFD NO. 2006-1 MARKET REGION AND ITS VICINITY
VALUE RATIOS FOR EXISTING/NEW HOMES - SELECTED CITIES
(VALUE RATIO = PRICE / LIVING AREA)**

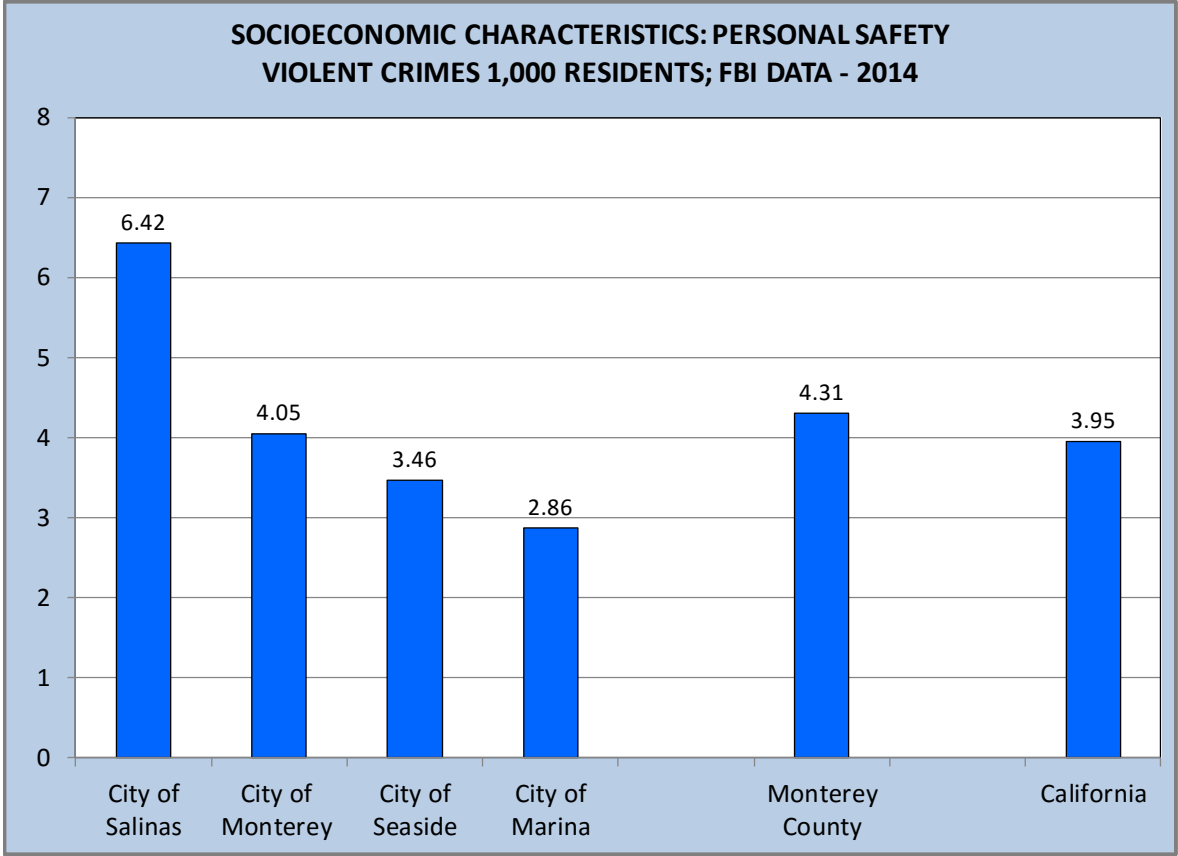


C. SOCIOECONOMIC CHARACTERISTICS: CRIME LEVELS AND THE QUALITY OF SCHOOLS

When households consider the purchase of a home, the primary factors are the location of the residence relative to their place of employment and also the prices that they can afford. Furthermore, secondary socioeconomic factors that are significant include the neighborhood safety as well as the educational quality of the schools; accordingly, these are now discussed.

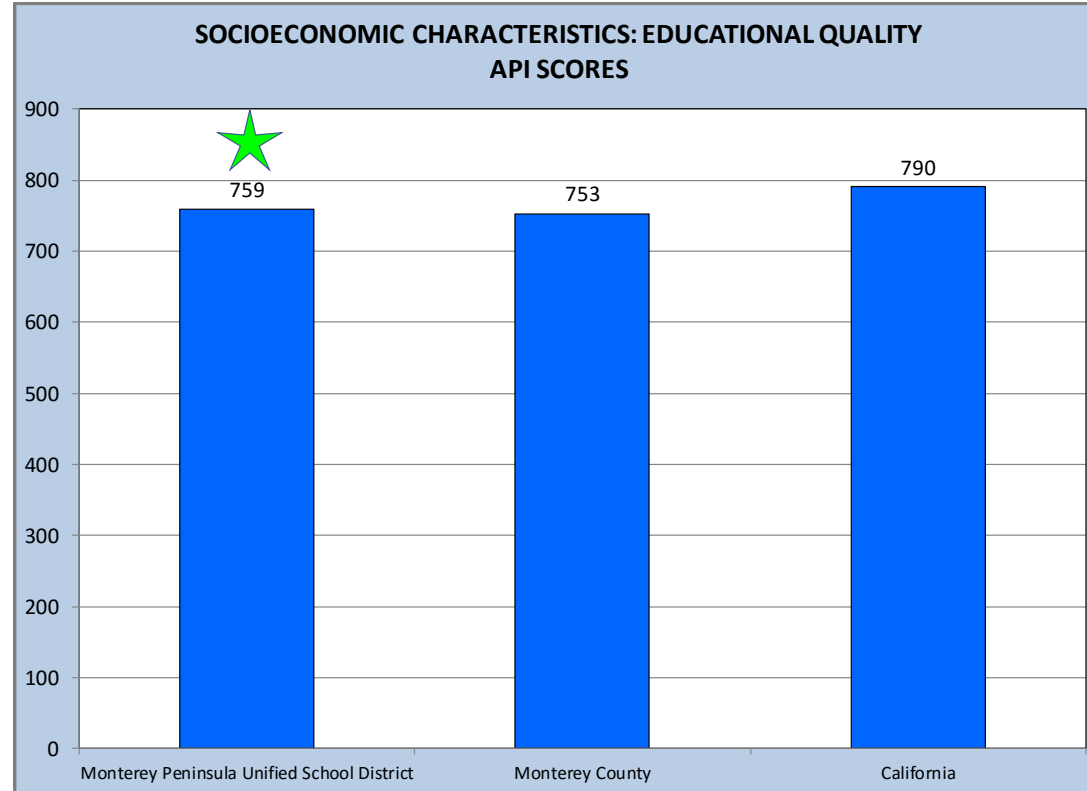
Crime Levels and Safety in the County of Monterey

To gauge the safety of the cities in the vicinity of CFD No. 2006-1, information on crime levels was obtained utilizing the most recent data available (the 2014 calendar year) from the Federal Bureau of Investigation (FBI) Index, with a focus on “Violent Crimes.” Accordingly, the County of Monterey had a violent crime rate of 4.31, slightly above that of California, which amounted to 3.95. Furthermore, for the cities in the vicinity of CFD No. 2006-1 – Salinas, Monterey, Seaside, and Marina – three out of four of them had a lower crime rate than Monterey County.



Quality of Schools and Education

To gauge the quality of schools in the vicinity of CFD No. 2006-1, information was compiled on educational achievement for Monterey Peninsula Unified School District utilizing the Academic Performance Index Scores (API), published by the California Department of Education; the most recent report available. Accordingly, the Monterey Peninsula Unified School District has an API of 759, higher than the overall average for Monterey County of 753 but lower than for California of 790 as a whole.



Conclusions

From a socioeconomic perspective, the cities in the vicinity of CFD No. 2006-1 have a mostly lower crime rates versus Monterey County while the school district has a higher educational achievement level than Monterey County but lower than California; accordingly, these socioeconomic factors generally support the demand for the forthcoming homes in CFD No. 2006-1.

SECTION IV

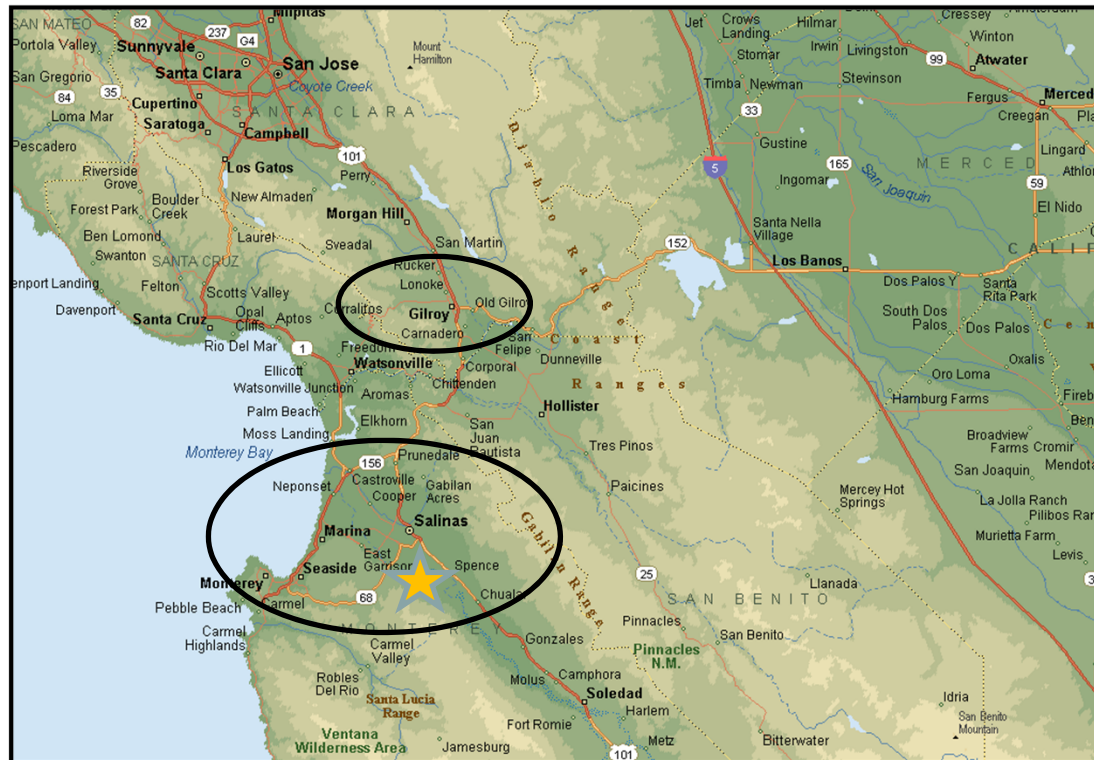
COMPETITIVE MARKET ANALYSIS OF THE ACTIVE RESIDENTIAL PROJECTS IN THE CFD NO. 2006-1

The purpose of this section is to perform an analysis of the prices, living areas and special taxes for the currently active projects in CFD No. 2006-1, as compared to other comparable/competing projects in various nearby Planned Communities as well as stand-alone projects.

The boundaries of the Competitive Market Area (CMA) were formulated to include a sufficient number of comparable projects with single-family detached homes that have similar sizes of living area (1,500-3,100 sq.ft.):

- The Dunes in the City of Marina with three active projects
- Glen Loma Ranch in Gilroy with two active projects
- Heartland West in Gilroy with two active projects

COMPETITIVE MARKET AREA



Empire compiled information on the product mix characteristics for the currently active projects in the Competitive Market Area (CMA), including their base prices, sizes of living area, special tax/assessment amounts/rates as well as the number of homes planned and of these the number that have closed escrow; the primary statistics are as follows:

- The CMA have a total of 16 currently active projects with an expected 1,201 homes; of these, 327 have closed escrows, thereby leaving 874 homes for future escrow closings:
 - CFD No. 2006-1: 5 projects in Phase 1 and 4 projects in Phase II
 - Marina: 3 projects
 - Gilroy: 4 projects

- The CMA has homes that are priced at about \$630,903, on the average, and their prices range from a low of \$444,000 to a high of \$787,990.
 - CFD No. 2006-1: \$614,437/avg. for Phase 1 and \$541,488/avg. for Phase II
 - Marina: \$668,983/avg.
 - Gilroy: \$712,340/avg.

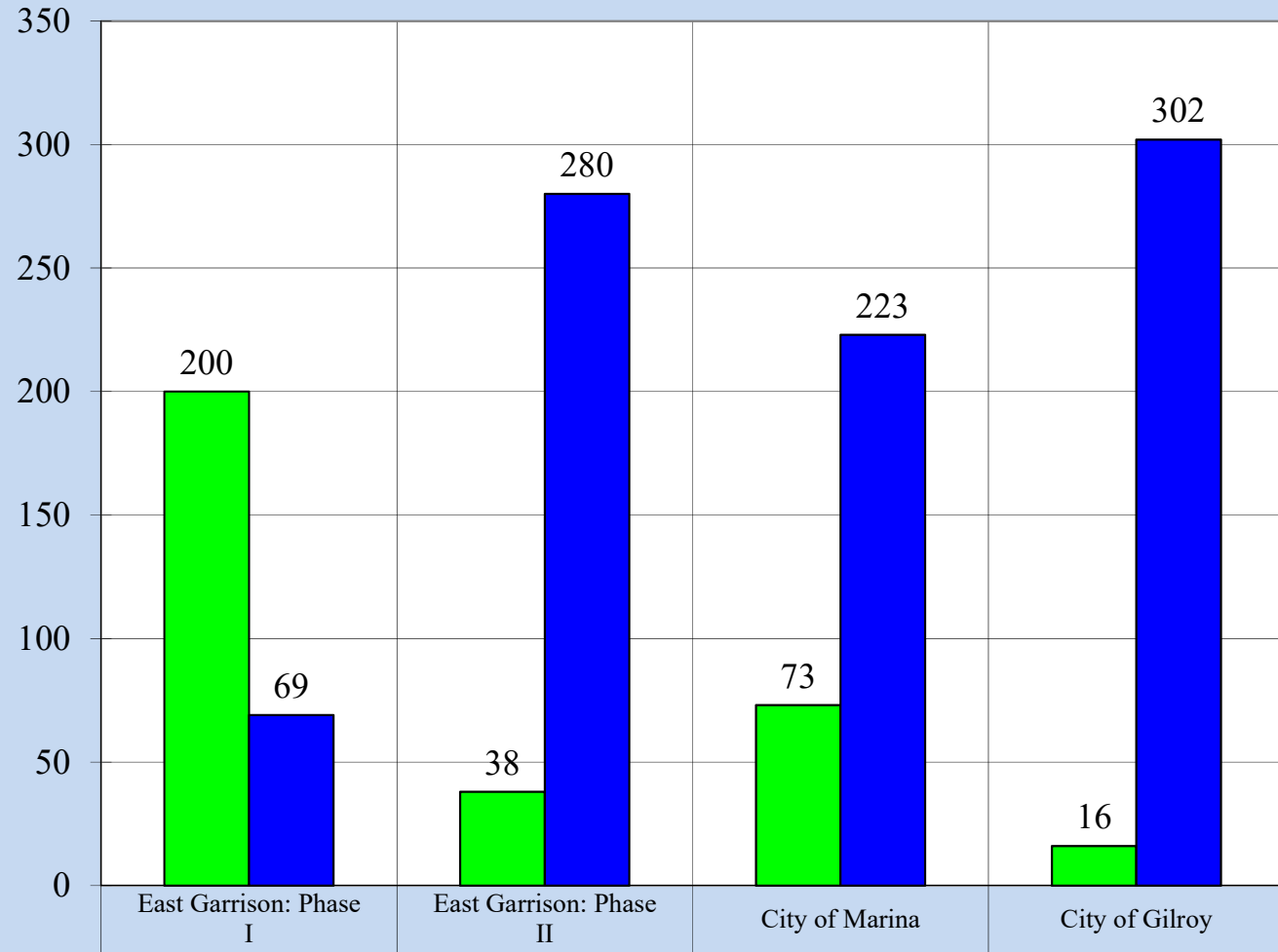
- The CMA has homes that have 2,233 sq.ft., on the average, and their living areas range from a low of 1,437 to a high of 3,349 sq.ft.
 - CFD No. 2006-1: 2,335/avg. for Phase 1 and 2,001/avg. for Phase II
 - Marina: 2,011/avg.
 - Gilroy: 2,502/avg.

- The value ratio is a statistic that adjusts for differences in the sizes of living area by dividing the price of the home by the size of living area; the value ratio for the projects amounts to \$286, on the average.
 - CFD No. 2006-1: \$267/sq.ft. for Phase 1 and \$273/sq.ft. for Phase II
 - Marina: \$333/sq.ft.
 - Gilroy: \$287/sq.ft.

- The Special Taxes vary significantly among the areas:
 - CFD No. 2006-1: \$4,214/avg. or 0.69% of the base price for Phase 1 and \$3,725 or 0.69% of the base price for Phase II
 - Marina: \$437/avg. or 0.07% of the base price
 - Gilroy: \$850/avg. or 0.12% of the base price

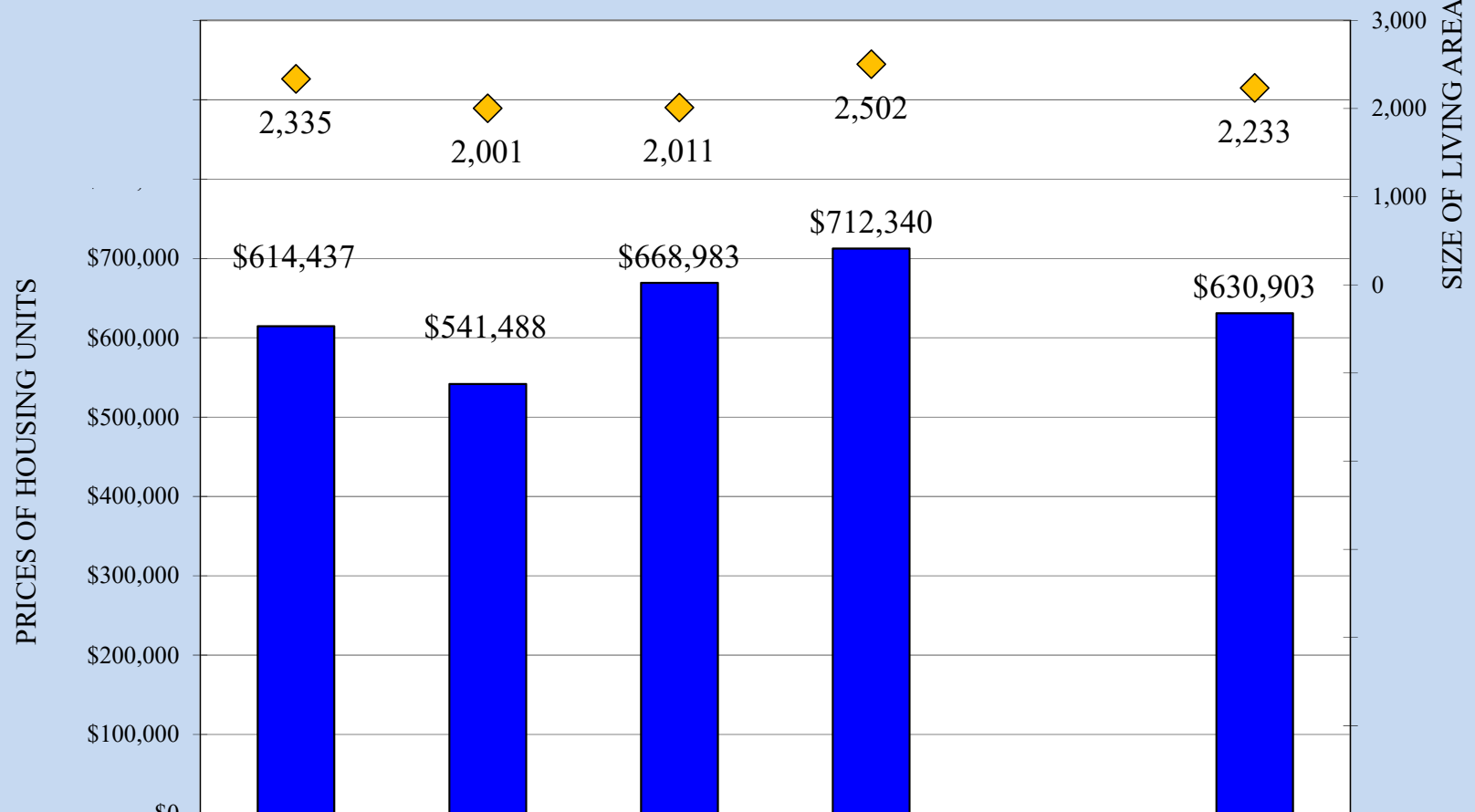
For specific information on the projects/plans in the Competitive Market Analysis, please refer to the graphs and table on the following pages.

MARKETING STATUS OF THE CURRENTLY ACTIVE PROJECTS IN THE COMPETITIVE MARKET AREA



| | | | | |
|----------------|-----|-----|-----|-----|
| Escrows Closed | 200 | 38 | 73 | 16 |
| Future Units | 69 | 280 | 223 | 302 |

PRICES AND LIVING AREAS FOR THE ACTIVE PROJECTS IN THE COMPETITIVE MARKET AREA

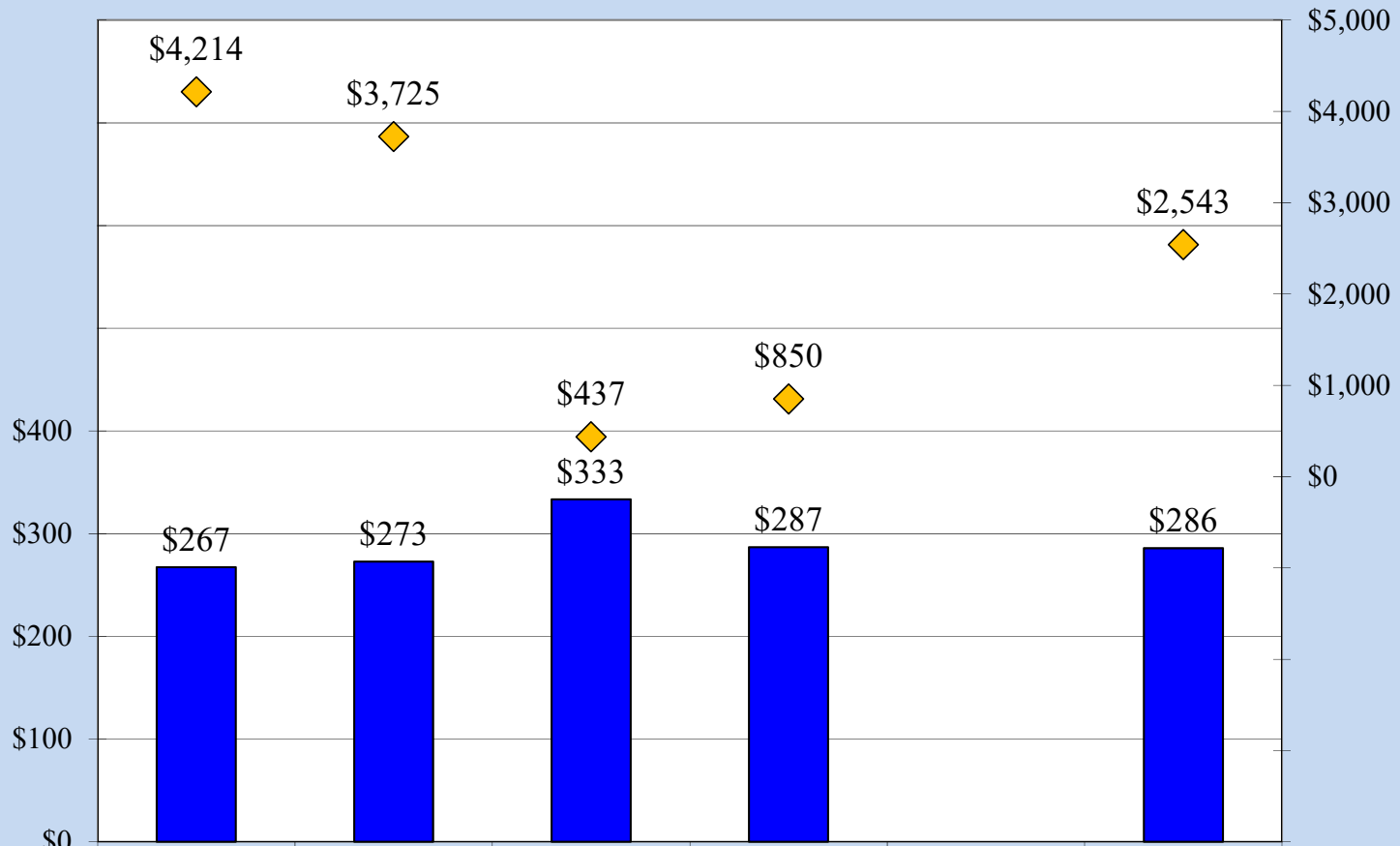


| | | | | | | |
|----------------------|---------------------------|----------------------------|----------------|----------------|--|--------------------|
| | East Garrison: Phase I | East Garrison: Phase II | City of Marina | City of Gilroy | | Overall Average |
| ■ LEFT: Price | \$614,437 | \$541,488 | \$668,983 | \$712,340 | | \$630,903 |
| ◆ RIGHT: Living Area | 2,335 | 2,001 | 2,011 | 2,502 | | 2,233 |

VALUE RATIOS AND SPECIAL TAXES FOR THE CURRENTLY ACTIVE PROJECTS IN THE COMPETITIVE MARKET AREA

VALUE RATIO: PRICE / LIVING AREA

SPECIAL TAXES / ASSESSMENTS - ANNUALLY



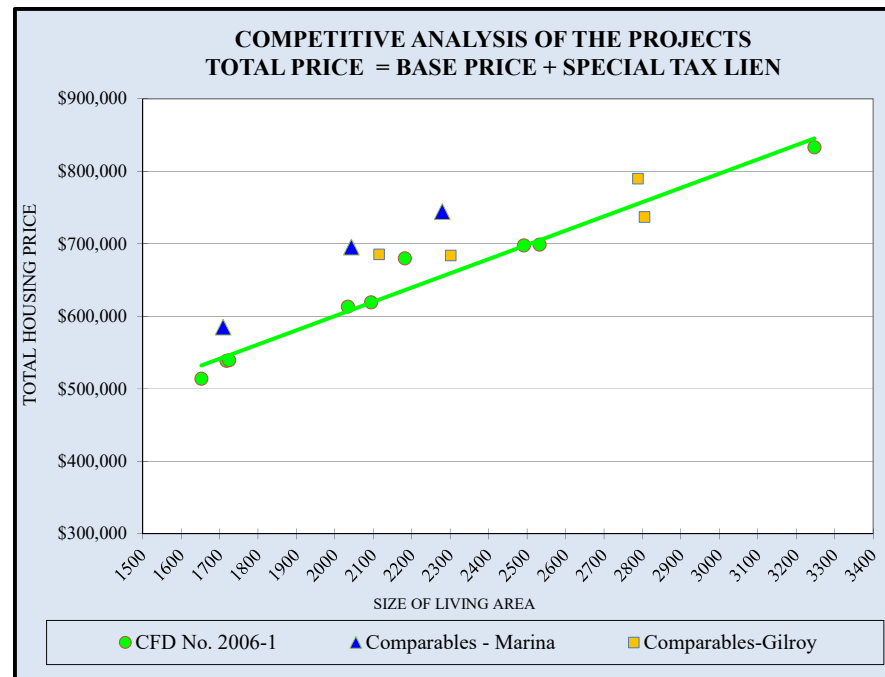
| | | | | | | |
|----------------------------|---------|---------|-------|-------|--|---------|
| ■ LEFT: Value Ratio | \$267 | \$273 | \$333 | \$287 | | \$286 |
| ◆ RIGHT: Special Assmt/Tax | \$4,214 | \$3,725 | \$437 | \$850 | | \$2,543 |

Pricing Analysis of the Currently Active Projects in CFD No. 2006-1

This analysis compares the Total Housing Prices (base prices and tax liens) of the nine currently active projects in CFD No. 2006-1 with the three active projects in The Dunes in Marina and the four active projects in Gilroy.

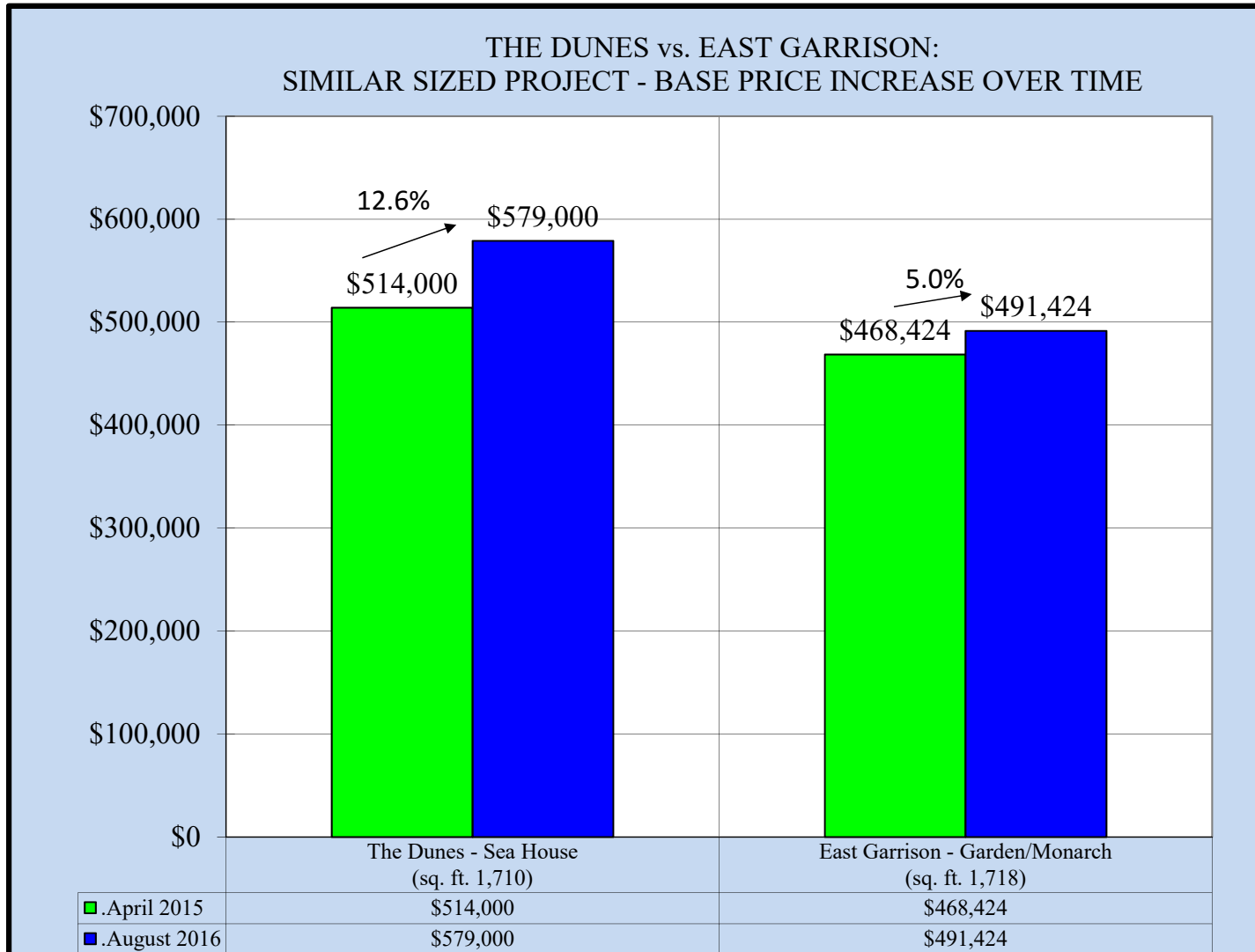
For the currently active projects/plans in CFD No. 2006-1 (green dots on the graph), their statistical averages are represented by their trendline (the solid green line) which reflects their total prices (base prices and the special tax lien) as well as their sizes of living area; this represents the best statistical fit of their total prices and their living areas.

Accordingly, to evaluate the competitiveness of the projects/plans in CFD No. 2006-1, their total prices are compared to the market comparables: Planned Community of The Dunes in Marina (blue triangles on the graph) and the comparable projects in Gilroy (orange squares on the graph).



The total prices for the projects/plans in CFD No. 2006-1 are generally BELOW the total prices for The Dunes and BELOW/SIMILAR to the total prices for Gilroy.

Since April 2015, prices for The Dunes project Sea House appreciated at a much higher rate (12.6%) than the prices for the similarly sized East Garrison project Garden/Monarch (5.0%).



CHARACTERISTICS OF THE PROJECTS IN THE CFD NO. 2006-1 AND THE CURRENTLY ACTIVE COMPARABLE PROJECTS

| Project | Planned | Project | Builder | Product | Project Size and Sales | | | | Base Housing Prices | | | Incentives | Size of Living Area | | | Value | Special Taxes/Assmts. | |
|----------------------------|-------------------------|-----------------------|------------------------|-----------------|------------------------|---------|--------|----------|---------------------|-----------|-----------|------------|---------------------|-------|---------|-------|-----------------------|-------|
| | | | | | Total | Escrows | Future | Sales | Lower | Average | Upper | | by Builder | Lower | Average | | Upper | Ratio |
| Locations | Community | | | Type | | Closed | | Rate/Yr. | | | | | | | | Year | Tax / Price | |
| CFD No. 2006-1 | East Garrison: Phase I | Garden/Monarch | Benchmark | Single-family | 59 | 56 | 3 | N/A | \$472,000 | \$491,424 | \$512,000 | \$0 | 1,575 | 1,718 | 1,870 | \$286 | \$3,414 | 1.94% |
| CFD No. 2006-1 | East Garrison: Phase I | Bungalow/Artisan | Benchmark | Single-family | 77 | 73 | 4 | N/A | \$528,000 | \$559,779 | \$599,000 | \$0 | 1,719 | 2,034 | 2,411 | \$275 | \$3,881 | 1.94% |
| CFD No. 2006-1 | East Garrison: Phase I | Villages/Heritage | Benchmark | Single-family | 71 | 59 | 12 | N/A | \$618,000 | \$636,282 | \$663,000 | \$0 | 2,127 | 2,492 | 2,877 | \$255 | \$4,462 | 1.95% |
| CFD No. 2006-1 | East Garrison: Phase I | Courtyards/Promenade | Benchmark | Single-family | 50 | 12 | 38 | N/A | \$594,900 | \$622,200 | \$639,900 | \$0 | 1,895 | 2,183 | 2,417 | \$285 | \$4,192 | 1.92% |
| CFD No. 2006-1 | East Garrison: Phase I | Bluffs/Vantage | Benchmark | Single-family | 12 | 0 | 12 | N/A | \$750,000 | \$762,500 | \$775,000 | \$0 | 3,146 | 3,248 | 3,349 | \$235 | \$5,122 | 1.92% |
| CFD No. 2006-1 | East Garrison: Phase II | Garden/Monarch | Benchmark | Single-family | 73 | 9 | 64 | N/A | \$472,000 | \$492,384 | \$512,000 | \$0 | 1,575 | 1,725 | 1,870 | \$285 | \$3,414 | 1.94% |
| CFD No. 2006-1 | East Garrison: Phase II | Bungalow/Artisan | Benchmark | Single-family | 79 | 8 | 71 | N/A | \$528,000 | \$565,734 | \$599,000 | \$0 | 1,719 | 2,094 | 2,411 | \$270 | \$3,881 | 1.94% |
| CFD No. 2006-1 | East Garrison: Phase II | Villages/Heritage | Benchmark | Single-family | 69 | 6 | 63 | N/A | \$618,000 | \$637,246 | \$663,000 | \$0 | 2,127 | 2,533 | 2,877 | \$252 | \$4,462 | 1.95% |
| CFD No. 2006-1 | East Garrison: Phase II | Grove | Benchmark | Single-family | 97 | 15 | 82 | N/A | \$444,000 | \$470,588 | \$495,000 | \$0 | 1,437 | 1,653 | 1,866 | \$285 | \$3,143 | 1.92% |
| City of Marina | The Dunes | Sea House | Shea Homes | Attached-Duets | 105 | 33 | 72 | 25 | \$554,000 | \$579,000 | \$604,000 | \$0 | 1,523 | 1,710 | 1,896 | \$339 | \$437 | 1.25% |
| City of Marina | The Dunes | Surf House | Shea Homes | Single-family | 92 | 40 | 52 | 30 | \$665,000 | \$689,450 | \$713,900 | \$0 | 1,928 | 2,043 | 2,158 | \$337 | \$437 | 1.23% |
| City of Marina | The Dunes | Beach House | Shea Homes | Single-family | 99 | 0 | 99 | 28 | \$715,000 | \$738,500 | \$762,000 | \$0 | 2,129 | 2,280 | 2,430 | \$324 | \$437 | 1.23% |
| City of Gilroy | Glen Loma Ranch | Ambrosia | Brookfield Residential | Single-family | 77 | 0 | 77 | 32 | \$663,880 | \$683,880 | \$703,880 | \$0 | 2,113 | 2,301 | 2,489 | \$297 | \$0 | 1.12% |
| City of Gilroy | Glen Loma Ranch | Vista Bella | CalAtlantic Homes | Single-family | 146 | 16 | 130 | 36 | \$699,000 | \$737,000 | \$775,000 | \$12,500 | 2,510 | 2,806 | 3,101 | \$263 | \$0 | 1.12% |
| City of Gilroy | Heartland West | California Collection | Meritage Homes | Single-family | 62 | 0 | 62 | 34 | \$639,990 | \$661,990 | \$683,990 | \$0 | 1,870 | 2,115 | 2,360 | \$313 | \$1,700 | 1.38% |
| City of Gilroy | Heartland West | Arbor | Meritage Homes | Single-family | 33 | 0 | 33 | 30 | \$744,990 | \$766,490 | \$787,990 | \$0 | 2,541 | 2,788 | 3,035 | \$275 | \$1,700 | 1.34% |
| Statistical Summary | | | | | | | | | | | | | | | | | | |
| | | | | Projects | | | | | | | | | | | | | | |
| East Garrison: Phase I | | | | 5 | 269 | 200 | 69 | N/A | \$592,580 | \$614,437 | \$637,780 | \$0 | 2,092 | 2,335 | 2,585 | \$267 | \$4,214 | 1.94% |
| East Garrison: Phase II | | | | 4 | 318 | 38 | 280 | N/A | \$515,500 | \$541,488 | \$567,250 | \$0 | 1,715 | 2,001 | 2,256 | \$273 | \$3,725 | 1.94% |
| City of Marina | | | | 3 | 296 | 73 | 223 | 83 | \$644,667 | \$668,983 | \$693,300 | \$0 | 1,860 | 2,011 | 2,161 | \$333 | \$437 | 1.24% |
| City of Gilroy | | | | 4 | 318 | 16 | 302 | 132 | \$686,965 | \$712,340 | \$737,715 | \$3,125 | 2,259 | 2,502 | 2,746 | \$287 | \$850 | 1.24% |
| Totals/Averages | | | | 16 | 1,201 | 327 | 874 | 215 | \$606,673 | \$630,903 | \$655,541 | \$781 | 1,996 | 2,233 | 2,464 | \$286 | \$2,543 | 1.63% |

SECTION V

ESTIMATED ABSORPTION SCHEDULES FOR PROJECTS IN CFD NO. 2006-1

The purpose of this section is to estimate the absorption schedules for the currently active/forthcoming residential projects in CFD No. 2006-1 (East Garrison) based upon a consideration of the recent/expected economic and housing market demand/supply conditions as well as the competitiveness of the CFD projects in the marketplace and the current development strategy of Benchmark Communities.

A. CRITICAL FACTORS UNDERLYING THE ABSORPTION FORECASTS

➤ **Employment and Real Estate Conditions:**

- ✓ For the County of Monterey as a whole, employment recently attained a new peak level, so the recent recessionary job losses have been fully recouped; consequently, further employment gains will continue to generate a net new demand for housing.
- ✓ The impact of potentially higher mortgage rates during the foreseeable future is counter-balanced by stronger rates of employment growth.
- ✓ Within the CFD No. 2006-1 Market Area, the cities of Monterey and Marina have relatively low unemployment rates while Salinas has a somewhat higher unemployment rate, as compared to the County of Monterey as a whole.
- ✓ However, the level of demand for new homes will be somewhat challenged by the composition of the local economic base with regards to the sectors with the most employment having relatively low wage levels (accommodations and food as well as agriculture).
- ✓ Permits for new single-family homes in the County of Monterey have recently increased from a trough of about 100 in 2012 to almost 400 in 2015 and to over 200 in the first half of 2016 as compared to the long-term average of 600/yr. during 2000-2015.
- ✓ Sales of existing homes during 2015 amounted to 1,300 for Salinas (slightly up from 2014), 400 for Monterey (somewhat up from 2014) and 140 for Marina (about the same for 2014).
- ✓ Housing prices for existing/new homes reached their peak level in 2006-2007, declined to their trough in 2009-2012, and since then have increased. Gilroy and Santa Cruz have exceeded their prior peak while San Jose is close; however, Monterey, Marina, and Salinas have not.

➤ **Competitive Market Analysis**

- ✓ The total prices for the projects/plans in CFD No. 2006-1 are generally BELOW the total prices for The Dunes and BELOW/SIMILAR to the total prices for Gilroy.
- ✓ Since April 2015, prices for The Dunes project Sea House appreciated at a much higher rate than the prices for the similarly sized East Garrison project Garden/Monarch (12.6% vs. 5.0%, respectively).

➤ **Recent Marketing Patterns for CFD No. 2006-1**

- ✓ During December 2013 through August 2016 there have been approximately 238 homes that have closed escrows.
- ✓ On an overall basis, there have been about 20 escrow closings per quarter, and the rate of closings has increased over time to a level of 25 per quarter.
- ✓ Comparing the market entry sales prices with the 2016 sales prices (base prices plus options/upgrades), the sales price changes have a range of -1% (for the highest priced project) to 6% (for the lowest priced project)

➤ **Anticipated Development Schedule for the Projects**

Phase I has had projects on the marketplace since March 2013, most of the Phase II projects entered the market recently and Phase III is expected to be developed in a sequential manner as the prior phases close-out their projects.

B. ESTIMATED ABSORPTION SCHEDULES

Accordingly, based upon a consideration of the factors discussed above, the absorption schedules for the residential projects in CFD No. 2006-1 are estimated to be as follows:

| | | | |
|--------------------------------------|-------------------------------|----------------------|--|
| ➤ Aug. – Dec. 2016: 69 homes: | Phase I: 5 homes | Phase II : 64 homes | |
| ➤ 2017 157 homes: | Phase I: 41 homes | Phase II : 116 homes | |
| ➤ 2018 156 homes: | Phase I: 56 homes | Phase II : 100 homes | |
| ➤ 2019 152 homes: | Phase I: 27 homes, closed-out | Phase II: 15 homes | Phase III: 35 attached and 75 detached homes |
| ➤ 2020: 160 homes: | | Phase II: 35 homes | Phase III: 45 attached and 80 detached homes |
| ➤ 2021: 147 homes: | | Phase II: 35 homes | Phase III: 75 attached and 37 detached homes |
| ➤ 2022: 90 homes | | Phase II: 5 homes | Phase III 85 attached homes |
| ➤ 2023: 35 homes | | | Phase III 35 attached homes, closed-out. |

C. DISCUSSION OF POTENTIAL RISK FACTORS

Macroeconomic: Potential adverse changes in overall economic conditions due to some unforeseen event that causes substantial reductions in employment and/or significantly higher mortgage rates. With regards to potential increases in mortgage rates, the economic - real estate model underlying the estimation of the absorption schedule takes into consideration a gradual increase in mortgage rates during the foreseeable future; the risk factors discussed herein applies to a spike in mortgage rates in a short period of time.

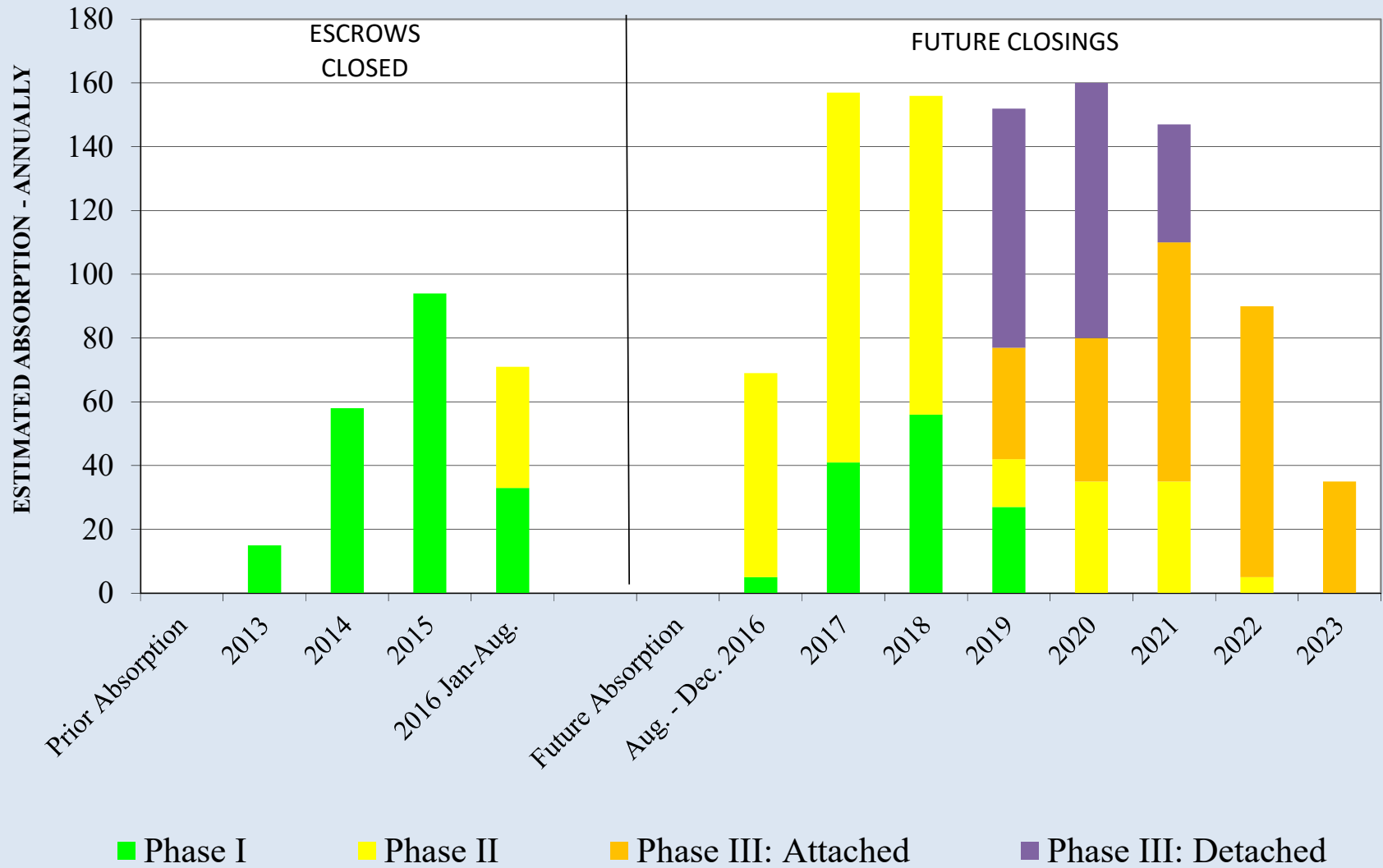
Microeconomic: CFD No. 2006-1 is regarded as having a moderately favorable location, between the cities of Monterey and Salinas; however, the recent opening of The Dunes project is providing significant competition; additional projects may open in the future as well.

Project Related: Potential shifts in the development strategy by the developer/builder, Benchmark Communities, for the projects in CFD No. 2006-1, in response to changes in the marketplace, including the pricing structure as well as the levels of Special Taxes.

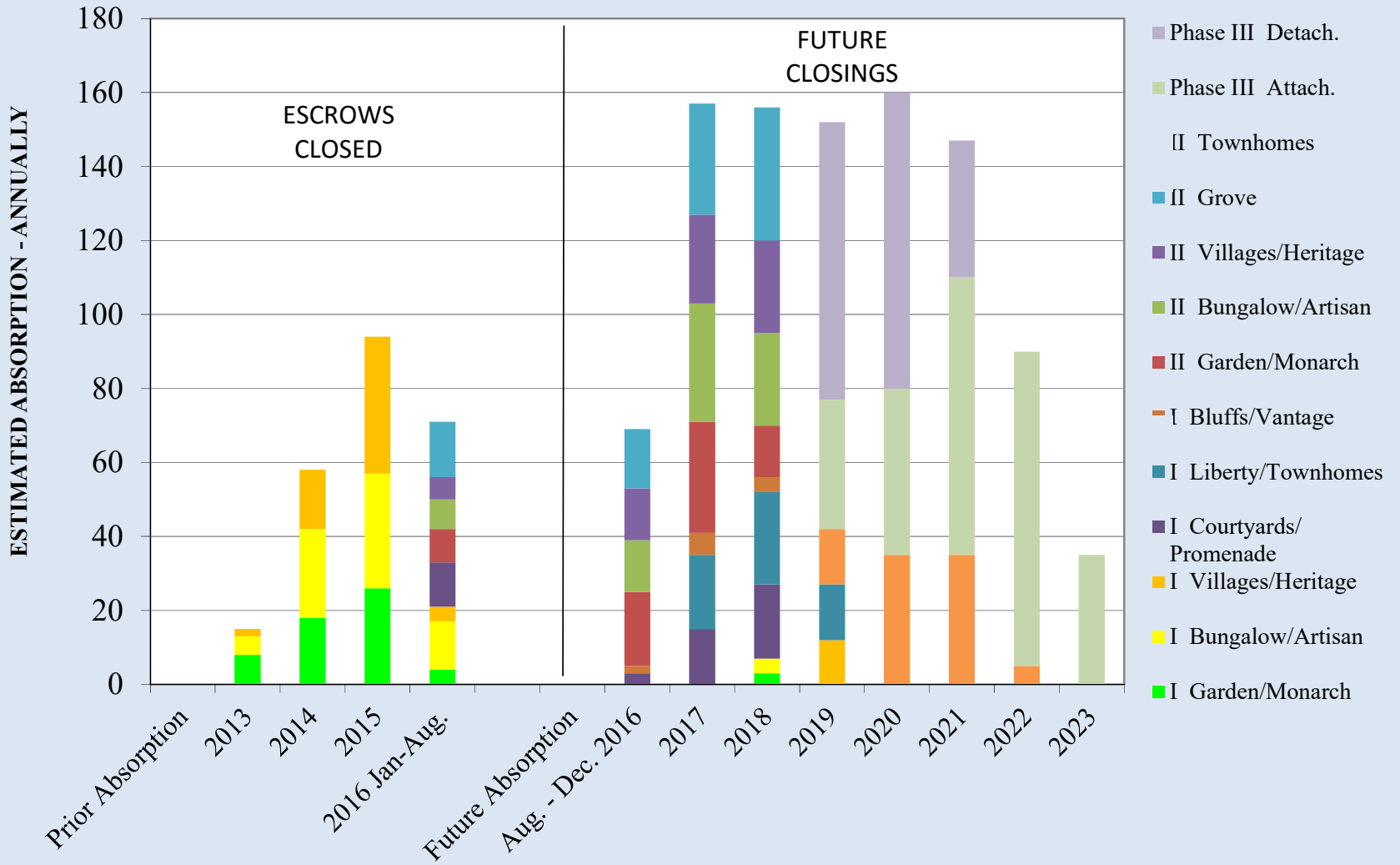
Finally, the estimated absorption schedules are subject to the additional Assumptions and Qualifications set-forth in the next section.

Please refer to the graph and table on the following pages for additional information on the estimated absorption schedules.

**CFD NO. 2006-1 EAST GARRISON/BENCHMARK COMMUNITIES
ESTIMATED ABSORPTION SCHEDULES BY PHASES**



**CFD NO. 2006-1 EAST GARRISON/BENCHMARK COMMUNITIES
ESTIMATED ABSORPTION SCHEDULES BY PHASES**



**CFD NO. 2006-1 (EAST GARRISON / BENCHMARK COMMUNITIES); ESTIMATED ABSORPTION SCHEDULES
AUGUST 30, 2016; SUBJECT TO REVISION**

| Phases > | Phase I | | | | | | | Phase II | | | | | | Phase III | | Overall | Overall |
|---|---------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-------------------------|--------------------------|---------------|------------------|------------------------|--------------------------|--------------------------|---------------------|---------------------|
| | Garden/Monarch | Bungalow/Artisan | Villages/Heritage | Courtyards/Promenade | Liberty/Townhomes | Bluffs/Vantage | Total: Phase I | Garden/Monarch | Bungalow/Artisan | Villages/Heritage | Grove | Townhomes | Total: Phase II | Future: Attached | Future: Detached | Phases I - II - III | Phases I - II - III |
| Builders | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | Benchmark | | |
| Development Status | Active | Active | Active | Active | Near-Term | Active | | Active | Active | Active | Active | Future | | Future | Future | | |
| Expected Product Types | Single-family | Single-family | Single-family | Single-family | Attached | Single-family | Attached/Detached | Single-family | Single-family | Single-family | Single-family | Attached | Attached/Detached | Attached | Detached | | |
| Housing Units | | | | | | | | | | | | | | | | | |
| Totals | 59 | 77 | 71 | 50 | 60 | 12 | 329 | 73 | 79 | 69 | 97 | 90 | 408 | 275 | 192 | | 1,204 |
| Share | 4.9% | 6.4% | 5.9% | 4.2% | 5.0% | 1.0% | 27.3% | 6.1% | 6.6% | 5.7% | 8.1% | 7.3% | 33.9% | 22.8% | 15.9% | | 100.0% |
| Marketing Status: | | | | | | | | | | | | | | | | | |
| Closed | 56 | 73 | 59 | 12 | 0 | 0 | 200 | 9 | 8 | 6 | 15 | 0 | 38 | 151 | 94 | | 238 |
| In-Easement | 0 | 0 | 0 | 3 | 0 | 2 | 5 | 20 | 14 | 14 | 16 | | 64 | | | | 69 |
| Total Future Closings | 3 | 4 | 12 | 38 | 60 | 12 | 129 | 64 | 71 | 63 | 82 | 90 | 370 | | | | 966 |
| Expected Product Mix | | | | | | | | | | | | | | | | | |
| Plan # 1 | 20 | 26 | 26 | 15 | 3 | 6 | | 22 | 19 | 21 | 32 | 11 | | | | | |
| Plan # 2 | 18 | 20 | 17 | 14 | 10 | 6 | | 24 | 20 | 17 | 32 | 13 | | | | | |
| Plan # 3 | 21 | 14 | 15 | 21 | 11 | | | 27 | 19 | 17 | 33 | 15 | | | | | |
| Plan # 4 | | 17 | 13 | | 17 | | | | 21 | | | 19 | | | | | |
| Plan # 5 | | | | | 19 | | | | | | | 32 | | | | | |
| Totals | 59 | 77 | 71 | 50 | 60 | 12 | 329 | 73 | 79 | 69 | 97 | 90 | 408 | | | | |
| Living Areas (Sq. Ft.) | | | | | | | | | | | | | | | | | |
| Plan # 1 | 1,575 | 1,719 | 2,127 | 1,895 | 1,726 | 3,146 | | 1,575 | 1,719 | 2,127 | 1,437 | 1,726 | | | | | |
| Plan # 2 | 1,700 | 1,975 | 2,492 | 2,139 | 1,845 | 3,349 | | 1,700 | 1,975 | 2,492 | 1,649 | 1,845 | | | | | |
| Plan # 3 | 1,870 | 2,245 | 2,791 | 2,417 | 1,963 | | | 1,870 | 2,245 | 2,791 | 1,866 | 1,963 | | | | | |
| Plan # 4 | | 2,411 | 2,877 | | 2,198 | | | | 2,411 | 2,877 | | 2,198 | | | | | |
| Plan # 5 | | | | | 1,330 | | | | | | | 1,330 | | | | | |
| Averages | 1,718 | 2,034 | 2,492 | 2,183 | 1,798 | 3,248 | 2,100 | 1,725 | 2,094 | 2,533 | 1,653 | 1,742 | 1,920 | | | | |
| Current Prices | | | | | | | | | | | | | | | | | |
| Plan # 1 | \$472,000 | \$528,000 | \$631,000 | \$594,900 | \$447,000 | \$750,000 | | \$472,000 | \$528,000 | \$631,000 | \$444,000 | \$447,000 | | | | | |
| Plan # 2 | \$489,000 | \$555,000 | \$618,000 | \$624,900 | \$455,000 | \$775,000 | | \$489,000 | \$555,000 | \$618,000 | \$472,000 | \$455,000 | | | | | |
| Plan # 3 | \$512,000 | \$578,000 | \$643,000 | \$639,900 | \$496,000 | | | \$512,000 | \$578,000 | \$643,000 | \$495,000 | \$496,000 | | | | | |
| Plan # 4 | | \$599,000 | \$663,000 | | \$509,000 | | | | \$599,000 | \$663,000 | | \$509,000 | | | | | |
| Plan # 5 | | | | | \$370,000 | | | | | | | \$370,000 | | | | | |
| Averages | \$491,424 | \$559,779 | \$636,282 | \$622,200 | \$456,500 | \$762,500 | \$560,982 | \$492,384 | \$565,734 | \$637,246 | \$470,588 | \$442,033 | \$514,797 | | | | |
| Value Ratios : (Price / Living Area) | \$286 | \$275 | \$255 | \$285 | \$251 | \$235 | \$268 | \$285 | \$270 | \$252 | \$285 | \$254 | \$270 | | | | |
| Tax Burden | | | | | | | | | | | | | | | | | |
| Ad Valorem - Percent of Price | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | | | | |
| Special Taxes \$/Yr - Avg. | \$3,414 | \$3,881 | \$4,462 | \$4,192 | \$2,833 | \$5,122 | \$3,824 | \$3,414 | \$3,881 | \$4,462 | \$3,143 | \$2,798 | \$3,481 | | | | |
| * Total Tax Burden %/Price | 1.94% | 1.94% | 1.95% | 1.92% | 1.88% | 1.92% | 1.93% | 1.94% | 1.94% | 1.95% | 1.92% | 1.88% | 1.93% | | | | |
| Projects > | Garden/Monarch | Bungalow/Artisan | Villages/Heritage | Courtyards/Promenade | Liberty/Townhomes | Bluffs/Vantage | Total: Phase I | Garden/Monarch | Bungalow/Artisan | Villages/Heritage | Grove | Townhomes | Total: Phase II | Phase III Attach. | Phase III Detach. | Annually | Cumulative |
| Prior Absorption | | | | | | | | | | | | | | | | | |
| 2013 | 8 | 5 | 2 | 0 | 0 | 0 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 15 |
| 2014 | 18 | 24 | 16 | 0 | 0 | 0 | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 58 | 73 |
| 2015 | 26 | 31 | 37 | 0 | 0 | 0 | 94 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 94 | 167 |
| 2016 Jan-Aug. | 4 | 13 | 4 | 12 | 0 | 0 | 33 | 9 | 8 | 6 | 15 | 0 | 38 | 0 | 0 | 71 | 238 |
| Estimated Absorption Schedules | Model: (Phase II Project) | Model: (Phase II Project) | Model: (Phase II Project) | | | | | | | | | | | | | | |
| Aug. - Dec. 2016 | 0 | 0 | 0 | 3 | 0 | 2 | 5 | 20 | 14 | 14 | 16 | 0 | 64 | 0 | 0 | 69 | 307 |
| 2017 | 0 | 0 | 0 | 15 | 20 | 6 | 41 | 30 | 32 | 24 | 30 | 0 | 116 | 0 | 0 | 157 | 464 |
| 2018 | 3 | 4 | 0 | 20 | 25 | 4 | 56 | 14 | 25 | 25 | 36 | 0 | 100 | 0 | 0 | 156 | 620 |
| 2019 | 0 | 0 | 12 | 0 | 15 | 0 | 27 | 0 | 0 | 0 | 0 | 15 | 15 | 35 | 75 | 152 | 772 |
| 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 35 | 35 | 45 | 80 | 160 | 932 |
| 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 35 | 35 | 75 | 37 | 147 | 1,079 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 | 85 | 0 | 90 | 1,169 |
| 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 35 | 0 | 35 | 1,204 |
| Totals | 59 | 77 | 71 | 50 | 60 | 12 | 329 | 73 | 79 | 69 | 97 | 90 | 408 | 275 | 192 | 1,204 | |

ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Property Boundaries

No survey or engineering analysis of CFD No. 2006-1 property has been made by the market analyst; the District Engineer's report utilized for the Bond is deemed to be reliable. The market analyst assumes the existing boundaries to be correct, that no encroachments exist and assumes no responsibility for any condition not readily observable from customary investigation and inspection of the premises, which might affect the valuation, excepting those items which were specifically mentioned in the report.

Maps and Exhibits

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

Title to Property

No opinion as to title is rendered. Data related to ownership and legal description, obtained from governmental records related to the formation of the District that forms the basis for identifying the boundaries of CFD No. 2006-1 are considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is evaluated assuming to be under responsible ownership and competent management and available for development to highest and best use.

Earthquakes and Seismic Hazards

The property which is the subject of this market analysis is within a geographic area prone to earthquakes and seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the market analyst concerning the geologic and/or seismic condition of the subject property. The market analyst assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Soil and Geological Studies

No detailed soil studies or geological studies or reports were made available to the market analyst. Assumptions employed in this report regarding soils and geologic qualities of the subject property have been provided to the client. However, such assumptions are not conclusive and the market analyst assumes no responsibility for soils or geologic conditions discovered to be different from the conditions assumed unless otherwise stated in this report.

Presence and Impact of Hazardous Material

Unless otherwise stated in the report, the market analyst did not become aware of the presence of any hazardous material or substance during the market analyst's general inspection of the subject property. However, the market analyst is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the evaluation of the subject property. The market analyst assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material.

Structural Deficiencies of Improvements

The market analyst has not performed a thorough inspection of the subject property, and except as noted in this report has not found obvious evidence of structural deficiencies in any improvements located on the subject property. Consequently, the market analyst assumes no responsibility for hidden defects or nonconformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professions or governmental agencies were provided to the market analyst. Further, the market analyst is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the market analyst at the time of their inspection.

Environmental and Other Regulations

The property is evaluated assuming it to be in full compliance with all applicable federal, state and local environmental regulations and laws, unless otherwise stated, and that there are no lawsuits that may adversely impact the rate of development.

Required Permits and Other Governmental Authority

Unless otherwise stated, the property evaluated is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the evaluation analysis contained in this report is based upon.

Designated Economic Scenario

The Market Absorption Study focuses upon the expected absorption schedule for the products in CFD No. 2006-1 according to the designated economic scenario. Specifically, this scenario represents the economic and real estate conditions for the Market Region and also the Market Area during the foreseeable future according to the most probable conditions, and this is regarded as being appropriate for the Bond Financing. However, the economic and market conditions which actually materialize on a year by year basis may differ from those presented according to the designated economic scenario, as a result of exogenous factors which are difficult to forecast/quantify. Accordingly, the designated scenario should be utilized as an economic framework for evaluating the marketing prospects of the properties within CFD No. 2006-1 rather than a "literal" representation of what is expected to occur on a year/year basis during the foreseeable future.

Provision of the Infrastructure

The Market Absorption Study assumes that the governmental agencies that supply public facilities and services, including water, provide these in a timely manner so that the proposed products/projects in CFD No. 2006-1 can respond to the expected market demand for their products. Otherwise, if the required infrastructure is not available in a timely manner, then the absorption of the products/projects could be adversely impacted.

Developer/Builder Responsiveness to Market Conditions

The Market Absorption Study assumes that the developer/builder in CFD No. 2006-1 respond to the market conditions with products that are competitively priced and have the features/amenities that are desired by the purchasers. Specifically, many of the homes in CFD No. 2006-1 have not yet entered the marketplace, and so the specific characteristics of their product types cannot be identified until they actually offer products on the marketplace. Consequently, to the extent that future products/projects have prices/features that differ from the competitive market standards, then their absorption schedule would need to be modified from those presented according to the designated economic scenario.

Financial Strength of the Projects' Developer/Builder

The Market Absorption Study assumes that the developer/builder in CFD No. 2006-1 (and also their lenders) have sufficient financial strength to adequately fund their projects, including paying their Special Taxes/Assessments, and that they have sufficient financial reserves which could be utilized to supplement their cash flow positions, in the event that adverse economic or market conditions occur.

Accuracy of Information from Others

In preparing this report, the market analyst was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the market analyst for the accuracy of such information and the market analyst assumes no responsibility for information relied upon and later found to have been inaccurate. The market analyst reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Liability of Market Analyst

The liability of Empire Economics, the market analyst responsible for this report, is limited to the client only and to the fee actually received by the market analyst. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussion. The market analyst is in no way to be responsible for any costs incurred to discover or correct any deficiencies or any type present in the property--physical, financial, and/or legal.

Testimony or Court Attendance

Testimony or attendance in court or at any other hearing is not required by reason of rendering this market analysis, unless such arrangements are made a reasonable time in advance of said hearing. Separate arrangements would need to be made concerning compensation for the market analyst's time to prepare for and attend any such hearing.

Right of Publication of Report

Possession of this report, or a copy of it, does not carry with it the right of publication except for the party to whom it is addressed. Without the written consent of the market analyst, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose which is being published in the Official Statement.

Timeliness of the Market Absorption Study

The Market Absorption Study performs a comprehensive analysis of the relevant land-use, economic, residential and commercial market conditions that are expected to influence the marketing success of the products/projects in CFD No. 2006-1. Nevertheless, the Study should be dated within six-months of the Bond Sale, or even sooner, should these land-use and/or economic market as well as real estate conditions change significantly.

APPENDIX A: CREDENTIALS/QUALIFICATIONS OF EMPIRE ECONOMICS

Empire Economics is an economic and real estate consulting firm that specializes in conducting market absorption studies on behalf of public entities for residential, commercial, and industrial projects located throughout California, with an emphasis on Master Planned Communities, Business Parks and Retail Centers.

During the past thirty+ years, Empire Economics has performed consulting services on behalf of numerous Issuers for approximately 500 municipal tax-exempt bond issues amounting to more than \$14+ billion.

Empire Economics' experience with municipal tax-exempt issues during the past twenty-five+ years has been as follows:

- ✓ Mello-Roos/Assessment District Financings in which bonds have been sold: Over four hundred Bond Issues amounting to more than \$7.5+ billion. Empire Economics' Market Studies are typically for Planned Communities and Business Parks which have 500-2,000+ housing units and/or 50-100+ commercial-industrial acres.
- ✓ Mortgage Revenue Bond Financings: Fifty+ issues with bonds amounting to more than \$1.7 billion.
- ✓ Socioeconomic Forecast/Market Studies for the \$2.75 billion refundings for the San Joaquin Hills and Foothill/Eastern Transportation Corridors' Toll Roads located in Orange County; the latter was designated as the Municipal Bond Issue of the Year for 1999.
- ✓ Mello-Roos/Assessment District Financings that are presently in their formative stages: over thirty CFDs that have forthcoming Bond Issues amounting to \$500+ million.

Empire Economics has taken an active role in the municipal bond industry by participating in numerous events; some examples are as follows:

- ✓ Bond Buyer Conference, Carlsbad – Panelist/Presenter
- ✓ League of Cities: Most Recently in Anaheim and Monterey: Speaker/Panelist
- ✓ UCLA Municipal Bond Financing Seminars: Featured Speaker -Annually; Most Recently in April 2009
- ✓ Municipal Bond Industry Association - Panelist
- ✓ Best Practices for Continuing Disclosure – Panelist
- ✓ Appraisal Standards for Land Secured Financing by CDIAC – Panelist/Contributor
- ✓ Rating Agency and Bond Insurer Presentations – More than 15 Trips to New York City
- ✓ Meetings with Municipal Bond Funds:
- ✓ Mello-Roos Bond Issues – Site Tours
- ✓ San Joaquin Hills and Foothill Eastern Corridors:
- ✓ Bond Buyer Seminar Presentations in New York, Boston, and Chicago to 50+ Bond Funds
- ✓ California State Treasurer John Chiang's Council of Economic Advisors: January 2015 – Present

Consequently, the Municipal Bond Funds and Rating Agencies are familiar with Empire Economics and also the Price Point and Market Absorption studies that it has conducted for Planned Communities, Business Parks and Retail Centers in Southern California. This is beneficial to the forthcoming Bond Issues since these Market Studies have enabled Empire Economics to establish a high degree of credibility with the municipal Bond Funds and Rating Agencies. At such events, Empire Economics focuses upon discussing emerging trends/patterns in the economy and real estate markets.