EASTMARK® COMMUNITY FACILITIES DISTRICT

Background

Pursuant to the Arizona Community Facilities District Act of 1988, Arizona municipalities are authorized to form community facilities districts ("**CFDs**") in cooperation with private developers to finance the acquisition, construction, installation, operation and maintenance of public infrastructure improvements.

Eastmark District 1

Eastmark Community Facilities District One ("**Eastmark District 1**") was established in 2012 in cooperation with the City of Mesa (the "**City**"), encompassing approximately 2,171 acres of the master-planned development known as "Eastmark®." Eastmark is being developed by DMB Mesa Proving Grounds LLC (the "**Developer**").

The purpose of Eastmark District 1 is to finance public infrastructure improvements ("**CFD Improvements**") benefiting property owners in Eastmark. The CFD Improvements to be financed by Eastmark District 1 include, but are not limited to, community amenities (the Great Park, entry monuments, community parks, linear trails and paseos) and major roads and related facilities (landscaping, drainage, water and sewer). The Developer is required to provide all the land for the CFD Improvements and, upon completion, the CFD Improvements are dedicated or transferred to the City or other appropriate governmental entity, which will operate and maintain such improvements, subject to any agreements for enhanced services provided by the Developer.

How the CFD Works

Pursuant to a CFD development agreement among Eastmark District 1, the City and the Developer, an election was held, on May 17, 2012, which authorized Eastmark District 1 to issue and sell up to $435 million of general obligations bonds ("**GO Bonds**") over time. The GO Bond proceeds have been and will be used to pay for CFD Improvements generally benefiting Eastmark property owners (for example, The Eastmark Great Park®).

Eastmark District 1 also has the authority to establish smaller "Assessment Districts" within the CFD and issue special assessment bonds ("**SA Bonds**") to pay for other CFD Improvements specifically benefiting lots in designated Assessment Districts (for example, in Assessment District 1, Everton Terrace and a portion of Eastmark Parkway, together with related utility and other facilities).

GO Bonds and SA Bonds are similar to promissory notes in that the bonds represent a CFD's promise to pay principal and interest on terms and conditions established in the bond offering documents. In the case of GO Bonds, the primary security for payment is Eastmark District 1's levy of the CFD debt service property tax for Eastmark District 1; the rate for the current fiscal year 2015-2016 is $4.05 per $100 of assessed value ("**Debt Service Tax**"). The Debt Service Tax is paid by all property owners in Eastmark District 1, including the Developer, and the proceeds are used to pay principal and interest on the GO Bonds. On June 10, 2014, Eastmark District 1 issued $3,250,000 of GO Bonds. In September 2015, Eastmark District 1 issued $6,800,000 of GO Bonds.

SA Bonds are paid with the proceeds of special assessments levied on individual lots, in fixed amounts that are based on the specific benefit received by each residential lot in an Assessment District. Assessment District No. 1 was established on May 21, 2013, and the special assessment amount is $3,500* per residential lot. Assessment District No. 2 was established on April 30, 2014, and the special assessment amount is $3,500* per residential lot. Assessment District No. 3 was established on April 2, 2015, and the special assessment amount is $3,500* per residential lot. Assessment District No. 4 was established on June 15, 2015, and the special assessment amount is $2,500* per residential lot. Additional Assessment Districts will be formed as parcels are sold to third parties for development. A special assessment is not a personal obligation of the residential lot owner but does give rise to an assessment lien on the residential lot, which secures payment of the special assessment. If the special assessment is not paid, the assessment lien can be foreclosed.

In addition to the Debt Service Tax and special assessments, Eastmark District 1 has levied a CFD operations and maintenance property tax of $0.30 per $100 of assessed value (the "**O/M Tax**") to pay operation and maintenance costs of Eastmark District 1.

Benefits to Residents

Eastmark District 1 has a beneficial impact on property owners within Eastmark because the ability of Eastmark District 1 to issue bonds and utilize bond proceeds allows the earlier construction of some CFD Improvements and, in other cases, facilitates the provision of amenities that otherwise might not be available. Additionally, CFD property taxes – similar to the balances of each property owner's remaining property tax liability – are currently deductible for purposes of calculating federal and state income taxes.

CFD Property Tax and Special Assessment Obligations

The obligation to repay the GO Bonds and SA Bonds, and share in certain of the operation and maintenance costs of Eastmark District 1, is the responsibility of all property owners in Eastmark District 1, through payment of the Debt Service Tax, the O/M Tax and the special assessments, which are in addition to the property taxes and assessments levied by other governmental entities. You should take into account the Debt Service Tax, O/M Tax and special assessment obligation, together with the benefits from the facilities and services for which they pay, in deciding whether to purchase property in Eastmark.

The following illustrates the estimated additional annual *ad valorem* tax liability imposed by the CFD, based on a range of residential values within Eastmark and a combined $4.35 tax rate for the current fiscal year 2015-2016 (comprised of the $4.05 Debt Service Tax rate in Assessment District Nos. 1, 2, 3 and 4 to retire the *ad valorem* tax bonds plus the $0.30 O/M Tax rate):

Estimated *Ad Valorem* Tax Liability*

Assumed Value of Residence	Estimated Annual Additional CFD Tax Liability**
$200,000	$568
$250,000	$710
$300,000	$852
$350,000	$994
$400,000	$1,137
$450,000	$1,279
$500,000	$1,421
$550,000	$1,563

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* ASSUMPTIONS:

1. Improved residential property assessment ratio will remain at 10%.
2. The estimated total *ad valorem* tax amount is computed by multiplying the $4.35 per $100 of assessed limited property value times the estimated limited tax rate of property value times the improved residential property assessment ratio. The actual limited property value is determined by the Maricopa County Assessor.

** NOTE: The residential lot owner may elect to prepay the applicable special assessments of either at any time.

Disclaimer

The information provided in this publication is current as of October 1, 2015, but may change from time-to-time as GO Bonds are issued, the Debt Service Tax is adjusted and/or additional Assessment Districts are established and SA Bonds are issued by the CFD. In addition, other events may occur that may affect the applicable tax rates or other information provided. You are advised to read the public report issued by the Arizona Department of Real Estate, as well as other disclosure documents provided by the seller of your home or lot.