Presented By: MBS Capital Markets

MBS CAPITAL MARKETS, LLC

Arlington Ridge CDD

August 8, 2018

Arlington Ridge CDD District Map

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The Series 2006A Bonds Overview

Series 2006A Bonds Overview

Overview Series 2006A Bonds:

- The District issued $15,965,000 of the Series 2006A Bonds
- The Series 2006A Bonds were issued as non-rated tax-exempt securities due to the concentration of ownership (i.e. one landowner) and the infancy stage of development at the time the Series 2006A Bonds were issued

Current Status of the Series 2006A Bonds:

- The Series 2006A par outstanding (after 11/1/2018): $5,275,000
- The Series 2006A Special Assessments securing the District's Series 2006A Bonds were levied on 1,036 residential lots and 1 golf course
- Currently, 314 landowners have prepaid their Series 2006A Special Assessments in full

Delinquencies:

- The Series 2006A Bonds were in default as a result of non-payment of special assessments levied on the land comprising Phase III of the Development
- In accordance with the Indenture, the District foreclosed on the Phase III lots
- As a result of the SPE property sale, in December 2015, the trustee canceled $4,670,000 of Series 2006A Bonds
- The Phase III lots no longer have a Series 2006A debt assessment as a result of the final judgement of foreclosure on such lands

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Financing Considerations

- The Series 2018A-1 Refunding Bonds: Issued to refund for savings the Series 2006A Bonds
- The Series 2018A-2 Bonds: Issued to acquire the golf course, estimated District cost of $1,229,651

Plan of Finance

Series 2018A-1 Bonds
Refunding of Series 2006A Bonds

Assessment Area
412 Residential Units

Series 2018A-2 Bonds
Golf Course Purchase

Assessment Area
1,036 Residential Units
(~82 lots are undeveloped)

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Series 2018A-1 Bonds – Credit Overview

District Overview:

- Debt outstanding (after 11/1/2018): $5,275,000
    - Golf Course: $1.28M (or 24.3%)
    - Residential Lots: $3.99M (or 75.7%)
- The debt on the golf course will be defeased upon the District acquiring the golf course
- Series 2018A-1 Assessment Area:
    - 412 assessable residential units

Debt to Assessed Value:

- The total FY2018 working just value for all assessable parcels located in the Series 2018A-1 Assessment Area is $50,407,900 which equates to a direct assessed value-to-lien ratio for the Series 2018A-1 Assessment Area of approximately **12.7:1**
- The vacant land within the District holds a value-to-lien of **1.7:1**

Top Ten Assessment Payers:

- The largest taxpayers in the Series 2018A-1 Assessment Area are related entities CB Arlington Ridge Landco, LLC. and Arlington Ridge Homes, LLC, holding **16.6% (or $56,475)** of the total Series 2018A-1 annual debt service
- Arlington Ridge Holdings, LLC holds 9.9% (or $33,602) of the total Series 2018A-1 annual debt service. An application for tax deed sale for all 43 lots has been submitted due to ongoing issues with unpaid tax bills.

Property Owner	# Units	Vacant (Y/N)	Series 2018A-1 Gross Assessments	% Total Series 2018A-1 Gross Assessments
CB ARLINGTON RIDGE LANDCO, LLC	45	Y	$41,048	12.1%
ARLINGTON RIDGE HOLDINGS, LLC	43	Y	33,602	9.9%
ARLINGTON RIDGE HOMES, LLC	17	Y	15,426	4.5%
VILLAS AT ARLINGTON RIDGE, LLC	11	Y	8,596	2.5%
SAVI INVESTMENTS, LLC	4	Y	3,861	1.1%
CALATLANTIC GROUP, INC	4	Y (3 units)	3,493	1.0%
INDIVIDUAL HOMEOWNER	2	N	1,682	0.5%
INDIVIDUAL HOMEOWNER	2	N	1,563	0.5%
INDIVIDUAL HOMEOWNER	2	N	1,563	0.5%
INDIVIDUAL HOMEOWNER	2	N	1,434	0.4%
Top Ten Assessment Payers	**132**		**$112,269**	**33.0%**
All Other Assessment Payers	280		227,678	67.0%
Total	**412**		**$339,947**	**100.0%**

Level of Development:

- **289 residential lots** (or 69.1% of the total debt service) in the Series 2018A-1 Assessment Area are vertically constructed homes and are held largely by end-users
- **123 residential lots** (or 30.9% of the total debt service) in the Series 2018A-1 Assessment Area remain vacant
- Vacant lots hold an average lot value of $17,358

Product	# Units	Units w/ Vertical Development	Vacant Lots	Series 2018A-1 Debt on Vacant Lots	% Vacant
Total	412	289	123	$1,231,575	30.9%

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The Series 2018A-1 Bonds – Refunding Results

	Refunding Results
Dated/Delivery Date	11/9/2018
Estimated Refunding Par	$3,985,000
Estimated Refunded Par (Excludes Golf Course) (3)	$3,995,000
Average Coupon	4.25%
Final Maturity (6)	May 1, 2036
DSRF Requirement	50% of MADS
NPV Savings (4)	$247,771
% NPV Savings	4.70%
% Max Annual DS Reduction %	**8.1%**
Max Annual DS Reduction $ (2) & (5)	**$29,828**

Product-Type	# Units	Current Series 2006A Gross Revenues	Current Series 2006A Gross Assessment Per Unit	Series 2018A-1 Gross Revenues	Series 2018A-1 Gross Assessment Per Unit	Series 2018A-1 Refunding Savings Per Unit
Single-Family	1	$425	$425	$391	$391	$34
Single-Family	120	93,600	780	86,050	717	63
Single-Family	149	126,650	850	116,434	781	69
Single-Family	142	149,100	1,050	137,073	965	85
Total	**412**	**$369,775**		**$339,947**		**$29,828**

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The Series 2018A-2 Bonds – Golf Course Purchase – Base Case Scenario

	Financing Results
Dated/Delivery Date	11/9/2018
Estimated Par	$1,590,000
Average Coupon	5.25%
Final Maturity [6]	May 1, 2036
DSRF Requirement	50% of MADS
Construction Proceeds	**$1,350,651**
Golf Course Purchase Price	1,229,651
Other Capital Improvements	121,000

Product-Type	# Units	Series 2018A-2 Par Outstanding	Series 2018A-2 Debt Per Unit	Series 2018A-2 Gross Revenues	Series 2018A-2 Gross Assessment Per Unit
Single-Family	1	$1,535	$1,535	$148	$148
Single-Family	120	184,170	1,535	17,718	148
Single-Family	149	228,678	1,535	22,000	148
Single-Family	142	217,934	1,535	20,966	148
Single-Family Prepaid	314	481,911	1,535	46,362	148
Phase III Foreclosed Lots	310	475,772	1,535	45,772	148
Total	**1,036**	**$1,590,000**		**$152,965**	

Overall Net Impact – Base Case Scenario

Product-Type	# Units	Series 2006A Gross Assessment Per Unit	Series 2018A-1 Gross Assessment Per Unit	Series 2018A-2 Gross Assessment Per Unit	Total FY2019/20 Gross Assessment Per Unit	Overall Net Impact
Single-Family	1	$425	$391	$148	$538	$113
Single-Family	120	780	717	148	865	85
Single-Family	149	850	781	148	929	79
Single-Family	142	1,050	965	148	1,113	63
Single-Family Prepaid	314	0	0	148	148	148
Phase III Foreclosed Lots	310	0	0	148	148	148
Total	**1,036**					

The Series 2018A-2 Bonds – Golf Course Purchase – Scenario 2

	Financing Results
Dated/Delivery Date	11/9/2018
Estimated Par	$1,800,000
Average Coupon	5.25%
Final Maturity [6]	May 1, 2036
DSRF Requirement	50% of MADS
Construction Proceeds	**$1,529,651**
Golf Course Purchase Price	1,229,651
Other Capital Improvements	300,000

Product-Type	# Units	Series 2018A-2 Par Outstanding	Series 2018A-2 Debt Per Unit	Series 2018A-2 Gross Revenues	Series 2018A-2 Gross Assessment Per Unit
Single-Family	1	$1,737	$1,737	$167	$167
Single-Family	120	208,494	1,737	20,018	167
Single-Family	149	258,880	1,737	24,855	167
Single-Family	142	246,718	1,737	23,688	167
Single-Family Prepaid	314	545,560	1,737	52,380	167
Phase III Foreclosed Lots	310	538,610	1,737	51,712	167
Total	**1,036**	**$1,800,000**		**$172,819**	

Overall Net Impact – Scenario 2

Product-Type	# Units	Series 2006A Gross Assessment Per Unit	Series 2018A-1 Gross Assessment Per Unit	Series 2018A-2 Gross Assessment Per Unit	Total FY2019/20 Gross Assessment Per Unit	Overall Net Impact
Single-Family	1	$425	$391	$167	$558	$133
Single-Family	120	780	717	167	884	104
Single-Family	149	850	781	167	948	98
Single-Family	142	1,050	965	167	1,132	82
Single-Family Prepaid	314	0	0	167	167	167
Phase III Foreclosed Lots	310	0	0	167	167	167
Total	**1,036**					

Annual Debt Service Savings Con't

1. The net annual debt service excludes 4% discount for early payment and the 2% collection fees charged by the Lake County Tax Collector and Appraiser.

2. The projected gross annual assessments per unit includes the gross-up to provide for the 4% discount for early payment and the 2% collection fees charged by the Lake County Tax Collector and Appraiser.

3. If the refunding par increases above current par outstanding there will be a necessity to undertake the Chapter 170 assessment process which includes the notification and holding of a public hearing.

4. These figures are net of all costs and transfers from the existing trust estate.

5. The reduction of annual d/s is calculated based upon comparing the FY2017/2018 assessment roll for the outstanding Series 2006A Bonds and the max annual d/s on the proposed refunding bonds.

6. The maturity date on the proposed Series 2018A-1 and the Series 2018A-2 Bonds are 5/1/2036 which is consistent with the maturity date on the Series 2006A Bonds.

7. The estimated costs of issuance of the refinancing are consistent with other similarly recently closed CDD refinancing transactions. Such costs are to be negotiated between the District and the various financing team members.

APPENDIX

Golf Course Purchase Only – Base Case Scenario

- If the District opts to move forward with only financing the purchase of the golf course and delay the refinancing, efficiencies in allocation of cost of issuance will be minimized.

	Financing Results
Dated/Delivery Date	11/9/2018
Estimated Par	$1,755,000
Average Coupon	5.25%
Final Maturity	**May 1, 2036**
DSRF Requirement	50% of MADS
Construction Proceeds	**$1,350,651**
Golf Course Purchase Price	1,229,651
Other Capital Improvements	121,000

Product-Type	# Units	Series 2018A-2 Par Outstanding	Series 2018A-2 Debt Per Unit	Series 2018A-2 Gross Revenues	Series 2018A-2 Gross Assessment Per Unit
Single-Family	1	$1,694	$1,694	$163	$163
Single-Family	120	203,282	1,694	19,594	163
Single-Family	149	252,408	1,694	24,329	163
Single-Family	142	240,550	1,694	23,186	163
Single-Family Prepaid	314	531,921	1,694	51,271	163
Phase III Foreclosed Lots	310	525,145	1,694	50,618	163
Total	**1,036**	**$1,755,000**		**$169,162**	

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Golf Course Purchase Only – Base Case Scenario – Extended Maturity

	Financing Results
Dated/Delivery Date	11/9/2018
Estimated Par	$1,735,000
Average Coupon	5.25%
Final Maturity	**May 1, 2049**
DSRF Requirement	50% of MADS
Construction Proceeds	**$1,350,651**
Golf Course Purchase Price	1,229,651
Other Capital Improvements	121,000

Product-Type	# Units	Series 2018A-2 Par Outstanding	Series 2018A-2 Debt Per Unit	Series 2018A-2 Gross Revenues	Series 2018A-2 Gross Assessment Per Unit
Single-Family	1	$1,675	$1,675	$121	$121
Single-Family	120	200,965	1,675	14,500	121
Single-Family	149	249,532	1,675	18,005	121
Single-Family	142	237,809	1,675	17,159	121
Single-Family Prepaid	314	525,859	1,675	37,943	121
Phase III Foreclosed Lots	310	519,160	1,675	37,459	121
Total	**1,036**	**$1,735,000**		**$125,186**	

Disclosures Regarding Underwriter's Role – MSRB Rule G-17

Disclosures Concerning the Underwriter's Role

i. Municipal Securities Rulemaking Board Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors;

ii. The Underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the District and it has financial and other interests that differ from those of the District;

iii. Unlike a municipal advisor, the Underwriter does not have a fiduciary duty to the District under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the District without regard to its own financial or other interests;

iv. The Underwriter has a duty to purchase securities from the District at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and

v. The Underwriter will review the official statement for the District's securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.

Disclosure Concerning the Underwriter's Compensation

Underwriter's compensation that is contingent on the closing of a transaction or the size of a transaction presents a conflict of interest, because it may cause the Underwriter to recommend a transaction that it is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Disclosures Regarding Underwriter's Role – MSRB Rule G-17

Payments to or from Third Parties. There are no undisclosed payments, values, or credits to be received by the Underwriter in connection with its underwriting of this new issue from parties other than the District, and there are no undisclosed payments to be made by the Underwriter in connection with this new issue to parties other than the District (in either case including payments, values, or credits that relate directly or indirectly to collateral transactions integrally related to the issue being underwritten). In addition, there are no third-party arrangements for the marketing of the District's securities.

Profit-Sharing with Investors. There are no arrangements between the Underwriter and an investor purchasing new issue securities from the Underwriter (including purchases that are contingent upon the delivery by the District to the Underwriter of the securities) according to which profits realized from the resale by such investor of the securities are directly or indirectly split or otherwise shared with the Underwriter.

Credit Default Swaps. There will be no issuance or purchase by the Underwriter of credit default swaps for which the reference is the District for which the Underwriter is serving as underwriter, or an obligation of that District.

Retail Order Periods. For new issues in which there is a retail order period, the Underwriter will honor such agreement to provide the retail order period. No allocation of securities in a manner that is inconsistent with an District's requirements will be made without the District's consent. In addition, when the Underwriter has agreed to underwrite a transaction with a retail order period, it will take reasonable measures to ensure that retail clients are bona fide.

Dealer Payments to District Personnel. Reimbursements, if any, made to personnel of the District will be made in compliance with MSRB Rule G-20, on gifts, gratuities, and non-cash compensation, and Rule G-17, in connection with certain payments made to, and expenses reimbursed for, District personnel during the municipal bond issuance process.