

Q3
2012



Laguna Niguel Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Laguna Niguel In Brief

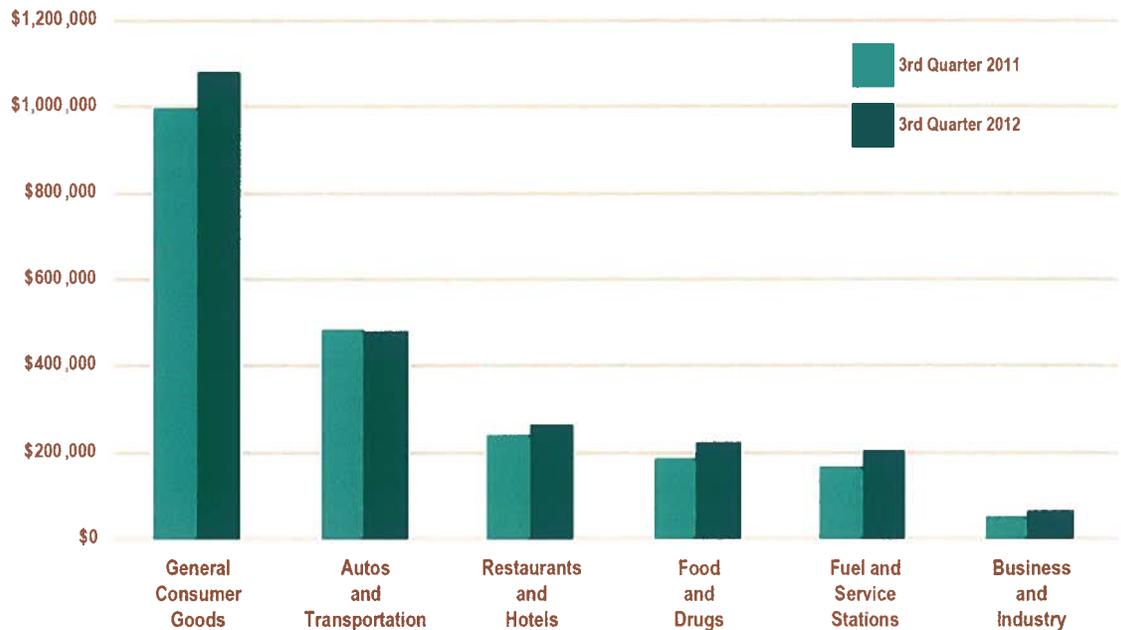
Gross receipts for Laguna Niguel's July through September sales were 9.7% higher than the same period one year ago. Actual sales rose 6.0% when accounting aberrations were excluded.

New outlets contributed to gains from specialty stores and grocery-liquor, but receipt of taxes due in other periods inflated postings from the latter category. Sales increased from some classifications in the business and industry group. Accounting anomalies that affected one or both quarters overstated results from restaurants-liquor, service stations and the building and construction group as a whole.

Receipts from home furnishings declined after a new competing outlet opened in a nearby city. Payment deviations depressed comparisons for women's apparel and consumer electronics but embellished returns from other categories of general consumer goods.

Adjusted for reporting anomalies, taxable sales for all of Orange County increased 6.3% over the comparable period; Southern California as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Kohls
Allen Cadillac GMC	Laguna Niguel Mobil
Allen Hyundai	Laguna Niguel Shell
Arco	Mercedes Benz of Laguna Niguel
Arco AM PM	Ralphs
Bed Bath & Beyond	Ralphs
BevMo	Shell
Chevron	Sport Chalet
Chevron Laguna Niguel	Vons
Circle K	Walmart
Costco	Whole Foods Market
Daimler Trust	
Home Depot	
In N Out Burgers	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$2,304,590	\$2,545,705
County Pool	236,409	245,925
State Pool	1,893	(906)
Gross Receipts	\$2,542,893	\$2,790,724
Less Triple Flip*	\$(635,723)	\$(697,681)

*Reimbursed from county compensation fund

NOTES

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

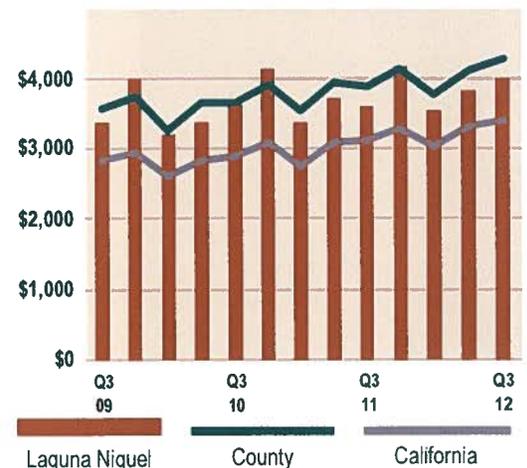
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



LAGUNA NIGUEL TOP 15 BUSINESS TYPES

Business Type	Laguna Niguel		County	HdL State
	Q3 '12	Change	Change	Change
Auto Lease	108.0	-4.3%	7.8%	11.1%
Department Stores	— CONFIDENTIAL —	—	-1.7%	-0.9%
Discount Dept Stores	— CONFIDENTIAL —	—	20.8%	15.5%
Drug Stores	46.8	0.8%	2.6%	0.4%
Grocery Stores Liquor	135.1	35.0%	12.2%	9.5%
Home Furnishings	66.7	-12.0%	4.0%	4.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	37.5%	36.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	19.3%	19.2%
Restaurants Beer And Wine	49.4	14.1%	2.1%	2.5%
Restaurants Liquor	56.1	20.6%	3.7%	8.5%
Restaurants No Alcohol	143.0	-2.3%	9.9%	8.1%
Service Stations	202.8	20.5%	2.8%	1.7%
Specialty Stores	49.5	54.6%	10.5%	0.6%
Sporting Goods/Bike Stores	33.0	9.0%	6.0%	6.8%
Women's Apparel	28.4	-22.8%	2.2%	7.5%
Total All Accounts	\$2,545.7	10.5%	10.4%	8.8%
County & State Pool Allocation	245.0	2.8%		
Gross Receipts	\$2,790.7	9.7%		<i>*In thousands</i>