

Q4 2012



Laguna Niguel Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Laguna Niguel In Brief

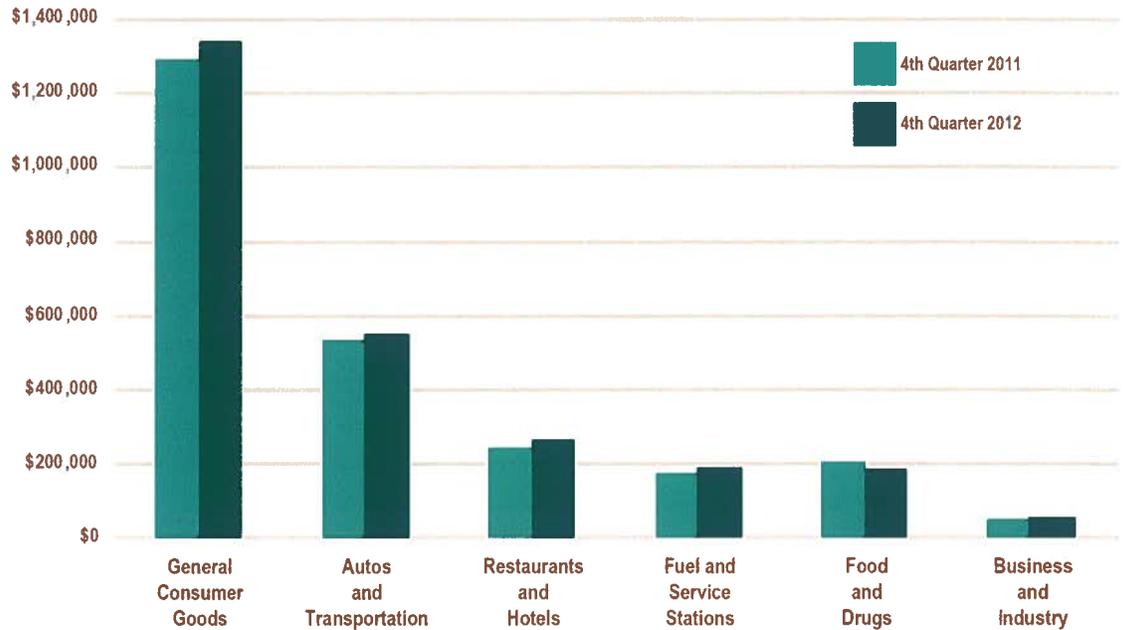
Receipts for Laguna Niguel's October through December sales were 0.3% higher than the same quarter one year ago. Actual sales activity was up 4.8% when reporting aberrations were factored out.

Strong sales and recent additions helped boost revenues from general consumer goods and restaurants & hotels. A missing payment in the year ago period inflated results from service stations.

The gains were partially offset by onetime reporting aberrations that temporarily depressed results from the building & construction sector and grocery stores.

Adjusted for aberrations, taxable sales for all of Orange County increased 6.3% over the comparable time period, while the Southern California region as a whole was up 6.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$4,969,363	\$5,193,959
County Pool	528,082	561,983
State Pool	2,469	997
Gross Receipts	\$5,499,913	\$5,756,939
Less Triple Flip*	\$(1,374,978)	\$(1,439,235)

*Reimbursed from county compensation fund

NOTES

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

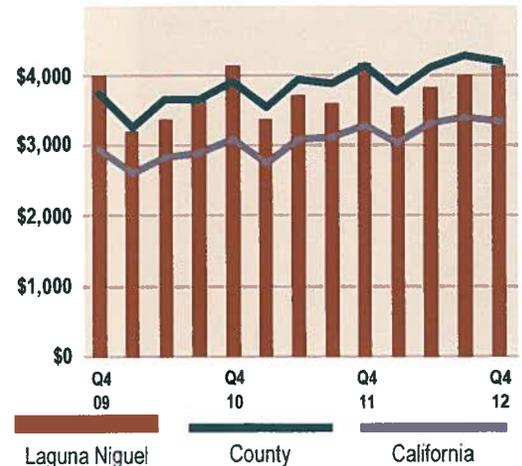
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



LAGUNA NIGUEL TOP 15 BUSINESS TYPES

Business Type	Laguna Niguel		County	HdL State
	Q4 '12*	Change	Change	Change
Art/Gift/Novelty Stores	27.6	27.3%	-0.6%	0.5%
Auto Lease	114.0	6.2%	11.3%	0.2%
Department Stores	— CONFIDENTIAL —	—	-1.5%	-3.2%
Discount Dept Stores	— CONFIDENTIAL —	—	7.5%	4.4%
Drug Stores	49.7	-6.0%	-5.5%	-4.5%
Electronics/Appliance Stores	53.9	20.9%	3.3%	3.6%
Grocery Stores Liquor	90.1	-18.7%	-29.7%	-17.6%
Home Furnishings	77.0	-1.4%	3.6%	6.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	11.7%	17.2%
Restaurants Beer And Wine	44.9	-1.8%	-2.5%	0.2%
Restaurants Liquor	57.7	10.2%	6.9%	8.0%
Restaurants No Alcohol	146.3	3.2%	5.1%	5.1%
Service Stations	187.4	8.6%	0.0%	2.8%
Specialty Stores	63.5	21.0%	6.3%	-0.6%
Sporting Goods/Bike Stores	30.3	-13.2%	5.8%	4.8%
Total All Accounts	\$2,648.3	-0.6%	1.4%	2.0%
County & State Pool Allocation	318.0	8.8%		
Gross Receipts	\$2,966.2	0.3%		

*In thousands