

WELCOME TO RANCHO SANTA MARGARITA!

This land has been special to my family and friends since 1882, when it was acquired by my great grandfather and his partner as a portion of the 230,000 acre Rancho Santa Margarita y Las Flores.

My family and associates at Santa Margarita Company wanted to do what we could to share the rich heritage of this land within the fabric of this new community, both as a way to make it a little more special to the people who will live and work here, as well as to preserve our heritage for the future.

The community name, for example, borrows from the original "Rancho Santa Margarita" legacy. The early California architectural styles of Mission, Spanish and Rancho influences are reflected in the architecture of residential neighborhoods and community buildings, complemented by colorful landscape concepts which add to the warmth of the architecture. Community street names, such as Santa Margarita Parkway, Avenida de Las Flores, Antonio Parkway, and Ama Daisy preserve our heritage and family ties to the land. Bells in the community, each to be inscribed to capture a moment in history, are intended to reflect the sounds of the Mission era and add yet another dimension to the personality of the community. These are some of the physical reflections of our heritage. Other reflections incorporated into the overall community design and hopefully the attitudes of the people bringing the community to life are long held values of hospitality, caring, trust and pride in one's achievements.

We hope that as you establish your roots in this land next to ours, you will begin to feel what we mean when we say "Rancho Santa Margarita, where the west begins... again."

Anthony R. Moiso
President and CEO
Santa Margarita Company

SANTA MARGARITA COMPANY

TARGET MARKER DISCLOSURE

You may have read newspaper stories which erroneously reported that an abandoned mortar range exists at the southern end of the Plano Trabuco. The purpose of this letter is to provide accurate facts concerning this matter.

From 1944 through 1956, the United States Marine Corps used the most southerly portions of the Plano Trabuco as an aircraft practice range. We have been informed by the Marines that no live ordnance was ever used. The Marine aircraft fired practice rockets with inert heads and dropped "target markers."

No practice rockets or target markers were found during the extensive grading of the Rancho Santa Margarita residential areas. The practice range was approximately five miles south of the existing residential areas.

Attached is a "Target Marker Fact Sheet" which contains important information. Please review the fact sheet carefully. Note that the target markers (but not the practice rockets) contained a small charge designed to create a puff of smoke upon impact. It is likely that a small number of the target markers failed to ignite on impact. While it is not likely that you would encounter a target marker and even less likely that the target marker would contain an unignited charge, we urge you to exercise caution if you discover any such devices (see the attached sketch). In particular, please be sure that all of your family members understand the fact sheets which follow.

Should you come across a target marker, please follow this procedure. During business hours, Monday through Friday from 7:00 a.m. to 5:00 p.m., call Norm Burch, Santa Margarita Company director of construction, (714) 858-9206. After hours or on weekends, please call Santa Margarita Company security, (714) 589-1145.

12/88

Target Markers Fact Sheet

Description: Four types of practice devices used by the Marine Corps for aircraft target practice have been identified.

One was a hollow-core device approximately 8-inches long that contained a small, smokeless charge. When ignited, it expelled a powdery substance and created a puff of smoke that the pilot could see to test the accuracy of his aim. We refer to these devices as "target markers."

The other three types were practice rockets, 2.25, 3.5 and 5 inches in diameter. All were completely inert.

Background: From 1944 until about 1956 the USMC used the southerly 503 acres of the Plano Trabuco for a practice area. In the context of the 5,000-acre Rancho Santa Margarita community, the 500-acre site is in the extreme southern portion, approximately five miles from the current Phase I residential area.

1950-84 In the past 40 years of ranching and farming operations, hundreds of target markers were found and stockpiled by Rancho Mission Viejo employees without incident.

In 1984, Santa Margarita Co. requested that the USMC remove target markers from the practice site and remove those which had been collected and stored over time by Santa Margarita Company employees involved in farming the land. The USMC conducted extensive electronic sweeps of the practice area with metal detectors.

In all, approximately 6,000 lbs. of target markers were removed and examined by the USMC. While the great majority were found to be completely inert, a small percentage were found to contain remnants of signal devices. It was not determined whether these devices could be ignited.

1985 During early grading of the northern (Phase I) area of Rancho Santa Margarita, three to four feet of topsoil was removed, raked and replaced. No target markers were ever found.

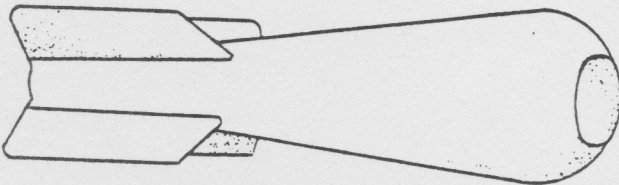
Status: The number of undiscovered target markers cannot be verified, however, because many of them buried on impact or have been buried over time. However, of the thousands that had been removed, only a very small percentage were found to contain signal device residue. Further, it is believed that the firing mechanisms of any target markers have likely been rusted solid after 40 years of rain and burial in wet ground.

Hazard: In the unlikely event that someone were to find an unignited target marker with the firing mechanism intact, and hit it with enough force for it to ignite, it could result in injury.

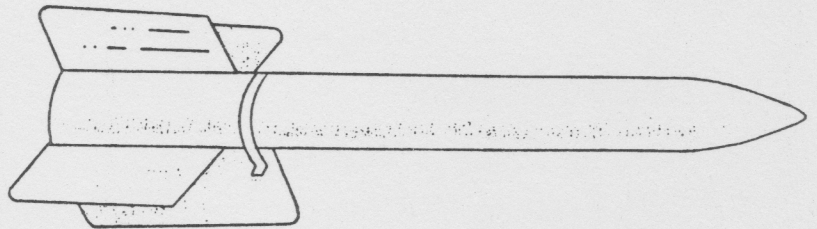
Procedure: Since 1984 when the first markers were discovered, it has been Santa Margarita Company policy that any recovered target markers are to be collected and returned to the USMC for proper disposal in conformance with standard Marine Corps practice. Construction crews working on road building and excavation programs have been notified of this procedure.

Current as of 6/22/87

TARGET MARKER



PRACTICE ROCKET



RANCHO SANTA MARGARITA PROPOSED COMMUNITY FACILITIES DISTRICTS

The County of Orange has established Community Facilities Districts for Rancho Santa Margarita, pursuant to the Mello-Roos Community Facilities Act of 1982. This Act was passed by the California Legislature in response to public funding limitations imposed by Proposition 13, in order to provide an alternate method of financing for the timely delivery of essential public facilities. It has become apparent that this financing tool will become one of the major vehicles for local government facilities financing in California in the post-Proposition 13 era. The facilities that are anticipated to be provided include, but are not limited to, the following:

- School facilities
- Fire protection facility
- Police protection facility
- Library
- Street lights
- Road improvements, including the portion of the proposed Foothill Transportation Corridor

Once established, each Community Facilities District will issue and sell bonds to provide funds to acquire or construct the facilities authorized by the Community Facilities District. The bonds qualify as tax exempt revenue bonds and, therefore, provide a less expensive form of financing for the facilities than conventional financing methods. The bonds usually have a 20-25 year term and are repaid by a special tax on the property that secures repayment of the bonds. This special tax is normally levied upon each home and commercial/industrial building when it is occupied, and is collected through the County's usual property tax system. The tax is understood to be currently deductible for Federal Income Tax purposes.

The *maximum* special tax has been categorized into three types: 1) Residential, 2) Commercial/Industrial, 3) Undeveloped Land. The amount is expected to vary for residences depending on the density classification of the project and/or square footage of your new home. Property tax bills will include this special tax category. Each year the amount can be increased at a rate of up to 4% compounded until the assessment amount (special tax) is sufficient to pay the annual bond debt service amount. This method of allocation provides uniformity and equity in developing the special tax for each density and/or square footage classification.