

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject to certain qualifications described herein, under existing statutes, regulations, rules and court decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See the caption “CONCLUDING INFORMATION—Tax Matters.”

COUNTY OF SAN DIEGO

STATE OF CALIFORNIA

\$32,395,000

**SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A**

Dated: Date of Delivery**Due: September 1, as shown on the inside cover page**

The San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A (the “Bonds”), are being issued by the San Marcos Public Financing Authority (the “Authority”) pursuant to an Indenture of Trust, dated as of October 1, 2014 (the “Indenture”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “Trustee”), and will be secured as described herein. See the caption “SECURITY FOR THE BONDS.”

The Bonds are being issued: (i) to finance the purchase by the Authority of 18 series of special tax refunding bonds (the “Special Tax Refunding Bonds”), 17 of which are being issued by the City of San Marcos Community Facilities District No. 99-01 (“CFD No. 99-01”) for Improvement Areas A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 and V1A (each, an “Improvement Area” and collectively, the “Improvement Areas”), and one of which is being issued by the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) (“CFD No. 91-01” and, together with CFD No. 99-01, the “Community Facilities Districts” or individually, a “Community Facilities District”); (ii) to provide cash for deposit in the Reserve Fund relating to the Bonds and to purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”) from Assured Guaranty Municipal Corp. (“AGM”) for deposit in the Reserve Fund relating to the Bonds; (iii) to purchase a municipal bond insurance policy (the “Policy”) from AGM to guarantee payment of principal of and interest on the Bonds maturing on September 1 of the years 2027 through 2038, inclusive; and (iv) to pay certain costs of issuance of the Bonds. The Special Tax Refunding Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “CFD Act”). Each series of Special Tax Refunding Bonds will be secured by special tax liens on taxable property within the respective Improvement Area or CFD No. 91-01, as applicable, to which such series of Special Tax Refunding Bonds relates. The Special Tax Refunding Bonds are being issued to current refund certain special tax revenue bonds of the San Marcos Public Facilities Authority (the “Facilities Authority”), which in turn will effect a redemption of certain special tax bonds of the Community Facilities Districts issued with respect to each of the Improvement Areas and CFD No. 91-01, as applicable. See the captions “INTRODUCTION—Special Tax Refunding Bonds” and “THE FINANCING PLAN.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company (“DTC”), New York, New York. Interest on the Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2015. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases of Bonds will be in principal amounts of \$5,000 or in any integral multiple of \$5,000. Payments of principal and interest will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and mandatory redemption from redemption of the Special Tax Refunding Bonds prior to maturity as set forth herein. See the caption “THE BONDS—Redemption.”

The Bonds are special, limited obligations of the Authority, payable solely from Revenues (as such term is defined herein), consisting of debt service payments on the Special Tax Refunding Bonds received by the Trustee, as assignee of the Authority, the owner of the Special Tax Refunding Bonds, and amounts in certain funds and accounts pledged under the Indenture. Debt service payments on the Special Tax Refunding Bonds are calculated to be sufficient to permit the Authority to pay debt service on the Bonds when due. The City of San Marcos (the “City”) has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Special Tax Refunding Bonds. See the caption “SECURITY FOR THE BONDS.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE SAN MARCOS FIRE PROTECTION DISTRICT (THE “FPD”), THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICTS, GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR THE FPD OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES AS PROVIDED IN THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

THE SPECIAL TAX REFUNDING BONDS ARE LIMITED OBLIGATIONS OF THE APPLICABLE COMMUNITY FACILITIES DISTRICT. EACH SERIES OF SPECIAL TAX REFUNDING BONDS IS PAYABLE SOLELY FROM THE ASSETS PLEDGED THEREFOR UNDER THE RESPECTIVE SPECIAL TAX REFUNDING BONDS FISCAL AGENT AGREEMENT PURSUANT TO WHICH SUCH SPECIAL TAX REFUNDING BONDS ARE ISSUED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE FPD, THE AUTHORITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SPECIAL TAX REFUNDING BONDS.

The scheduled payment of principal of and interest on the Bonds maturing on September 1 of the years 2027 through 2038, inclusive (the “Insured Bonds”), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered in addition to the other matters set forth herein when evaluating the investment quality of the Bonds. This cover page contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE

(See inside cover)

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to approval as to their validity by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the City by Stradling YoCCA Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, for Assured Guaranty Municipal Corp. by its counsel and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about October 23, 2014.

STIFEL

\$32,395,000
SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A

MATURITY SCHEDULE

Base CUSIP^{®†}: 79876A

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP^{®†}</i>
2015	\$1,815,000	2.000%	0.280%	101.468	CY6
2016	1,175,000	3.000	0.560	104.497	CZ3
2017	1,225,000	4.000	0.850	108.867	DA7
2018	1,265,000	5.000	1.130	114.558	DB5
2019	1,325,000	5.000	1.420	116.738	DC3
2020	1,390,000	5.000	1.760	117.950	DD1
2021	1,195,000	5.000	2.060	118.704	DE9
2022	1,245,000	5.000	2.390	118.589	DF6
2023	1,310,000	5.000	2.590	118.958	DG4
2024	1,375,000	5.000	2.680	119.974	DH2
2025	1,455,000	5.000	2.850	118.356 ^(c)	DJ8
2026	1,535,000	5.000	2.980	117.137 ^(c)	DK5
2027 [◇]	1,585,000	5.000	3.020	116.765 ^(c)	DL3
2028 [◇]	1,665,000	5.000	3.100	116.025 ^(c)	DM1
2029 [◇]	1,750,000	5.000	3.190	115.199 ^(c)	DN9
2030 [◇]	1,835,000	5.000	3.260	114.562 ^(c)	DP4
2031 [◇]	1,930,000	5.000	3.320	114.018 ^(c)	DQ2
2032 [◇]	2,060,000	5.000	3.380	113.478 ^(c)	DR0
2033 [◇]	1,985,000	5.000	3.410	113.210 ^(c)	DS8

◇\$3,275,000 4.000% Term Bond Due September 1, 2038 – Yield 4.020%, Price 99.690 CUSIP^{®†} DT6

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^(c) Priced to first optional redemption date of September 1, 2024 at par.

[◇] Insured Bond.

CITY OF SAN MARCOS

CITY COUNCIL/AUTHORITY MEMBERS

Jim Desmond, Mayor and Chair
Rebecca Jones, Vice Mayor and Vice Chair
Chris Orlando, Council Member and Authority Member
Kristal Jabara, Council Member and Authority Member
Sharon Jenkins, Council Member and Authority Member

CITY/AUTHORITY OFFICIALS

Jack Griffin, City Manager/Executive Director
Phil Scollick, City Clerk/Secretary
Helen Holmes Peak, City Attorney/Authority Counsel
Laura Rocha, Finance Director/Treasurer
Roque Chiriboga, Manager of Financial Analysis and Debt Administration

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David Taussig & Associates, Inc.
Newport Beach, California

Trustee/Fiscal Agent

MUFG Union Bank, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City, the FPD or the Community Facilities Districts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein which has been obtained from parties other than the Authority, the City, the FPD and the Community Facilities Districts is believed to be reliable but is not guaranteed as to accuracy or completeness by the Authority, the City, the FPD or the Community Facilities Districts. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the FPD or the Community Facilities Districts since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information herein relating to the Bonds, the Authority, the Community Facilities Districts, the Improvement Areas and the City does not purport to be comprehensive or definitive. All references to the Bonds are qualified in their entirety by reference to the Indenture setting forth the terms and descriptions thereof. The summaries and references to any code, act, resolution, the Indenture or the Special Tax Refunding Bonds Fiscal Agent Agreements (as such term is defined herein), and to other statutes and documents in this Official Statement do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each statute and document.

IN CONNECTION WITH THIS BOND UNDERWRITING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS DESCRIBED HEREIN AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

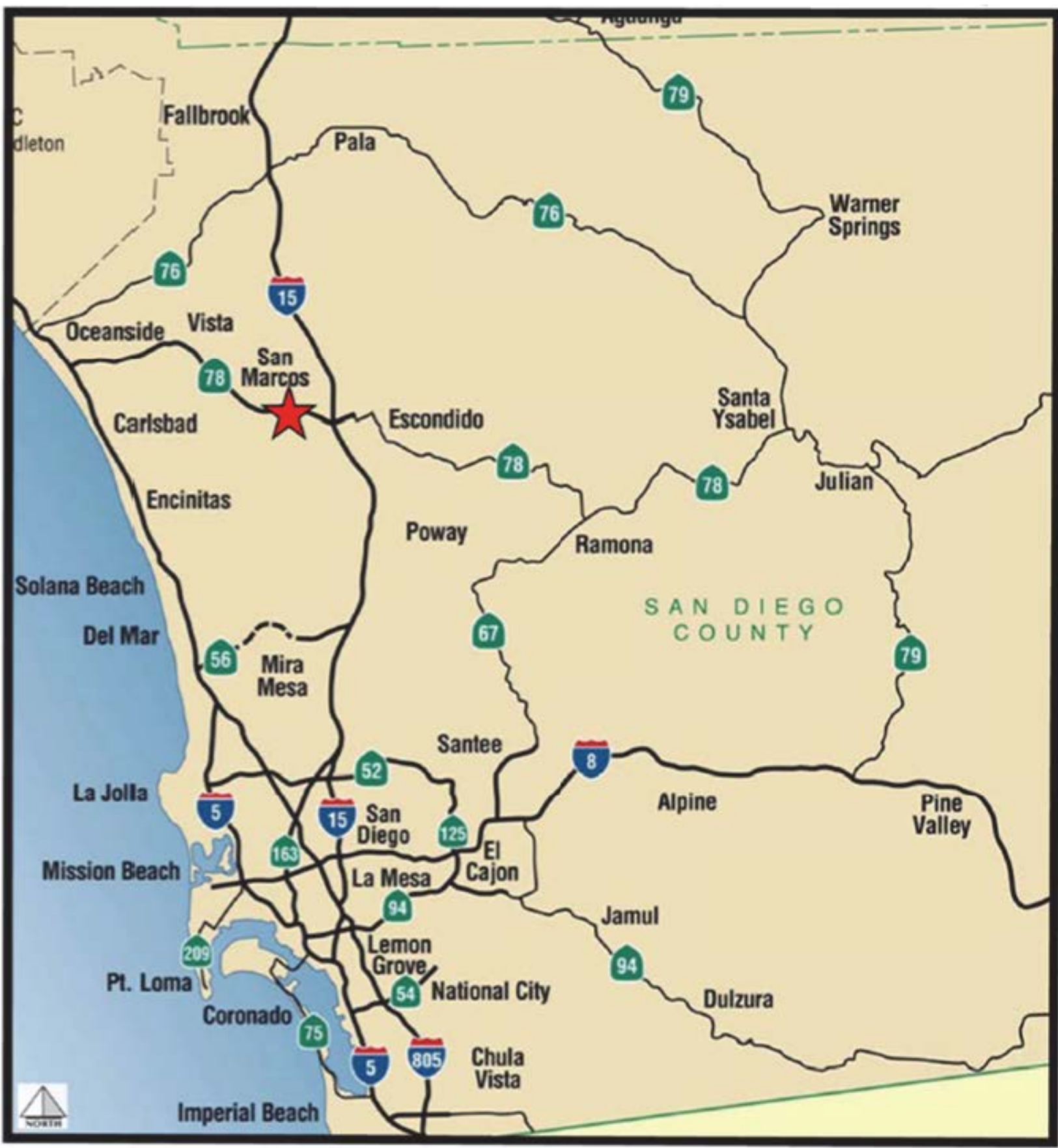
Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts set forth herein in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The City, the Community Facilities Districts, the FPD and the Authority disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Official Statement to reflect any changes in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

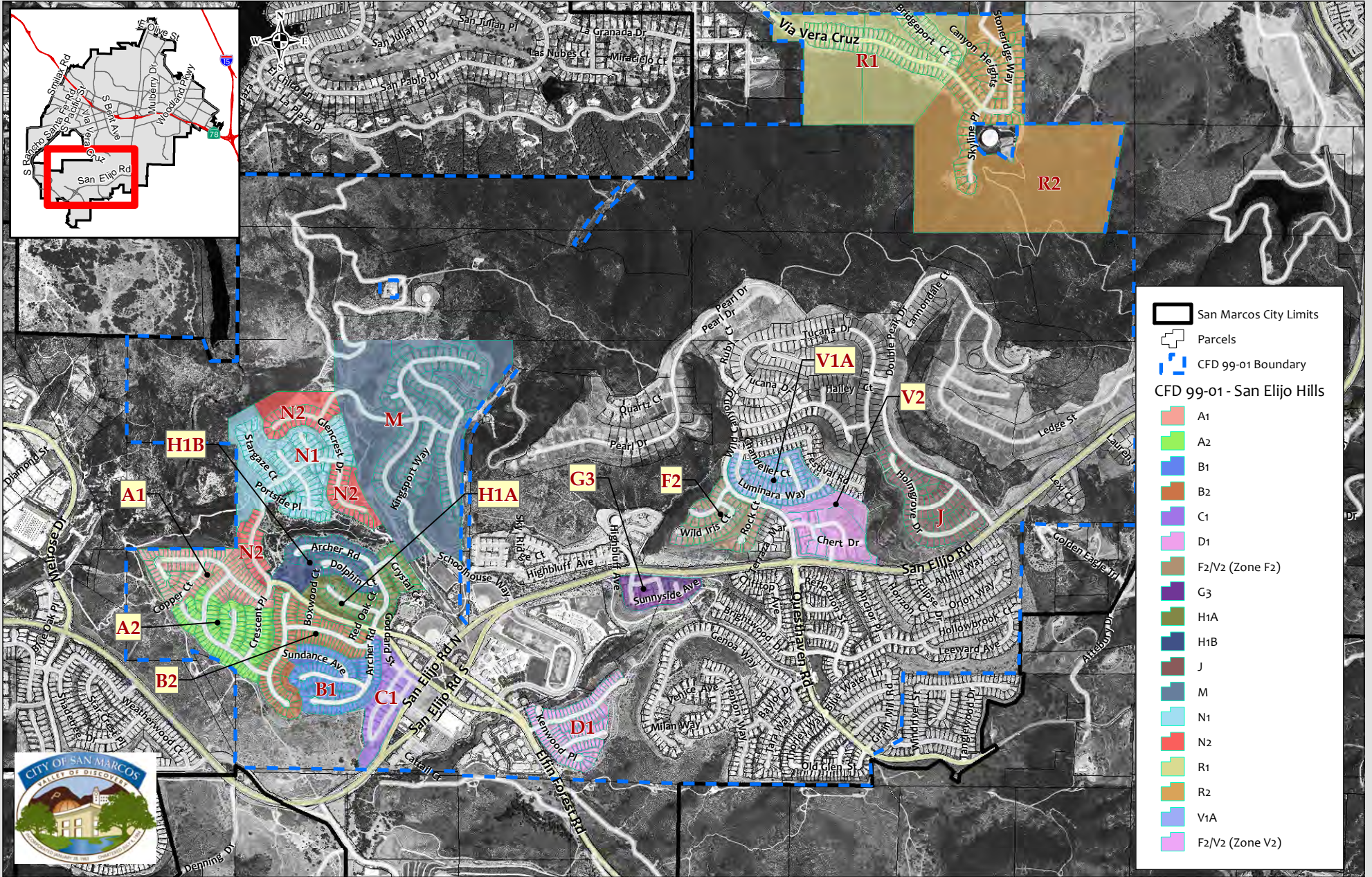
The City maintains a website; however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and Appendix G—“Specimen Municipal Bond Insurance Policy.”

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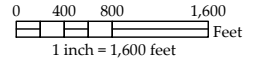
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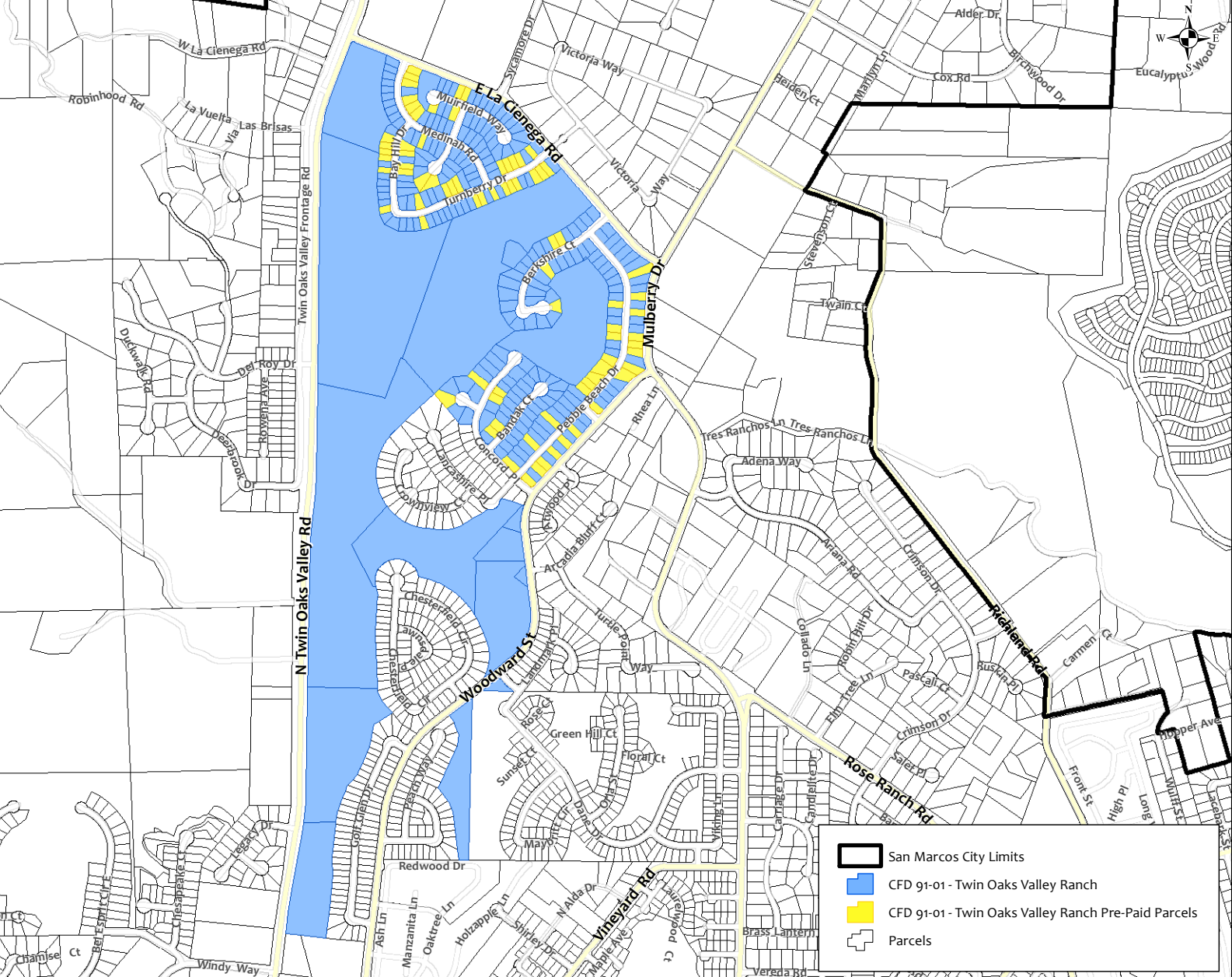
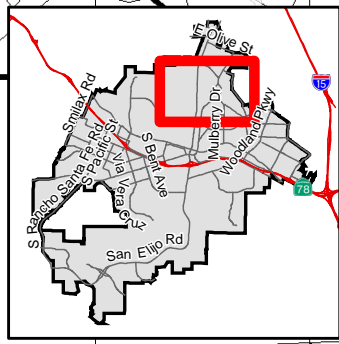


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Community Facilities District 99-01 (San Elijo Hills)

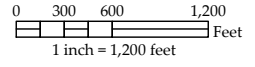


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Community Facilities District 91-01 (Twin Oaks Valley Ranch)



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\$32,395,000
SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A

INTRODUCTION

Summary

This Official Statement is provided to furnish certain information in connection with the issuance and sale by the San Marcos Public Financing Authority (the “Authority”) of \$32,395,000 aggregate principal amount of San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A (the “Bonds”).

The Bonds will be issued pursuant to the provisions of an Indenture of Trust, dated as of October 1, 2014 (the “Indenture”), by and between the Authority and MUFJ Union Bank, N.A., as trustee (the “Trustee”), and the provisions of the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code (the “Bond Law”). Capitalized undefined terms used in this Official Statement have the meanings ascribed thereto in Appendix B.

The Bonds are being issued: (i) to finance the purchase by the Authority of 18 series of special tax refunding bonds (the “Special Tax Refunding Bonds”), 17 of which are being issued by the City of San Marcos Community Facilities District No. 99-01 (“CFD No. 99-01”) for Improvement Areas A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 and V1A (each, an “Improvement Area” and collectively, the “Improvement Areas”), and one of which is being issued by the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) (“CFD No. 91-01” and, together with CFD No. 99-01, the “Community Facilities Districts” or individually, a “Community Facilities District”); (ii) to provide cash for deposit in the Reserve Fund relating to the Bonds and to purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”) from Assured Guaranty Municipal Corp. (“AGM”) for deposit in the Reserve Fund relating to the Bonds; (iii) to purchase a municipal bond insurance policy (the “Policy”) from AGM to guarantee payment of principal of and interest on the Bonds maturing on September 1 of the years 2027 through 2038, inclusive (the “Insured Bonds”); and (iv) to pay certain costs of issuance of the Bonds.

As described under the caption “THE FINANCING PLAN”:

(i) the proceeds from the sale to the Authority of the Special Tax Refunding Bonds issued by CFD No. 99-01 for Improvement Areas F2/V2, J and V1A are being used to current refund the outstanding San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A (the “2006 Prior Facilities Authority Bonds”), which, in turn, will cause the defeasance of three series of special tax bonds (collectively, the “2006 Prior Special Tax Bonds”) issued by CFD No. 99-01 for Improvement Areas F2/V2, J and V1A, respectively; and

(ii) the proceeds from the sale of the Special Tax Refunding Bonds issued by: (1) CFD No. 99-01 for Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1 and R2; and (2) CFD No. 91-01 are being used to current refund the outstanding San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A and 2004 Series B (collectively, the “2004 Prior Facilities Authority Bonds” and, together with the 2006 Prior Facilities Authority Bonds, the “Prior Facilities Authority Bonds”), which, in turn, will cause the defeasance of 15 series of special tax bonds (collectively, the “2004 Prior Special Tax Bonds” and, together with the 2006 Prior Special Tax Bonds, the “Prior Special Tax Bonds”) issued by CFD No. 99-01 for Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1 and R2, respectively, and by CFD No. 91-01. See the captions “—Special Tax Refunding Bonds” and “THE FINANCING PLAN” for a description of the Special Tax Refunding Bonds.

As the owner of the Special Tax Refunding Bonds, the Authority, under the Indenture, has pledged the payments of principal and interest that it receives on the Special Tax Refunding Bonds to pay debt service on the Bonds. Such payments, together with certain other amounts as specified in the Indenture, comprise the Revenues. The Revenues will be applied to pay principal of, premium, if any, and interest on the Bonds.

Although there are currently a total of 34 improvement areas within the boundaries of CFD No. 99-01, only principal and interest payments received by the Authority from the Special Tax Refunding Bonds issued for the 17 Improvement Areas described herein constitute Revenues available to pay principal of, premium, if any, and interest on the Bonds. See the caption “COMMUNITY FACILITIES DISTRICT NO. 99-01.”

The Special Tax Refunding Bonds are limited obligations of the applicable Community Facilities District payable from Net Special Tax Revenues (as such term is defined under the caption “SECURITY FOR THE BONDS—Payment of the Special Tax Refunding Bonds—General”) pursuant to the respective Special Tax Refunding Bonds Fiscal Agent Agreements (as such term is defined below under the caption “—Special Tax Refunding Bonds”). Each series of Special Tax Refunding Bonds is a separate and distinct obligation secured by special taxes levied against certain properties within the respective Improvement Area and CFD No. 91-01, as applicable, to which such series of Special Tax Refunding Bonds relates. Special taxes from one Improvement Area or CFD No. 91-01 may only be used to pay debt service on the series of Special Tax Refunding Bonds issued for such Improvement Area or CFD No. 91-01, as applicable. See the caption “SECURITY FOR THE BONDS” for a description of the Net Special Tax Revenues and other funds securing the Special Tax Refunding Bonds.

Bond Insurance

Payment of the principal of and interest on the Insured Bonds, constituting the Bonds maturing on September 1 of the years 2027 through 2038, inclusive, will be insured by the Policy to be issued by AGM concurrently with the issuance of the Bonds. See the caption “BOND INSURANCE.” Payment of the principal of and interest on the Bonds maturing on September 1 of the years 2015 through 2026, inclusive, and 2038 (the “Uninsured Bonds”) is not insured by a municipal bond insurance policy.

Reserve Fund

A Reserve Fund for the Bonds has been established pursuant to the Indenture. The Authority will deposit a portion of the proceeds of the Bonds in an amount equal to \$1,324,100.52, which constitutes the Reserve Requirement – Cash, in the Reserve Fund. In addition, AGM has committed to issue, concurrently with the issuance of the Bonds, the Reserve Policy in the initial principal amount of \$1,324,100.52, which constitutes the Reserve Requirement – Reserve Policy. The Reserve Policy will also be deposited in the Reserve Fund. None of the Authority, the Community Facilities Districts or the City are obligated: (i) to make any additional deposits into the Reserve Fund in the event that AGM defaults on its obligation to make payments under the Reserve Policy; or (ii) to replace the Reserve Policy in the event of a rating downgrade of AGM. See the caption “SECURITY FOR THE BONDS—Repayment of the Bonds—Establishment and Application of Reserve Fund.”

The Bonds

The proceeds of the Bonds will be used to acquire the Special Tax Refunding Bonds.

The Bonds are payable from and secured by the Revenues. “Revenues” is defined under the Indenture to mean: (a) all amounts derived from the Special Tax Refunding Bonds; and (b) investment income with respect to the funds and accounts established under the Indenture (excepting therefrom the Residual Account and the Rebate Fund). *The principal and interest payments on the Special Tax Refunding Bonds received by the Authority, as the owner of the Special Tax Refunding Bonds, are initially the primary source of funds to repay the Bonds.* See the caption “SECURITY FOR THE BONDS.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF SAN MARCOS (THE “CITY”), THE SAN MARCOS FIRE PROTECTION DISTRICT (THE “FPD”), THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICTS, GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR THE FPD OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES AS PROVIDED IN THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.

Special Tax Refunding Bonds

The Special Tax Refunding Bonds are described under the caption “THE FINANCING PLAN”:

The Special Tax Refunding Bonds will be issued concurrently with the Bonds pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 *et seq.* of the California Government Code (the “CFD Act”), and separate Fiscal Agent Agreements, each dated as of October 1, 2014 (each, a “Special Tax Refunding Bonds Fiscal Agent Agreement,” and collectively, the “Special Tax Refunding Bonds Fiscal Agent Agreements”), by and between the applicable Community Facilities District and MUFJ Union Bank, N.A., as fiscal agent (the “Fiscal Agent”).

Each series of Special Tax Refunding Bonds will be separately secured by special taxes (the “Special Taxes”) levied against certain taxable real property within the boundaries of the applicable Improvement Area within CFD No. 99-01 or within the boundaries of CFD No. 91-01. See the caption “SECURITY FOR THE BONDS—Payment of the Special Tax Refunding Bonds.” The Special Taxes collected in one Community Facilities District or Improvement Area cannot be used to pay debt service on the Special Tax Refunding Bonds of another Community Facilities District or Improvement Area, as applicable.

THE SPECIAL TAX REFUNDING BONDS ARE LIMITED OBLIGATIONS OF THE APPLICABLE COMMUNITY FACILITIES DISTRICT. EACH SERIES OF SPECIAL TAX REFUNDING BONDS IS PAYABLE SOLELY FROM THE ASSETS PLEDGED THEREFOR UNDER THE RESPECTIVE SPECIAL TAX REFUNDING BONDS FISCAL AGENT AGREEMENT PURSUANT TO WHICH SUCH SPECIAL TAX REFUNDING BONDS ARE ISSUED. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE FPD, THE AUTHORITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SPECIAL TAX REFUNDING BONDS.

No Parity Bonds

Pursuant to the Indenture, the Authority has covenanted not to create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture.

Pursuant to each Special Tax Refunding Bonds Fiscal Agent Agreement, the Community Facilities Districts have covenanted not to issue additional obligations entitled to a lien on the Net Special Tax Revenues of the respective Improvement Area or CFD 91-01, as applicable, other than for the purpose of refunding the Special Tax Refunding Bonds relating to such Improvement Area or CFD 91-01, as applicable.

Risk Factors

See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds generally.

Brief descriptions of the Bonds, the security for the Bonds, the Special Tax Refunding Bonds, the Community Facilities Districts, the Improvement Areas, the Authority, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions in this Official Statement of the Bonds, the Special Tax Refunding Bonds, the Indenture, the Special Tax Refunding Bonds Fiscal Agent Agreements and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Special Tax Refunding Bonds, the Indenture, the Special Tax Refunding Bonds Fiscal Agent Agreements and other documents.

Changes Since the Date of the Preliminary Official Statement

Changes have been made to this Official Statement since the Preliminary Official Statement dated September 24, 2014, as follows: (i) changes have been made throughout this Official Statement to reflect information with respect to AGM, the Policy and the Reserve Policy; (ii) changes have been made under the caption “SECURITY FOR THE BONDS” and in Appendix B to reflect changes to the Indenture and the Fiscal Agent Agreements to conform to the requirements of AGM; and (iii) changes have been made under the caption “RATING” to reflect an insured rating on the Insured Bonds and updated disclosures of certain risks with respect to municipal bond insurers.

THE FINANCING PLAN

The Bonds are being issued in order to provide funds to purchase the Special Tax Refunding Bonds, which are described in the following table.

TABLE 1
SPECIAL TAX REFUNDING BONDS

<i>Special Tax Refunding Bonds</i>	<i>Principal Amount</i>	<i>Final Maturity Date</i>
City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area A1 Special Tax Refunding Bonds”)	\$1,475,359.26	September 1, 2032
City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area A2 Special Tax Refunding Bonds”)	1,562,336.46	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area B1 Special Tax Refunding Bonds”)	1,481,085.88	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area B2 Special Tax Refunding Bonds”)	1,266,764.81	September 1, 2032
City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 Special Tax Refunding Bonds, Series 2014 (the “Improvement Area C1 Special Tax Refunding Bonds”)	2,403,561.51	September 1, 2034

<i>Special Tax Refunding Bonds</i>	<i>Principal Amount</i>	<i>Final Maturity Date</i>
City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area D1 Special Tax Refunding Bonds")	1,293,335.80	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area F2/V2 Special Tax Refunding Bonds")	2,555,000.00	September 1, 2038
City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area G3 Special Tax Refunding Bonds")	948,429.42	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A Special Tax Refunding Bonds, Series 2014 (the "Improvement Area H1A Special Tax Refunding Bonds")	1,029,351.34	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B Special Tax Refunding Bonds, Series 2014 (the "Improvement Area H1B Special Tax Refunding Bonds")	957,906.19	September 1, 2034
City of San Marcos Community Facilities District No. 99-01 Improvement Area J Special Tax Refunding Bonds, Series 2014 (the "Improvement Area J Special Tax Refunding Bonds")	3,715,000.00	September 1, 2038
City of San Marcos Community Facilities District No. 99-01 Improvement Area M Special Tax Refunding Bonds, Series 2014 (the "Improvement Area M Special Tax Refunding Bonds")	3,004,456.51	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area N1 Special Tax Refunding Bonds")	1,856,315.82	September 1, 2033
City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area N2 Special Tax Refunding Bonds")	1,746,324.14	September 1, 2034
City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area R1 Special Tax Refunding Bonds")	1,937,773.71	September 1, 2034
City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 Special Tax Refunding Bonds, Series 2014 (the "Improvement Area R2 Special Tax Refunding Bonds")	1,525,227.84	September 1, 2034
City of San Marcos Community Facilities District No. 99-01 Improvement Area V1A Special Tax Refunding Bonds, Series 2014 (the "Improvement Area V1A Special Tax Refunding Bonds")	2,185,000.00	September 1, 2038
City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014 (the "CFD No. 91-01 Special Tax Refunding Bonds")	1,451,771.31	September 1, 2020

Proceeds from the sale of the Special Tax Refunding Bonds, together with certain available funds on hand, including moneys held in certain funds relating to the Prior Special Tax Bonds, will be used to refund the Prior Facilities Authority Bonds on November 3, 2014. The following table illustrates the date of issuance, original principal amount, outstanding principal amount, redemption price and redemption date with respect to the Prior Facilities Authority Bonds.

**TABLE 2
PRIOR FACILITIES AUTHORITY BONDS**

<i>Prior Facilities Authority Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A	November 21, 2006	\$ 13,660,000	\$ 9,375,000	100%	November 3, 2014
San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A and 2004 Series B	September 15, 2004	37,495,000	28,025,000	100	November 3, 2014

Pursuant to the Indenture of Trust, dated as of November 1, 2006 (the “2006 Indenture”), by and between the San Marcos Public Facilities Authority (the “Facilities Authority”) and MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A., under which the 2006 Prior Facilities Authority Bonds were issued, and pursuant to the Fiscal Agent Agreements, each dated as of November 1, 2006 (as amended by the First Amendments to Fiscal Agent Agreement, each dated as of October 1, 2014, the “2006 Prior Special Tax Bonds Fiscal Agent Agreements”), by and between CFD No. 99-01 and MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A., under which the 2006 Prior Special Tax Bonds were issued, the defeasance of the 2006 Prior Facilities Authority Bonds will cause a corresponding defeasance of the 2006 Prior Special Tax Bonds shown on the following table.

Pursuant to the Indenture of Trust, dated as of September 1, 2004 (the “2004 Indenture”), by and between the Facilities Authority and MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A., under which the 2004 Prior Facilities Authority Bonds were issued, and pursuant to the Fiscal Agent Agreements, each dated as of September 1, 2004 (as amended by the First Amendments to Fiscal Agent Agreement, each dated as of October 1, 2014, the “2004 Prior Special Tax Bonds Fiscal Agent Agreements” and, together with the 2006 Prior Special Tax Bonds Fiscal Agent Agreements, the “Prior Special Tax Bonds Fiscal Agent Agreements”), by and between the applicable Community Facilities District and MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A., under which the 2004 Prior Special Tax Bonds were issued, the defeasance of the 2004 Prior Facilities Authority Bonds will cause a corresponding defeasance of the 2004 Prior Special Tax Bonds shown on the following table.

**TABLE 3
PRIOR SPECIAL TAX BONDS**

<i>Prior Special Tax Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006	November 21, 2006	\$ 3,220,000	\$ 2,835,000	100%	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area J) Special Tax Bonds, Series 2006	November 21, 2006	4,675,000	4,115,000	100	November 3, 2014

<i>Prior Special Tax Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
City of San Marcos Community Facilities District No. 99-01 (Improvement Area V1A) Special Tax Bonds, Series 2006	November 21, 2006	2,755,000	2,425,000	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area A1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,270,000	1,757,470	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area A2) 2004 Special Tax Refunding Bonds	September 15, 2004	2,360,000	1,859,344	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area B1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,255,000	1,763,962	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area B2) 2004 Special Tax Refunding Bonds	September 15, 2004	1,940,000	1,509,208	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area C1) 2004 Special Tax Refunding Bonds	September 15, 2004	3,565,000	2,832,179	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area D1) 2004 Special Tax Refunding Bonds	September 15, 2004	1,960,000	1,539,080	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area G3) 2004 Special Tax Refunding Bonds	September 15, 2004	1,430,000	1,127,759	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area H1A) 2004 Special Tax Refunding Bonds	September 15, 2004	1,555,000	1,224,821	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area H1B) 2004 Special Tax Refunding Bonds	September 15, 2004	1,410,000	1,126,922	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area M) 2004 Special Tax Refunding Bonds	September 15, 2004	4,560,000	3,578,481	100	November 3, 2014

<i>Prior Special Tax Bonds</i>	<i>Date Issued</i>	<i>Original Principal Amount</i>	<i>Outstanding Principal Amount</i>	<i>Redemption Price</i>	<i>Redemption Date</i>
City of San Marcos Community Facilities District No. 99-01 (Improvement Area N1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,805,000	2,209,793	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area N2) 2004 Special Tax Refunding Bonds	September 15, 2004	2,575,000	2,057,448	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area R1) 2004 Special Tax Refunding Bonds	September 15, 2004	2,875,000	2,283,852	100	November 3, 2014
City of San Marcos Community Facilities District No. 99-01 (Improvement Area R2) 2004 Special Tax Refunding Bonds	September 15, 2004	2,245,000	1,795,910	100	November 3, 2014
City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds	September 15, 2004	3,690,000	1,673,915	100	November 3, 2014

The Bonds are being sold in amounts that will provide sufficient proceeds to acquire the Special Tax Refunding Bonds.

Under an Escrow Deposit and Trust Agreement, dated as of October 1, 2014 (the “Escrow Agreement”), by and among the Facilities Authority, the Community Facilities Districts and MUFG Union Bank, N.A., as escrow bank (the “Escrow Bank”), each Community Facilities District will deliver a portion of the proceeds of the Special Tax Refunding Bonds, together with moneys held in certain funds related to the 2006 Prior Facilities Authority Bonds, the 2004 Prior Facilities Authority Bonds, the 2006 Prior Special Tax Bonds and the 2004 Prior Special Tax Bonds, as applicable, to the Escrow Bank for deposit in the applicable escrow funds established under the Escrow Agreement (each, an “Escrow Fund” and collectively, the “Escrow Funds”). From the moneys on deposit in the Escrow Funds, the Escrow Bank will pay on November 3, 2014 the principal of the 2006 Prior Facilities Authority Bonds and the 2004 Prior Facilities Authority Bonds maturing on or after such date, plus interest accrued to such date, without premium. The moneys in the Escrow Funds will be held uninvested.

Assuming the sufficiency of the deposits in the Escrow Funds for such purposes, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2006 Prior Facilities Authority Bonds will be defeased pursuant to the provisions of the 2006 Indenture as of the date of issuance of the Bonds and the 2004 Prior Facilities Authority Bonds will be defeased pursuant to the provisions of the 2004 Indenture as of the date of issuance of the Bonds. The defeasance of the 2006 Prior Facilities Authority Bonds will cause a corresponding defeasance of the 2006 Prior Special Tax Bonds pursuant to the provisions of the respective 2006 Prior Special Tax Bonds Fiscal Agent Agreements, as of the date of issuance of the Bonds. The defeasance of the 2004 Prior Facilities Authority Bonds will cause a corresponding defeasance of the 2004 Prior Special Tax Bonds pursuant to the provisions of the respective 2004 Prior Special Tax Bonds Fiscal Agent Agreements, as of the date of issuance of the Bonds.

The amounts held by the Escrow Bank in the Escrow Funds are pledged solely to the payment of the Prior Facilities Authority Bonds. The funds deposited in the Escrow Funds will not be available for the payments of principal of and interest on the Bonds.

The proceeds from the sale of the Bonds, the Special Tax Refunding Bonds and certain moneys held in funds of the Prior Facilities Authority Bonds and the Prior Special Tax Bonds will be used as described in the following two tables, respectively.

**TABLE 4
ESTIMATED SOURCES AND USES
BONDS**

The estimated sources and uses of funds with respect to the Bonds and amounts transferred by the City and the Community Facilities Districts to the Trustee are set forth in the following table:

<i>Sources of Funds</i>	
Principal Amount of Bonds	\$32,395,000.00
Plus Net Original Issue Premium	4,217,614.70
Plus Other Available Moneys ⁽¹⁾	<u>3,722,478.32</u>
<i>Total Sources</i>	<u>\$40,335,093.02</u>
<i>Uses of Funds</i>	
Special Tax Refunding Bonds Purchase Fund ⁽²⁾	\$37,706,799.25
Reserve Fund ⁽³⁾	1,324,100.52
Underwriter's Discount	223,609.50
Costs of Issuance ⁽⁴⁾	513,822.98
Other Uses of Funds ⁽⁵⁾	<u>566,760.77</u>
<i>Total Uses</i>	<u>\$40,335,093.02</u>

- ⁽¹⁾ Includes moneys on deposit in funds and accounts of the Prior Facilities Authority Bonds and the Prior Special Tax Bonds.
⁽²⁾ Amounts in the Special Tax Refunding Bonds Purchase Fund will be used to purchase the Special Tax Refunding Bonds together with the amount credited to the Reserve Fund and amounts paid as Costs of Issuance.
⁽³⁾ Represents the Reserve Requirement – Cash. The Reserve Policy in the amount of the Reserve Requirement – Reserve Policy will also be deposited in the Reserve Fund upon issuance of the Bonds.
⁽⁴⁾ Includes legal fees, Financial Advisor fees, printing fees, Trustee fees, Fiscal Agent fees, Escrow Bank fees, Special Tax Consultant fees, premium for the Policy and the Reserve Policy and other Costs of Issuance.
⁽⁵⁾ Includes deposit to the Special Tax Fund and other uses of funds.

The estimated sources and uses of funds with respect to the Special Tax Refunding Bonds and amounts transferred from the Prior Facilities Authority Bonds and Prior Special Tax Bonds are set forth in the following table:

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**TABLE 5
ESTIMATED SOURCES AND USES
SPECIAL TAX REFUNDING BONDS**

	<i>Improvement Area A1</i>	<i>Improvement Area A2</i>	<i>Improvement Area B1</i>	<i>Improvement Area B2</i>	<i>Improvement Area C1</i>	<i>Improvement Area D1</i>	<i>Improvement Area F2/V2</i>	<i>Improvement Area G3</i>	<i>Improvement Area H1A</i>	
<i>Sources of Funds</i>										
Principal Amount of Special Tax Refunding Bonds	\$1,475,359.26	\$1,562,336.46	\$1,481,085.88	\$1,266,764.81	\$2,403,561.51	\$1,293,335.80	\$2,555,000.00	\$ 948,429.42	\$1,029,351.34	
Plus Share of Premium on Bonds	218,633.94	229,884.04	218,471.89	187,941.87	325,001.30	190,187.94	259,761.80	138,610.78	150,733.27	
Plus Other Available Moneys ⁽¹⁾	<u>182,910.50</u>	<u>185,611.53</u>	<u>195,052.44</u>	<u>171,493.55</u>	<u>293,178.09</u>	<u>173,729.68</u>	<u>227,602.87</u>	<u>135,791.00</u>	<u>132,180.64</u>	
Total Sources	<u>\$1,876,903.70</u>	<u>\$1,977,832.03</u>	<u>\$1,894,610.21</u>	<u>\$1,626,200.23</u>	<u>\$3,021,740.90</u>	<u>\$1,657,253.42</u>	<u>\$3,042,364.67</u>	<u>\$1,222,831.20</u>	<u>\$1,312,265.25</u>	
<i>Uses of Funds</i>										
Deposit to Escrow Fund ⁽²⁾	\$1,752,516.36	\$1,854,137.16	\$1,758,273.17	\$1,504,963.10	\$2,822,827.74	\$1,534,775.71	\$2,859,314.76	\$1,124,594.67	\$1,220,853.54	
Share of Reserve Fund	60,700.01	64,219.74	60,899.40	52,125.78	97,771.23	53,158.36	104,432.07	38,951.37	42,285.38	
Share of Underwriter's Discount on Bonds	10,250.81	10,845.21	10,284.48	8,802.82	16,511.26	8,977.20	17,636.12	6,577.97	7,141.01	
Share of Costs of Issuance and Other Uses ⁽³⁾	<u>53,436.52</u>	<u>48,629.92</u>	<u>65,153.16</u>	<u>60,308.53</u>	<u>84,630.67</u>	<u>60,342.15</u>	<u>60,981.72</u>	<u>52,707.19</u>	<u>41,985.32</u>	
Total Uses	<u>\$1,876,903.70</u>	<u>\$1,977,832.03</u>	<u>\$1,894,610.21</u>	<u>\$1,626,200.23</u>	<u>\$3,021,740.90</u>	<u>\$1,657,253.42</u>	<u>\$3,042,364.67</u>	<u>\$1,222,831.20</u>	<u>\$1,312,265.25</u>	
	<i>Improvement Area H1B</i>	<i>Improvement Area J</i>	<i>Improvement Area M</i>	<i>Improvement Area N1</i>	<i>Improvement Area N2</i>	<i>Improvement Area R1</i>	<i>Improvement Area R2</i>	<i>Improvement Area VIA</i>	<i>CFD No. 91-01</i>	<i>Total</i>
<i>Sources of Funds</i>										
Principal Amount of Special Tax Refunding Bonds	\$ 957,906.19	\$3,715,000.00	\$3,004,456.51	\$1,856,315.82	\$1,746,324.14	\$1,937,773.71	\$1,525,227.84	\$2,185,000.00	\$1,451,771.31	\$32,395,000.00
Plus Share of Premium on Bonds	127,780.05	372,304.20	443,360.44	273,712.68	235,855.64	262,538.67	204,974.40	221,223.30	156,638.49	4,217,614.70
Plus Other Available Moneys ⁽¹⁾	<u>115,861.12</u>	<u>337,072.01</u>	<u>360,394.09</u>	<u>217,375.24</u>	<u>200,681.77</u>	<u>240,495.13</u>	<u>195,267.66</u>	<u>198,044.82</u>	<u>159,736.18</u>	<u>3,722,478.32</u>
Total Sources	<u>\$1,201,547.36</u>	<u>\$4,424,376.21</u>	<u>\$3,808,211.04</u>	<u>\$2,347,403.74</u>	<u>\$2,182,861.55</u>	<u>\$2,440,807.51</u>	<u>\$1,925,469.90</u>	<u>\$2,604,268.12</u>	<u>\$1,768,145.98</u>	<u>\$40,335,093.02</u>
<i>Uses of Funds</i>										
Deposit to Escrow Fund ⁽²⁾	\$1,123,193.93	\$4,150,271.54	\$3,566,930.28	\$2,203,615.57	\$2,050,659.06	\$2,276,327.59	\$1,789,976.34	\$2,445,783.35	\$1,667,785.38	\$37,706,799.25
Share of Reserve Fund	38,902.85	151,845.45	123,543.90	76,324.25	71,026.46	78,842.69	61,997.47	89,308.83	57,765.28	1,324,100.52
Share of Underwriter's Discount on Bonds	6,569.78	25,643.13	20,863.66	12,889.37	11,994.70	13,314.68	10,469.92	15,082.18	9,755.20	223,609.50
Share of Costs of Issuance and Other Uses ⁽³⁾	<u>32,880.80</u>	<u>96,616.09</u>	<u>96,873.20</u>	<u>54,754.55</u>	<u>49,181.33</u>	<u>72,322.55</u>	<u>63,026.17</u>	<u>54,093.76</u>	<u>32,840.12</u>	<u>1,080,583.75</u>
Total Uses	<u>\$1,201,547.36</u>	<u>\$4,424,376.21</u>	<u>\$3,808,211.04</u>	<u>\$2,347,403.74</u>	<u>\$2,182,861.55</u>	<u>\$2,440,807.51</u>	<u>\$1,925,469.90</u>	<u>\$2,604,268.12</u>	<u>\$1,768,145.98</u>	<u>\$40,335,093.02</u>

(1) Includes moneys on deposit in funds and accounts of the Prior Facilities Authority Bonds and the Prior Special Tax Bonds.

(2) To be applied to refund the Prior Facilities Authority Bonds, the defeasance of which will cause a corresponding defeasance of the Prior Special Tax Bonds.

(3) Includes share of legal fees, Financial Advisor fees, printing fees, Trustee fees, Fiscal Agent fees, Escrow Bank fees, Special Tax Consultant fees, deposit to the Special Tax Fund and other Costs of Issuance.

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THE BONDS

Description of the Bonds

The Bonds will be issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2015 (each, an “Interest Payment Date”), to the persons in whose names ownership of the Bonds is registered on the Bond Register at the close of business on the immediately preceding Record Date, except as provided in the Indenture. “Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless: (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Dated Date provided in the form of the Bonds; or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date will be payable to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which will be given to such Owner not less than 15 days prior to such Special Record Date. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date.

The principal of and redemption premium, if any, on the Bonds will be paid in lawful money of the United States of America at the Principal Office of the Trustee. Payment of principal on any Bond will be made only upon presentation and surrender of such Bond at the Principal Office of the Trustee at maturity or the prior redemption thereof. The Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof and are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption as described under the caption “—Redemption.”

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., as nominee of DTC. Payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. will be made by wire transfer of same-day funds to the account of Cede & Co. See Appendix E—“INFORMATION CONCERNING DTC.”

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Redemption

Optional Redemption. The Bonds maturing on and after September 1, 2025 are subject, at the option of the Authority, to call and redemption from any available source of funds prior to their stated maturity on any date on or after September 1, 2024, as a whole or in part, and by lot, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

For purposes of the selection of Bonds for optional redemption, the Bonds will be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as is acceptable to the Trustee) on such basis that the debt service on the Special Tax Refunding Bonds on each Interest Payment Date will be sufficient to pay debt service on the Bonds on such Interest Payment Date, as will be demonstrated in a report of an Independent Financial Consultant filed with the Trustee; provided, however, that no such report need be filed with the Trustee if, after such redemption, no Bonds will be Outstanding.

Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds. The Bonds are subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the Authority, from and to the extent of Principal Prepayments with respect to the Special Tax Refunding Bonds (as described under the caption “SECURITY FOR THE BONDS—Payment of the Special Tax Refunding Bonds—Optional Redemption of Special Tax Refunding Bonds”) at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
Any Interest Payment Date prior to March 1, 2022	103%
September 1, 2022 and March 1, 2023	102
September 1, 2023 and March 1, 2024	101
September 1, 2024 and any Interest Payment Date thereafter	100

The principal amount of the Bonds to be redeemed from Principal Prepayments of the Special Tax Refunding Bonds will be the greatest principal amount of Bonds, the redemption price of which is less than or equal to such Principal Prepayments, as specified in a Written Request of the Authority delivered to the Trustee. In the event that a Fiscal Agent for any Series of the Special Tax Refunding Bonds mails notice of redemption of any such Special Tax Refunding Bonds which will produce Principal Prepayments, the Trustee will concurrently mail notice of the redemption of Bonds pursuant to the Indenture, such redemption to occur on the date fixed for redemption of such Special Tax Refunding Bonds. On the date of such redemption of such Special Tax Refunding Bonds, the proceeds of any such redemption will be applied by the Trustee to pay the redemption price of Bonds pursuant to the Indenture.

For purposes of the selection of Bonds for redemption from Principal Prepayments of the Special Tax Refunding Bonds, the Bonds will be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as is acceptable to the Trustee) on such basis that the debt service on the Special Tax Refunding Bonds on each Interest Payment Date will be sufficient to pay debt service on the Bonds on such Interest Payment Date, as will be demonstrated in a report of an Independent Financial Consultant filed with the Trustee; provided, however, that no such report need be filed with the Trustee if, after such redemption, no Bonds will be Outstanding.

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 2038 are subject to mandatory sinking fund redemption in part, on September 1, 2034 and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Principal Amount</i>
2034	\$ 1,180,000
2035	490,000
2036	505,000
2037	535,000
2038 (maturity)	565,000

If some but not all of the Bonds maturing on September 1, 2038 are redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption,” the principal amount of the Bonds maturing on September 1, 2038 to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on any subsequent September 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of Bonds maturing on September 1, 2038 redeemed pursuant to the provisions set forth above under the caption “—Optional Redemption.”

If some but not all of the Bonds maturing on September 1, 2038 are redeemed pursuant to the provisions set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” the principal amount of the Bonds maturing on September 1, 2038 to be redeemed pursuant to the mandatory sinking fund redemption provisions of the Indenture on any subsequent September 1 will be reduced by the aggregate principal amount of the Bonds maturing on September 1, 2038 redeemed pursuant to the provisions set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” such reduction to be allocated among redemption dates, as determined by the Trustee, so that following such redemption the remaining principal amount of each sinking fund payment on the Bonds maturing on September 1, 2038 will match the principal payment on the Special Tax Refunding Bonds due and payable on the same date, notice of which determination will be given by the Trustee to the Authority.

Purchase in Lieu of Redemption. In lieu of optional redemption as set forth above under the caption “—Optional Redemption” or redemption from Principal Prepayments of the Special Tax Refunding Bonds as set forth above under the caption “—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds,” moneys in the Redemption Account may be used and withdrawn by the Trustee for the purchase of Outstanding Bonds, upon the filing with the Trustee of a Written Certificate of the Authority requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Written Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under Chapter 5 of Division 7 of Title 1 of the California Government Code and the Authority determines that it will have sufficient amounts in the Revenue Fund, following such purchase, to pay the principal of and interest on the Bonds as the same become due and payable.

Partial Redemption. In the event that only a portion of any Bond is called for redemption, upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond of Authorized Denominations equal in aggregate principal amount or maturity amount, as applicable, representing the unredeemed portion of the Bond to be redeemed.

Selection of Bonds of a Maturity for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Authority in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 Authorized

Denominations and such separate Authorized Denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption

Contents of Notice. Notice of redemption will be mailed by the Trustee, by first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to the Securities Depositories and the Information Services at least 30 days but not more than 60 days prior to the redemption date. Neither the failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date. Each notice of redemption will state the redemption date, the place or places of redemption, the CUSIP numbers and the Bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective Authorized Denominations of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the principal amount relating thereto or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, plus accrued interest, if any, and through which date such interest will accrue, and that from and after such date interest thereon will cease to accrue and will require that such Bonds be then surrendered at the Principal Office of the Trustee. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein will affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds delivered in accordance with the Indenture may be conditional and if any condition stated in the notice of redemption has not been satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority will not be required to redeem such Bonds and the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

The Authority may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Redemption Account or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Effect of Redemption

Notice having been given as described under the caption “—Notice of Redemption,” and moneys for the redemption (including the interest to the applicable date of redemption and including any applicable premium), having been set aside in the Redemption Fund or any of the accounts therein, the Bonds to be redeemed will become due and payable on said date of redemption, and, upon presentation and surrender thereof at the Principal Office of the Trustee, said Bonds will be paid at the redemption price thereof, together with interest, accrued and unpaid to said date of redemption and premium, if any.

If, on said date of redemption, moneys for the redemption of the Bonds to be redeemed, together with interest to said date of redemption, are held by the Trustee so as to be available therefor on such date of redemption, and, if notice of redemption thereof has been given as aforesaid and not cancelled, then, from and after said date of redemption, interest represented by such Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed and the Trustee will deliver a certificate of destruction of such Bonds to the Authority.

Notice of the special redemption of Bonds will be given upon receipt of notice of prepayment of the Special Tax Refunding Bonds. See Appendix B—“SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS.”

Transfers and Exchange

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds will be accomplished in accordance with the provisions of such book-entry system. In the event of termination of such book-entry system with respect to the Bonds, the Bonds may be transferred and exchanged in accordance with the terms of the Indenture. See Appendices B and E.

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Debt Service Schedule

The following is the debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

**TABLE 6
DEBT SERVICE SCHEDULE**

<i>Year Ending (September 1)</i>	<i>Total Aggregate Special Tax Refunding Bonds Debt Service</i>	<i>Bonds</i>		
		<i>Principal</i>	<i>Interest</i>	<i>Annual Debt Service</i>
2015	\$ 3,095,595.56	\$ 1,815,000.00	\$ 1,280,595.56	\$ 3,095,595.56
2016	2,635,500.00	1,175,000.00	1,460,500.00	2,635,500.00
2017	2,650,250.00	1,225,000.00	1,425,250.00	2,650,250.00
2018	2,641,250.00	1,265,000.00	1,376,250.00	2,641,250.00
2019	2,638,000.00	1,325,000.00	1,313,000.00	2,638,000.00
2020	2,636,750.00	1,390,000.00	1,246,750.00	2,636,750.00
2021	2,372,250.00	1,195,000.00	1,177,250.00	2,372,250.00
2022	2,362,500.00	1,245,000.00	1,117,500.00	2,362,500.00
2023	2,365,250.00	1,310,000.00	1,055,250.00	2,365,250.00
2024	2,364,750.00	1,375,000.00	989,750.00	2,364,750.00
2025	2,376,000.00	1,455,000.00	921,000.00	2,376,000.00
2026	2,383,250.00	1,535,000.00	848,250.00	2,383,250.00
2027	2,356,500.00	1,585,000.00	771,500.00	2,356,500.00
2028	2,357,250.00	1,665,000.00	692,250.00	2,357,250.00
2029	2,359,000.00	1,750,000.00	609,000.00	2,359,000.00
2030	2,356,500.00	1,835,000.00	521,500.00	2,356,500.00
2031	2,359,750.00	1,930,000.00	429,750.00	2,359,750.00
2032	2,393,250.00	2,060,000.00	333,250.00	2,393,250.00
2033	2,215,250.00	1,985,000.00	230,250.00	2,215,250.00
2034	1,311,000.00	1,180,000.00	131,000.00	1,311,000.00
2035	573,800.00	490,000.00	83,800.00	573,800.00
2036	569,200.00	505,000.00	64,200.00	569,200.00
2037	579,000.00	535,000.00	44,000.00	579,000.00
2038	587,600.00	565,000.00	22,600.00	587,600.00
Total	<u>\$50,539,445.56</u>	<u>\$32,395,000.00</u>	<u>\$18,144,445.56</u>	<u>\$50,539,445.56</u>

Source: Stifel, Nicolaus & Company, Incorporated.

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SECURITY FOR THE BONDS

Repayment of the Bonds

General. The Bonds are special, limited obligations of the Authority payable solely from and secured solely by the Revenues and other amounts pledged therefor under the Indenture. The Bonds will not be deemed to constitute a debt or liability of the City, the FPD, the Community Facilities Districts, the State, or any political subdivision thereof, other than the Authority. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE FPD, THE COMMUNITY FACILITIES DISTRICTS, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER. EXCEPT FOR THE REVENUES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICTS, GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR THE FPD OR GENERAL OBLIGATIONS OF THE AUTHORITY, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE EXCLUSIVELY FROM REVENUES AS PROVIDED IN THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. Debt service payments on the Special Tax Refunding Bonds have been calculated to be sufficient to permit the Authority to pay debt service on the Bonds when due. The City has determined that it will not obligate itself to advance funds from its treasury to cover any delinquency on the Special Tax Refunding Bonds.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund) and each of the Fiscal Agent Agreements have been pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge constitutes a first lien on and security interest in such assets and will attach, be perfected, and be valid and binding from and after delivery of the Bonds by the Trustee, and the Revenues and other items pledged under the Indenture will immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

Subject to the provisions of the Indenture, the Authority has pledged and assigned to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues, all of the moneys, and securities in the funds and accounts created under the Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund), as their interests appear, and other amounts pledged in the Indenture, and all of the right, title, and interest of the Authority in the Special Tax Refunding Bonds. The Authority will collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, will be deemed to be held, and to have been collected or received, by the Authority, in trust, and will be paid to the Trustee as set forth in the Indenture. The Trustee is also entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, by itself, all of the rights of the Authority and all of the obligations of the applicable Community Facilities District under and with respect to the Special Tax Refunding Bonds.

Revenue Fund. The Authority will establish with the Trustee a special fund designated the “Revenue Fund” which the Trustee will maintain and hold in trust. Within the Revenue Fund, the Trustee will establish special accounts designated as the “Principal Account,” the “Interest Account,” the “Redemption Account” and the “Residual Account.” Such fund and accounts will be held and maintained as separate and distinct funds and accounts. All Revenues, except for investment earnings on the Reserve Fund which will be applied according to the Indenture, will be promptly transferred to the Trustee by the Authority and deposited by the Trustee upon receipt thereof in the Revenue Fund. All Revenues deposited with the Trustee will be held, disbursed, allocated, and applied by the Trustee only as provided in the Indenture.

On or before each Interest Payment Date, the Trustee will transfer all Revenues (other than Revenues representing Principal Prepayments and Revenues resulting from the optional redemption of Special Tax Refunding Bonds, which will be transferred as described in the Indenture) then in the Revenue Fund into the following funds and accounts based upon the following deposit requirements and in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee will deposit in the Interest Account an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred by the Trustee from the Reserve Fund pursuant to the Indenture, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amount of interest previously due and unpaid.

(b) The Trustee will deposit in the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred from the Reserve Fund pursuant to the Indenture, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or mandatory sinking account payment coming due and payable on the Bonds within the Bond Year and any amount of principal previously due and unpaid.

(c) The Trustee will deposit in the Reserve Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Reserve Fund to equal the Reserve Requirement.

(d) On or after any Interest Payment Date on which the amount on deposit in the Revenue Fund was inadequate to make the transfers described in clauses (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Special Tax Refunding Bonds, the Trustee will immediately notify the Finance Director of the City of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee will disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such amount as is necessary to replenish the amount of any transfers from the Reserve Fund to the Interest Account and/or the Principal Account resulting from such payment default; and (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to clause (i).

(e) The Trustee will deposit in the Rebate Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Rebate Fund to equal the amount of any payment then required to be made to the United States.

(f) On June 30, after making the deposits required under clauses (a) through (e) above for the preceding March 1 Interest Payment Date and making the determination that there are adequate revenues on deposit with the Fiscal Agent and available to make the scheduled Debt Service payment on the Special Tax Refunding Bonds due on the following September 1 Interest Payment Date, and on September 1 of each year, after making the deposits required under clauses (a) through (e) above for such September 1 Interest Payment Date, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Residual Account.

The Trustee will deposit in the Redemption Account those Revenues representing Principal Prepayments which are to be used for the mandatory redemption of the Bonds. The Trustee will deposit in the Redemption Account those Revenues resulting from the optional redemption of the Special Tax Refunding Bonds, and which the Authority has directed the Trustee to use for the optional redemption of the Bonds.

See Appendix B.

Application of Interest Account. Subject to the provisions of the Indenture, all amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the

Bonds as it becomes due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to the Indenture in lieu of redemption. Any amounts on deposit in the Interest Account on September 2 of any year during the term of the Bonds will be transferred from the Interest Account to the Revenue Fund for reallocation pursuant to the Indenture.

Application of Principal Account. Subject to the provisions of the Indenture, all amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal or maturity amount, as applicable, of the Bonds upon the stated maturity thereof or upon any prior redemption of the Bonds with the proceeds of mandatory sinking payments. Any amounts on deposit in the Principal Account on September 2 of any year during the term of the Bonds will be transferred from the Principal Account to the Revenue Fund for reallocation pursuant to the Indenture.

Application of Residual Account. Amounts in the Residual Account will no longer be considered Revenues and are not pledged to repay the Bonds. So long as the Special Tax Refunding Bonds are outstanding under the terms of the Special Tax Refunding Bonds Fiscal Agent Agreements, on September 2 of each year, the remaining balance in the Residual Account will, except as provided below, be transferred to the Special Tax Fund (as such term is defined in the Special Tax Refunding Bonds Fiscal Agent Agreements) established and held by the Fiscal Agent for each Series of Special Tax Refunding Bonds proportionately based on their respective Proportionate Share. Notwithstanding the foregoing, in the event that the Special Tax Refunding Bonds have been paid in full or defeased, then any amounts in the Residual Account will be paid by the Trustee to the Authority to be used for any lawful purpose.

The amount of the transfer to the Special Tax Fund for a Series of Special Tax Refunding Bonds calculated pursuant to the preceding paragraph will be reduced by the amount of any outstanding deficiency, as of the date of such transfer, in the payment of debt service on such Special Tax Refunding Bonds occurring in the Bond Year ending the September 1st immediately preceding such transfer date.

Establishment and Application of Redemption Account. The Authority will establish a special account within the Revenue Fund designated as the “Redemption Account,” which account the Trustee will maintain and hold in trust as a separate and distinct account within such fund. The Trustee will deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds pursuant to the Indenture.

Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of redeeming the Bonds in the manner and upon the terms and conditions specified in the Indenture at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable. At any time prior to selection of Bonds for such notice of redemption, the Trustee may, at the Written Request of the Authority, apply amounts on deposit in the Redemption Account to the purchase of such Bonds, for cancellation, at public or private sale, as and when and at prices not exceeding the par amount thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account).

Establishment and Application of Reserve Fund. The Trustee will establish and maintain and hold in trust as a separate and distinct fund designated as the “Reserve Fund.” On the Closing Date, the Trustee will deposit in the Reserve Fund the cash amount specified in the Indenture representing the Reserve Requirement – Cash as of that date and the Reserve Policy representing the Reserve Requirement – Reserve Policy as of that date.

There will be maintained in the Reserve Fund an amount of cash equal to the Reserve Requirement – Cash and the Reserve Policy in an amount equal to the Reserve Requirement – Reserve Policy. “Reserve Requirement – Cash” means, as of any date of calculation, an amount equal to 50% of the least of: (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the

Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the meaning of section 148 of the Tax Code) of the Bonds. “Reserve Requirement – Reserve Policy” means, as of any date of calculation, an amount equal to 50% of the least of: (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the meaning of section 148 of the Tax Code) of the Bonds.

Moneys in the Reserve Fund will be used solely for the purposes set forth in the Indenture. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund will be applied to pay the principal of, including sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient therefor. If the amounts in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee will withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes. All cash and investments in the Reserve Fund, if any, will be transferred for payment of debt service on the Bonds before any draw may be made on the Reserve Policy.

In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption pursuant to the provisions set forth under the caption “THE BONDS—Redemption—Optional Redemption” or a mandatory redemption pursuant to the provisions set forth under the caption “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds” or a defeasance pursuant to the Indenture of the Bonds in whole or in part in accordance with the following sentence, or when the balance therein equals the principal and interest due on the Bonds to and including maturity to pay the principal of and interest due on the Bonds to maturity. Any cash amounts that would otherwise be on deposit in the Reserve Fund following any such optional redemption, mandatory redemption or defeasance that will be in excess of the Reserve Requirement – Cash following such event will be applied toward such optional redemption, mandatory redemption or defeasance, as applicable.

In the event that the Trustee receives a Written Request of a Community Facilities District notifying the Trustee of the Prepayment of the Special Tax obligation for any parcel within an Improvement Area or CFD No. 91-01, as applicable, and requesting the transfer of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit to the Fiscal Agent for the Series of the Special Tax Refunding Bonds issued for such Improvement Area or CFD No. 91-01, as applicable, the Trustee will transfer from the cash then on deposit in the Reserve Fund not less than five Business Days prior to the redemption date of the Special Tax Refunding Bonds an amount equal to the Special Tax Refunding Bonds Prepayment Reserve Fund Credit to such Fiscal Agent.

The Trustee will, pursuant to a Written Certificate of the Authority, transfer from the cash amount then on deposit in the Reserve Fund on the final maturity date of each Series of Special Tax Refunding Bonds, an amount equal to the Reserve Fund Credit Amount (as such term is defined below) applicable to such Series of Special Tax Refunding Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Series of Special Tax Refunding Bonds which has not previously been reimbursed. Notwithstanding the foregoing, if the amount of such transfer would result in the balance of the cash following such transfer to be less than the Reserve Requirement – Cash applicable following the maturity of such Series of Special Tax Refunding Bonds, the amount of such transfer will be reduced so that such balance equals such Reserve Requirement – Cash. The amount to be transferred will be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Series of Special Tax Refunding Bonds on such date with such amount being deposited first to the Interest Account as a credit on the interest due on such Series of Special Tax Refunding Bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such Series of Special Tax Refunding Bonds on such date.

The term “Reserve Fund Credit Amount” means, as to a Series of Special Tax Refunding Bonds as of the date of calculation, the cash then on deposit in the Reserve Fund multiplied by the Proportionate Share attributable to such Series of Special Tax Refunding Bonds.

On each September 2nd during the term of the Bonds, the Trustee will calculate the Reserve Requirement – Cash for the Bond Year commencing on such September 2nd. If the amount then on deposit in the Reserve Fund exceeds the Reserve Requirement – Cash as of the date of such calculation (the “Excess Cash Reserve Fund Amount”), the Trustee will not less than five Business Days thereafter transfer the Excess Cash Reserve Fund Amount from the cash then on deposit in the Reserve Fund to the Revenue Fund.

Unless otherwise approved in writing by AGM, upon the occurrence of any event that results in a reduction of the aggregate Reserve Requirement – Cash and the Reserve Requirement – Reserve Policy, such reduction will be applied pro rata to reduce the Reserve Requirement – Cash and the Reserve Requirement – Reserve Policy.

Investment earnings on the investment of money on deposit in the Reserve Fund will be deposited in the Reserve Fund.

Although the entire Reserve Fund amount may be applied to offset delinquencies in the collection of Special Taxes within an Improvement Area or CFD No. 91-01, as applicable, Special Taxes may only be raised to replenish the Reserve Fund amount within such Improvement Area or CFD No. 91-01, as applicable, in which delinquencies have occurred.

See Appendix B under the caption “INDENTURE—Provisions Related to the Reserve Policy” for further information with respect to the Reserve Policy.

Payment of the Special Tax Refunding Bonds

General. Each Series of Special Tax Refunding Bonds is secured by a first pledge (which pledge will be effected in the manner and to the extent provided in each Special Tax Refunding Bonds Fiscal Agent Agreement) of all of the Net Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided in the Special Tax Refunding Bonds Fiscal Agent Agreements, in the Special Tax Fund. See the captions “THE FINANCING PLAN” and “COMMUNITY FACILITIES DISTRICT NO. 99-01” and “COMMUNITY FACILITIES DISTRICT NO. 91-01.” The Special Taxes collected in one Community Facilities District or Improvement Area cannot be used to pay debt service on the Special Tax Refunding Bonds of another Community Facilities District or Improvement Area, as applicable.

“Administrative Expenses” means any or all of the following: (i) the fees and expenses of the Fiscal Agent (including the fees and expenses of its counsel); (ii) the expenses of the City or the applicable Community Facilities District in carrying out its duties under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement (including, but not limited to, the levying and collection of the Special Taxes, complying with the disclosure provisions of the CFD Act, the Continuing Disclosure Agreement and the applicable Special Tax Refunding Bonds Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Special Tax Refunding Bondowners and the Original Purchaser); (iii) the costs of the City and the applicable Community Facilities District or their designees related to an appeal of the Special Tax; (iv) any costs of the City and the applicable Community Facilities District (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Special Tax Refunding Bonds or otherwise in respect of litigation relating to the applicable Community Facilities District or the Special Tax Refunding Bonds or with respect to any other obligations of such Community Facilities District; (v) the Proportionate Share of the Authority Administrative Expenses (as such term is defined in Appendix B) allocable to the Special Tax Refunding Bonds; (vi) the Proportionate Share of the salaries of City staff directly related to the carrying out by the City of its obligations under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement or under the Indenture and a proportionate

amount of City general administrative overhead related thereto allocable to the Special Tax Refunding Bonds; and (vii) all other costs and expenses of the City, the applicable Community Facilities District and the Fiscal Agent incurred in connection with the discharge of their respective duties under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement, and in the case of the City, in any way related to the administration of the applicable Community Facilities District and all actual costs and expenses incurred in connection with the administration of the Special Tax Refunding Bonds.

“Net Special Tax Revenues” means, for each Fiscal Year, all Special Tax Revenues received for an Improvement Area or CFD No. 91-01, as applicable, by the respective Community Facilities District less an amount equal to the Priority Administrative Expense Amount.

“Special Tax Revenues” means the proceeds received by the applicable Community Facilities District of the Special Taxes levied within an Improvement Area or CFD No. 91-01, as applicable, pursuant to: (i) the CFD Act; (ii) the Rate and Method of Apportionment of the Special Tax for the Improvement Area or CFD No. 91-01 approved by the qualified electors within the Improvement Area or CFD No. 91-01 at special elections held in accordance with the CFD Act; (iii) the ordinances levying the Special Taxes for the Improvement Area or CFD No. 91-01, as applicable; and (iv) the Special Tax Refunding Bonds Fiscal Agent Agreement relating to the Improvement Area or CFD No. 91-01, as applicable, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest and penalties thereon.

“Priority Administrative Expense Amount” means an annual amount equal to \$9,000 for each Improvement Area and \$25,000 for CFD No. 91-01, or such lesser amount as may be designated by written instruction from an Authorized Officer of the applicable Community Facilities District to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the Special Tax Refunding Bonds relating to an Improvement Area or CFD No. 91-01, as applicable.

The Net Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Special Tax Refunding Bonds Fiscal Agent Agreements) have been dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Special Tax Refunding Bonds Fiscal Agent Agreements and in the CFD Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with the Special Tax Refunding Bonds Fiscal Agent Agreements.

Special Taxes. Pursuant to the CFD Act and the applicable Special Tax Refunding Bonds Fiscal Agent Agreement, the Special Tax Refunding Bonds of a Series will be equally payable from the Net Special Tax Revenues for the applicable Improvement Area or CFD No 91-01, as applicable, and other amounts in the Special Tax Fund without priority for number, date of the Special Tax Refunding Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Special Tax Refunding Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Special Tax Revenues and certain other amounts in the Special Tax Fund which have been set aside for the payment of the Special Tax Refunding Bonds. Amounts in the Special Tax Fund constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Special Tax Refunding Bonds and, so long as any of the Special Tax Refunding Bonds or interest thereon remain Outstanding, will not be used for any other purpose, except as permitted by the applicable Special Tax Refunding Bonds Fiscal Agent Agreement.

Special Taxes cannot be levied or collected in any Improvement Area to cover a shortfall in the collection of Special Taxes in another Improvement Area, nor can Special Taxes be levied or collected in CFD No. 91-01 to cover a shortfall in the collection of Special Taxes in any Improvement Area within CFD No. 99-01. The Special Tax Fund of one Improvement Area or CFD No. 91-01, as applicable, is not available to cure any deficiency in the collection of the Special Taxes within any other Improvement Area or CFD

No. 91-01, as applicable. ***Other than amounts on deposit in the Reserve Fund, there are no cross-collateralization or cross-payment provisions in effect with respect to the Improvement Areas or CFD No. 91-01. The Special Tax Refunding Bonds Fiscal Agent Agreements do not establish reserve funds in connection with the Special Tax Refunding Bonds.***

Principal of and interest and premium, if any, on the Special Tax Refunding Bonds will be paid by the Fiscal Agent to the Trustee, as the registered owner of the Special Tax Refunding Bonds, on behalf of the Authority, out of the Bond Fund and Special Tax Fund established by the Special Tax Refunding Bonds Fiscal Agent Agreement to the extent that funds on deposit in such funds are available therefor.

Limitations on Special Taxes. The amount of Special Taxes that the Community Facilities Districts may levy in any year is strictly limited by the maximum rates approved by the qualified electors within the applicable Improvement Area or CFD No. 91-01, as applicable, and by Section 53321(d) of the CFD Act as described below under the caption “—Rates and Methods of Apportionment of Special Taxes.” The Special Taxes of a particular Improvement Area or CFD No. 91-01, as applicable, are not available to pay principal of, interest on or premium on any Special Tax Refunding Bonds other than the series of Special Tax Refunding Bonds for which they were levied.

Optional Redemption of Special Tax Refunding Bonds. The Special Tax Refunding Bonds maturing on or after September 1, 2025 may be redeemed at the option of the applicable Community Facilities District from any source of funds other than prepayment of Special Taxes, prior to their stated maturity, as a whole or in part (in integral multiples of \$5,000) on any day on or after September 1, 2024, from such maturities as are selected by the applicable Community Facilities District, and by lot within a maturity, at a redemption price equal to the principal amount of the Special Tax Refunding Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Notwithstanding the above, any such optional redemption of the Special Tax Refunding Bonds will occur only if the applicable Community Facilities District first delivers to the Fiscal Agent and the Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Special Tax Refunding Bonds, the principal and interest due on the outstanding Special Tax Refunding Bonds, if any, and the other outstanding Series of Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Bonds that will remain outstanding following the corresponding redemption of the Bonds resulting from such optional redemption of the Special Tax Refunding Bonds.

Mandatory Redemption of Special Tax Refunding Bonds. The Special Tax Refunding Bonds are subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the applicable Community Facilities District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Special Tax Refunding Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date prior to March 1, 2022	103%
September 1, 2022 and March 1, 2023	102
September 1, 2023 and March 1, 2024	101
September 1, 2024 and any Interest Payment Date thereafter	100

Notwithstanding the above, such mandatory redemption of the Special Tax Refunding Bonds in whole or in part will occur only if the applicable Community Facilities District first delivers to the Fiscal Agent and the Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Special Tax Refunding Bonds, the principal and interest due on the outstanding Special Tax Refunding Bonds, if any, and the other outstanding Series of Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Bonds that will

remain outstanding following the corresponding redemption of the Bonds resulting from such mandatory redemption of the Special Tax Refunding Bonds.

Parity Special Tax Refunding Bonds for Refunding Purposes Only. Pursuant to each Special Tax Refunding Bonds Fiscal Agent Agreement, the Community Facilities Districts have covenanted not to issue additional obligations entitled to a lien on the Net Special Tax Revenues of the respective Improvement Area or CFD No. 91-01, as applicable, other than for the purpose of refunding the Special Tax Refunding Bonds relating to such Improvement Area or CFD No. 91-01, as applicable.

Levy and Collection of Special Taxes

General. The Special Taxes are to be levied and collected by the Treasurer-Tax Collector of the County of San Diego in the same manner and at the same time as *ad valorem* property taxes; provided, however, that the Community Facilities Districts may directly bill the Special Tax or collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The Community Facilities Districts have made certain covenants in the respective Special Tax Refunding Bonds Fiscal Agent Agreements for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the applicable Community Facilities District's ability to collect sufficient Special Taxes to pay debt service on the Special Tax Refunding Bonds and Administrative Expenses when due in each Improvement Area or CFD No. 91-01, as applicable. First, each Community Facilities District has covenanted that, to the extent that it is legally permitted to do so, it will not modify the maximum Special Tax rates where such modification would: (i) prohibit the applicable Community Facilities District from levying the Special Tax within the respective Improvement Area or CFD No. 91-01, as applicable, in any Fiscal Year at such a rate as would generate Net Special Tax Revenues in such Fiscal Year at least equal to 110% of Annual Debt Service on all Special Tax Refunding Bonds then Outstanding in the respective Improvement Area or CFD No. 91-01, as applicable; (ii) discontinue or cause the discontinuance of such levy; or (iii) permit the prepayment of the Special Tax except as permitted pursuant to the respective rate and method of apportionment. Second, each Community Facilities District has covenanted that in the event that any initiative is adopted by the qualified electors in an Improvement Area or CFD No. 91-01, as applicable, which purports to reduce the minimum or the maximum Special Tax below the levels specified in the respective rate and method of apportionment or to limit the power of such Community Facilities District to levy the Special Taxes within an Improvement Area or CFD No. 91-01, as applicable, it will commence and pursue legal action in order to preserve its ability to comply with such covenants. See the caption "SPECIAL RISK FACTORS—California Constitution Article XIIC and Article XIIIID."

Although the Special Taxes constitute liens on taxable parcels within the Improvement Areas and CFD No. 91-01, as applicable, such taxes do not constitute a personal indebtedness of the owners of such property within the Improvement Areas or CFD No. 91-01, as applicable. Moreover, other liens for taxes and assessments already exist on the property located within the Improvement Areas and CFD No. 91-01, as applicable, and other such liens could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See Tables 10, 15, 20, 25, 30, 35, 40, 45, 50, 55, 60, 65, 70, 75, 80, 85 and 90 under the caption "COMMUNITY FACILITIES DISTRICT NO. 99-01" and Table 95 under the caption "COMMUNITY FACILITIES DISTRICT NO. 91-01" for a description of the direct and overlapping tax and assessment debt levied within the Improvement Areas and CFD No. 91-01, respectively. See also the captions "SPECIAL RISK FACTORS—Direct and Overlapping Debt" and "SPECIAL RISK FACTORS—Cumulative Burden of Parity Taxes and Special Assessments." There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so, all as more fully described under the caption "SPECIAL RISK FACTORS—The Special Taxes are Not Personal Obligations of the Owners."

Special Tax Funds. There has been established as a separate fund to be held by the Fiscal Agent under each Special Tax Refunding Bonds Fiscal Agent Agreement, a “Special Tax Fund,” to the credit of which the applicable Community Facilities District or the City on behalf of such Community Facilities District, will deposit, immediately upon receipt, all Special Tax Revenues received from the applicable Improvement Area or CFD No. 91-01, as applicable, by the applicable Community Facilities District or the City on behalf of such Community Facilities District. Moneys in each Special Tax Fund will be held by the Fiscal Agent for the benefit of the applicable Community Facilities District and the Owner of the respective Special Tax Refunding Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Special Tax Refunding Bonds.

Special Tax Revenues (with the exception of Special Tax Revenues representing Prepayments) are to be applied by the Fiscal Agent under the applicable Special Tax Refunding Bonds Fiscal Agent Agreement in the following order of priority:

First, to the Administrative Expense Fund an amount equal to the Priority Administrative Expense Amount estimated to be due and payable during the Fiscal Year;

Second, not later than 10 Business Days prior to each Interest Payment Date, to the Bond Fund: (a) the amount representing past due installments of principal, interest and premium on the Special Tax Refunding Bonds (including any interest thereon pursuant to the Indenture), if any, resulting from the delinquency in the payment of such Special Taxes; and (b) an amount, taking into account any amounts then on deposit in the Bond Fund (other than by reason of the preceding clause (a)) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Special Tax Refunding Bonds on the next Interest Payment Date.

See Appendix B under the caption “FISCAL AGENT AGREEMENTS—Funds and Accounts—Bond Fund” for a description of the application of moneys in the Bond Fund to pay principal of and interest on the Special Tax Refunding Bonds;

Third, no later than 10 Business Days prior to each Interest Payment Date, to the Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to clause (a) in the second order of priority above, necessary to replenish any draw on the Reserve Fund resulting from the delinquency in the payment of scheduled debt service on the Special Tax Refunding Bonds;

Fourth, on September 2 of each year after making the deposits and transfers required under the first two orders of priority above and the transfer, if any, authorized under the third order of priority above, upon receipt of written instructions from an Authorized Officer on or before the preceding June 30, to the Trustee the amount specified in such written instructions necessary for the payment of the Proportionate Share of any rebate amount due and owing to the United States of America by the Authority on the Bonds;

Fifth, on September 2 of each year after making the deposits and transfers required under the first four orders of priority above, upon receipt of written instructions from an Authorized Officer, to the Administrative Expense Fund the amount specified in such written instructions necessary for payment of the estimated Administrative Expenses projected to be due and payable in the next Fiscal Year or the reimbursement of any Administrative Expenses incurred during the Fiscal Year ending on such June 30 and not included in any prior transfer made pursuant to the first order of priority above; and

Sixth, after September 2 of each year, after making the deposits and transfers pursuant to the first five orders of priority above, moneys then on deposit in the Special Tax Fund will remain therein and will be subsequently deposited or transferred pursuant to the first five orders of priority above.

Amounts constituting Prepayments will be transferred by the Treasurer to the Fiscal Agent and placed by the Fiscal Agent in a segregated account within the applicable Bond Fund designated as the “Prepayment

Account” and used to redeem Special Tax Refunding Bonds pursuant to the applicable Special Tax Refunding Bonds Fiscal Agent Agreement. Any such transfer of Prepayments will be accompanied by written instructions executed by the Treasurer or an Authorized Officer directing the Fiscal Agent to place such Prepayments in the Prepayment Account, specifying the amount of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit and requesting that the Authority direct the Trustee to transfer such credit to the Fiscal Agent for deposit in the Prepayment Account.

Rates and Methods of Apportionment of Special Taxes

The Community Facilities Districts have adopted a Rate and Method of Apportionment of Special Tax (each, a “Rate and Method”) for each Improvement Area and CFD No. 91-01, as applicable, following public hearings and elections conducted pursuant to the provisions of the CFD Act. The Rate and Method for certain Improvement Areas within CFD No. 99-01 have been amended since their initial adoption. The form of the current Rate and Method for CFD No. 91-01 and a consolidated current Rate and Method for the 17 Improvement Areas within CFD No. 99-01 are set forth in full in Appendix F.

Pursuant to the Rate and Method for each Improvement Area within CFD No. 99-01, the City Council will levy the Special Tax as follows until the amount of the levy equals the Special Tax Requirement (as such term is defined in each Rate and Method) for the Improvement Area: first, the Special Tax will be levied on each Assessor’s Parcel of Developed Property (as such term is defined in each Rate and Method) at up to 100% of the applicable Maximum Special Tax to satisfy the Special Tax Requirement; and second, if additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax will be levied on each Assessor’s Parcel of Property Owner Association Property and Public Property (as such terms are defined in each Rate and Method) which is not exempt from the Special Tax pursuant to law or the Rate and Method at up to 100% of the applicable Maximum Special Tax.

Pursuant to the Rate and Method for CFD No. 91-01, the City Council will levy the Special Tax in the amount necessary to make payments on debt obligations and replenish allocable debt service reserves for CFD No. 91-01 up to the rate of \$0.82 per square foot per annum for each dwelling unit or equivalent dwelling unit and the Special Tax will be levied on the golf course property within CFD No. 91-01 in the amount of up to \$50,000 per annum.

Pursuant to Government Code § 53321(d), the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the applicable Improvement Area or CFD No. 91-01, as applicable, by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. Consequently, although the maximum Special Tax prescribed by each Rate and Method could be materially higher than the expected Special Tax levy in a given year, the Special Tax levy cannot be increased for residential property by more than 10% in such year.

Subsequent to the respective approvals by the authorized voters of the Improvement Areas, CFD No. 99-01 took administrative action to reduce the Maximum Special Tax in the Improvement Areas as permitted by the Rate and Method for each Improvement Area. The forms of the Rates and Methods attached hereto as Appendix F reflect such reduction in the Maximum Special Tax rates of such Improvement Areas. The Maximum Special Tax in CFD No. 91-01 has not been reduced.

No Teeter Plan

The Board of Supervisors of the County of San Diego has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. As a result of the implementation of the Teeter Plan by the County of San Diego, the County of San Diego apportions secured property taxes and assessments on an accrual basis when due (irrespective of actual collections) to

participating local political subdivisions for which the County of San Diego acts as the levying or collecting agency. The Community Facilities Districts do not participate in the Teeter Plan. As a result, the collection of Special Taxes is subject to delinquency risk. As further described under the caption “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” and “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays,” delinquencies in the payment of Special Taxes could have an adverse effect on the Community Facilities Districts’ ability to make timely debt service payments on the applicable Special Tax Refunding Bonds, which secure the Bonds. Conversely, the Community Facilities Districts will benefit from Special Taxes generated by penalties and interest charged on delinquent Special Taxes.

See Tables 8, 13, 18, 23, 28, 33, 38, 43, 48, 53, 58, 63, 68, 73, 78, 83 and 88 under the caption “COMMUNITY FACILITIES DISTRICT NO. 99-01” and Table 93 under the caption “COMMUNITY FACILITIES DISTRICT NO. 91-01” for historical delinquency information with respect to the Improvement Areas and CFD No. 91-01, respectively.

Covenant to Foreclose

The net proceeds received following a judicial foreclosure sale of land within the Improvement Areas or CFD No. 91-01 resulting from a landowner’s failure to pay the Special Taxes when due are included within the Special Tax Revenues pledged to the payment of principal of and interest on the Special Tax Refunding Bonds under the Special Tax Refunding Bonds Fiscal Agent Agreements.

Pursuant to Section 53356.1 of the CFD Act, in the event of any delinquency in the payment of any Special Tax or receipt by the Community Facilities Districts of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the Community Facilities Districts, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the CFD Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the Community Facilities Districts have covenanted for the benefit of the Owners of the Bonds that they will: (i) commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid. Notwithstanding the foregoing, however, the Community Facilities Districts may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as: (1) the amount in the Reserve Fund is at least equal to the Reserve Requirement; and (2) with respect to the Special Tax Refunding Bonds, the applicable Community Facilities District, acting on behalf of the applicable Improvement Area or CFD No. 91-01, is not in default in the payment of the principal of or interest on such Special Tax Refunding Bonds.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the applicable series of Special Tax Refunding Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the Authority, the City and the Community Facilities Districts. See the caption “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure Delays.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS—Land Values.” Although the CFD Act authorizes the Community Facilities Districts to cause such an action to be commenced and diligently pursued to completion, the CFD Act does not impose on the

Community Facilities Districts, the Authority or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. However, the City does have the ability to use the foreclosure judgment to purchase property by credit bid at a foreclosure sale, in which case the City would have no obligation to pay such credit bid for 24 months. The CFD Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Priority of Lien

The Special Taxes levied within the Improvement Areas and CFD No. 91-01, and each installment thereof and any interest and penalties thereon, constitute a lien against each of the respective parcels within such Improvement Area or CFD No. 91-01, as applicable, until the same are paid. There are other liens for special taxes and the recurring lien for general property taxes on parcels within the Improvement Areas and CFD No. 91-01. See the captions “COMMUNITY FACILITIES DISTRICT NO. 99-01,” “COMMUNITY FACILITIES DISTRICT NO. 91-01” and “SPECIAL RISK FACTORS—Direct and Overlapping Debt.”

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the Redemption Account or the Special Tax Funds for the payment of the principal of or interest on the Special Tax Refunding Bonds if a delinquency occurs in the payment of any Special Taxes. See the caption “—Covenant to Foreclose” for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies.

Prepayment of Special Taxes

A property owner may prepay its Special Taxes and thereby cause a partial redemption of the Special Tax Refunding Bonds and the Bonds. See the captions “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds” and “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments.”

BOND INSURANCE

The information under this caption has been prepared by AGM for inclusion in this Official Statement. None of the Authority, the Community Facilities Districts, the City or the Underwriter has reviewed this information, nor do the Authority, the Community Facilities Districts, the City or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not a complete summary of the terms of the Policy (as such term is defined below) and reference is made to Appendix G for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds maturing on September 1 of the years 2027 through 2038, inclusive (the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At June 30, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,654 million and its net unearned premium reserve was approximately \$1,850 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (filed by AGL with the SEC on August 8, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE.”

THE AUTHORITY

The San Marcos Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated December 14, 1993, as subsequently amended and restated by an Amended and Restated Joint Exercise of Powers Agreement, dated as of January 10, 2012, each by and between the City and the FPD. The Authority was created for the purpose of financing or refinancing of public capital improvements for, and working capital requirements of, the City, the FPD or any other local agency, including community facilities districts created by the City or the FPD, through the construction and/or acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of bonds of the City, the FPD or any other local agency pursuant to bond purchase agreements and/or the lending of funds by the Authority to the City, the FPD or any other local agency. The Authority is governed by a board of five directors, which is composed of the members of the City Council. The Executive Director of the Authority is the City Manager of the City.

The Authority is specifically granted all of the powers specified in the Bond Law, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed. The Authority has no independent staff, and consequently it will be completely dependent upon the officers and employees of the City to administer its program.

THE AUTHORITY IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS, EXCEPT FROM REVENUES RECEIVED BY THE AUTHORITY AND AMOUNTS IN THE FUNDS PLEDGED UNDER THE INDENTURE. NEITHER THE CITY, THE FPD, CFD NO. 99-01 NOR CFD NO. 91-01 HAS ANY LIABILITY WITH RESPECT TO THE PAYMENT OF THE BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, THE FPD, THE AUTHORITY OR THE COMMUNITY FACILITIES DISTRICTS IS PLEDGED TO THE PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

THE CITY

The City is located approximately 24 miles north of downtown San Diego and 90 miles south of Los Angeles, in the northern coastal/inland region of San Diego County. The City is a charter city, incorporated in 1963 and chartered on July 4, 1994. For more information regarding the City, see Appendix A.

COMMUNITY FACILITIES DISTRICT NO. 99-01

General

CFD No. 99-01 was formed in 1999 for the purpose of financing a portion of the public improvements required to support the San Elijo Hills project. San Elijo Hills is a master planned residential community of 1,920 acres located in the southern portion of the City. The current development plan permits up to a maximum of approximately 3,398 dwelling units, 13 acres of neighborhood commercial uses, schools and other public uses and 1,115 acres of public parks and open and recreation space. As of June 30, 2014, approximately 3,265 dwelling units had been permitted and approximately 3,177 dwelling units have been sold and occupied within San Elijo Hills. San Elijo Hills lies east of Rancho Santa Fe Road and generally along San Elijo Road, east of the City of Carlsbad and west of the City of Escondido. Directly north of the site is the Lake San Marcos neighborhood. The topography is considerably hilly with ocean views in addition to valley and canyon views.

Approximately 618 acres within CFD No. 99-01 are expected to be developed into uses subject to the Special Taxes. At buildout, it is anticipated that CFD No. 99-01 will contain approximately 3,398 residential dwelling units.

There are currently 34 improvement areas within the boundaries of CFD No. 99-01, of which one is still under various stages of development. Many of these improvement areas have sold bonds to the Facilities Authority; however, only principal and interest payments received by the Authority from the Special Tax Refunding Bonds for the 17 Improvement Areas described below constitute Revenues to the Authority.

Improvement Area A1

General. Improvement Area A1 is located along the south side of Elfin Forest Road, north of San Elijo Road. Improvement Area A1 encompasses a total of 86 detached single family residential units. All 86 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area A1 for the current and prior seven Fiscal Years.

**TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A1
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$46,291,033	\$ -	\$46,291,033	N/A%	N/A	N/A%
2008-09	45,425,409	-	45,425,409	(1.87)	N/A	(1.87)
2009-10	43,423,275	-	43,423,275	(4.41)	N/A	(4.41)
2010-11	43,023,681	-	43,023,681	(0.92)	N/A	(0.92)
2011-12	43,712,442	-	43,712,442	1.60	N/A	1.60
2012-13	42,919,611	-	42,919,611	(1.81)	N/A	(1.81)
2013-14	43,942,659	-	43,942,659	2.38	N/A	2.38
2014-15	47,671,259	-	47,671,259	8.49	N/A	8.49

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel's entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption "SPECIAL RISK FACTORS—Land Values."

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area A1 for the last five Fiscal Years.

**TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A1
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$145,676	86	5	\$5,633	3.87%	0	\$ 0	0.00%
2010-11	164,580	86	1	1,021	0.62	0	0	0.00
2011-12	164,550	86	2	1,835	1.12	0	0	0.00
2012-13	165,006	86	1	1,028	0.62	0	0	0.00
2013-14	171,218	86	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

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Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area A1.

**TABLE 9
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A1
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
86	\$ 202,103	\$ 162,575	80.44%

⁽¹⁾ All parcels in Improvement Area A1 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area A1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area A1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.35% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area A1.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area A1 Debt Report") for Improvement Area A1, reflecting the issuance of \$1,475,359 aggregate principal amount of Improvement Area A1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area A1 is \$47,671,259 for the current Fiscal Year. The Improvement Area A1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area A1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area A1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area A1 (inclusive of the Improvement Area A1 Special Tax Refunding Bonds) is \$2,484,933. The assessed value-to-lien ratio for Improvement Area A1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.18 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 10
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area A1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area A1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area A1</i>
Metropolitan Water District	\$94,962,540	\$ 1,538	0.0016%	\$132,275,000	\$ 2,142
Palomar Community College District Prop M 2006A	8,072,249	3,920	0.0486	139,270,000	67,626
Palomar Community College District Prop M 2006B	3,330,255	1,617	0.0486	173,498,901	84,245
San Marcos Unified School District SFID 2004-1	2,096,194	6,235	0.2975	6,503,019	19,344
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,278	0.2975	141,424,415	420,690
San Marcos Unified School District Series 2010B	19,204	57	0.2975	64,969,530	193,311
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2975	74,702,799	222,216
Total Overlapping Debt					\$ 1,009,574
Improvement Area A1 Bonded Indebtedness					\$ 1,475,359
Estimated Share of Direct and Overlapping Debt					\$ 2,484,933
Improvement Area A1 Assessed Value (Fiscal Year 2013-14)					\$43,942,659
Improvement Area A1 Assessed Value (Fiscal Year 2014-15)					\$47,671,259
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.68
Value-to-Lien Ratio (Fiscal Year 2014-15)					19.18

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area A1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area A1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area A1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area A1 will be approximately 1.53565%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 11
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A1
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾		\$ 554,317
Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,543.17
Metropolitan Water District	0.00350	19.40
Palomar Community College District 2006A	0.00892	49.45
Palomar Community College District 2006B	0.00368	20.40
San Marcos Unified School District, SFID 2004-1	0.01419	78.66
San Marcos Unified School District Prop K Series 2010A	0.04387	243.18
San Marcos Unified School District Series 2010B	0.00013	0.72
San Marcos Unified School District Series 2010C4 ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 5,954.98
Special Taxes, Assessments and Charges	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area A1 ⁽⁶⁾	<u>1,890.41</u>	<u>2,350.03⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,557.39</u>	<u>\$ 3,665.42</u>
TOTAL PROPERTY TAXES	\$ 8,512.36	\$ 9,620.40
TOTAL EFFECTIVE TAX RATE	1.53565%	1.73554%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area A2

General. Improvement Area A2 is located along the west side of Elfin Forest Road, north of San Elijo Road. Improvement Area A2 encompasses a total of 85 detached single family residential units. All 85 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area A2 for the current and prior seven Fiscal Years.

**TABLE 12
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A2
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$46,089,466	\$ -	\$46,089,466	N/A%	N/A	N/A%
2008-09	44,025,501	-	44,025,501	(4.48)	N/A	(4.48)
2009-10	42,547,704	-	42,547,704	(3.36)	N/A	(3.36)
2010-11	42,339,044	-	42,339,044	(0.49)	N/A	(0.49)
2011-12	42,853,494	-	42,853,494	1.22	N/A	1.22
2012-13	42,523,641	-	42,523,641	(0.77)	N/A	(0.77)
2013-14	43,347,791	-	43,347,791	1.94	N/A	1.94
2014-15	46,337,161	-	46,337,161	6.90	N/A	6.90

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area A2 for the last five Fiscal Years.

**TABLE 13
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A2
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$158,373	85	2	\$1,897	1.20%	0	\$ 0	0.00%
2010-11	172,469	85	1	1,991	1.15	0	0	0.00
2011-12	173,503	85	1	2,002	1.15	0	0	0.00
2012-13	170,159	85	0	0	0.00	0	0	0.00
2013-14	167,536	85	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area A2.

**TABLE 14
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A2
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
85	\$ 201,943	\$ 167,144	82.77%

⁽¹⁾ All parcels in Improvement Area A2 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area A2's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area A2 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.33% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area A2.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area A2 Debt Report") for Improvement Area A2, reflecting the issuance of \$1,562,336 aggregate principal amount of Improvement Area A2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area A2 is \$46,337,161 for the current Fiscal Year. The Improvement Area A2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area A2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area A2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area A2 (inclusive of the Improvement Area A2 Special Tax Refunding Bonds) is \$2,558,321. The assessed value-to-lien ratio for Improvement Area A2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.11 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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TABLE 15
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area A2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area A2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area A2</i>
Metropolitan Water District	\$94,962,540	\$1,517	0.0016%	\$132,275,000	\$ 2,113
Palomar Community College District Prop M 2006A	8,072,249	3,867	0.0479	139,270,000	66,710
Palomar Community College District Prop M 2006B	3,330,255	1,595	0.0479	173,498,901	83,105
San Marcos Unified School District SFID 2004-1	2,096,194	6,151	0.2934	6,503,019	19,082
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,017	0.2934	141,424,415	414,994
San Marcos Unified School District Series 2010B	19,204	56	0.2936	64,969,530	190,774
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2934	74,702,799	219,207
Total Overlapping Debt					\$ 995,985
Improvement Area A2 Bonded Indebtedness					\$ 1,562,336
Estimated Share of Direct and Overlapping Debt					\$ 2,558,321
Improvement Area A2 Assessed Value (Fiscal Year 2013-14)					\$43,347,791
Improvement Area A2 Assessed Value (Fiscal Year 2014-15)					\$46,337,161
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.94
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.11

- (1) The listed obligations are all general obligation bonds of the respective issuers.
- (2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area A2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area A2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.
- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area A2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area A2 will be approximately 1.55735%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

TABLE 16
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A2
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 545,143**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,451.43
Metropolitan Water District	0.00350	19.08
Palomar Community College District 2006A	0.00892	48.63
Palomar Community College District 2006B	0.00368	20.06
San Marcos Unified School District, SFID 2004-1	0.01419	77.36
San Marcos Unified School District Prop K Series 2010A	0.04387	239.15
San Marcos Unified School District Series 2010B	0.00013	0.71
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 5,856.42
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area A2 ⁽⁶⁾	<u>1,966.39</u>	<u>2,375.80⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,633.37</u>	<u>\$ 3,691.19</u>
TOTAL PROPERTY TAXES	\$ 8,489.79	\$ 9,547.61
TOTAL EFFECTIVE TAX RATE	1.55735%	1.75140%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area B1

General. Improvement Area B1 is located along the west side of Elfin Forest Road, north of San Elijo Road. Improvement Area B1 encompasses a total of 93 detached single family residential units. All 93 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area B1 for the current and prior seven Fiscal Years.

**TABLE 17
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B1
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$48,733,284	\$ -	\$48,733,284	N/A%	N/A	N/A%
2008-09	46,582,410	-	46,582,410	(4.41)	N/A	(4.41)
2009-10	44,994,421	-	44,994,421	(3.41)	N/A	(3.41)
2010-11	45,346,170	-	45,346,170	0.78	N/A	0.78
2011-12	45,711,421	-	45,711,421	0.81	N/A	0.81
2012-13	44,554,701	-	44,554,701	(2.53)	N/A	(2.53)
2013-14	45,712,050	-	45,712,050	2.60	N/A	2.60
2014-15	49,919,912	-	49,919,912	9.21	N/A	9.21

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area B1 for the last five Fiscal Years.

**TABLE 18
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B1
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$153,651	93	3	\$5,347	3.48%	0	\$ 0	0.00%
2010-11	158,783	93	1	1,758	1.11	0	0	0.00
2011-12	155,998	93	0	0	0.00	0	0	0.00
2012-13	155,765	93	1	1,720	1.10	0	0	0.00
2013-14	162,300	93	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area B1.

**TABLE 19
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B1
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
93	\$ 187,141	\$ 157,605	84.22%

⁽¹⁾ All parcels in Improvement Area B1 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area B1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area B1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 2.00% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area B1.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area B1 Debt Report") for Improvement Area B1, reflecting the issuance of \$1,481,086 aggregate principal amount of Improvement Area B1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area B1 is \$49,919,912 for the current Fiscal Year. The Improvement Area B1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area B1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area B1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area B1 (inclusive of the Improvement Area B1 Special Tax Refunding Bonds) is \$2,531,106. The assessed value-to-lien ratio for Improvement Area B1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.72 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 20
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area B1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area B1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area B1</i>
Metropolitan Water District	\$94,962,540	\$ 1,600	0.0017%	\$132,275,000	\$ 2,229
Palomar Community College District Prop M 2006A	8,072,249	4,077	0.0505	139,270,000	70,348
Palomar Community College District Prop M 2006B	3,330,255	1,682	0.0505	173,498,901	87,636
San Marcos Unified School District SFID 2004-1	2,096,194	6,487	0.3094	6,503,019	20,123
San Marcos Unified School District Prop K Series 2010A	6,480,623	20,054	0.3094	141,424,415	437,630
San Marcos Unified School District Series 2010B	19,204	59	0.3092	64,969,530	200,890
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3094	74,702,799	231,164
Total Overlapping Debt					\$ 1,050,020
Improvement Area B1 Bonded Indebtedness					\$ 1,481,086
Estimated Share of Direct and Overlapping Debt					\$ 2,531,106
Improvement Area B1 Assessed Value (Fiscal Year 2013-14)					\$45,712,050
Improvement Area B1 Assessed Value (Fiscal Year 2014-15)					\$49,919,912
Value-to-Lien Ratio (Fiscal Year 2013-14)					18.06
Value-to-Lien Ratio (Fiscal Year 2014-15)					19.72

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area B1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area B1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area B1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area B1 will be approximately 1.51426%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 21
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B1
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 536,773**

Ad Valorem Property Taxes	<i>FiscalYear 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,367.73
Metropolitan Water District	0.00350	18.79
Palomar Community College District 2006A	0.00892	47.88
Palomar Community College District 2006B	0.00368	19.75
San Marcos Unified School District, SFID 2004-1	0.01419	76.17
San Marcos Unified School District Prop K Series 2010A	0.04387	235.48
San Marcos Unified School District Series 2010B	0.00013	0.70
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 5,766.50
	<i>FiscalYear 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area B1 ⁽⁶⁾	<u>1,694.67</u>	<u>2,012.27⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,361.65</u>	<u>\$ 3,327.66</u>
TOTAL PROPERTY TAXES	\$ 8,128.15	\$ 9,094.16
TOTAL EFFECTIVE TAX RATE	1.51426%	1.69423%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area B2

General. Improvement Area B2 is located along the south side of Elfin Forest Road, north of San Elijo Road. Improvement Area B2 encompasses a total of 103 detached single family residential units. All 103 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area B2 for the current and prior seven Fiscal Years.

**TABLE 22
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B2
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$49,504,718	\$ -	\$49,504,718	N/A%	N/A	N/A%
2008-09	47,623,004	-	47,623,004	(3.80)	N/A	(3.80)
2009-10	45,066,226	-	45,066,226	(5.37)	N/A	(5.37)
2010-11	45,525,595	-	45,525,595	1.02	N/A	1.02
2011-12	45,885,440	-	45,885,440	0.79	N/A	0.79
2012-13	43,873,995	-	43,873,995	(4.38)	N/A	(4.38)
2013-14	44,458,020	-	44,458,020	1.33	N/A	1.33
2014-15	49,729,042	-	49,729,042	11.86	N/A	11.86

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area B2 for the last five Fiscal Years.

**TABLE 23
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B2
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$136,700	103	6	\$5,664	4.14%	0	\$ 0	0.00%
2010-11	144,217	103	3	3,428	2.38	0	0	0.00
2011-12	142,222	103	1	650	0.46	0	0	0.00
2012-13	141,399	103	0	0	0.00	0	0	0.00
2013-14	141,116	103	1	645	0.46	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area B2.

**TABLE 24
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B2
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
103	\$ 175,579	\$ 147,524	84.02%

⁽¹⁾ All parcels in Improvement Area B2 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area B2's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area B2 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.80% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area B2.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area B2 Debt Report") for Improvement Area B2, reflecting the issuance of \$1,266,765 aggregate principal amount of Improvement Area B2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area B2 is \$49,729,042 for the current Fiscal Year. The Improvement Area B2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area B2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area B2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area B2 (inclusive of the Improvement Area B2 Special Tax Refunding Bonds) is \$2,288,078. The assessed value-to-lien ratio for Improvement Area B2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 21.73 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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TABLE 25
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area B2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area B2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area B2</i>
Metropolitan Water District	\$94,962,540	\$ 1,556	0.0016%	\$132,275,000	\$ 2,168
Palomar Community College District Prop M 2006A	8,072,249	3,966	0.0491	139,270,000	68,420
Palomar Community College District Prop M 2006B	3,330,255	1,636	0.0491	173,498,901	85,234
San Marcos Unified School District SFID 2004-1	2,096,194	6,309	0.3010	6,503,019	19,571
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,504	0.3010	141,424,415	425,622
San Marcos Unified School District Series 2010B	19,204	58	0.3009	64,969,530	195,477
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3010	74,702,799	224,821
Total Overlapping Debt					\$ 1,021,313
Improvement Area B2 Bonded Indebtedness					\$ 1,266,765
Estimated Share of Direct and Overlapping Debt					\$ 2,288,078
Improvement Area B2 Assessed Value (Fiscal Year 2013-14)					\$44,458,020
Improvement Area B2 Assessed Value (Fiscal Year 2014-15)					\$49,729,042
Value-to-Lien Ratio (Fiscal Year 2013-14)					19.43
Value-to-Lien Ratio (Fiscal Year 2014-15)					21.73

- (1) The listed obligations are all general obligation bonds of the respective issuers.
- (2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area B2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area B2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.
- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area B2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area B2 will be approximately 1.50910%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 26
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA B2
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 482,806**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 4,828.06
Metropolitan Water District	0.00350	16.90
Palomar Community College District 2006A	0.00892	43.07
Palomar Community College District 2006B	0.00368	17.77
San Marcos Unified School District, SFID 2004-1	0.01419	68.51
San Marcos Unified School District Prop K Series 2010A	0.04387	211.81
San Marcos Unified School District Series 2010B	0.00013	0.63
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 5,186.75
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area B2 ⁽⁶⁾	<u>1,432.28</u>	<u>1,704.65⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,099.26</u>	<u>\$ 3,020.04</u>
TOTAL PROPERTY TAXES	\$ 7,286.01	\$ 8,206.79
TOTAL EFFECTIVE TAX RATE	1.50910%	1.69981%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area C1

General. Improvement Area C1 is located along the south side of Elfin Forest Road, west of San Elijo Road. Improvement Area C1 encompasses a total of 162 attached residential townhomes within 39 six-unit and three-unit building structures. All 162 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area C1 for the current and prior seven Fiscal Years.

**TABLE 27
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA C1
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$65,283,906	\$ -	\$65,283,906	N/A%	N/A	N/A%
2008-09	61,717,892	-	61,717,892	(5.46)	N/A	(5.46)
2009-10	49,235,933	-	49,235,933	(20.22)	N/A	(20.22)
2010-11	48,228,905	-	48,228,905	(2.05)	N/A	(2.05)
2011-12	48,630,963	-	48,630,963	0.83	N/A	0.83
2012-13	43,786,478	-	43,786,478	(9.96)	N/A	(9.96)
2013-14	45,150,656	-	45,150,656	3.12	N/A	3.12
2014-15	52,581,957	-	52,581,957	16.46	N/A	16.46

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area C1 for the last five Fiscal Years.

**TABLE 28
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA C1
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$224,118	162	7	\$8,778	3.92%	1 ⁽²⁾	\$ 1,534	0.68%
2010-11	231,288	162	3	2,803	1.21	0	0	0.00
2011-12	230,339	162	3	2,791	1.21	0	0	0.00
2012-13	234,814	162	1	1,343	0.57	0	0	0.00
2013-14	231,681	162	1	662	0.29	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

⁽²⁾ Property owner is in bankruptcy. Approximately \$749 from Fiscal Year 2008-09 is also delinquent.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area C1.

**TABLE 29
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA C1
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
162	\$ 267,000	\$ 235,363	88.15%

⁽¹⁾ All parcels in Improvement Area C1 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area C1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area C1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.26% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area C1.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area C1 Debt Report") for Improvement Area C1, reflecting the issuance of \$2,403,562 aggregate principal amount of Improvement Area C1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area C1 is \$52,581,957 for the current Fiscal Year. The Improvement Area C1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area C1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area C1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area C1 (inclusive of the Improvement Area C1 Special Tax Refunding Bonds) is \$3,440,722. The assessed value-to-lien ratio for Improvement Area C1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 15.28 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 30
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA C1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area C1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area C1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area C1</i>
Metropolitan Water District	\$94,962,540	\$ 1,581	0.0017%	\$132,275,000	\$ 2,202
Palomar Community College District Prop M 2006A	8,072,249	4,027	0.0499	139,270,000	69,485
Palomar Community College District Prop M 2006B	3,330,255	1,662	0.0499	173,498,901	86,562
San Marcos Unified School District SFID 2004-1	2,096,194	6,407	0.3056	6,503,019	19,876
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,808	0.3056	141,424,415	432,256
San Marcos Unified School District Series 2010B	19,204	59	0.3055	64,969,530	198,454
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3056	74,702,799	228,325
Total Overlapping Debt					\$ 1,037,160
Improvement Area C1 Bonded Indebtedness					\$ 2,403,562
Estimated Share of Direct and Overlapping Debt					\$ 3,440,722
Improvement Area C1 Assessed Value (Fiscal Year 2013-14)					\$45,150,656
Improvement Area C1 Assessed Value (Fiscal Year 2014-15)					\$52,581,957
Value-to-Lien Ratio (Fiscal Year 2013-14)					13.12
Value-to-Lien Ratio (Fiscal Year 2014-15)					15.28

(1) The listed obligations are all general obligation bonds of the respective issuers.

(2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area C1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area C1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

(5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area C1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area C1 will be approximately 1.72739%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 31
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA C1
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 324,580**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 3,245.80
Metropolitan Water District	0.00350	11.36
Palomar Community College District 2006A	0.00892	28.95
Palomar Community College District 2006B	0.00368	11.94
San Marcos Unified School District, SFID 2004-1	0.01419	46.06
San Marcos Unified School District Prop K Series 2010A	0.04387	142.39
San Marcos Unified School District Series 2010B	0.00013	0.42
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 3,486.92
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area C1 ⁽⁶⁾	<u>1,452.86</u>	<u>1,648.15⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,119.84</u>	<u>\$ 2,963.54</u>
TOTAL PROPERTY TAXES	\$ 5,606.76	\$ 6,450.46
TOTAL EFFECTIVE TAX RATE	1.72739%	1.98732%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area D1

General. Improvement Area D1 is located along the east side of Elfin Forest Road, south of San Elijo Road. Improvement Area D1 encompasses a total of 87 detached single family residential units. All 87 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area D1 for the current and prior seven Fiscal Years.

**TABLE 32
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA D1
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$44,026,782	\$ -	\$44,026,782	N/A%	N/A	N/A%
2008-09	41,675,189	-	41,675,189	(5.34)	N/A	(5.34)
2009-10	38,978,736	-	38,978,736	(6.47)	N/A	(6.47)
2010-11	39,346,751	-	39,346,751	0.94	N/A	0.94
2011-12	39,597,296	-	39,597,296	0.64	N/A	0.64
2012-13	38,405,648	-	38,405,648	(3.01)	N/A	(3.01)
2013-14	38,843,618	-	38,843,618	1.14	N/A	1.14
2014-15	43,543,377	-	43,543,377	12.10	N/A	12.10

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area D1 for the last five Fiscal Years.

**TABLE 33
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA D1
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$142,221	87	2	\$2,098	1.48%	0	\$ 0	0.00%
2010-11	131,825	87	0	0	0.00	0	0	0.00
2011-12	145,652	87	2	2,148	1.48	0	0	0.00
2012-13	148,047	87	2	1,478	1.00	0	0	0.00
2013-14	143,065	87	2	1,428	1.00	1	682	0.48

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area D1.

**TABLE 34
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA D1
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
87	\$ 164,908	\$ 139,998	84.89%

⁽¹⁾ All parcels in Improvement Area D1 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area D1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area D1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.33% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area D1.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area D1 Debt Report") for Improvement Area D1, reflecting the issuance of \$1,293,336 aggregate principal amount of Improvement Area D1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area D1 is \$43,543,377 for the current Fiscal Year. The Improvement Area D1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area D1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area D1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area D1 (inclusive of the Improvement Area D1 Special Tax Refunding Bonds) is \$2,185,561. The assessed value-to-lien ratio for Improvement Area D1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.92 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 35
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA D1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area D1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area D1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area D1</i>
Metropolitan Water District	\$94,962,540	\$ 1,360	0.0014%	\$132,275,000	\$ 1,894
Palomar Community College District Prop M 2006A	8,072,249	3,465	0.0429	139,270,000	59,780
Palomar Community College District Prop M 2006B	3,330,255	1,429	0.0429	173,498,901	74,469
San Marcos Unified School District SFID 2004-1	2,096,194	5,512	0.2629	6,503,019	17,100
San Marcos Unified School District Prop K Series 2010A	6,480,623	17,041	0.2629	141,424,415	371,874
San Marcos Unified School District Series 2010B	19,204	50	0.2627	64,969,530	170,678
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2629	74,702,799	196,430
				Total Overlapping Debt	\$ 892,225
				Improvement Area D1 Bonded Indebtedness	\$ 1,293,336
				Estimated Share of Direct and Overlapping Debt	\$ 2,185,561
				Improvement Area D1 Assessed Value (Fiscal Year 2013-14)	\$38,843,618
				Improvement Area D1 Assessed Value (Fiscal Year 2014-15)	\$43,543,377
				Value-to-Lien Ratio (Fiscal Year 2013-14)	17.77
				Value-to-Lien Ratio (Fiscal Year 2014-15)	19.92

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area D1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area D1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area D1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area D1 will be approximately 1.52907%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 36
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA D1
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 500,499**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,004.99
Metropolitan Water District	0.00350	17.52
Palomar Community College District 2006A	0.00892	44.64
Palomar Community College District 2006B	0.00368	18.42
San Marcos Unified School District, SFID 2004-1	0.01419	71.02
San Marcos Unified School District Prop K Series 2010A	0.04387	219.57
San Marcos Unified School District Series 2010B	0.00013	0.65
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 5,376.81
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area D1 ⁽⁶⁾	<u>1,609.16</u>	<u>1,895.50⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,276.14</u>	<u>\$ 3,210.89</u>
TOTAL PROPERTY TAXES	\$7,652.95	\$ 8,587.70
TOTAL EFFECTIVE TAX RATE	1.52907%	1.71583%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area F2/V2

General. Improvement Area F2/V2 consists of properties in two zones, Zone F2 and Zone V2.

Zone F2 is located along the western edge of Wild Canyon Drive and the north side of San Elijo Road. Zone F2 consists of 42 detached single family residential units. All 42 units have been constructed and sold to individual property owners.

Zone V2 is located at the northeast corner of Wild Canyon Drive and San Elijo Road. Lennar Homes of California (“Lennar”) has constructed all 131 detached single-family condominium dwelling units. As of June 30, 2014, approximately 127 of the units have been sold to individual property owners.

On May 10, 2011, at the request of Lennar, the City Council, acting on behalf of the District, adopted Resolution No. 2011-7488 approving the First Amendment to Funding, Construction and Acquisition Agreement, entered into as of May 10, 2011, by and among the City of San Marcos, the District, San Elijo Hills Development Company, LLC and Lennar to memorialize their agreement not to issue any additional bonds secured by Improvement Area F2/V2 (other than to refund the outstanding Prior Special Tax Bonds for Improvement Area F2/V2).

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area F2/V2 for the current and prior seven Fiscal Years.

**TABLE 37
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA F2/V2
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$63,484,360	\$ -	\$63,484,360	N/A%	N/A	N/A%
2008-09	74,554,962	-	74,554,962	17.44	N/A	17.44
2009-10	37,447,299	-	37,447,299 ⁽⁴⁾	(49.77) ⁽⁴⁾	N/A	(49.77)
2010-11	36,341,732	-	36,341,732	(2.95)	N/A	(2.95)
2011-12	48,316,590	-	48,316,590	32.95	N/A	32.95
2012-13	49,568,536	-	49,568,536	2.59	N/A	2.59
2013-14	59,340,691	-	59,340,691	19.71	N/A	19.71
2014-15	86,618,485	-	86,618,485	45.97	N/A	45.97

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decrease in Fiscal Year 2009-10 reflects the sale of undeveloped residential property between land developers in such year.

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area F2/V2 for the last five Fiscal Years.

**TABLE 38
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA F2/V2
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$228,525	43	5	\$24,539	10.66%	0	\$ 0	0.00%
2010-11	236,071	43	0	0	0.00	0	0	0.00
2011-12	194,371	43	0	0	0.00	0	0	0.00
2012-13 ⁽²⁾	201,425	57	0	0	0.00	0	0	0.00
2013-14 ⁽²⁾	195,572	79	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

⁽²⁾ Amount levied is net of developer contribution for Zone V2 properties.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area F2/V2.

**TABLE 39
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA F2/V2
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
149	\$ 713,813	\$ 226,163	31.68%

⁽¹⁾ All parcels in Improvement Area F2/V2 are classified as Developed Property. One parcel was subdivided into 25 parcels (each representing a residential condominium unit) on July 21, 2014, after the creation of the Fiscal Year 2014-15 tax roll. The Authority expects the Fiscal Year 2015-16 tax roll for Improvement Area F2/V2 to reflect 173 residential parcels in Improvement Area F2/V2.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area F2/V2's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area F2/V2 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,708.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 12.18% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area F2/V2. As described in Footnote 1 to the above table, the property owner subdivided such parcel into 25 separate parcels on July 21, 2014. Approximately 21 of such units have been constructed and sold.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “Improvement Area F2/V2 Debt Report”) for Improvement Area F2/V2, reflecting the issuance of \$2,555,000 aggregate principal amount of Improvement Area F2/V2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area F2/V2 is \$86,618,485 for the current Fiscal Year. The Improvement Area F2/V2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area F2/V2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area F2/V2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area F2/V2 (inclusive of the Improvement Area F2/V2 Special Tax Refunding Bonds) is \$3,918,002. The assessed value-to-lien ratio for Improvement Area F2/V2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 22.11 to 1. The value-to-lien ratio of individual parcels will vary from this average.

TABLE 40
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA F2/V2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area F2/V2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area F2/V2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area F2/V2</i>
Metropolitan Water District	\$94,962,540	\$ 2,077	0.0022%	\$132,275,000	\$ 2,893
Palomar Community College District Prop M 2006A	8,072,249	5,293	0.0656	139,270,000	91,317
Palomar Community College District Prop M 2006B	3,330,255	2,184	0.0656	173,498,901	113,771
San Marcos Unified School District SFID 2004-1	2,096,194	8,421	0.4017	6,503,019	26,123
San Marcos Unified School District Prop K Series 2010A	6,480,623	26,033	0.4017	141,424,415	568,110
San Marcos Unified School District Series 2010B	19,204	77	0.4013	64,969,530	260,703
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.4017	74,702,799	300,085
				Total Overlapping Debt	\$ 1,363,002
				Improvement Area F2/V2 Bonded Indebtedness	\$ 2,555,000
				Estimated Share of Direct and Overlapping Debt	\$ 3,918,002
				Improvement Area F2/V2 Assessed Value (Fiscal Year 2013-14)	\$59,340,691
				Improvement Area F2/V2 Assessed Value (Fiscal Year 2014-15)	\$86,618,485
				Value-to-Lien Ratio (Fiscal Year 2013-14)	15.15
				Value-to-Lien Ratio (Fiscal Year 2014-15)	22.11

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(Footnotes Continued on Following Page)

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- (3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area F2/V2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area F2/V2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.
- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area F2/V2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area F2/V2 will be approximately 1.46861%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

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TABLE 41
COMMUNITY FACILITIES DISTRICT NO. 99-01”
IMPROVEMENT AREA F2/V2
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 500,685**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,006.85
Metropolitan Water District	0.00350	17.52
Palomar Community College District 2006A	0.00892	44.66
Palomar Community College District 2006B	0.00368	18.43
San Marcos Unified School District, SFID 2004-1	0.01419	71.05
San Marcos Unified School District Prop K Series 2010A	0.04387	219.65
San Marcos Unified School District Series 2010B	0.00013	0.65
San Marcos Unified School District Series 2010C(4)	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 5,378.81
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area F2/V2 ⁽⁶⁾	<u>1,307.30</u>	<u>4,126.09⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 1,974.28</u>	<u>\$ 5,441.48</u>
TOTAL PROPERTY TAXES	\$ 7,353.09	\$ 10,820.29
TOTAL EFFECTIVE TAX RATE⁽⁸⁾	1.46861%	2.16110%

(1) Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

(2) Net of exemptions.

(3) Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

(4) Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

(5) Levied only if homeowner’s association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

(6) Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

(7) Reflects maximum Special Tax rates prescribed by the Improvement Area’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

(8) The total effective tax rate for Zone F2 alone is 1.42847% based on average estimated rates and 2.07645% based on average maximum rates, while the total effective tax rate for Zone V2 alone is 1.45857% based on average estimated rates and 2.11473% based on average maximum rates.

Source: David Taussig & Associates, Inc.; San Diego County Assessor’s Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area G3

General. Improvement Area G3 is located along the south side of San Elijo Road, east of Elfin Forest Road. Improvement Area G3 encompasses a total of 84 attached triplex residential condominium units. All 84 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area G3 for the current and prior seven Fiscal Years.

**TABLE 42
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA G3
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$33,036,046	\$ -	\$33,036,046	N/A%	N/A	N/A%
2008-09	31,048,889	-	31,048,889	(6.02)	N/A	(6.02)
2009-10	26,183,763	-	26,183,763	(15.67)	N/A	(15.67)
2010-11	26,060,587	-	26,060,587	(0.47)	N/A	(0.47)
2011-12	26,440,195	-	26,440,195	1.46	N/A	1.46
2012-13	25,181,768	-	25,181,768	(4.76)	N/A	(4.76)
2013-14	25,426,056	-	25,426,056	0.97	N/A	0.97
2014-15	27,664,347	-	27,664,347	8.80	N/A	8.80

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area G3 for the last five Fiscal Years.

**TABLE 43
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA G3
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$105,560	84	2	\$1,175	1.11%	0	\$ 0	0.00%
2010-11	106,360	84	2	1,869	1.76	0	0	0.00
2011-12	110,002	84	2	1,930	1.75	0	0	0.00
2012-13	107,851	84	0	0	0.00	0	0	0.00
2013-14	107,079	84	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area G3.

**TABLE 44
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA G3
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
84	\$ 125,391	\$ 111,947	89.28%

⁽¹⁾ All parcels in Improvement Area G3 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area G3's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area G3 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 2.40% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area G3.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area G3 Debt Report") for Improvement Area G3, reflecting the issuance of \$948,429 aggregate principal amount of Improvement Area G3 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area G3 is \$27,664,347 for the current Fiscal Year. The Improvement Area G3 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area G3 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area G3 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area G3 (inclusive of the Improvement Area G3 Special Tax Refunding Bonds) is \$1,532,852. The assessed value-to-lien ratio for Improvement Area G3 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.05 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 45
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA G3
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area G3</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area G3</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area G3</i>
Metropolitan Water District	\$94,962,540	\$ 890	0.0009%	\$132,275,000	\$ 1,240
Palomar Community College District Prop M 2006A	8,072,249	2,268	0.0281	139,270,000	39,130
Palomar Community College District Prop M 2006B	3,330,255	936	0.0281	173,498,901	48,749
San Marcos Unified School District SFID 2004-1	2,096,194	3,608	0.1721	6,503,019	11,193
San Marcos Unified School District Prop K Series 2010A	6,480,623	11,154	0.1721	141,424,415	243,417
San Marcos Unified School District Series 2010B	19,204	33	0.1726	64,969,530	112,117
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.1721	74,702,799	128,577
Total Overlapping Debt					\$ 584,423
Improvement Area G3 Bonded Indebtedness					\$ 948,429
Estimated Share of Direct and Overlapping Debt					\$ 1,532,852
Improvement Area G3 Assessed Value (Fiscal Year 2013-14)					\$25,426,056
Improvement Area G3 Assessed Value (Fiscal Year 2014-15)					\$27,664,347
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.59
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.05

(1) The listed obligations are all general obligation bonds of the respective issuers.

(2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area G3 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area G3 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

(5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area G3 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area G3 will be approximately 1.68147%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

TABLE 46
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA G3
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 329,337**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 3,293.37
Metropolitan Water District	0.00350	11.53
Palomar Community College District 2006A	0.00892	29.38
Palomar Community College District 2006B	0.00368	12.12
San Marcos Unified School District, SFID 2004-1	0.01419	46.73
San Marcos Unified School District Prop K Series 2010A	0.04387	144.48
San Marcos Unified School District Series 2010B	0.00013	0.43
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 3,538.04
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area G3 ⁽⁶⁾	<u>1,332.70</u>	<u>1,492.75⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 1,999.68</u>	<u>\$ 2,808.14</u>
TOTAL PROPERTY TAXES	\$ 5,537.72	\$ 6,346.18
TOTAL EFFECTIVE TAX RATE	1.68147%	1.92695%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area H1A

General. Improvement Area H1A is located along the north side of Elfin Forest Road, northwest of San Elijo Road. Improvement Area H1A encompasses a total of 55 detached single family residential units. All 55 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area H1A for the current and prior seven Fiscal Years.

**TABLE 47
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1A
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$31,778,615	\$ -	\$31,778,615	N/A%	N/A	N/A%
2008-09	31,414,104	-	31,414,104	(1.15)	N/A	(1.15)
2009-10	30,241,604	-	30,241,604	(3.73)	N/A	(3.73)
2010-11	29,647,735	-	29,647,735	(1.96)	N/A	(1.96)
2011-12	29,910,372	-	29,910,372	0.89	N/A	0.89
2012-13	29,287,775	-	29,287,775	(2.08)	N/A	(2.08)
2013-14	29,974,919	-	29,974,919	2.35	N/A	2.35
2014-15	33,337,675	-	33,337,675	11.22	N/A	11.22

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area H1A for the last five Fiscal Years.

**TABLE 48
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1A
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$114,681	55	1	\$1,097	0.96%	0	\$ 0	0.00%
2010-11	106,061	55	1	871	0.82	0	0	0.00
2011-12	115,118	55	4	5,349	4.65	0	0	0.00
2012-13	120,562	55	2	3,133	2.60	0	0	0.00
2013-14	111,830	55	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area H1A.

**TABLE 49
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1A
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
55	\$ 133,293	\$ 116,795	87.62%

⁽¹⁾ All parcels in Improvement Area H1A are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area H1A’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area H1A Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 2.02% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area H1A.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “Improvement Area H1A Debt Report”) for Improvement Area H1A, reflecting the issuance of \$1,029,351 aggregate principal amount of Improvement Area H1A Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area H1A is \$33,337,675 for the current Fiscal Year. The Improvement Area H1A Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area H1A Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area H1A is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area H1A (inclusive of the Improvement Area H1A Special Tax Refunding Bonds) is \$1,718,128. The assessed value-to-lien ratio for Improvement Area H1A as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 19.40 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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TABLE 50
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1A
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area H1A</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area H1A</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area H1A</i>
Metropolitan Water District	\$94,962,540	\$ 1,049	0.0011%	\$132,275,000	\$ 1,461
Palomar Community College District Prop M 2006A	8,072,249	2,674	0.0331	139,270,000	46,130
Palomar Community College District Prop M 2006B	3,330,255	1,103	0.0331	173,498,901	57,468
San Marcos Unified School District SFID 2004-1	2,096,194	4,253	0.2029	6,503,019	13,195
San Marcos Unified School District Prop K Series 2010A	6,480,623	13,150	0.2029	141,424,415	286,967
San Marcos Unified School District Series 2010B	19,204	39	0.2031	64,969,530	131,975
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2029	74,702,799	151,581
Total Overlapping Debt					\$ 688,777
Improvement Area H1A Bonded Indebtedness					\$ 1,029,351
Estimated Share of Direct and Overlapping Debt					\$ 1,718,128
Improvement Area H1A Assessed Value (Fiscal Year 2013-14)					\$29,974,919
Improvement Area H1A Assessed Value (Fiscal Year 2014-15)					\$33,337,675
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.45
Value-to-Lien Ratio (Fiscal Year 2014-15)					19.40

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area H1A was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area H1A special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area H1A has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area H1A will be approximately 1.53467%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 51
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1A
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 606,140**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 6,061.40
Metropolitan Water District	0.00350	21.21
Palomar Community College District 2006A	0.00892	54.07
Palomar Community College District 2006B	0.00368	22.31
San Marcos Unified School District, SFID 2004-1	0.01419	86.01
San Marcos Unified School District Prop K Series 2010A	0.04387	265.91
San Marcos Unified School District Series 2010B	0.00013	0.79
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 6,511.70
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area H1A ⁽⁶⁾	<u>2,123.54</u>	<u>2,423.50⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,790.52</u>	<u>\$ 3,738.89</u>
TOTAL PROPERTY TAXES	\$ 9,302.22	\$ 10,250.59
TOTAL EFFECTIVE TAX RATE	1.53467%	1.69113%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area H1B

General. Improvement Area H1B is located along the north side of Elfin Forest Road, northwest of San Elijo Road. Improvement Area H1B encompasses a total of 49 detached single family residential units. All 49 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area H1B for the current and prior seven Fiscal Years.

**TABLE 52
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1B
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$28,080,752	\$ -	\$28,080,752	N/A%	N/A	N/A%
2008-09	27,824,196	-	27,824,196	(0.91)	N/A	(0.91)
2009-10	26,668,055	-	26,668,055	(4.16)	N/A	(4.16)
2010-11	26,650,508	-	26,650,508	(0.07)	N/A	(0.07)
2011-12	26,760,065	-	26,760,065	0.41	N/A	0.41
2012-13	26,488,947	-	26,488,947	(1.01)	N/A	(1.01)
2013-14	26,800,010	-	26,800,010	1.17	N/A	1.17
2014-15	29,248,644	-	29,248,644	9.14	N/A	9.14

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area H1B for the last five Fiscal Years.

**TABLE 53
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1B
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$ 95,660	49	2	\$1,914	2.00%	0	\$ 0	0.00%
2010-11	106,434	49	2	3,105	2.92	0	0	0.00
2011-12	104,521	49	2	2,974	2.85	0	0	0.00
2012-13	110,229	49	0	0	0.00	0	0	0.00
2013-14	99,005	49	2	2,911	2.94	2	2,911	2.94

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area H1B.

**TABLE 54
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1B
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
49	\$ 119,430	\$ 107,906	90.35%

⁽¹⁾ All parcels in Improvement Area H1B are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area H1B’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area H1B Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 2.25% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area H1B.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “Improvement Area H1B Debt Report”) for Improvement Area H1B, reflecting the issuance of \$957,906 aggregate principal amount of Improvement Area H1B Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area H1B is \$29,248,644 for the current Fiscal Year. The Improvement Area H1B Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area H1B Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area H1B is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area H1B (inclusive of the Improvement Area H1B Special Tax Refunding Bonds) is \$1,573,602. The assessed value-to-lien ratio for Improvement Area H1B as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.59 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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TABLE 55
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1B
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area H1B</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area H1B</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area H1B</i>
Metropolitan Water District	\$94,962,540	\$ 938	0.0010%	\$132,275,000	\$ 1,307
Palomar Community College District Prop M 2006A	8,072,249	2,391	0.0296	139,270,000	41,244
Palomar Community College District Prop M 2006B	3,330,255	986	0.0296	173,498,901	51,381
San Marcos Unified School District SFID 2004-1	2,096,194	3,803	0.1814	6,503,019	11,798
San Marcos Unified School District Prop K Series 2010A	6,480,623	11,757	0.1814	141,424,415	256,572
San Marcos Unified School District Series 2010B	19,204	35	0.1814	64,969,530	117,868
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.1814	74,702,799	135,526
Total Overlapping Debt					\$ 615,696
Improvement Area H1B Bonded Indebtedness					\$ 957,906
Estimated Share of Direct and Overlapping Debt					\$ 1,573,602
Improvement Area H1B Assessed Value (Fiscal Year 2013-14)					\$26,800,010
Improvement Area H1B Assessed Value (Fiscal Year 2014-15)					\$29,248,644
Value-to-Lien Ratio (Fiscal Year 2013-14)					17.03
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.59

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area H1B was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area H1B special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area H1B has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area H1B will be approximately 1.55496%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 56
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA H1B
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 596,911**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,969.11
Metropolitan Water District	0.00350	20.89
Palomar Community College District 2006A	0.00892	53.24
Palomar Community College District 2006B	0.00368	21.97
San Marcos Unified School District, SFID 2004-1	0.01419	84.70
San Marcos Unified School District Prop K Series 2010A	0.04387	261.86
San Marcos Unified School District Series 2010B	0.00013	0.78
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 6,412.55
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area H1B ⁽⁶⁾	<u>2,202.17</u>	<u>2,437.35⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,869.15</u>	<u>\$ 3,752.74</u>
TOTAL PROPERTY TAXES	\$ 9,281.71	\$ 10,165.29
TOTAL EFFECTIVE TAX RATE	1.55496%	1.70298%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area J

General. Improvement Area J is located along the west side of Double Peak Drive and the north side of San Elijo Road. Improvement Area J encompasses a total of 71 detached single family residential units. All 71 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area J for the current and prior seven Fiscal Years.

**TABLE 57
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA J
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$39,441,412	\$ -	\$39,441,412	N/A%	N/A	N/A%
2008-09	42,836,924	-	42,836,924	8.61	N/A	8.61
2009-10	45,619,722	-	45,619,722	6.50	N/A	6.50
2010-11	45,904,874	-	45,904,874	0.63	N/A	0.63
2011-12	44,190,804	-	44,190,804	(3.73)	N/A	(3.73)
2012-13	41,679,494	-	41,679,494	(5.68)	N/A	(5.68)
2013-14	41,709,009	-	41,709,009	0.07	N/A	0.07
2014-15	48,734,833	-	48,734,833	16.84	N/A	16.84

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decrease in Fiscal Year 2012-13 reflects reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area J for the last five Fiscal Years.

**TABLE 58
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA J
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$304,209	71	1	\$ 2,192	0.72%	0	\$ 0	0.00%
2010-11	292,750	71	4	12,202	4.17	0	0	0.00
2011-12	319,883	71	1	2,162	0.68	0	0	0.00
2012-13	300,689	71	0	0	0.00	0	0	0.00
2013-14	316,883	71	1	2,231	0.70	1	2,231	0.70

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area J.

**TABLE 59
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA J
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
71	\$ 385,705	\$ 319,307	82.79%

⁽¹⁾ All parcels in Improvement Area J are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area J’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area J Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,708.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.49% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area J.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “Improvement Area J Debt Report”) for Improvement Area J, reflecting the issuance of \$3,715,000 aggregate principal amount of Improvement Area J Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area J is \$48,734,833 for the current Fiscal Year. The Improvement Area J Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area J Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area J is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area J (inclusive of the Improvement Area J Special Tax Refunding Bonds) is \$4,673,206. The assessed value-to-lien ratio for Improvement Area J as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 10.43 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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TABLE 60
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA J
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area J</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area J</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area J</i>
Metropolitan Water District	\$94,962,540	\$ 1,460	0.0015%	\$132,275,000	\$ 2,034
Palomar Community College District Prop M 2006A	8,072,249	3,720	0.0461	139,270,000	64,189
Palomar Community College District Prop M 2006B	3,330,255	1,535	0.0461	173,498,901	79,963
San Marcos Unified School District SFID 2004-1	2,096,194	5,919	0.2823	6,503,019	18,361
San Marcos Unified School District Prop K Series 2010A	6,480,623	18,298	0.2823	141,424,415	399,306
San Marcos Unified School District Series 2010B	19,204	54	0.2823	64,969,530	183,433
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2823	74,702,799	210,920
Total Overlapping Debt					\$ 958,206
Improvement Area J Bonded Indebtedness					\$ 3,715,000
Estimated Share of Direct and Overlapping Debt					\$ 4,673,206
Improvement Area J Assessed Value (Fiscal Year 2013-14)					\$41,709,009
Improvement Area J Assessed Value (Fiscal Year 2014-15)					\$48,734,833
Value-to-Lien Ratio (Fiscal Year 2013-14)					8.93
Value-to-Lien Ratio (Fiscal Year 2014-15)					10.43

- (1) The listed obligations are all general obligation bonds of the respective issuers.
- (2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area J was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area J special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.
- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area J has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area J will be approximately 1.82665%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 61
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA J
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾		\$ 686,406
	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Ad Valorem Property Taxes		
Base Property Tax Rate	1.00000%	\$ 6,864.06
Metropolitan Water District	0.00350	24.02
Palomar Community College District 2006A	0.00892	61.23
Palomar Community College District 2006B	0.00368	25.26
San Marcos Unified School District, SFID 2004-1	0.01419	97.40
San Marcos Unified School District Prop K Series 2010A	0.04387	301.13
San Marcos Unified School District Series 2010B	0.00013	0.89
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 7,373.99
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area J ⁽⁶⁾	<u>4,497.28</u>	<u>5,432.47⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	\$ 5,164.26	\$ 6,747.86
TOTAL PROPERTY TAXES	\$ 12,538.25	\$ 14,121.85
TOTAL EFFECTIVE TAX RATE	1.82665%	2.05736%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area M

General. Improvement Area M is located along the north side of Elfin Forest Road, north of San Elijo Road. Improvement Area M encompasses a total of 107 detached single family residential units. All 107 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area M for the current and prior seven Fiscal Years.

**TABLE 62
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA M
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$86,574,867	\$ -	\$86,574,867	N/A%	N/A	N/A%
2008-09	86,937,240	-	86,937,240	0.42	N/A	0.42
2009-10	81,820,750	-	81,820,750	(5.89)	N/A	(5.89)
2010-11	79,945,886	-	79,945,886	(2.29)	N/A	(2.29)
2011-12	79,327,196	-	79,327,196	(0.77)	N/A	(0.77)
2012-13	78,032,633	-	78,032,633	(1.63)	N/A	(1.63)
2013-14	79,731,284	-	79,731,284	2.18	N/A	2.18
2014-15	84,361,313	-	84,361,313	5.81	N/A	5.81

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area M for the last five Fiscal Years.

**TABLE 63
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA M
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$280,662	107	1	\$1,238	0.44%	0	\$ 0	0.00%
2010-11	287,872	107	2	2,723	0.95	0	0	0.00
2011-12	307,680	107	1	3,509	1.14	0	0	0.00
2012-13	302,891	107	2	2,866	0.95	0	0	0.00
2013-14	299,322	107	2	2,641	0.88	2	2,641	0.88

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area M.

**TABLE 64
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA M
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
107	\$ 344,472	\$ 300,664	87.28%

⁽¹⁾ All parcels in Improvement Area M are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area M's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area M Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.14% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area M.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area M Debt Report") for Improvement Area M, reflecting the issuance of \$3,004,457 aggregate principal amount of Improvement Area M Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area M is \$84,361,313 for the current Fiscal Year. The Improvement Area M Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area M Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area M is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area M (inclusive of the Improvement Area M Special Tax Refunding Bonds) is \$4,836,176. The assessed value-to-lien ratio for Improvement Area M as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 17.44 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 65
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA M
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area M</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area M</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area M</i>
Metropolitan Water District	\$94,962,540	\$ 2,791	0.0029%	\$132,275,000	\$ 3,887
Palomar Community College District Prop M 2006A	8,072,249	7,112	0.0881	139,270,000	122,704
Palomar Community College District Prop M 2006B	3,330,255	2,934	0.0881	173,498,901	152,857
San Marcos Unified School District SFID 2004-1	2,096,194	11,314	0.5397	6,503,019	35,099
San Marcos Unified School District Prop K Series 2010A	6,480,623	34,978	0.5397	141,424,415	763,316
San Marcos Unified School District Series 2010B	19,204	104	0.5397	64,969,530	350,660
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.5397	74,702,799	403,196
Total Overlapping Debt					\$ 1,831,719
Improvement Area M Bonded Indebtedness					\$ 3,004,457
Estimated Share of Direct and Overlapping Debt					\$ 4,836,176
Improvement Area M Assessed Value (Fiscal Year 2013-14)					\$79,731,284
Improvement Area M Assessed Value (Fiscal Year 2014-15)					\$84,361,313
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.49
Value-to-Lien Ratio (Fiscal Year 2014-15)					17.44

- (1) The listed obligations are all general obligation bonds of the respective issuers.
- (2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area M was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area M special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.
- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area M has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area M will be approximately 1.51529%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

TABLE 66
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA M
EFFECTIVE TAX RATE⁽¹⁾

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 788,423**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 7,884.23
Metropolitan Water District	0.00350	27.59
Palomar Community College District 2006A	0.00892	70.33
Palomar Community College District 2006B	0.00368	29.01
San Marcos Unified School District, SFID 2004-1	0.01419	111.88
San Marcos Unified School District Prop K Series 2010A	0.04387	345.88
San Marcos Unified School District Series 2010B	0.00013	1.02
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 8,469.94
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area M ⁽⁶⁾	<u>2,809.95</u>	<u>3,219.36⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 3,476.93</u>	<u>\$ 4,534.75</u>
TOTAL PROPERTY TAXES	\$ 11,946.87	\$ 13,004.69
TOTAL EFFECTIVE TAX RATE	1.51529%	1.64946%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area N1

General. Improvement Area N1 is located along the northwest boundary of the San Elijo Hills master plan, north of Elfin Forest Road. Improvement Area N1 encompasses a total of 84 detached single family residential units. All 84 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area N1 for the current and prior seven Fiscal Years.

**TABLE 67
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N1
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$54,371,871	\$ -	\$54,371,871	N/A%	N/A	N/A%
2008-09	53,206,421	-	53,206,421	(2.14)	N/A	(2.14)
2009-10	49,138,113	-	49,138,113	(7.65)	N/A	(7.65)
2010-11	47,989,728	-	47,989,728	(2.34)	N/A	(2.34)
2011-12	48,438,040	-	48,438,040	0.93	N/A	0.93
2012-13	48,643,294	-	48,643,294	0.42	N/A	0.42
2013-14	49,390,065	-	49,390,065	1.54	N/A	1.54
2014-15	55,098,838	-	55,098,838	11.56	N/A	11.56

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09 and 2009-10 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area N1 for the last five Fiscal Years.

**TABLE 68
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N1
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$178,393	84	4	\$7,716	4.33%	0	\$ 0	0.00%
2010-11	195,185	84	2	2,305	1.18	0	0	0.00
2011-12	197,229	84	1	2,019	1.02	0	0	0.00
2012-13	198,523	84	0	0	0.00	0	0	0.00
2013-14	198,610	84	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area N1.

**TABLE 69
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N1
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
84	\$ 225,055	\$ 194,820	86.57%

⁽¹⁾ All parcels in Improvement Area N1 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area N1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area N1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.35% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area N1.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area N1 Debt Report") for Improvement Area N1, reflecting the issuance of \$1,856,316 aggregate principal amount of Improvement Area N1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area N1 is \$55,098,838 for the current Fiscal Year. The Improvement Area N1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area N1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area N1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area N1 (inclusive of the Improvement Area N1 Special Tax Refunding Bonds) is \$2,990,901. The assessed value-to-lien ratio for Improvement Area N1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.42 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 70
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area N1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area N1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area N1</i>
Metropolitan Water District	\$94,962,540	\$ 1,729	0.0018%	\$132,275,000	\$ 2,408
Palomar Community College District Prop M 2006A	8,072,249	4,406	0.0546	139,270,000	76,010
Palomar Community College District Prop M 2006B	3,330,255	1,818	0.0546	173,498,901	94,691
San Marcos Unified School District SFID 2004-1	2,096,194	7,008	0.3343	6,503,019	21,742
San Marcos Unified School District Prop K Series 2010A	6,480,623	21,667	0.3343	141,424,415	472,842
San Marcos Unified School District Series 2010B	19,204	64	0.3342	64,969,530	217,129
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.3343	74,702,799	249,763
Total Overlapping Debt					\$ 1,134,585
Improvement Area N1 Bonded Indebtedness					\$ 1,856,316
Estimated Share of Direct and Overlapping Debt					\$ 2,990,901
Improvement Area N1 Assessed Value (Fiscal Year 2013-14)					\$ 49,390,065
Improvement Area N1 Assessed Value (Fiscal Year 2014-15)					\$ 55,098,838
Value-to-Lien Ratio (Fiscal Year 2013-14)					16.51
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.42

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area N1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area N1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area N1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area N1 will be approximately 1.52956%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 71
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N1
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾		\$ 655,939
	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Ad Valorem Property Taxes		
Base Property Tax Rate	1.00000%	\$ 6,559.39
Metropolitan Water District	0.00350	22.96
Palomar Community College District 2006A	0.00892	58.51
Palomar Community College District 2006B	0.00368	24.14
San Marcos Unified School District, SFID 2004-1	0.01419	93.08
San Marcos Unified School District Prop K Series 2010A	0.04387	287.76
San Marcos Unified School District Series 2010B	0.00013	0.85
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 7,046.68
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area N1 ⁽⁶⁾	<u>2,319.28</u>	<u>2,679.23⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	\$ 2,986.26	\$ 3,994.62
TOTAL PROPERTY TAXES	\$ 10,032.95	\$ 11,041.30
TOTAL EFFECTIVE TAX RATE	1.52956%	1.68328%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area N2

General. Improvement Area N2 is located along the northwest boundary of the San Elijo Hills master plan, north of Elfin Forest Road. Improvement Area N2 encompasses a total of 76 detached single family residential units. All 76 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area N2 for the current and prior seven Fiscal Years.

**TABLE 72
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N2
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$49,913,566	\$ -	\$49,913,566	N/A%	N/A	N/A%
2008-09	49,042,100	-	49,042,100	(1.75)	N/A	(1.75)
2009-10	45,001,401	-	45,001,401	(8.24)	N/A	(8.24)
2010-11	44,256,357	-	44,256,357	(1.66)	N/A	(1.66)
2011-12	44,567,365	-	44,567,365	0.70	N/A	0.70
2012-13	43,342,559	-	43,342,559	(2.75)	N/A	(2.75)
2013-14	43,980,486	-	43,980,486	1.47	N/A	1.47
2014-15	49,699,019	-	49,699,019	13.00	N/A	13.00

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area N2 for the last five Fiscal Years.

**TABLE 73
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N2
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$153,519	76	0	\$ 0	0.00%	0	\$ 0	0.00%
2010-11	169,739	76	1	1,263	0.74	0	0	0.00
2011-12	172,885	76	0	0	0.00	0	0	0.00
2012-13	168,306	76	0	0	0.00	0	0	0.00
2013-14	174,458	76	1	2,416	1.38	1	2,416	1.38

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area N2.

**TABLE 74
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N2
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
76	\$ 202,312	\$ 179,598	88.77%

⁽¹⁾ All parcels in Improvement Area N2 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area N2's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area N2 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.49% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area N2.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area N2 Debt Report") for Improvement Area N2, reflecting the issuance of \$1,746,324 aggregate principal amount of Improvement Area N2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area N2 is \$49,699,019 for the current Fiscal Year. The Improvement Area N2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area N2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area N2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area N2 (inclusive of the Improvement Area N2 Special Tax Refunding Bonds) is \$2,756,636. The assessed value-to-lien ratio for Improvement Area N2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 18.03 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 75
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area N2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area N2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area N2</i>
Metropolitan Water District	\$94,962,540	\$ 1,539	0.0016%	\$132,275,000	\$ 2,144
Palomar Community College District Prop M 2006A	8,072,249	3,923	0.0486	139,270,000	67,684
Palomar Community College District Prop M 2006B	3,330,255	1,618	0.0486	173,498,901	84,319
San Marcos Unified School District SFID 2004-1	2,096,194	6,241	0.2977	6,503,019	19,361
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,294	0.2977	141,424,415	421,052
San Marcos Unified School District Series 2010B	19,204	57	0.2976	64,969,530	193,345
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2977	74,702,799	222,407
Total Overlapping Debt					\$ 1,010,312
Improvement Area N2 Bonded Indebtedness					\$ 1,746,324
Estimated Share of Direct and Overlapping Debt					\$ 2,756,636
Improvement Area N2 Assessed Value (Fiscal Year 2013-14)					\$43,980,486
Improvement Area N2 Assessed Value (Fiscal Year 2014-15)					\$49,699,019
Value-to-Lien Ratio (Fiscal Year 2013-14)					15.95
Value-to-Lien Ratio (Fiscal Year 2014-15)					18.03

- (1) The listed obligations are all general obligation bonds of the respective issuers.
- (2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area N2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area N2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.
- (4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.
- (5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.
- (6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area N2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area N2 will be approximately 1.53765%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 76
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA N2
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 653,934**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 6,539.34
Metropolitan Water District	0.00350	22.89
Palomar Community College District 2006A	0.00892	58.33
Palomar Community College District 2006B	0.00368	24.06
San Marcos Unified School District, SFID 2004-1	0.01419	92.79
San Marcos Unified School District Prop K Series 2010A	0.04387	286.88
San Marcos Unified School District Series 2010B	0.00013	0.85
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 7,025.14
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area N2 ⁽⁶⁾	<u>2,363.13</u>	<u>2,662.00⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 3,030.11</u>	<u>\$ 3,977.39</u>
TOTAL PROPERTY TAXES	\$ 10,055.25	\$ 11,022.53
TOTAL EFFECTIVE TAX RATE	1.53765%	1.68251%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area R1

General. Improvement Area R1 is located south of San Marcos Boulevard on the north and south sides of Via Vera Cruz. Improvement Area R1 encompasses a total of 87 detached single family residential units. All 87 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area R1 for the current and prior seven Fiscal Years.

**TABLE 77
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R1
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$48,143,635	\$ -	\$48,143,635	N/A%	N/A	N/A%
2008-09	48,111,228	-	48,111,228	(0.07)	N/A	(0.07)
2009-10	43,981,406	-	43,981,406	(8.58)	N/A	(8.58)
2010-11	43,846,168	-	43,846,168	(0.31)	N/A	(0.31)
2011-12	44,092,824	-	44,092,824	0.56	N/A	0.56
2012-13	43,466,998	-	43,466,998	(1.42)	N/A	(1.42)
2013-14	43,951,804	-	43,951,804	1.12	N/A	1.12
2014-15	48,092,162	-	48,092,162	9.42	N/A	9.42

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09, 2009-10 and 2012-13 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area R1 for the last five Fiscal Years.

**TABLE 78
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R1
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$184,708	87	0	\$ 0	0.00%	0	\$ 0	0.00%
2010-11	190,869	87	0	0	0.00	0	0	0.00
2011-12	195,036	87	0	0	0.00	0	0	0.00
2012-13	195,939	87	1	945	0.48	0	0	0.00
2013-14	194,744	87	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area R1.

**TABLE 79
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R1
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
87	\$ 219,461	\$ 196,345	89.47%

⁽¹⁾ All parcels in Improvement Area R1 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area R1's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area R1 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.36% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area R1.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area R1 Debt Report") for Improvement Area R1, reflecting the issuance of \$1,937,774 aggregate principal amount of Improvement Area R1 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area R1 is \$48,092,162 for the current Fiscal Year. The Improvement Area R1 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area R1 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area R1 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area R1 (inclusive of the Improvement Area R1 Special Tax Refunding Bonds) is \$3,284,164. The assessed value-to-lien ratio for Improvement Area R1 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 14.64 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 80
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R1
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area R1</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area R1</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area R1</i>
Metropolitan Water District	\$94,962,540	\$ 1,538	0.0016%	\$132,275,000	\$ 2,143
Palomar Community College District Prop M 2006A	8,072,249	3,921	0.0486	139,270,000	67,640
Palomar Community College District Prop M 2006B	3,330,255	1,617	0.0486	173,498,901	84,263
San Marcos Unified School District SFID 2004-1	2,096,194	6,237	0.2975	6,503,019	19,348
San Marcos Unified School District Prop K Series 2010A	6,480,623	19,282	0.2975	141,424,415	420,778
San Marcos Unified School District Series 2010B	19,204	57	0.2975	64,969,530	193,278
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2975	74,702,799	222,262
Palomar Health Series 2005A	14,566,919	10,329	0.0709	474,823,578	336,678
Total Overlapping Debt					\$ 1,346,390
Improvement Area R1 Bonded Indebtedness					\$ 1,937,774
Estimated Share of Direct and Overlapping Debt					\$ 3,284,164
Improvement Area R1 Assessed Value (Fiscal Year 2013-14)					\$43,951,804
Improvement Area R1 Assessed Value (Fiscal Year 2014-15)					\$48,092,162
Value-to-Lien Ratio (Fiscal Year 2013-14)					13.38
Value-to-Lien Ratio (Fiscal Year 2014-15)					14.64

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area R1 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area R1 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area R1 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area R1 will be approximately 1.61885%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 81
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R1
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 552,783**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,527.83
Metropolitan Water District	0.00350	19.35
Palomar Health 2005A	0.02350	129.90
Palomar Community College District 2006A	0.00892	49.31
Palomar Community College District 2006B	0.00368	20.34
San Marcos Unified School District, SFID 2004-1	0.01419	78.44
San Marcos Unified School District Prop K Series 2010A	0.04387	242.51
San Marcos Unified School District Series 2010B	0.00013	0.72
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.09779%	\$ 6,068.40
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-19	71.74	71.75
San Marcos CFD No. 99-01, Improvement Area R1 ⁽⁵⁾	<u>2,256.84</u>	<u>2,522.54⁽⁶⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 2,880.34</u>	<u>\$ 3,146.08</u>
TOTAL PROPERTY TAXES	\$ 8,948.74	\$ 9,214.48
TOTAL EFFECTIVE TAX RATE	1.61885%	1.66692%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁶⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area R2

General. Improvement Area R2 is located south of San Marcos Boulevard on the north and south sides of Via Vera Cruz. Improvement Area R2 encompasses a total of 61 detached single family residential units. All 61 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area R2 for the current and prior seven Fiscal Years.

**TABLE 82
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$42,185,218	\$ -	\$42,185,218	N/A%	N/A	N/A%
2008-09	40,813,330	-	40,813,330	(3.25)	N/A	(3.25)
2009-10	36,838,115	-	36,838,115	(9.74)	N/A	(9.74)
2010-11	37,054,466	-	37,054,466	0.59	N/A	0.59
2011-12	37,033,082	-	37,033,082	(0.06)	N/A	(0.06)
2012-13	37,032,435	-	37,032,435	0.00	N/A	0.00
2013-14	37,373,766	-	37,373,766	0.92	N/A	0.92
2014-15	42,207,076	-	42,207,076	12.93	N/A	12.93

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decreases in Fiscal Years 2008-09 and 2009-10 reflect reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area R2 for the last five Fiscal Years.

**TABLE 83
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>					<i>Delinquencies as of September 3, 2014</i>		
	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$149,573	61	2	\$3,997	2.67%	0	\$ 0	0.00%
2010-11	146,225	61	1	2,768	1.89	0	0	0.00
2011-12	153,066	61	0	0	0.00	0	0	0.00
2012-13	151,652	61	0	0	0.00	0	0	0.00
2013-14	155,897	61	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area R2.

**TABLE 84
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
61	\$ 178,619	\$ 155,088	86.83%

⁽¹⁾ All parcels in Improvement Area R2 are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area R2's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area R2 Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,012.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.89% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area R2.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the "Improvement Area R2 Debt Report") for Improvement Area R2, reflecting the issuance of \$1,525,228 aggregate principal amount of Improvement Area R2 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area R2 is \$42,207,076 for the current Fiscal Year. The Improvement Area R2 Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area R2 Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area R2 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area R2 (inclusive of the Improvement Area R2 Special Tax Refunding Bonds) is \$2,670,180. The assessed value-to-lien ratio for Improvement Area R2 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 15.81 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 85
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area R2</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area R2</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area R2</i>
Metropolitan Water District	\$94,962,540	\$ 1,308	0.0014%	\$132,275,000	\$ 1,822
Palomar Community College District Prop M 2006A	8,072,249	3,334	0.0413	139,270,000	57,517
Palomar Community College District Prop M 2006B	3,330,255	1,375	0.0413	173,498,901	71,651
San Marcos Unified School District SFID 2004-1	2,096,194	5,303	0.2530	6,503,019	16,454
San Marcos Unified School District Prop K Series 2010A	6,480,623	16,396	0.2530	141,424,415	357,801
San Marcos Unified School District Series 2010B	19,204	49	0.2531	64,969,530	164,420
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2530	74,702,799	188,997
Palomar Health Series 2005A	14,566,919	8,783	0.0603	474,823,578	286,290
Total Overlapping Debt					\$ 1,144,952
Improvement Area R2 Bonded Indebtedness					\$ 1,525,228
Estimated Share of Direct and Overlapping Debt					\$ 2,670,180
Improvement Area R2 Assessed Value (Fiscal Year 2013-14)					\$37,373,766
Improvement Area R2 Assessed Value (Fiscal Year 2014-15)					\$42,207,076
Value-to-Lien Ratio (Fiscal Year 2013-14)					14.00
Value-to-Lien Ratio (Fiscal Year 2014-15)					15.81

(1) The listed obligations are all general obligation bonds of the respective issuers.

(2) The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(3) Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area R2 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area R2 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

(4) Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

(5) Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

(6) Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area R2 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area R2 will be approximately 1.55535%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 86
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA R2
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 691,919**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 6,919.19
Metropolitan Water District	0.00350	24.22
Palomar Health 2005A	0.02350	162.60
Palomar Community College District 2006A	0.00892	61.72
Palomar Community College District 2006B	0.00368	25.46
San Marcos Unified School District, SFID 2004-1	0.01419	98.18
San Marcos Unified School District Prop K Series 2010A	0.04387	303.54
San Marcos Unified School District Series 2010B	0.00013	0.90
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.09779%	\$ 7,595.81
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-19	71.74	71.75
San Marcos CFD No. 99-01, Improvement Area R2 ⁽⁵⁾	<u>2,542.43</u>	<u>2,928.19⁽⁶⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 3,165.93</u>	<u>\$ 3,551.73</u>
TOTAL PROPERTY TAXES	\$ 10,761.74	\$ 11,147.54
TOTAL EFFECTIVE TAX RATE	1.55535%	1.61110%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁶⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

Improvement Area V1A

General. Improvement Area V1A is located along the east side of Wild Canyon Drive and the north side of San Elijo Road. Improvement Area V1A encompasses a total of 64 detached single family residential units. All 64 units have been constructed and sold to individual property owners.

Historic Assessed Values. The table below sets forth historic assessed values within Improvement Area V1A for the current and prior seven Fiscal Years.

**TABLE 87
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$27,554,884	\$ -	\$27,554,884	N/A%	N/A	N/A%
2008-09	31,422,223	-	31,422,223	14.04	N/A	14.04
2009-10	34,272,413	-	34,272,413	9.07	N/A	9.07
2010-11	35,989,248	-	35,989,248	5.01	N/A	5.01
2011-12	36,014,739	-	36,014,739	0.07	N/A	0.07
2012-13	32,806,511	-	32,806,511	(8.91)	N/A	(8.91)
2013-14	33,297,991	-	33,297,991	1.50	N/A	1.50
2014-15	38,191,193	-	38,191,193	14.70	N/A	14.70

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels, if any, for which Special Tax obligation has been prepaid.

⁽³⁾ For purposes of the table, if a parcel has both residential and non-residential components, the parcel’s entire assessed value is shown under the residential category.

⁽⁴⁾ Decrease in Fiscal Year 2012-13 reflects reductions in assessed values initiated by the County Assessor. See the caption “SPECIAL RISK FACTORS—Land Values.”

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for Improvement Area V1A for the last five Fiscal Years.

**TABLE 88
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
HISTORY OF DELINQUENCIES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$196,777	64	3	\$4,727	2.40%	0	\$ 0	0.00%
2010-11	193,146	64	2	4,631	2.40	0	0	0.00
2011-12	194,750	64	0	0	0.00	0	0	0.00
2012-13	188,238	64	0	0	0.00	0	0	0.00
2013-14	198,599	64	0	0	0.00	0	0	0.00

⁽¹⁾ As of June 30 of each Fiscal Year shown.

Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for Improvement Area V1A.

**TABLE 89
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY**

<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax⁽⁴⁾</i>
64	\$ 238,709	\$ 194,035	81.29%

⁽¹⁾ All parcels in Improvement Area V1A are classified as Developed Property.

⁽²⁾ Reflects Special Tax rates prescribed by Improvement Area V1A’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽³⁾ Includes debt service on the Improvement Area V1A Prior Special Tax Bonds and Administrative Expenses in the amount of \$19,708.

⁽⁴⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 1.64% of the Fiscal Year 2014-15 Special Tax levy in Improvement Area V1A.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “Improvement Area V1A Debt Report”) for Improvement Area V1A, reflecting the issuance of \$2,185,000 aggregate principal amount of Improvement Area V1A Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within Improvement Area V1A is \$38,191,193 for the current Fiscal Year. The Improvement Area V1A Debt Report has been derived from data assembled and reported to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 99-01, the City nor the Underwriter has independently verified the information in the Improvement Area V1A Debt Report and do not guarantee its completeness or accuracy.

The property within Improvement Area V1A is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to Improvement Area V1A (inclusive of the Improvement Area V1A Special Tax Refunding Bonds) is \$2,950,057. The assessed value-to-lien ratio for Improvement Area V1A as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 12.95 to 1. The value-to-lien ratio of individual parcels will vary from this average.

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**TABLE 90
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To Improvement Area V1A</i> ⁽³⁾	<i>% of Levy Applicable To Improvement Area V1A</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To Improvement Area V1A</i>
Metropolitan Water District	\$94,962,540	\$ 1,166	0.0012%	\$132,275,000	\$ 1,624
Palomar Community College District Prop M 2006A	8,072,249	2,970	0.0368	139,270,000	51,245
Palomar Community College District Prop M 2006B	3,330,255	1,225	0.0368	173,498,901	63,839
San Marcos Unified School District SFID 2004-1	2,096,194	4,725	0.2254	6,503,019	14,659
San Marcos Unified School District Prop K Series 2010A	6,480,623	14,608	0.2254	141,424,415	318,781
San Marcos Unified School District Series 2010B	19,204	43	0.2255	64,969,530	146,523
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.2254	74,702,799	168,386
Total Overlapping Debt					\$ 765,057
Improvement Area V1A Bonded Indebtedness					\$ 2,185,000
Estimated Share of Direct and Overlapping Debt					\$ 2,950,057
Improvement Area V1A Assessed Value (Fiscal Year 2013-14)					\$33,297,991
Improvement Area V1A Assessed Value (Fiscal Year 2014-15)					\$38,191,193
Value-to-Lien Ratio (Fiscal Year 2013-14)					11.29
Value-to-Lien Ratio (Fiscal Year 2014-15)					12.95

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to Improvement Area V1A was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to the Improvement Area V1A special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District SFID 2004-1, Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to Improvement Area V1A has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate within Improvement Area V1A will be approximately 1.69412%, as shown in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 91
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA V1A
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾ **\$ 596,737**

Ad Valorem Property Taxes	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Base Property Tax Rate	1.00000%	\$ 5,967.37
Metropolitan Water District	0.00350	20.89
Palomar Community College District 2006A	0.00892	53.23
Palomar Community College District 2006B	0.00368	21.96
San Marcos Unified School District, SFID 2004-1	0.01419	84.68
San Marcos Unified School District Prop K Series 2010A	0.04387	261.79
San Marcos Unified School District Series 2010B	0.00013	0.78
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.07429%	\$ 6,410.70
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD 98-01	296.26	296.27
San Marcos CFD No. 98-02 Citywide	227.62	227.64
San Marcos CFD No. 98-02, IA F-9 (Active Tax)	115.22	115.22
San Marcos CFD No. 98-02, IA F-9 (Dormant Tax) ⁽⁵⁾	0.00	648.38
San Marcos CFD No. 99-01, Improvement Area V1A ⁽⁶⁾	<u>3,031.80</u>	<u>3,729.83⁽⁷⁾</u>
Subtotal Special Taxes, Assessments and Charges	\$ 3,698.78	\$ 5,045.22
TOTAL PROPERTY TAXES	\$ 10,109.48	\$ 11,455.92
TOTAL EFFECTIVE TAX RATE	1.69412%	1.91976%

⁽¹⁾ Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Levied only if homeowner's association fails to maintain certain park, trail, median landscaping, open space and drainage facilities and provide certain brush management services.

⁽⁶⁾ Based on debt service for Prior Special Tax Bonds issued by the Improvement Area.

⁽⁷⁾ Reflects maximum Special Tax rates prescribed by the Improvement Area's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within the Improvement Area by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

COMMUNITY FACILITIES DISTRICT NO. 91-01

General

CFD No. 91-01 was formed in 1991 for the purpose of financing the construction and acquisition of capital facilities for the benefit of the area within the boundaries of CFD No. 91-01. CFD No. 91-01 consists of approximately 233 acres bounded generally by Twin Oaks Valley Road to the west, La Cienega Road to the north and northeast, Mulberry Drive to the east and Woodward Street to the east and southeast. CFD No. 91-01 encompasses a total of 292 detached single family residential units and the 18-hole Twin Oaks Valley Ranch golf course. The Twin Oaks Valley Ranch golf course commenced operations in 1993 and is open to the public. All 292 units have been constructed and sold to individual property owners. 78 residential units have prepaid their Special Tax obligations. 76 of such prepayments occurred prior to 2000, and the last such prepayments occurred on May 2011.

Special Tax Tables

Historic Assessed Values. The table below sets forth historic assessed values within CFD No. 91-01 for the current and prior seven Fiscal Years.

**TABLE 92
COMMUNITY FACILITIES DISTRICT NO. 91-01
HISTORY OF ASSESSED VALUES⁽¹⁾⁽²⁾**

<i>Fiscal Year</i>	<i>Residential Property Net Assessed Value⁽³⁾</i>	<i>Other Property Net Assessed Value⁽³⁾</i>	<i>Total Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Residential Property Net Assessed Value⁽⁴⁾</i>	<i>Increase/(Decrease) in Other Property Net Assessed Value</i>	<i>Increase/(Decrease) in Total Property Net Assessed Value</i>
2007-08	\$77,097,123	\$9,265,471	\$86,362,594	N/A%	N/A%	N/A%
2008-09	78,670,442	9,450,770	88,121,212	2.04	2.00	2.04
2009-10	71,349,312 ⁽⁴⁾	9,639,774	80,989,086	(9.31)	2.00	(8.09)
2010-11	71,637,353	9,616,918	81,254,271	0.40	(0.24)	0.33
2011-12	72,308,793	9,689,319	81,998,112	0.94	0.75	0.92
2012-13	73,085,559	5,231,955 ⁽⁵⁾	78,317,514	1.07	(46.00)	(4.49)
2013-14	75,685,906	5,225,000	80,910,906	3.56	(0.13)	3.31
2014-15	81,119,586	5,225,000	86,344,586	7.18	0.00	6.72

⁽¹⁾ Assessed values as of January 1 of Fiscal Year shown provided by the County of San Diego Assessor. Assessed value is calculated as the sum of land value and improvement value net of exemptions.

⁽²⁾ Excludes parcels for which Special Tax obligation has been prepaid.

⁽³⁾ Reflects assessed value of Twin Oaks Valley Ranch golf course.

⁽⁴⁾ Decrease in Fiscal Year 2009-10 reflects reductions in assessed values initiated by the County Assessor. See the caption "SPECIAL RISK FACTORS—Land Values."

⁽⁵⁾ Decrease in Fiscal Year 2012-13 is believed to reflect property tax appeal by property owner. The City is unable to confirm such information, however.

Sources: City of San Marcos; County of San Diego Assessor.

Delinquency History. The following table summarizes the historical delinquencies for CFD No. 91-01 for the last five Fiscal Years.

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TABLE 93
COMMUNITY FACILITIES DISTRICT NO. 91-01
HISTORY OF DELINQUENCIES

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year Delinquencies (June 30)⁽¹⁾</i>			<i>Delinquencies as of September 3, 2014</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2009-10	\$353,896	226	2	\$2,307	0.65%	0	\$ 0	0.00%
2010-11	358,491	226	4	3,476	0.97	0	0	0.00
2011-12	362,358	225	4	4,384	1.21	0	0	0.00
2012-13	373,792	225	2	1,733	0.46	0	0	0.00
2013-14	360,590	225	1	1,115	0.31	1	1,115	0.31

⁽¹⁾ As of June 30 of each Fiscal Year shown.
Source: City of San Marcos.

Fiscal Year 2014-15 Special Tax Levy. The following table summarizes the current Fiscal Year Special Tax levy for CFD No. 91-01. Approximately 11.38% of the Special Tax levy for CFD No. 91-01 is expected to be on the parcels that comprise the Twin Oaks Valley Ranch golf course. See the caption “— General.”

TABLE 94
COMMUNITY FACILITIES DISTRICT NO. 91-01
SUMMARY OF FISCAL YEAR 2014-15 SPECIAL TAX LEVY

<i>Development Status</i>	<i>Number of Parcels⁽¹⁾</i>	<i>Maximum Special Tax⁽²⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy⁽³⁾</i>	<i>Fiscal Year 2014-15 Special Tax Levy as a Percentage of Maximum Special Tax</i>
Residential	\$ 214	\$ 389,320	\$ 327,792	84.20%
Golf Course	<u>11</u>	<u>50,000</u>	<u>42,104</u>	<u>84.21</u>
	225	\$ 439,320	\$ 369,896	84.20

⁽¹⁾ Reflects Special Tax rates prescribed by CFD No. 91-01’s Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within CFD No. 91-01 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

⁽²⁾ Includes debt service on the CFD No. 91-01 Prior Special Tax Bonds and Administrative Expenses in the amount of \$50,000.

⁽³⁾ Fiscal Year 2014-15 Special Tax Levy column divided by Maximum Special Tax column.

Source: David Taussig & Associates, Inc.

Based on ownership set forth in the tax roll for Fiscal Year 2014-15, no property owner is responsible for more than 5.27% of the Fiscal Year 2014-15 Special Tax levy in CFD No. 91-01, although the City notes that such property owner is affiliated with other property owners in CFD No. 91-01, all of whom own parcels comprising the Twin Oaks Valley Ranch golf course. Approximately 11.35% of the Fiscal Year 2014-15 Special Tax levy is imposed upon such affiliated ownership entities.

Direct and Overlapping Debt. Set forth below is the statement of direct and overlapping debt (the “CFD No. 91-01 Debt Report”) for CFD No. 91-01, reflecting the issuance of \$1,451,771 aggregate principal amount of CFD No. 91-01 Special Tax Refunding Bonds. The table indicates that the assessed value of the Taxable Property (as such term is defined in the Rate and Method) within CFD No. 91-01 is \$86,344,586 for the current Fiscal Year. The CFD No. 91-01 Debt Report has been derived from data assembled and reported

to the Authority by David Taussig & Associates, Inc. None of the Authority, CFD No. 91-01, the City nor the Underwriter has independently verified the information in the CFD No. 91-01 Debt Report and do not guarantee its completeness or accuracy.

The property within CFD No. 91-01 is subject to existing taxes and assessments which secure debt. The estimated portion of such debt allocable to CFD No. 91-01 (inclusive of the CFD No. 91-01 Special Tax Refunding Bonds) is \$3,894,759. The assessed value-to-lien ratio for CFD No. 91-01 as a whole, calculated by dividing the Fiscal Year 2014-15 assessed value by the total amount of direct and overlapping debt, is 22.17 to 1. The value-to-lien ratio of individual parcels will vary from this average.

**TABLE 95
COMMUNITY FACILITIES DISTRICT NO. 91-01
ESTIMATED OVERALL DIRECT AND OVERLAPPING DEBT**

<i>Overlapping Debt</i> ⁽¹⁾	<i>Total Levy</i> ⁽²⁾	<i>Estimated Levy Applicable To CFD No. 91-01</i> ⁽³⁾	<i>% of Levy Applicable To CFD No. 91-01</i>	<i>Total Outstanding Overlapping Debt</i> ⁽⁴⁾⁽⁵⁾	<i>Estimated Outstanding Overlapping Debt Applicable To CFD No. 91-01</i>
Metropolitan Water District	\$94,962,540	\$ 2,832	0.0030%	\$132,275,000	\$ 3,945
Palomar Community College District Prop M 2006A	8,072,249	7,217	0.0894	139,270,000	124,522
Palomar Community College District Prop M 2006B	3,330,255	2,978	0.0894	173,498,901	155,125
San Marcos Unified School District Prop K Series 2010A	6,480,623	35,496	0.5477	141,424,415	774,610
San Marcos Unified School District Series 2010B	19,204	105	0.5477	64,969,530	355,836
San Marcos Unified School District Series 2010C ⁽⁶⁾	0	0	0.5477	74,702,799	409,162
Palomar Health Series 2005A	14,566,919	19,014	0.1305	474,823,578	619,788
				Total Overlapping Debt	\$ 2,442,988
				CFD No. 91-01 Bonded Indebtedness	\$ 1,451,771
				Estimated Share of Direct and Overlapping Debt	\$ 3,894,759
				CFD No. 91-01 Assessed Value (Fiscal Year 2013-14)	\$80,910,906
				CFD No. 91-01 Assessed Value (Fiscal Year 2014-15)	\$86,344,586
				Value-to-Lien Ratio (Fiscal Year 2013-14)	20.77
				Value-to-Lien Ratio (Fiscal Year 2014-15)	22.17 ⁽⁷⁾

⁽¹⁾ The listed obligations are all general obligation bonds of the respective issuers.

⁽²⁾ The total levy for Metropolitan Water District was provided by Metropolitan Water District. All other total levy amounts were estimated by multiplying the Fiscal Year 2013-14 assessed value of each parcel subject to the Special Tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽³⁾ Fiscal Year 2014-15 tax rates not yet available. The Estimated Levy Applicable to CFD No. 91-01 was estimated by multiplying the Fiscal Year 2013-14 assessed value of parcels subject to CFD No. 91-01 special tax by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County Auditor-Controller Property Tax Services.

⁽⁴⁾ Debt outstanding for Metropolitan Water District per Metropolitan Water District, as of the last debt service payment on March 1, 2014.

⁽⁵⁾ Debt outstanding for Palomar Community College District Prop M 2006A and 2006B and San Marcos Unified School District Prop K Series 2010A and Series 2010B per the debt service schedules as of June 30, 2014.

⁽⁶⁾ Debt issued on April 30, 2014. Tax levy to commence in Fiscal Year 2014-15. Percentage of Levy Applicable to CFD No. 91-01 has been allocated based on San Marcos Unified School District Prop K (Series 2010A) bond allocation.

⁽⁷⁾ The value-to-lien ratio for the parcels that comprise the Twin Oaks Valley Ranch golf course is 22.79. See the caption "— General."

Source: David Taussig & Associates, Inc.

Estimated Average Effective Tax Rate. The Special Tax Consultant has calculated that the total effective tax rate for residential properties within CFD No. 91-01 will be approximately 1.55978%, as shown

in the following table. The estimated tax rates and amounts presented below are based on currently available information. The actual amounts charged may vary and may increase or decrease in future years.

**TABLE 96
COMMUNITY FACILITIES DISTRICT NO. 91-01
EFFECTIVE TAX RATE⁽¹⁾**

Fiscal Year 2014-15 Average Net Assessed Value⁽²⁾		\$ 379,063
	<i>Fiscal Year 2013-14 Tax Rate</i>	<i>Tax Amount⁽³⁾</i>
Ad Valorem Property Taxes		
Base Property Tax Rate	1.00000%	\$ 3,790.63
Metropolitan Water District	0.00350	13.27
Palomar Health 2005A	0.02350	89.08
Palomar Community College District 2006A	0.00892	33.81
Palomar Community College District 2006B	0.00368	13.95
San Marcos Unified School District Prop K Series 2010A	0.04387	166.30
San Marcos Unified School District Series 2010B	0.00013	0.49
San Marcos Unified School District Series 2010C ⁽⁴⁾	<u>0.00000</u>	<u>0.00</u>
Subtotal Ad Valorem Property Tax Rate/Taxes	1.08360%	\$ 4,107.53
	<i>Fiscal Year 2014-15 Average Estimated Rates</i>	<i>Average Maximum Rates</i>
Special Taxes, Assessments and Charges		
Vector Disease Control	\$ 4.10	\$ 4.10
Mosquito Surveillance	2.28	2.28
MWD Water Standby Charge	11.50	11.50
CWA Water Availability	10.00	10.00
San Marcos CFD No. 91-02	201.46	201.47
San Marcos LMD No. 1	43.94	43.94
San Marcos CFD No. 91-01 ⁽⁵⁾	<u>1,531.74</u>	<u>1,819.25⁽⁶⁾</u>
Subtotal Special Taxes, Assessments and Charges	<u>\$ 1,805.02</u>	<u>\$ 2,092.54</u>
TOTAL PROPERTY TAXES	\$ 5,912.55	\$ 6,200.07
TOTAL EFFECTIVE TAX RATE	1.55978%	1.63563%

⁽¹⁾ Reflects effective tax rate for residential properties with CFD No. 91-01 only. Based on: (i) estimated regular property taxes using Fiscal Year 2014-15 assessed values and Fiscal Year 2013-14 tax rates; (ii) estimated Fiscal Year 2014-15 special taxes, assessments and charges; and (iii) Fiscal Year 2014-15 City special taxes.

⁽²⁾ Net of exemptions.

⁽³⁾ Fiscal Year 2013-14 tax rate multiplied by Fiscal Year 2014-15 average net assessed value.

⁽⁴⁾ Bonds issued on April 30, 2014. Levy to commence in Fiscal Year 2014-15. Fiscal Year 2014-15 tax rates are not yet available.

⁽⁵⁾ Based on debt service for Prior Special Tax Bonds issued by CFD No. 91-01.

⁽⁶⁾ Reflects maximum Special Tax rates prescribed by CFD No. 91-01's Rate and Method. However, pursuant to Government Code § 53321(d), the Special Tax for public facilities levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within CFD No. 91-01 by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults.

Source: David Taussig & Associates, Inc.; San Diego County Assessor's Office; City of San Marcos; Vector Control; Metropolitan Water District; San Diego County Water Authority.

ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS

The following tables set forth the number of parcels within various ranges of estimated assessed value-to-lien ratios for each Improvement Area and CFD No. 91-01 based on the Fiscal Year 2014-15 assessed valuation and the total outstanding principal amount of the Special Tax Refunding Bonds relating to such Improvement Area and CFD No. 91-01. As summarized below, the estimated assessed value-to-lien ratio for all parcels within the Improvement Areas and CFD No. 91-01 is approximately 17.58 to 1, but the ratios over individual parcels vary widely. The value of the individual parcels is significant because, in the event of a delinquency in payment, the Community Facilities Districts' only remedy is to foreclose on the delinquent parcel. A parcel with a lower value-to-lien ratio may be less likely to sell at foreclosure or provide sale proceeds adequate to pay all delinquent Special Tax installments.

TABLE 97
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREAS A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 AND V1A
AND COMMUNITY FACILITIES DISTRICT NO. 91-01
SUMMARY OF ESTIMATED ASSESSED VALUE-TO-LIEN BY RATIO
(FISCAL YEAR 2014-15)

<i>Estimated Assessed Value-to-Lien</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2014-15 Special Tax</i>	<i>Percentage of Fiscal Year 2014-15 Special Tax</i>	<i>Fiscal Year 2014-15 Maximum Special Tax</i>	<i>Percentage of Fiscal Year 2014-15 Maximum Special Tax</i>	<i>Allocable Share of Special Tax Refunding Bonds⁽¹⁾</i>	<i>Percentage of Total Special Tax Refunding Bonds</i>	<i>Allocable Share of Direct and Overlapping Debt⁽²⁾⁽³⁾</i>	<i>Fiscal Year 2014-15 Assessed Value</i>	<i>Estimated Assessed Value to Debt⁽⁴⁾</i>
20:1 or better	424	\$ 721,683	20.72%	\$ 1,274,566	28.17%	\$ 6,712,725	20.72%	\$ 11,268,815	\$ 256,471,497	22.76
15:1 to 19.99:1	973	1,919,996	55.13	2,251,830	49.77	17,858,834	55.13	29,497,367	514,368,534	17.44
10:1 to 14.99:1	307	771,887	22.16	915,372	20.23	7,179,701	22.16	10,718,761	142,646,808	13.31
5:1 to 9.99:1	19	57,638	1.66	68,652	1.52	536,122	1.66	682,845	5,423,268	7.94
Less than 5:1	5 ⁽⁵⁾	11,570	0.33	13,836	0.31	107,618	0.33	119,596	470,772	3.94
Total⁽⁶⁾	1,728⁽⁷⁾	\$ 3,482,774	100.00%	\$ 4,524,255	100.00%	\$ 32,395,000	100.00%	\$ 52,287,384	\$ 919,380,879	17.58

⁽¹⁾ Calculated by multiplying the Percentage of Fiscal Year 2014-15 Special Tax by the total Special Tax Refunding Bonds principal amount of \$32,395,000.

⁽²⁾ Includes overlapping debt from Metropolitan Water District, Palomar Community College District, San Marcos Unified School District, and Palomar Health.

⁽³⁾ The Allocable Share of Debt and Overlapping Debt were estimated by multiplying the Fiscal Year 2013-14 assessed value of subject parcels by the applicable Fiscal Year 2013-14 tax rate. Assessed valuation and tax rates provided by County of San Diego Auditor-Controller Property Tax Services.

⁽⁴⁾ Calculated by dividing the Fiscal Year 2014-15 Net Assessed Value column by the Allocable Share of Direct and Overlapping Debt column.

⁽⁵⁾ Three of such parcels have reduced assessed value due to Proposition 60/90, which allows property owners aged 55 and older to transfer the base year value of a sold home to a new home of equal or lesser value within the same county (Proposition 60), or to another county in the State (Proposition 90). One such parcel was purchased in 1995 and has an assessed value based on the year of purchase. One such parcel has no improvement value.

⁽⁶⁾ Amounts may not add due to rounding.

⁽⁷⁾ Includes 1,527 residential parcels in the Improvement Areas, 214 residential parcels in CFD No. 91-01 and 11 golf course parcels in CFD No. 91-01. Differs from amount set forth in Table 99 under the caption "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the Authority" for the reasons set forth in footnotes (1) and (2) to Table 99.

Source: David Taussig & Associates, Inc.

TABLE 98
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREAS A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2 AND V1A
AND COMMUNITY FACILITIES DISTRICT NO. 91-01
ESTIMATED ASSESSED VALUE-TO-LIEN SUMMARY

Area	Principal Amount of Special Tax Refunding Bonds	Direct and Overlapping Debt	Net Assessed Value	Fiscal Year 2013-14		Fiscal Year 2014-15	
				Estimated Net Assessed Value to Direct and Overlapping Debt ⁽¹⁾	Net Assessed Value	Estimated Net Assessed Value to Direct and Overlapping Debt ⁽¹⁾	Net Assessed Value
Improvement Area A1	\$ 1,475,359	\$ 2,484,933	\$ 43,942,659	17.68	\$ 47,671,259	19.18	
Improvement Area A2	1,562,336	2,558,321	43,347,791	16.94	46,337,161	18.11	
Improvement Area B1	1,481,086	2,531,106	45,712,050	18.06	49,919,912	19.72	
Improvement Area B2	1,266,765	2,288,078	44,458,020	19.43	49,729,042	21.73	
Improvement Area C1	2,403,562	3,440,722	45,150,656	13.12	52,581,957	15.28	
Improvement Area D1	1,293,336	2,185,561	38,843,618	17.77	43,543,377	19.92	
Improvement Area F2/V2	2,555,000	3,918,002	59,340,691	15.15	86,618,485	22.11	
Improvement Area G3	948,429	1,532,852	25,426,056	16.59	27,664,347	18.05	
Improvement Area H1A	1,029,351	1,718,128	29,974,919	17.45	33,337,675	19.40	
Improvement Area H1B	957,906	1,573,602	26,800,010	17.03	29,248,644	18.59	
Improvement Area J	3,715,000	4,673,206	41,709,009	8.93	48,734,833	10.43	
Improvement Area M	3,004,457	4,836,176	79,731,284	16.49	84,361,313	17.44	
Improvement Area N1	1,856,316	2,990,901	49,390,065	16.51	55,098,838	18.42	
Improvement Area N2	1,746,324	2,756,636	43,980,486	15.95	49,699,019	18.03	
Improvement Area R1	1,937,774	3,284,164	43,951,804	13.38	48,092,162	14.64	
Improvement Area R2	1,525,228	2,670,180	37,373,766	14.00	42,207,076	15.81	
Improvement Area V1A	2,185,000	2,950,057	33,297,991	11.29	38,191,193	12.95	
CFD No. 91-01	1,451,771	3,894,759	80,910,906	20.77	86,344,586	22.17	
Total	\$ 32,395,000	\$ 52,287,384	\$ 813,341,781	15.56	\$ 919,380,879	17.58	

⁽¹⁾ Calculated by dividing the Net Assessed Value column by the Direct and Overlapping Debt column.
Source: David Taussig & Associates, Inc.

SPECIAL RISK FACTORS

There are certain risks associated with the purchase of the Bonds and the following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.

The Bonds are Limited Obligations of the Authority

Funds for the payment of the principal of and the interest on the Bonds are derived from debt service payments on the Special Tax Refunding Bonds, which are derived only from annual payments of Special Taxes. The amount of annual installments of Special Taxes that are collected could be insufficient to pay principal of and interest on the Special Tax Refunding Bonds due to non-payment of such Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within the Improvement Areas or CFD No. 91-01, as applicable, following delinquency. The City's and Community Facilities Districts' legal obligations with respect to any delinquent Special Taxes are limited to: (1) payments from the Reserve Fund to the extent of funds on deposit therein; and (2) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SECURITY FOR THE BONDS—Covenant to Foreclose." The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. Enforcement of Special Tax payment obligations by the Community Facilities Districts is limited to judicial foreclosure in the Superior Court of California, County of San Diego. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

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The number of parcels subject to the Special Taxes in each year in which the Bonds are outstanding, assuming no further prepayment of Special Taxes, is set forth in the below table.

**TABLE 99
COMMUNITY FACILITIES DISTRICT NOS. 99-01 AND 91-01
NUMBER OF RESIDENTIAL PARCELS PER IMPROVEMENT AREA / CFD NO. 91-01**

<i>Levy Year</i>	<i>CFD No. 99-01 Improvement Area</i>																	<i>CFD No.</i>	<i>Total⁽³⁾</i>
	<i>A1</i>	<i>A2</i>	<i>B1</i>	<i>B2</i>	<i>C1</i>	<i>D1</i>	<i>F2/V2⁽¹⁾</i>	<i>G3</i>	<i>H1A</i>	<i>H1B</i>	<i>J</i>	<i>M</i>	<i>N1</i>	<i>N2</i>	<i>R1</i>	<i>R2</i>	<i>VIA</i>	<i>91-01⁽²⁾</i>	All Areas
2015	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2016	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2017	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2018	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2019	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2020	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	214	1,741
2021	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2022	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2023	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2024	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2025	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2026	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2027	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2028	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2029	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2030	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2031	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2032	86	85	93	103	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,527
2033	-	85	93	-	162	87	173	84	55	49	71	107	84	76	87	61	64	-	1,338
2034	-	-	-	-	162	-	173	-	-	49	71	-	-	76	87	61	64	-	743
2035	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308
2036	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308
2037	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308
2038	-	-	-	-	-	-	173	-	-	-	71	-	-	-	-	-	64	-	308

⁽¹⁾ This Improvement Area currently includes 149 parcels. One parcel was subdivided into 25 parcels (each representing a residential condominium unit) on July 21, 2014, which was after the creation of the Fiscal Year 2014-15 tax roll. Four of such units remain to be sold. See the caption “COMMUNITY FACILITIES DISTRICT NO. 99-01—Improvement Area F2/V2—General.”

⁽²⁾ Excludes 11 parcels which comprise the Twin Oaks Valley Ranch golf course. See the caption “COMMUNITY FACILITIES DISTRICT NO. 91-01—General.”

⁽³⁾ Number of parcels differs from amount set forth in Table 97 under the caption “ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS” for the reasons described in footnotes (1) and (2) above.

Source: Stifel, Nicolaus & Company, Inc.

The Special Tax Refunding Bonds are Limited Obligations

The obligation of the Community Facilities Districts, as the issuers of the Special Tax Refunding Bonds, to advance the amount of delinquencies to the Trustee, as the registered holder of the Special Tax Refunding Bonds, is strictly limited to funds on deposit in the Reserve Fund established and held by the Trustee pursuant to the Indenture. The City has no liability for any payments due on the Special Tax Refunding Bonds issued by the Community Facilities Districts.

Failure by owners of the parcels to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the City or the Community Facilities Districts to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the City or the Community Facilities Districts to make full or timely payments of debt service on the Bonds, which may in turn result in the depletion of the Reserve Fund and the inability of the Authority to make full or timely payment on the Bonds.

The Special Taxes collected in one Community Facilities District or Improvement Area cannot be used to pay debt service on the Special Tax Refunding Bonds of another Community Facilities District or Improvement Area, as applicable.

The Special Taxes are Not Personal Obligations of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the Community Facilities Districts have no recourse against the owner and their only remedy is to pursue judicial foreclosure on the delinquent parcel.

Potential Early Redemption of Bonds from Prepayments

Property owners within the Improvement Areas and CFD No. 91-01 are permitted to prepay their Special Taxes at any time. Such prepayments will result in a redemption of Special Tax Refunding Bonds on the first March 1 or September 1 which is more than 30 days following the receipt of the prepayment. The proceeds of the Special Tax Refunding Bonds so redeemed will then be used to make a mandatory redemption of the Bonds. The Bonds will be called from the proceeds of the Special Tax Refunding Bonds redeemed from prepayments as set forth under the caption “THE BONDS—Redemption—Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds.”

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities Districts, the supply of or demand for competitive properties in such area and the market value of comparable residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to threatened and endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, tsunamis, fires, landslides and floods), which may result in uninsured losses.

Because assessed values do not necessarily indicate fair market values, the declines in fair market values in recent years may have been even greater than the declines in assessed valuations. No assurance can be given that the individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure Delays” for a discussion of certain

limitations on the Community Facilities Districts' ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

No property owner in any Improvement Area and CFD No. 91-01 is presently responsible for more than 12.18%* of the Special Taxes levied within the applicable Improvement Area or CFD No. 91-01. See the captions "COMMUNITY FACILITIES DISTRICT NO. 99-01" and "COMMUNITY FACILITIES DISTRICT NO. 91-01." There may be subsequent transfers of ownership of the property within the Improvement Areas and CFD No. 91-01. Failure of the owners of property to pay the annual Special Taxes when due could result in a default in payments of the principal of and interest on the Special Tax Refunding Bonds, which could result in the inability of the Authority to make payments of the principal of and interest on the Bonds when due. Such risk may be greater or its consequence more severe when ownership is concentrated and may be expected to decrease as ownership is diversified through development and sales.

Additionally, pursuant to the CFD Act, under no circumstances will the Special Taxes levied against any parcel of residential property within the Community Facilities Districts be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquency or default. As a result, it may not be possible to levy Special Taxes at the maximum Special Tax amount.

Insufficiency of Special Taxes

Notwithstanding the fact that the maximum Special Taxes that may be levied in each Improvement Area and CFD No. 91-01 exceed debt service due on the related series of Special Tax Refunding Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rates and Methods for each Improvement Area and CFD No. 91-01.

In the event of significant delinquencies in an Improvement Area or CFD No. 91-01, as applicable, causing a default in payment of debt service on the related series of Special Tax Refunding Bonds and depletion of all amounts on deposit in the Reserve Fund, there would not be sufficient Special Tax Revenues to pay the full amount of annual debt service on the Bonds until the delinquent Special Taxes were collected through foreclosure action or otherwise. See the caption "—Bankruptcy and Foreclosure Delays" for a discussion of potential delays in foreclosure actions.

The CFD Act provides that, if any property within the Improvement Areas or CFD No. 91-01, as applicable, that is not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the CFD Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the CFD Act have not been tested in the courts. In particular, insofar as the CFD Act requires payment of the Special Tax by a federal entity acquiring property in the Community Facilities Districts, it may be unconstitutional. See the caption "—FDIC/Federal Government Interests in Properties." If for any reason property in a Community Facilities District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency,

* Such parcel was subdivided into 25 parcels on July 21, 2014. See the caption "COMMUNITY FACILITIES DISTRICT NO. 99-01—Improvement Area F2/V2—General." The next largest property owner within the Improvement Areas and CFD No. 91-01 is the owner of certain parcels comprising the Twin Oaks Valley Ranch golf course. Such owner is responsible for approximately 5.27% of the Special Taxes levied within CFD No. 91-01, although the City notes that such property owner is affiliated with other property owners in CFD No. 91-01, all of whom own parcels comprising the Twin Oaks Valley Ranch golf course. Approximately 11.35% of the Fiscal Year 2014-15 Special Tax levy within CFD No. 91-01 is imposed upon such affiliated ownership entities.

subject to the limitation of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties in the applicable Community Facilities District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, due to the problems of collecting taxes from public agencies, if a substantial portion of land within the Improvement Areas or CFD No. 91-01, as applicable, were to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due, and a default could occur with respect to the payment of such principal and interest.

Bankruptcy and Foreclosure Delays

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the Community Facilities Districts to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings set forth in the Special Tax Refunding Bonds Fiscal Agent Agreements (see the caption "SECURITY FOR THE BONDS—Covenant to Foreclose") may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the United States Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Although a bankruptcy proceeding would not cause the lien of the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by a bankruptcy court. In addition, the bankruptcy of a property owner could result in a stay of enforcement or other delay in procuring Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Special Taxes. If enough parcels were involved in bankruptcy proceedings, court delays would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments, including the Bonds and the Special Tax Refunding Bonds, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

FDIC/Federal Government Interests in Properties

General. The ability of the Community Facilities Districts to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal

agencies such as the Federal National Mortgage Association (“FNMA”) or Freddie Mac, has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the Improvement Areas or CFD No. 91-01, as applicable, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the applicable Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the “Ninth Circuit”), held that FNMA is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. For a discussion of risks associated with taxable parcels within the Improvement Areas or CFD No. 91-01, as applicable, becoming owned by the federal government, federal government entities or federal government sponsored entities, see the caption “—Insufficiency of Special Taxes.”

The Community Facilities Districts have not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Areas or CFD No. 91-01, as applicable, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the Improvement Areas or CFD No. 91-01, as applicable, is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the applicable Community Facilities District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent that the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent that it purports to secure the payment of any such amounts. Special taxes imposed under the CFD Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from CFD Act special taxes.

The Community Facilities Districts are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within any Improvement Area or CFD No. 91-01, as applicable, if the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes from being foreclosed at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

Direct and Overlapping Debt

Neither the Authority, the City nor the Community Facilities Districts have control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the Improvement Areas or CFD No. 91-01, as applicable, which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the property within the Improvement Areas or CFD No. 91-01, as applicable. Other public agencies may issue additional indebtedness on property within the Improvement Areas or CFD No. 91-01, as applicable, at any time. Furthermore, nothing prevents the owners of property within the Improvement Areas or CFD No. 91-01, as applicable, from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes on a parity with the Special Taxes or assessments which would be subordinate to the Special Taxes. To the extent that such indebtedness is payable from assessments, other special taxes levied pursuant to the CFD Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the Improvement Areas or CFD No. 91-01, as applicable.

Accordingly, the debt on the property within the Improvement Areas or CFD No. 91-01, as applicable, could increase, without any corresponding increase in the value of the property therein. The imposition of such additional indebtedness could reduce the willingness and ability of the property owners within the Improvement Areas or CFD No. 91-01, as applicable, to pay the Special Taxes when due. See the caption “—Cumulative Burden of Parity Taxes and Special Assessments.” Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See the caption “—Land Values.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The Community Facilities Districts have caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of San Diego against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the Improvement Areas or CFD No. 91-01, as applicable, or lending of money thereon.

The CFD Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code § 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Natural Disasters

The Community Facilities Districts, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, tsunamis, high winds, landslides or flooding in the event of unseasonable rainfall. The occurrence of seismic activity, fires, tsunamis, high winds, landslides or flooding in or around the Community Facilities Districts could result in substantial damage to properties in the Community Facilities Districts which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Special Tax installments when due, and the Reserve Fund may eventually become depleted. In addition, the value of land in the Community Facilities Districts could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Tax installments.

In recent years, including 2007 and 2014, portions of the City have experienced outbreaks of wildfires that have burned hundreds of acres at a time and destroyed dozens of homes and structures. Such wildfires have occurred in San Diego County, affecting parts of the City near the Community Facilities Districts and resulting in the destruction of homes.

Land Values

The value of land within the Improvement Areas and CFD No. 91-01 is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of a Special Tax installment, the Community Facilities Districts' only remedy is to commence foreclosure proceedings on such property. Prospective purchasers of the Bonds should not assume that the property within the Improvement Areas and CFD No. 91-01 could be sold for the assessed value described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments. Reductions in property values within the Improvement Areas and CFD No. 91-01 due to a downturn in the economy or the real estate market, events such as earthquakes, wildfires, droughts, tsunamis, high winds, landslides or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the liens. The property within the Improvement Areas and CFD No. 91-01 is substantially developed.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the San Diego County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year as limited by Proposition 13, as amended by Proposition 8. Recently, several counties in the State, including the County of San Diego, have reassessed certain properties acquired in recent years at the peak of the real estate market. The Authority is aware that the County of San Diego Assessor made reductions in Fiscal Year 2008-09, 2009-10 and 2012-13 assessed values within the Community Facilities Districts and the City generally. See the captions "COMMUNITY FACILITIES DISTRICT NO. 99-01" and "COMMUNITY FACILITIES DISTRICT NO. 91-01." The Authority cannot predict whether the County of San Diego will further reduce assessed values within the Improvement Areas and CFD No. 91-01 in future years. However, many of the homes within the Improvement Areas and CFD No 91-01 were purchased after 2004 at the height of the San Diego real estate market. Accordingly, if the County of San Diego did decide to broadly

reassess recent home transactions in the County of San Diego, it is possible that in future years the assessed values shown in this Official Statement could be adjusted downward from the values reflected on the Fiscal Year 2014-15 Assessor's Roll. No assurance can be given that Fiscal Year 2014-15 assessed values reflect market values or that a parcel could actually be sold for its assessed value.

The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the Improvement Areas and CFD No. 91-01, which is the security for the Special Tax Refunding Bonds, which secure the Bonds. As discussed herein, many factors could adversely affect property values within the Improvement Areas and CFD No. 91-01.

Hazardous Substances

A claim with regard to a hazardous substance on a parcel of land subject to any of the Special Taxes can result in a significant potential reduction in the value of the parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is well known, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Improvement Areas or CFD No. 91-01 be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition because the prospective purchaser of such a parcel will, upon becoming the owner of such parcel, become obligated to remedy the condition just as the seller of such a parcel is obligated to remedy the condition.

Hazardous substance liabilities may arise in the future with respect to any of the parcels within the Improvement Areas or CFD No. 91-01 resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

Cumulative Burden of Parity Taxes and Special Assessments

Property within the Improvement Areas and CFD No. 91-01 is subject to taxes imposed by public agencies that also have jurisdiction over the land within the Improvement Areas and CFD No. 91-01, as applicable. See the captions "COMMUNITY FACILITIES DISTRICT NO. 99-01" and "COMMUNITY FACILITIES DISTRICT NO. 91-01."

The Special Taxes constitute a lien against the parcels of land on which they have been levied. Such lien is on a parity with all special taxes or assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, regardless of when they are imposed upon the same property.

Neither the Authority, the City nor the Community Facilities Districts have control over the ability of other entities to issue indebtedness secured by *ad valorem* taxes, special taxes or assessments levied on all or a portion of the property within the Improvement Areas and CFD No. 91-01. In addition, the owners of the property within the Improvements Areas and CFD No. 91-01 may, without the consent or knowledge of the Authority, the City or the Community Facilities Districts, petition other public agencies to issue public indebtedness secured by *ad valorem* taxes, special taxes or assessments. The property within the Improvement Areas and CFD No. 91-01 is subject to a number of overlapping tax and assessment liens, some of which secure

outstanding indebtedness. See the captions “COMMUNITY FACILITIES DISTRICT NO. 99-01” and “COMMUNITY FACILITIES DISTRICT NO. 91-01.”

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION—Tax Matters,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority, the City and the Community Facilities Districts have covenanted in the Indenture and the Special Tax Refunding Bonds Fiscal Agent Agreements, respectively, not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date that the Bonds were issued, as a result of acts or omissions of the Authority, the City or the Community Facilities Districts in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain Outstanding to maturity or until redeemed under the optional or mandatory redemption provisions of the Indenture.

California Constitution Article XIII C and Article XIII D

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain, among other things, a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Among other things, Section 3 of Article XIII C states that “... the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The CFD Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the CFD Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the CFD Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the initiative has not conferred on the voters the power to repeal or reduce Special Taxes if such reduction would interfere with the timely retirement of the Special Tax Refunding Bonds. The provisions of the initiative relating to the exercise of the initiative power have not been interpreted by the courts and no assurance can be given as to the outcome of any such litigation.

It may be possible, however, for voters or the City Council, acting as the legislative body of the Community Facilities Districts, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the Community Facilities Districts have covenanted that

they will not initiate proceedings under the CFD Act to reduce the maximum Special Tax rates on parcels within the Improvement Areas or CFD No. 91-01, as applicable, to less than an amount equal to 110% of maximum annual debt service on the respective Special Tax Refunding Bonds. The Community Facilities Districts have further covenanted that, in the event that an initiative is adopted which purports to alter the respective Rates and Methods, the Community Facilities Districts will commence and pursue legal action in order to preserve their ability to comply with the foregoing covenant. See the caption “SECURITY FOR THE BONDS—Levy and Collection of Special Taxes—General.” However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Articles XIIC and XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at the current time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See the caption “—Limitations on Remedies.”

No Acceleration

Under the Indenture and the Special Tax Refunding Bonds Fiscal Agent Agreements, neither the Bonds nor the Special Tax Refunding Bonds, respectively, are subject to acceleration in the event of payment default or in the event that interest on the Bonds becomes included in gross income for federal income tax purposes. Similarly, there is no provision in the CFD Act, the Indenture or the Special Tax Refunding Bonds Fiscal Agent Agreements for the acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within an Improvement Area or CFD No. 91-01, as applicable, or otherwise, or upon any adverse change in the tax status of interest on the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the Community Facilities Districts have committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See the caption “CONCLUDING INFORMATION—Continuing Disclosure.” The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds, the Indenture and the Special Tax Refunding Bonds Fiscal Agent Agreements to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the Community Facilities Districts, may become subject to the federal bankruptcy code and applicable

bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the captions “—Bankruptcy and Foreclosure Delays,” and “—FDIC/Federal Government Interests in Properties.”

Shapiro Decision

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under the City of San Diego’s charter (the “Charter”) and was intended to function much like a community facilities district established under the provisions of the CFD Act. The CCFD is comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was an election limited to owners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the CFD Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election did not comply with applicable requirements of Article XIII A, Section 4 thereof and Article XIII C, Section 2 of the California Constitution, or with applicable provisions of the City of San Diego’s Charter, because the electors in such an election were not the registered voters residing within the district.

In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*viz.*, all of the registered voters in the City of San Diego). In the case of the Community Facilities Districts, there were no registered voters within the Community Facilities Districts at the time of the elections to authorize the special tax levy for each Community Facilities District. In *City of San Diego*, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the CFD Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the special tax election in the Community Facilities Districts. Moreover, Section 53341 of the CFD Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax . . . shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the CFD Act provides that any action to determine the validity of bonds issued pursuant to the CFD Act or the levy of special taxes authorized pursuant to the CFD Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for CFD No. 91-01 and CFD No. 99-01 in compliance with all applicable requirements of the CFD Act at the time of formation of CFD No. 91-01 or each Improvement Area within CFD No. 99-01, as applicable. Therefore, under the provisions of Sections 53341 and 53359 of the CFD Act, the statute of limitations period to challenge the validity of the special tax for each Community Facilities District has expired.

CONCLUDING INFORMATION

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) pursuant to a Bond Purchase Agreement, dated October 1, 2014 (the “Purchase Agreement”), by and among the

Underwriter, the Authority, CFD No. 99-01 and CFD No. 91-01. The Underwriter has agreed to purchase the Bonds at a price of \$36,389,005.20 (being the aggregate principal amount thereof, plus a net original issue premium of \$4,217,614.70 and less an Underwriter's discount of \$223,609.50). The Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, the Authority or the Community Facilities Districts, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City, the Authority or the Community Facilities Districts.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Financial Advisor

Fieldman, Rolapp & Associates, Irvine, California (the "Financial Advisor"), served as financial advisor with respect to the sale of the Bonds. The Financial Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Legal Opinion; Legal Matters

The legality of the Bonds and certain other legal matters are subject to the approval of Best Best & Krieger LLP, Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Bonds and the Indenture, and a copy of the opinion will accompany each Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. Bond Counsel also will render an opinion with respect to the validity and enforceability of the Special Tax Refunding Bonds. See Appendix C. Certain legal matters will be passed upon for the Authority and the City by the City Attorney, for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, for AGM by its counsel and for the Trustee by its counsel. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and the Trustee is contingent upon the sale and delivery of the Bonds. Bond Counsel and Disclosure

Counsel have from time to time represented the Underwriter in connection with various matters unrelated to the Bonds or the Special Tax Refunding Bonds.

Tax Matters

In the opinion of Best Best & Krieger LLP, San Diego, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority, the City and the Community Facilities Districts comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority, the City and the Community Facilities Districts have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

No Litigation

There is no action, suit or proceeding pending or, to the best knowledge of the City, the Community Facilities Districts and the Authority, threatened at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City, the Community Facilities Districts or the Authority taken with respect to the execution or delivery thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

Rating

S&P has assigned a rating of "A-" to the Uninsured Bonds. S&P has assigned the Insured Bonds the rating of "AA" (stable outlook) based upon the delivery of the Policy by AGM at the time of issuance of the Insured Bonds and the underlying rating of "A-" without respect to the delivery of the Policy. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P.

The Authority makes no representation as to AGM's creditworthiness and no representation that AGM's credit rating will be maintained in the future. S&P has previously taken action to downgrade the ratings of certain municipal bond insurers and has published various releases outlining the processes that S&P intends to follow in evaluating the ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a rating affirmation, a change in rating outlook, a review for downgrade or a downgrade. Potential investors are directed to S&P for additional information on S&P's evaluations of the financial guaranty industry and individual financial guarantors, including AGM. See the caption "BOND INSURANCE" for further information relating to AGM.

Continuing Disclosure

The Community Facilities Districts, for themselves and as agent for the Authority, have covenanted for the benefit of holders and beneficial owners of the Bonds: (1) to provide certain financial information and operating data (the "Annual Report") relating to the Community Facilities Districts and the property in the Improvement Areas and CFD No. 91-01 not later than March 1 after the end of the City's Fiscal Year, commencing with the report for Fiscal Year 2013-14; and (2) to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Community Facilities Districts or a dissemination agent appointed by the Community Facilities Districts with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> ("EMMA"). The notices of enumerated events will be timely filed by the Community Facilities Districts or a dissemination agent appointed by the Community Facilities Districts with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement. See Appendix D. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

It should be noted that the Community Facilities Districts are required to file certain financial statements with the Annual Report. This requirement has been included in the Continuing Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the Community Facilities Districts, the Authority or the City other than as described in this Official Statement. See the captions "SPECIAL RISK FACTORS—The Bonds are Limited Obligations of the Authority" and "SPECIAL RISK FACTORS—The Special Tax Refunding Bonds are Limited Obligations."

The City, the Community Facilities Districts, the Authority and the San Marcos Redevelopment Agency believe that they have not failed to comply in the last five years in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events. Audited financial statements of the City and the San Marcos Redevelopment Agency were not available at the time the annual reports were due for Fiscal Years 2011, 2012 and 2013. As required by the respective continuing disclosure undertakings, the City, the Community Facilities Districts, the Authority and the San Marcos Redevelopment Agency provided notice that the audited financials were not available and that such audited financial statements would be filed as soon as available. However, the City, the Community Facilities Districts, the Authority and the San Marcos Redevelopment Agency did not file unaudited financial statements prior to the filing deadlines as required in the respective continuing disclosure undertakings. The City has taken steps, including the addition of staff resources, to ensure that future audited financial statements will be completed by the time that they are due under the continuing disclosure undertakings of the City and its related entities, barring any unforeseen circumstances.

The full text of the Continuing Disclosure Agreement is set forth in Appendix D.

Miscellaneous

All of the preceding summaries of the Indenture, the Special Tax Refunding Bonds Fiscal Agent Agreements, applicable legislation, agreements and other documents are made subject to the provisions of such documents and legislation and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been authorized by the members of the Board of Directors of the Authority and by the members of the City Council, as the legislative body of the Community Facilities Districts.

SAN MARCOS PUBLIC FINANCING AUTHORITY

By: /s/Jack Griffin
Executive Director

CITY OF SAN MARCOS COMMUNITY FACILITIES DISTRICT NO. 99-01

By: /s/Jack Griffin
City Manager

CITY OF SAN MARCOS COMMUNITY FACILITIES DISTRICT NO. 91-01

By: /s/Jack Griffin
City Manager

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APPENDIX A

INFORMATION REGARDING THE CITY OF SAN MARCOS

The following information relating to the City of San Marcos and the County of San Diego, California is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.

The City of San Marcos, California (the “City”) is located approximately 24 miles north of downtown San Diego and 90 miles south of Los Angeles, in the northern coastal/inland region of San Diego County (the “County”). The Cerros Las Posas, Merriam and San Marcos foothills and a series of valleys are the chief topographic features. The City is accessible to San Diego, Orange, Imperial, San Bernardino, Riverside and Los Angeles Counties. The City is situated along the State Highway 78 Freeway corridor and is bordered by Escondido to the east, Vista to the north and west, Carlsbad to the south and west, and unincorporated areas of the County to the north and south.

Municipal Government

The City is a charter city, incorporated in 1963 and chartered on July 4, 1994. The City operates under a council/manager form of government. The City Council is comprised of five council members, elected at large on a staggered basis for a term of four years. The Mayor is directly elected for a four-year term. The City Council appoints the City Manager and the City Attorney. Public services are typically through independent, special services districts and by contractual agreements with the County.

Risk Management

The City participates in the California Joint Powers Insurance Authority (the “CJPIA”), which is comprised of over 100 member cities. The CJPIA was established under the California Government Code to administer a joint protection program wherein cities pool their losses and claims and jointly purchase excess insurance and administrative and other services. The liability self-insurance coverage arranged by the CJPIA for its members includes protection for personal injury, errors and omissions, property damage and bodily injury (including workers’ compensation coverage).

Climate and Topography

The City is located 600 feet above sea level in rolling hills. The City has mild summers with an average high temperature of 77 degrees and moderate winters with an average winter high temperature of 69 degrees. Average rainfall, which occurs generally in the period between November and April, is 12 inches.

Assessed Valuations

For assessment and collection purposes, property is classified either as “secured” or unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” Shown below is a summary of assessed valuations in the City for Fiscal Years 2010 through 2014.

**CITY OF SAN MARCOS
ASSESSED VALUATIONS
Fiscal Years 2010 through 2014**

<i>Fiscal Year Ended June 30</i>	<i>Local Secured</i>	<i>Unsecured</i>	<i>Less Exemptions</i>	<i>Total</i>
2010	\$8,948,612,795	\$343,678,128	\$(433,607,449)	\$8,858,683,474
2011	8,829,981,997	343,767,058	(432,933,115)	8,740,815,940
2012	8,908,023,695	342,676,146	(441,238,868)	8,809,460,973
2013	8,949,312,131	351,245,593	(482,223,209)	8,818,334,515
2014	9,339,081,684	337,792,578	(503,189,791)	9,173,684,471

Source: City of San Marcos Finance Department.

Revenues and Expenditures

**CITY OF SAN MARCOS
GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
Fiscal Years 2009 through 2013**

<i>Category</i>	<i>Fiscal Year Ended June 30</i>				
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Taxes/Special Assessments ⁽²⁾	\$ 94,097,283	\$ 87,852,421	\$ 87,336,566	\$ 44,811,128	\$ 40,050,764
Licenses & Permits	4,229,537	4,274,969	4,722,075	5,210,749	5,031,124
Intergovernmental	10,406,686	6,816,194	10,725,506	14,657,647	16,273,969
Service Charges	11,783,938	11,341,050	11,273,011	13,430,631	14,423,983
Developer Fees	3,773,174	2,860,402	3,734,747	8,822,043	12,333,859
Fines & Forfeits	292,642	279,735	284,452	203,253	171,675
Use of Money & Property	11,422,319	9,248,874	9,656,305	8,710,563	8,108,512
Miscellaneous	4,444,346	3,358,490	1,984,750	2,020,386	1,656,624
TOTALS⁽²⁾	<u>\$140,449,925</u>	<u>\$126,032,135</u>	<u>\$129,717,412</u>	<u>\$ 97,866,400</u>	<u>\$ 98,050,510</u>

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Projects funds.

⁽²⁾ Decreases in Fiscal Years 2012 and 2013 reflect dissolution of redevelopment agencies pursuant to State law.

Source: City of San Marcos Finance Department.

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**CITY OF SAN MARCOS
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION⁽¹⁾
Fiscal Years 2009 through 2013**

<i>Category</i>	<i>Fiscal Year Ended June 30</i>				
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
General Government	\$ 13,333,406	\$ 14,825,068	\$ 17,457,897	\$ 15,640,014	\$ 15,237,915
Community Development	43,870,002	17,085,690	10,223,010	17,717,361	9,148,706
Public Safety	27,392,057	27,461,612	27,317,174	30,262,221	27,156,685
Highways & Streets	15,445,033	14,040,659	13,379,798	14,053,498	13,407,088
Culture & Recreation	2,822,593	2,763,210	2,814,054	2,984,215	4,819,380
Tax Increment Distribution to Other					
Governmental Agencies	18,086,645	37,060,348	16,266,743	410,877	-
SERAF Payment	-	-	4,163,078	-	-
Capital Outlay	39,281,839	38,456,751	26,289,568	20,163,235	16,677,835
Debt Service ⁽²⁾	<u>25,392,922</u>	<u>24,546,342</u>	<u>26,023,272</u>	<u>19,412,747</u>	<u>620,399</u>
TOTALS ⁽²⁾	<u>\$185,634,497</u>	<u>\$176,239,680</u>	<u>\$143,934,594</u>	<u>\$120,644,168</u>	<u>\$ 87,068,008</u>

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Projects funds.

⁽²⁾ Decrease in Fiscal Year 2013 reflects dissolution of redevelopment agencies pursuant to State law.

Source: City of San Marcos Finance Department.

Tax Levies, Collections and Delinquencies

The County Treasurer-Tax Collector collects *ad valorem* property tax levies representing taxes levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31, in the following Fiscal Year. One-half of the secured tax levy is due on November 1 and becomes delinquent on December 10; the second installment is due on February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment. On June 30, delinquent properties are sold to the State.

Property owners may redeem property upon payment of delinquent taxes and penalties. Properties sold to the State incur a redemption penalty of 1½% per month of the tax due. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes for five years. Interest accrues at 1½% per month on the unpaid balance. If no payments have been made on delinquent taxes at the end of five Fiscal Years, the property is deeded to the State. Such properties may thereafter be conveyed to the County Treasurer-Tax Collector as provided by law.

Set forth below is a summary of the secured property tax levies, collection delinquencies, and total collections for Fiscal Years 2010 through 2014.

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**CITY OF SAN MARCOS
PROPERTY TAX LEVIES AND COLLECTIONS
Fiscal Years 2010 through 2014**

<i>Fiscal Year Ended June 30</i>	<i>Taxes Levied for the Fiscal Year⁽¹⁾</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Delinquent Collections⁽²⁾</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percentage of Levy</i>		<i>Amount</i>	<i>Percentage</i>
2010	\$5,575,114	\$5,363,998	96.21%	\$227,310	\$5,591,308	100.29%
2011	5,604,503	5,413,368	96.59	226,828	5,640,196	100.64
2012	5,645,057	5,477,833	97.04	130,736	5,608,569	99.35
2013	5,898,965	5,733,817	97.20	122,068	5,855,885	99.27
2014	6,279,428	6,069,950	96.66	104,591	6,174,541	98.33

⁽¹⁾ The amounts presented include City and Fire District property taxes.

⁽²⁾ Includes prior years' delinquent collections, escapes, penalties and interest.

Source: City of San Marcos Finance Department.

Population

The City has grown from 3,896 people in 1970 to an estimated 90,179 as of January 1, 2014. The following is a tabulation of population data for the City.

**CITY OF SAN MARCOS
POPULATION DATA**

<i>Calendar Year</i>	<i>Population</i>
1970	3,896
1980	17,479
1990	38,974
2000	54,977
2005	72,564
2006	76,303
2007	79,273
2008	82,116
2009	82,879
2010	83,781
2011	84,586
2012	85,569
2013	87,165
2014	90,179

Source: 1970, 1980, 1990, 2000 and 2010 figures are from the U.S. Bureau of the Census. All other figures have been estimated by the Demographic Research Unit, California State Department of Finance as of January 1 of each year listed.

Employment and Industry

The City's total labor force, the number of persons who work or are available for work, averaged 31,600 in calendar year 2013. The number of employed workers in the labor force averaged 29,200.

The following table sets forth information regarding the size of the labor force, employment and unemployment rates for the City for calendar years 2009 through 2013.

**CITY OF SAN MARCOS
LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Calendar Years 2009 through 2013**

<i>Calendar Year</i>	<i>Labor Force</i>	<i>Employed</i>	<i>Unemployed</i>	<i>Unemployment Rate</i>
2009	30,900	27,900	3,000	9.6%
2010	31,000	27,700	3,300	10.5
2011	31,500	28,300	3,100	10.0
2012	31,700	28,900	2,800	8.9
2013	31,600	29,200	2,400	7.5

Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics Information and Analysis and State of California Employment Development Department.

Regional Employment

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area (the “MSA”), which includes all of the County. The following table represents the Annual Average Labor Force and Industry Employment for the MSA for the period from calendar years 2009 through 2013.

**SAN DIEGO-CARLSBAD-SAN MARCOS
METROPOLITAN STATISTICAL AREA
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
Calendar Years 2009 through 2013**

	<i>Calendar Years Ended December 31</i>				
	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Total, All Industries	1,255,600	1,246,900	1,255,700	1,289,000	1,321,800
Total Farm	10,400	10,500	9,800	9,800	9,800
Mining and Logging	400	400	400	400	400
Construction	61,100	55,300	55,200	56,900	61,200
Manufacturing	95,300	92,900	93,100	94,300	94,600
Trade, Transportation and Utilities	199,500	197,300	200,800	207,700	212,300
Information	28,200	25,100	24,200	24,500	24,100
Financial Activities	69,800	67,200	67,500	70,100	71,400
Professional and Business Services	206,800	207,700	209,800	216,200	222,600
Educational and Health Services	158,200	159,500	162,800	170,400	179,300
Leisure and Hospitality	154,800	154,500	155,600	161,700	167,500
Other Services	46,800	46,100	47,600	49,100	49,200
Government	224,500	230,400	229,000	227,800	229,500

Source: State of California Employment Development Department.

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The following table sets forth the principal employers in the City for the Fiscal Year ending June 30, 2014.

**CITY OF SAN MARCOS
PRINCIPAL EMPLOYERS
Fiscal Year 2014**

<i>Employer</i>	<i>Products/Services</i>	<i>Number of Employees</i>
Hunter Industries, Inc.	Manufacturing – Plastic Products	756
United Parcel Service	Services – Delivery	438
Southern California Permanente Medical Group	Services – Health Care	361
Wal-Mart Stores, Inc.	Retail – Department Store	350
Lusardi Construction Co.	Contractor – Construction	300
Aerotek Inc.	Services – Employment	283
Costco Wholesale	Retail – Variety Store	268
RB III Associates, Inc.	Apparel – Manufacturing	259
Fluid Components International, LLC	Manufacturing – Miscellaneous	245
Oncore Manufacturing Services, LLC	Manufacturing – Electronics	233
Fry’s Electronics	Retail – Electronics	186
Hollandia Dairy Inc.	Dairy	185
Hughes Circuits Inc.	Manufacturing – Electronics	170
Home Depot #6656	Retail – Building Supplies	164
24356 Swartz Burgers Inc.	Restaurant	150
Southern Contracting	Contractor – Electrical	150
Diamond Environmental Services LP	Services – Waste Facility	148
Markstein Beverage Co.	Wholesale – Beverages	140
Plum Health Care Group	Services – Health Care	135
Falmat Inc.	Retail – Wire Products	130
Vanpike Inc.	Services – Employment	130
Kindred Transitional Care & Rehabilitation	Services – Nursing	114
Jacques Gourmet	Wholesale – Bakery	112
Kohl’s Department Store #707	Retail – Department Store	112
Corky’s Pest Control Inc.	Services – Pest Control	110
M Bar C Construction Inc.	Contractor – Steel	100
Baked in the Sun	Wholesale – Bakery	100
Ralph’s #683	Grocery – Supermarket	99
K-Tech Machine, Inc.	Machine Shop	97
SF Markets LLC	Grocery – Supermarket	<u>97</u>
<i>Total</i>		<u><i>6,122</i></u>

⁽¹⁾ Total Employment as used above represents the total employment of all employers located within the City of San Marcos limits.

Source: City of San Marcos.

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Commerce

Taxable sales in the City were approximately \$1,305,707,000 in 2012, the most recent full year for which figures are available. The following shows the taxable transactions of the City for calendar years 2008 through 2012, as provided by the California State Board of Equalization.

**CITY OF SAN MARCOS
TAXABLE TRANSACTIONS
(In Thousands)
Calendar Years 2008 through 2012**

	2008	2009	2010	2011	2012
Retail Stores:					
Apparel stores	\$ 35,470	\$ 37,805	\$ 45,664	\$ 49,566	\$ 54,143
General merchandise stores.....	162,969	153,945	155,508	143,681	212,021
Food stores.....	50,601	47,145	46,639	48,049	49,686
Eating and drinking places.....	113,633	110,772	114,768	127,131	135,061
Home furnishings and appliances	170,985	190,200	190,158	190,854	172,230
Building materials and farm implements.....	141,816	124,752	121,579	132,225	133,573
Auto dealers and auto supplies.....	66,205	42,624	48,273	68,895	77,548
Service stations	109,331	90,962	103,047	114,402	119,256
Other retail stores	<u>126,751</u>	<u>85,760</u>	<u>85,430</u>	<u>89,785</u>	<u>96,978</u>
Retail Stores Totals	977,761	883,965	911,067	964,587	1,050,496
All Other Outlets.....	<u>313,051</u>	<u>249,174</u>	<u>241,054</u>	<u>236,258</u>	<u>255,211</u>
Totals All Outlets.....	<u>\$1,290,812</u>	<u>\$1,133,139</u>	<u>\$1,152,121</u>	<u>\$1,200,846</u>	<u>\$1,305,707</u>

Sales omitted because their publication would result in disclosure of confidential information.

Source: California State Board of Equalization.

Construction

A summary of the value of the building permits issued in the City during Fiscal Years 2010 through 2014 is shown in the following table:

**CITY OF SAN MARCOS
Building Construction Valuations
Fiscal Years 2010 through 2014**

<i>Fiscal Year</i>	<i>Residential⁽¹⁾</i>	<i>Commercial</i>	<i>Other</i>	<i>Total</i>
2010	\$ 33,277,959	\$ 3,612,745	\$11,055,977	\$ 47,946,681
2011	51,307,894	14,697,695	9,968,899	75,974,488
2012	98,585,110	35,123,563	15,396,538	149,105,211
2013	196,057,271	12,496,228	6,104,807	214,658,306
2014	79,366,124	15,728,705	14,636,708	109,731,537

⁽¹⁾ Does not include mobile homes.

Source: City of San Marcos Building Department.

Transportation

Primary access to the City is provided by State Route 78, which is a major transportation corridor that extends in a general east-west direction from Escondido (Interstate 15) to Oceanside (Interstate 5). State Route 78 is one of the few major transportation corridors linking the coastal areas of the County to inland North County. The City can be accessed at various off-ramps from the highway, including Nordahl Road, Twin Oaks Valley Road, San Marcos Boulevard, Las Posas Road, Rancho Santa Fe Road, and Woodland Parkway.

This network of roads provides access to the various neighborhoods and districts dispersed throughout the community.

Interstate 5, along the coast (via State Highway 78), and Interstate 15, inland, provide full freeway access to the City from Los Angeles to the north and San Diego to the south.

Daily bus connections serve the City, passenger rail service on Southern Pacific Railway is 30 minutes to the west in Oceanside and San Diego's Lindbergh International Airport is 35 minutes to the south of the City. The City is connected by the Sprinter light rail service to Amtrak and Metrolink train service in Oceanside, as well as the Escondido Transit Center to the east.

The North County Area is served by the AT&SF Railroad, a part of the transcontinental line linked with major rail networks. A number of industrial parcels throughout the City and the North County region are served by rail.

The smaller McClellan-Palomar Airport in Carlsbad is within minutes of North County cities and is popular among executives who have based nearly 100 corporate aircraft at full-service facilities. Commercial service is offered to San Diego, Los Angeles, Orange County and other southern California and Arizona locations. Air cargo service also may expand as industry expands in North County.

Access to the San Diego Harbor and the Port of San Diego from the City is convenient via rail and freeway connections.

Utilities and Other Local Services

The City provides a wide range of services to its residents, including basic local services such as planning, public works, community services, recreation and parks and fire protection. Police services are provided by the County Sheriff's Department by contract. Vallecitos Water District provides domestic water service and sanitary sewer services, as well as water sewage treatment. Natural gas and electric power currently are supplied only by San Diego Gas & Electric Company. Telephone service is provided by multiple providers.

Education and Community Facilities

The City is known as the educational hub of North San Diego County. California State University, San Marcos, which opened in the fall of 1992 on 305 acres less than one-half mile south of City Hall, currently serves approximately 10,364 students. Ultimate enrollment at this four-year university is estimated at 35,000 students. Palomar Community College, where students can complete a two-year degree, obtain vocational training or take general education courses, has an enrollment in excess of 30,000 full and part-time students. Additionally, there are several vocational/trade schools including the San Diego County Continuing Teacher Education Facility, University of Phoenix, University of St. Augustine, ITT Tech, United Education Institute (UEI), Southern State University, and California College.

San Marcos Unified School District also provides eleven elementary schools, three middle schools, two high schools and one continuation high school. A new elementary and middle school is currently under construction.

Medical facilities include Escondido's Palomar Medical Center with a 563 total bed capacity and a designated trauma center. There are approximately 400 physicians, surgeons, 450 registered nurses and over 100 medical and health services available (e.g., family planning, dieticians, diabetes programs, women's health services, cardiac, birth center and preparation classes) in the community.

Medical facilities within the City include the recently completed Palomar-Pomerado Health Care campus and the expanded Kaiser Permanente Health Care campus. Plans for a Scripps Health Care campus have been approved but are undergoing revised planning.

Recreational facilities in close proximity to the City include the San Diego Safari Park, Legoland, 25 golf courses within 20 miles of the City's downtown, Lake Hodges, Lake Wohlford, Dixon Lake and Palomar Observatory.

Community facilities include the completed San Marcos Town Center. The Town Center covers nearly 60 acres at the northeast corner of Twin Oaks Valley Road and Highway 78, within view of California State University, San Marcos. The Town Center project is a mixed use, public/private venture consisting of a 147,000 square-foot city hall, a 30,000 square-foot multi-purpose community center and a 15,000 square-foot branch of the County Library. The Town Center also includes open space and recreational amenities and three private Class "A" office buildings totaling 225,000 square feet. The Town Center also hosts two large restaurants and a 65,000 square feet health club-anchored retail center.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF BOND DOCUMENTS

The following is a summary of selected provisions of the Indenture and the Fiscal Agent Agreements. The provisions of each Fiscal Agent Agreement are substantially equivalent, except where specified otherwise in this summary. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the documents summarized herein. Purchasers of the Bonds are referred to the complete text of each respective document, copies of which are available upon request from the Trustee.

INDENTURE

Definitions.

The capitalized terms set forth in the Indenture are defined as follows:

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

“Agreement” means that certain Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, by and between the City and the Fire Protection District and as hereafter duly amended and supplemented from time to time, creating the Authority for the purposes, among other things, of assisting the City and the Fire Protection District in the financing and refinancing of Public Capital Improvements, as such term is defined in the Bond Law.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in any Bond Year and (b) the principal amount of the Outstanding Bonds, including mandatory sinking fund payments, scheduled to be paid in such Bond Year.

“Authority” means the San Marcos Public Financing Authority, a joint powers authority organized and existing under the Agreement and under and by virtue of the laws of the State of California.

“Authority Administrative Expenses” means all actual costs and expenses incurred in connection with the administration of the Bonds, including but not limited to: (a) the fees and expenses payable to the Trustee, and its counsel, and other Persons for professional services rendered in connection with the administration, continuing disclosure and rebate obligations of or for the Bonds; and (b) fees and expenses of Independent Accountants for preparation of audits required by the Indenture.

“Authorized Denomination” means the principal amount or maturity amount, as applicable, of \$5,000 or any integral multiple thereof.

“Authorized Representative” means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Secretary, or Treasurer or any other Person designated as an Authorized Representative of the Authority by a certificate of the Authority signed by its Executive Director and filed with the Community Facilities Districts, the Authority and the Trustee; (b) with respect to the City, its Mayor, Vice Mayor, City Manager, or Finance Director, or any other Person designated as an Authorized Representative of the City by a certificate signed on behalf of the City by its City Manager and filed with the Authority and the Trustee; (c) with respect to the Community Facilities Districts, the Authorized Representative of the City, or any other Person designated as an Authorized Representative of the City by a certificate signed on behalf of the Community Facilities Districts by the City Manager and filed with the Authority and the Trustee; and (d) with respect to the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Authorized Officer, or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

“Bond Counsel” means the law firm of Best Best & Krieger LLP, San Diego, California, and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Authority.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

“Bond Purchase Agreement” means an agreement to purchase the Bonds by and among the Underwriter of the Bonds, the Authority, and the Community Facilities Districts.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending on September 1 of the following year. With respect to the Bonds, the first such Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means the \$32,395,000 San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange are closed. If any payment under the Fiscal Agent Agreement is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“City” means the City of San Marcos, a municipal corporation organized under its charter and the laws of the State.

“Closing Date” means the date on which the Bonds are delivered to the Underwriter thereof.

“Community Facilities District No. 91-01” or “CFD No. 91-01” means the City of San Marcos Community Facilities District No. 91-01, a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 99-01,” “Community Facilities District,” or “CFD No. 99-01” means the City of San Marcos Community Facilities District No. 99-01, a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities Districts” means, collectively, Community Facilities District No. 91-01 and Community Facilities District No. 99-01.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds and the Special Tax Refunding Bonds, including but not limited to underwriter’s discount, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fee of the Trustee and fees of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and the Special Tax Refunding Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds and the Special Tax Refunding Bonds.

“Defeasance Obligations” means those investments identified in paragraph A of the definition of Permitted Investments and which are non-callable.

“Event of Bankruptcy” means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

“Event of Default” means any of the events of default specified in the Indenture.

“Fire Protection District” means the San Marcos Fire Protection District.

“Fiscal Agent” means MUFG Union Bank, N.A., or its successor, as Fiscal Agent under the Fiscal Agent Agreements.

“Fiscal Agent Agreement” or “Fiscal Agent Agreements” means the Fiscal Agent Agreement or Fiscal Agent Agreements, each dated as of October 1, 2014, by and between CFD No. 91-04 or CFD No. 99-01, as applicable, as originally executed or as it or they may from time to time be supplemented, modified or amended, pertaining to each Series of Special Tax Refunding Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

“Improvement Area” means the following improvement areas of CFD No. 99-01:

- | | |
|---------------------------|--------------------------|
| 1. Improvement Area A1 | 10. Improvement Area H1B |
| 2. Improvement Area A2; | 11. Improvement Area J |
| 3. Improvement Area B1 | 12. Improvement Area M |
| 4. Improvement Area B2; | 13. Improvement Area N1 |
| 5. Improvement Area C1 | 14. Improvement Area N2 |
| 6. Improvement Area D1 | 15. Improvement Area R1 |
| 7. Improvement Area F2/V2 | 16. Improvement Area R2 |
| 8. Improvement Area G3 | 17. Improvement Area V1A |
| 9. Improvement Area H1A | |

“Improvement Areas” means, collectively, all of the Improvement Areas.

“Indenture” means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Authority, and who, or each of whom:

(a) is, in fact, independent and not under domination of the Authority, the City or the Community Facilities Districts;

(b) does not have any substantial interest, direct or indirect, with the Authority, the City or the Community Facilities Districts; and

(c) is not connected with the Authority, the City or the Community Facilities Districts as an officer or employee of the Authority, the City or the Community Facilities Districts, but who may be regularly retained to make reports to the Authority, the City or the Community Facilities Districts.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

(a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects;

(b) is, in fact, independent and not under the domination of the Authority, the City, or the Community Facilities Districts;

(c) does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities Districts; and

(d) is not connected with the Authority, the City, or the Community Facilities Districts as an officer or employee of the Authority, the City, or the Community Facilities Districts, but who may be regularly retained to make reports to the Authority, the City, or the Community Facilities Districts.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, and such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

“Insured Bonds” means the Bonds maturing on September 1, 2027 through September 1, 2038, inclusive.

“Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof, as the Authority of the Insurance Policy and the Reserve Policy.

“Interest Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Interest Payment Date” means March 1 and September 1, commencing March 1, 2015.

“Maximum Annual Debt Service” means, as of any date of calculation as to any Series of the Bonds, the largest Annual Debt Service, during the current or any future Bond Year.

“Mello-Roos Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Sections 53311 et seq.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the provisions of the Indenture, including particular Bonds (or portions of Bonds) determined to be disqualified pursuant to the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture. When used as of any particular time with reference to any Series of Special Tax Refunding Bonds, “Outstanding” shall have the meaning given such term in the applicable Fiscal Agent Agreement.

“Owner” or “Bond Owner,” whenever used in the Indenture with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Investments” means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to investigate the legality of any investments):

A. The following obligations may be used for all purposes, including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA), and
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,
 - (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration, and
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

(b) obligations of the Resolution Funding Corporation (REFCORP); or

(c) senior debt obligations of the Federal Home Loan Bank System.

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" or "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" by S&P including funds for which the Trustee or an affiliate provides investment advice or other services.

(6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

(8) Investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

"Principal Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, initially being in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted.

“Principal Prepayments” means any amounts received by the Trustee representing a prepayment of principal of any issue of Special Tax Refunding Bonds, whether at maturity of such issue of Special Tax Refunding Bonds or upon the prior redemption, prepayment or acceleration thereof.

“Prior Public Facilities Authority Bonds” means:

1. the \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A;
2. the \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B; and
3. the \$13,660,000 San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A.

“Prior Public Facilities Authority Bonds” means the following:

1. the \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A;
2. the \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B; and
3. the \$13,660,000 San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A.

“Prior Special Tax Bonds” means:

1. \$3,690,000 City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds;
2. \$2,270,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 2004 Special Tax Refunding Bonds;
3. \$2,360,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 2004 Special Tax Refunding Bonds;
4. \$2,255,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 2004 Special Tax Refunding Bonds;
5. \$1,940,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 2004 Special Tax Refunding Bonds;
6. \$3,565,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 2004 Special Tax Refunding Bonds;
7. \$1,960,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 2004 Special Tax Refunding Bonds;
8. \$3,220,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006;
9. \$1,430,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 2004 Special Tax Refunding Bonds;

10. \$1,555,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A 2004 Special Tax Refunding Bonds;

11. \$1,410,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B 2004 Special Tax Refunding Bonds;

12. \$4,675,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area J) Special Tax Bonds, Series 2006;

13. \$4,560,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area M 2004 Special Tax Refunding Bonds;

14. \$2,805,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 2004 Special Tax Refunding Bonds;

15. \$2,575,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 2004 Special Tax Refunding Bonds;

16. \$2,875,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 2004 Special Tax Refunding Bonds;

17. \$2,245,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 2004 Special Tax Refunding Bonds; and

18. \$2,755,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area V1A) Special Tax Bonds, Series 2006.

“Proceeds” means the face amount of the Bonds, plus accrued interest and original issue premium, if any, less original issue discount, if any.

“Proportionate Share” means, as of the date of calculation for any Series of the Special Tax Refunding Bonds when computing the proportionate share allocable to such Special Tax Refunding Bonds among all Outstanding Special Tax Refunding Bonds, the ratio derived by dividing the scheduled Debt Service (as such term is defined in the applicable Fiscal Agent Agreement) on such Series of Special Tax Refunding Bonds due and payable in the preceding Bond Year (as such term is defined in the applicable Fiscal Agent Agreement) by the aggregate Debt Service on all Special Tax Refunding Bonds due and payable in such Bond Year.

“Rebate Fund” means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in the Indenture.

“Record Date” means the fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

“Redemption Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Representation Letter” means the letter of representations from the Authority to, or other instrument or agreement of the Authority with, a Book-Entry Depository in which the Authority, among other things, makes certain representations to such Depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

“Requisition” means a written requisition signed in the name of the Authority by its Authorized Representative.

“Reserve Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Reserve Fund Credit Amount” means, as to a Series of Special Tax Refunding Bonds as of the date of calculation, the fifty percent (50%) of the cash then on deposit in the Reserve Fund multiplied by the Proportionate Share attributable to such Series of Special Tax Refunding Bonds.

“Reserve Policy” means the municipal bond debt service insurance policy issued by the Insurer and deposited to the Reserve Fund related to the Bonds.

“Reserve Requirement - Cash” means, as of any date of calculation, an amount equal to 50% of the least of (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the meaning of section 148 of the Tax Code) of the Bonds.

“Reserve Requirement – Reserve Policy” means, as of any date of calculation, an amount equal to 50% of the least of (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the meaning of section 148 of the Tax Code) of the Bonds.

“Residual Account” means the account by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in the Indenture.

“Revenues” means, with respect to the Bonds: (a) all amounts derived from the Special Tax Refunding Bonds and (b) investment income with respect to the funds and accounts established under the Indenture (excepting therefrom the Rebate Fund).

“RMA” shall have the meaning given such term in the Fiscal Agent Agreement applicable to a particular Series of Special Tax Refunding Bonds.

“S&P” means Standard & Poor’s Ratings Group, a division of McGraw Hill, its successors and assigns.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 25th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-5004; and, in accordance with then current guidelines of the securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on the Bonds, if any.

“Special Tax Refunding Bonds” means, collectively, those series of special tax bonds designated as:

1. \$1,451,771.31 City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014;
2. \$1,475,359.26 City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014;

3. \$1,562,336.46 City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 Special Tax Refunding Bonds, Series 2014;
4. \$1,481,085.88 City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 Special Tax Refunding Bonds, Series 2014;
5. \$1,266,764.81 City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 Special Tax Refunding Bonds, Series 2014;
6. \$2,403,561.51 City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 Special Tax Refunding Bonds, Series 2014;
7. \$1,293,335.80 City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 Special Tax Refunding Bonds, Series 2014;
8. \$2,555,000.00 City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014;
9. \$948,429.42 City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 Special Tax Refunding Bonds, Series 2014;
10. \$1,029,351.34 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A Special Tax Refunding Bonds, Series 2014;
11. \$957,906.19 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B Special Tax Refunding Bonds, Series 2014;
12. \$3,715,000.00 City of San Marcos Community Facilities District No. 99-01 Improvement Area J Special Tax Refunding Bonds, Series 2014;
13. \$3,004,456.51 City of San Marcos Community Facilities District No. 99-01 Improvement Area M Special Tax Refunding Bonds, Series 2014;
14. \$1,856,315.82 City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 Special Tax Refunding Bonds, Series 2014;
15. \$1,746,324.14 City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 Special Tax Refunding Bonds, Series 2014;
16. \$1,937,773.71 City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 Special Tax Refunding Bonds, Series 2014;
17. \$1,525,227.84 City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 Special Tax Refunding Bonds, Series 2014; and
18. \$2,185,000.00 City of San Marcos Community Facilities District No. 99-01 Improvement Area V1A Special Tax Refunding Bonds, Series 2014.

Each such series of Special Tax Refunding Bonds may be referred to as a “Series.”

“Special Tax Obligation Prepayment Reserve Fund Credit” means, as to any parcel within an Improvement Area for which the Special Tax obligation is to be prepaid pursuant to the applicable RMA, the amount, if any, by which the Reserve Requirement – Cash will be reduced as a consequence of the mandatory redemption of Bonds from Principal Prepayments that resulted from such prepayment of the Special Tax obligation.

“Special Tax Refunding Bonds Purchase Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be maintained as provided in the Indenture.

“Special Taxes” has the meaning given such term in the applicable Fiscal Agent Agreement.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter authorized in the Indenture, entered into by and between the Authority and the Trustee pursuant to the provisions of the Indenture.

“Tax Certificate” means the certificate delivered by the Authority upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code shall include the applicable Regulations promulgated with respect to such provision.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related sections of the Tax Code.

“Trustee” means MUFG Union Bank, N.A., or its successor, as Trustee under the Indenture as provided in the Indenture, or such other trustee as shall be named, provided such other trustee shall meet the requirements of the Indenture.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Written Certificate” and “Written Request” of the Authority or a Community Facilities District, mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative or in the name of such Community Facilities District by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Revenues – Pledge and Assignment

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund) are hereby pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a parity lien on and security interest in such assets and shall attach, be perfected, and be valid and binding from and after delivery of the Bonds by the Trustee, and the Revenues and other items pledged under the Indenture shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

Subject to the provisions of the Indenture, the Authority hereby pledges and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues, all of the moneys, and securities in the funds and accounts created under the Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund), as their interests appear, and other amounts pledged in the preceding paragraph and all of the right, title, and interest of the Authority in the Special Tax Refunding Bonds. The Authority shall collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth in the Indenture. The Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, by itself, all of the rights of the Authority and all of the obligations of the Community Facilities Districts under and with respect to the Special Tax Refunding Bonds.

Funds and Accounts

Special Tax Bonds Refunding Purchase Fund. The Trustee shall use the proceeds of the Bonds in the Special Tax Bonds Refunding Purchase Fund to purchase the Special Tax Refunding Bonds on the Closing Date as directed in writing by the Authority.

The Special Tax Refunding Bonds shall, upon receipt by the Trustee, be deposited by the Trustee in the Special Tax Bonds Refunding Purchase Fund and maintained therein until such Special Tax Refunding Bonds mature, are redeemed or otherwise disposed of pursuant to the Indenture.

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Requisition of the Authority. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Trustee of a Written Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund and the Trustee shall close the Costs of Issuance Fund.

Revenue Fund. The Authority shall establish with the Trustee a special fund designated the "Revenue Fund" which the Trustee shall maintain and hold in trust. Within the Revenue Fund, the Trustee shall establish special accounts designated as the "Principal Account," the "Interest Account," the "Redemption Account," and the "Residual Account." Such fund and accounts shall be held and maintained as separate and distinct funds and accounts. All Revenues, except for investment earnings on the Reserve Fund which shall be applied according to the Indenture, shall be promptly transferred to the Trustee by the Authority and deposited by the Trustee upon receipt thereof in the Revenue Fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated, and applied by the Trustee only as provided in the Indenture.

On or before each Interest Payment Date, the Trustee shall transfer all Revenues (other than Revenues representing Principal Prepayments and Revenues resulting from the optional redemption of Special Tax Refunding Bonds which shall be transferred as described below) then in the Revenue Fund into the following funds and accounts based upon the following deposit requirements and in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred by the Trustee from the Reserve Fund pursuant to the Indenture, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amount of interest previously due and unpaid.

(b) The Trustee shall deposit in the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred from the Reserve Fund pursuant to the Indenture, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or mandatory sinking account payment coming due and payable on the Bonds within the Bond Year and any amount of principal previously due and unpaid.

(c) The Trustee shall deposit in the Reserve Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Reserve Fund equal the aggregate amount of the Reserve Requirement – Cash and the Reserve Requirement - Reserve Policy.

(d) On or after any Interest Payment Date on which the amount on deposit in the Revenue Fund was inadequate to make the transfers described in (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Special Tax Refunding Bonds, the Trustee shall immediately notify the Finance Director of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee shall disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such

amount as shall be necessary to replenish the amount of any transfers from the Reserve Fund to the Interest Account or the Principal Account resulting from such payment default; and (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i).

(e) The Trustee shall deposit in the Rebate Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Rebate Fund to equal the amount of any payment then required to be made to the United States.

(f) On June 30 of each Fiscal Year, after making the deposits required under paragraphs (a) through (e) above for the preceding March 1 Interest Payment Date and making the determination that there are sufficient revenues on deposit with the Fiscal Agent and available to make the scheduled Debt Service payment on the Special Tax Refunding Bonds due on the following September 1 Interest Payment Date, and on September 1 of each year, after making the deposits required under paragraphs (a) through (e) above for such September 1 Interest Payment Date, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Residual Account.

The Trustee shall deposit in the Redemption Account those Revenues representing Principal Prepayments and which are to be used for the mandatory redemption of the Bonds. The Trustee shall deposit in the Redemption Account those Revenues resulting from the optional redemption of the Special Tax Refunding Bonds, and which the Authority has directed the Trustee to use for the optional redemption of the Bonds.

Application of the Interest Account. Subject to the provisions of the Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to the Indenture in lieu of redemption. Any amounts on deposit in the Interest Account on September 2 of any year during the term of the Bonds shall be transferred from the Interest Account to the Revenue Fund for reallocation pursuant to the Indenture.

Application of Principal Account. Subject to the provisions of the Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal or maturity amount, as applicable, of the Bonds upon the stated maturity thereof or upon any prior redemption of the Bonds with the proceeds of mandatory sinking payments. Any amounts on deposit in the Principal Account on September 2 of any year during the term of the Bonds shall be transferred from the Principal Account to the Revenue Fund for reallocation pursuant to the Indenture.

Application of Residual Account. Amounts in the Residual Account shall no longer be considered Revenues and are not pledged to repay the Bonds. So long as the Special Tax Refunding Bonds are outstanding under the terms of the Fiscal Agent Agreements, on July 1 and on September 2 of each year, the remaining balance in the Residual Account shall, except as provided below, be transferred to the Special Tax Fund (as such term is defined in the Fiscal Agent Agreements) established and held by the Fiscal Agent for each Series of Special Tax Refunding Bonds proportionately based on their respective Proportionate Share. Notwithstanding the foregoing, in the event that the Special Tax Refunding Bonds have been paid in full or defeased, then any amounts in the Residual Account shall be paid by the Trustee to the Authority to be used for any lawful purpose.

The amount of the transfer to the Special Tax Fund for a Series of Special Tax Refunding Bonds calculated pursuant to the preceding paragraph shall be reduced by the amount of any outstanding deficiency, as of the date of such transfer, in the payment of debt service on such Special Tax Refunding Bonds occurring in the Bond Year ending the September 1st immediately preceding such transfer date.

Application of Redemption Account. The Authority shall establish a special account within the Revenue Fund designated as the "Redemption Account," which account the Trustee shall maintain and hold in trust as a separate and distinct account within such fund. The Trustee shall deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds pursuant to the provisions of the Indenture.

Subject to the provisions of the Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming the Bonds in the manner and upon the terms and conditions specified in the Indenture at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable. At any time prior to selection of Bonds for such notice of redemption, the Trustee may, at the Written Request of the Authority, apply amounts on deposit in the Redemption Account to the purchase of such Bonds, for cancellation, at public or private sale, as and when and at prices not exceeding the par amount thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account).

Reserve Fund. The Trustee shall establish a special fund which fund the Trustee shall maintain and hold in trust as a separate and distinct fund designated as the “Reserve Fund.” On the Closing Date, the Trustee shall deposit in the Reserve Fund the cash amount specified in the Indenture representing the Reserve Requirement – Cash as of that date and the Reserve Policy representing the Reserve Requirement - Reserve Policy as of that date.

There shall be maintained in the Reserve Fund an amount of cash equal to the Reserve Requirement – Cash and the Reserve Policy in an amount equal to the Reserve Requirement – Reserve Policy. Unless otherwise approved in writing by the Insurer, upon the occurrence of any event that results in a reduction of the aggregate Reserve Requirement – Cash and the Reserve Requirement – Reserve Policy, such reduction shall be applied pro rata to reduce the Reserve Requirement – Cash and the Reserve Requirement – Reserve Policy.

Moneys in the Reserve Fund shall be used solely for the purposes set forth in the Indenture. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund shall be applied to pay the principal of, including sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient therefor. If the amounts in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee shall withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes. All cash and investments in the Reserve Fund, if any, shall be transferred for payment of debt service on the Bonds before any draw may be made on Reserve Policy.

In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption, a mandatory redemption or a defeasance pursuant to the Indenture of the Bonds in whole or in part in accordance with the following sentence, or when the balance therein equals the principal and interest due on the Bonds to and including maturity to pay the principal of and interest due on the Bonds to maturity. Any cash amounts that would otherwise be on deposit in the Reserve Fund following any such optional redemption, mandatory redemption or defeasance that will be in excess of the Reserve Requirement-Cash following such event shall be applied toward such optional redemption, mandatory redemption or defeasance, as applicable.

In the event that the Trustee receives a Written Request of a Community Facilities District notifying the Trustee of the Prepayment of the Special Tax obligation for any parcel within an Improvement Area or CFD No. 91-01 and requesting the transfer of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit to the Fiscal Agent for the Series of the Special Tax Refunding Bonds issued for such Improvement Area or CFD No. 91-01, the Trustee shall transfer from the cash then on deposit in the Reserve Fund, not less than five (5) Business Days prior to the redemption date of the Special Tax Refunding Bonds, an amount equal to the Special Tax Refunding Bonds Prepayment Reserve Fund Credit to such Fiscal Agent.

The Trustee shall, pursuant to a Written Certificate of the Authority, transfer from the cash amount then on deposit in the Reserve Fund on the final maturity date of each Series of Special Tax Refunding Bonds, an amount equal to the Reserve Fund Credit Amount applicable to such Series of Special Tax Refunding Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Series of Special Tax Refunding Bonds which has not previously been reimbursed. Notwithstanding the foregoing, if the amount of such transfer would result in the balance of the cash following such transfer to be less than the Reserve Requirement - Cash applicable following the maturity of such Series of Special Tax Refunding Bonds, the amount of such transfer shall be reduced so that such balance equals such Reserve Requirement - Cash. The amount to be transferred shall be transferred to the Interest Account and the Principal Account as a credit against the payments due on such Series of Special Tax Refunding Bonds on such date with such

amount being deposited first to the Interest Account as a credit on the interest due on such bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such bonds on such date.

On each September 2nd during the term of the Bonds, the Trustee shall calculate the Reserve Requirement – Cash for the Bond Year commencing on such September 2nd. If the amount then on deposit in the Reserve Fund exceeds the Reserve Requirement – Cash as of the date of such calculation (the “Excess Cash Reserve Fund Amount”), the Trustee shall not less than five (5) Business Days thereafter transfer the Excess Cash Reserve Fund Amount from the cash then on deposit in the Reserve Fund to the Revenue Fund.

Investment earnings on the investment of money on deposit in the Reserve Fund shall be deposited in the Reserve Fund.

Rebate Fund. The Trustee shall establish and maintain a separate fund to be held by the Trustee and known as the “Rebate Fund.” The Trustee shall, in accordance with written directions received from an Authorized Representative of the Authority, deposit into the Rebate Fund moneys transferred by the Fiscal Agent pursuant to the provisions of the applicable Fiscal Agent Agreement or Fiscal Agent Agreements. The Rebate Fund shall be held either uninvested or invested only in Permitted Investments described in clause B(5) of the definition thereof at the written direction of the Authority. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Tax Certificate. The Trustee shall, upon written request and direction of an Authorized Representative of the Authority, make such payments to the United States.

The Trustee may rely conclusively upon the Authority’s determinations, calculations and certifications required by the Indenture. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations under the Indenture. The Trustee’s sole responsibilities under the Indenture are to follow the written instructions of the Authority pertaining to the Indenture. The Authority shall be responsible for any fees and expenses incurred by the Trustee pursuant to the Indenture.

The Trustee shall, upon written request and direction from an Authorized Representative of the Authority, transfer to or upon the order of the Authority any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Tax Certificate.

Additional Funds and Accounts. The Trustee may establish additional accounts or subaccounts of the funds and accounts described in the Indenture as the Trustee shall deem necessary in furtherance of its duties pursuant to the Indenture. Additionally, the Authority may request the establishment of such additional accounts as it deems necessary to meet its obligations pursuant to the Indenture and the Trustee shall establish such accounts.

Investments.

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Authority solely in Permitted Investments, or, if such fund or account is held by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Such investment instructions shall certify that the investment is a Permitted Investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee pursuant to the Indenture and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Moneys in any funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause B(5) of the definition thereof.

Except as provided in the Indenture with respect to the Reserve Fund and to the Rebate Fund, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued

interest, if any, paid as part of the purchase price of such Permitted Investments shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund. Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Trustee shall not be liable for verification of the application of such sections of the Code.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee therefor. Upon the Written Request of the Authority, or as required for the purposes of the provisions of the Indenture, the Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture.

Investments purchased with funds on deposit in the Reserve Fund not payable on demand shall be restricted to maturities of five years or less.

Covenants

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal, of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Special Tax Refunding Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid, and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of the Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all Persons whomsoever.

Accounting Records and Financial Statement. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established with the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Independent Financial Consultant, the Underwriter, and the Community Facilities Districts, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

The Authority shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established pursuant to the Indenture (other than those records and accounts kept by the Trustee). Such books of record and account shall be available for inspection by the Trustee, the Independent Financial Consultant and the Community Facilities Districts, during regular business hours and upon twenty-four (24) hours, notice and under reasonable circumstances as agreed to by the Authority.

Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Tax Covenants. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Tax Code, or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Tax Code. The Authority will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Tax Code. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code. To that end, the Authority will comply with all requirements of Section 148 of the Tax Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this covenant it is necessary to restrict or limit the yield on the investment of any moneys held under the Indenture or otherwise the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds.

Notwithstanding any provision of this covenant, if the Authority shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Tax Code, the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and the covenant under the Indenture shall be deemed to be modified to that extent.

Collection of Revenues. The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Special Tax Refunding Bonds promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the Special Tax Refunding Bonds. Upon any failure of the Authority to perform as required by this covenant, the Trustee shall, subject to the provisions of the Indenture, take appropriate actions to collect and cause the Revenues to be paid to the Trustee.

Special Tax Refunding Bonds. The Authority, the Trustee and the applicable Community Facilities District may at any time consent to, amend or modify any Series of the Special Tax Refunding Bonds pursuant to the terms of the applicable Fiscal Agent Agreement, (i) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (ii) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements contained in such Special Tax Refunding Bonds, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon such Community Facilities District; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Special Tax Refunding Bonds, or in any other respect whatsoever as such Community Facilities District may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of nationally-recognized bond counsel.

Limitation on Defeasance, Sale and Refunding of Special Tax Refunding Bonds. The Authority shall not consent to a sale, defeasance or optional redemption of any Special Tax Refunding Bonds unless the Authority shall provide to the Trustee a certificate of an Independent Financial Consultant or an Independent Accountant, certifying that after giving effect to the sale, defeasance or redemption, cash flows from the remaining outstanding Special Tax Refunding Bonds will be sufficient to satisfy the ongoing requirement for payment of principal of and interest on the Bonds.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Events of Default and Remedies of Bond Owners.

Events of Default. The following events shall be Events of Default:

(a) if default by the Authority shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for sinking fund redemption or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof which grace period shall not be extended beyond sixty (60) days, Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Authority, the Trustee, and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected;

(d) the occurrence of an Event of Default under a Fiscal Agent Agreement,

(e) the occurrence of an Event of Bankruptcy with respect to the Authority; and

(f) the occurrence of a default under any Special Tax Refunding Bond.

Acceleration. The Bonds are not subject to acceleration.

Remedies of Bond Owners. Subject to the provisions of the Indenture, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action, or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action, or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners, rights; or

(c) upon the happening of any Event of Default, by suit, action, or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Application of Revenues and other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Authority shall, immediately upon receipt by the Authority, be transferred by the Authority to the Trustee and be deposited by the Trustee in the Revenue Fund and all amounts held in the Revenue Fund by the Trustee and all Revenues and any other funds then held or thereafter received by the Authority or the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees and expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under, the Indenture;

(b) To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference; and

Third: To the payment of any of the outstanding amounts due and owing the Insurer in connection with the Insurance Policy and the Reserve Policy.

Trustee to Represent Bond Owners. Subject to the provisions of the Indenture, the Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of

any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, the Indenture, the applicable Supplemental Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture, or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Bond Owners' Direction of Proceedings. The Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Agreement, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that not one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of the Indenture or the rights of any other Owner of the Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law, with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Authority. Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged in the Indenture therefor and received by the Authority or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, object to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Modification or Amendment of the Indenture.

Amendments Permitted. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, as determined pursuant to the Indenture, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of the Owner of each Bond so affected; or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment; or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture) without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. The Trustee shall, at least fifteen (15) days in advance of the effective date of any Supplemental Indenture, cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority) of the proposed modification or amendment of the Indenture containing a copy of the Supplemental Indenture intended to effectuate such amendment or modification. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), (i) the Trustee shall cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail, postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and any Supplemental Indenture and the rights and obligations of the Authority, the Trustee, and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power provided for in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the

Indenture as the Authority may deem necessary or desirable, in any case which do not have a material and adverse affect on the security for the Bonds granted under the Indenture;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend, or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable, or remain, from gross income for purposes of federal income taxation by the United States of America; and

(v) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the Bonds issued and delivered subsequent to the execution and delivery of the applicable Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Amendment of Particular Bonds. The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Defeasance.

Discharge of Indenture. The Bonds or any portion thereof may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(a) by paying or causing to be paid the principal of and interest and premium, if any, on the Bonds or any portion thereof, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money or Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem all or any portion of the Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including without limitation any compensation or other amounts due and owing the Trustee under the

Indenture, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized Representative of the Authority and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent provided in the Indenture for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver all moneys or securities or other property held by it pursuant to the Indenture and the applicable Supplemental Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Subject to the provisions of the Indenture, whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) Lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) Noncallable Defeasance Obligations, the principal of, premium, if any, and interest on which when due will provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds (other than amounts provided by Treasurer) and remaining unclaimed for two (2) years, after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture and the applicable Supplemental Indenture, and all liability of the Trustee, as

applicable, with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall at the Written Request of the Authority and at the cost of the Authority, mail, by first class mail, postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee, as applicable, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Liability of Authority Limited to Revenues. Notwithstanding anything in the Indenture or in the Bonds contained, neither the Authority, nor any member thereof, shall be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes of the Indenture any funds of the Authority which may be made available to it for such purposes.

Claims Upon the Insurance Policy.

As long as the Insurance Policy shall be in full force and effect, and notwithstanding anything to the contrary set forth elsewhere in the Indenture, the Authority and the Trustee shall comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and Interest on the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Insured Bonds paid by the Insurer, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Owner of such Insured Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp. in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Authority on any Insured Bond or the subrogation rights of the Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of the Owners of the Insured Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Owners of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers

separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the “Bond Insurer Advances”); and (ii) interest on such Bond Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the “Bond Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Bonds.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Insurer.

Rights of the Insurer.

For so long as either the Insurance Policy or the Reserve Policy is outstanding, notwithstanding anything to the contrary set forth in the Indenture, the Authority agrees as follows:

(a) The prior written consent of the Insurer shall be a condition precedent to the deposit of any Credit Facility, with the exception of the Reserve Policy, provided in lieu of a cash deposit into the Reserve Fund. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

(b) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds insured by it are entitled to take pursuant the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Insured Bond, the Trustee and each Insured Bondholder appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the Authority under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Bondholder delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Insured Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Insured Bondholders shall expressly include mandamus.

(c) In the event the maturity of the Insured Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Authority) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer’s obligations under the Insurance Policy with respect to such Insured Bonds shall be fully discharged.

(d) Any amendment, supplement, modification to, or waiver of, the Indenture or any Fiscal Agent Agreement that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(e) No grace period for any covenant default under the Indenture or any Fiscal Agent Agreement shall

exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer.

(f) The Insurer is a third party beneficiary under the Indenture.

(g) Upon the occurrence of an optional redemption in part, the selection of the Insured Bonds to be redeemed shall be subject to the approval of the Insurer.

(h) The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Insured Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners of the Insured Bonds or any other person is required in addition to the consent of the Insurer.

(i) To accomplish defeasance of the Insured Bonds pursuant to the Indenture, the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, Trustee and the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. Insured Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the foregoing criteria with respect to the Indenture are met. Only (1) cash, (2) non callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Insured Bonds unless the Insurer otherwise approves.

(j) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(k) Each of the Authority and Trustee covenant and agree to take such action as is necessary from time to time under applicable law to preserve the priority of the pledge of the Tax Revenues and all other amounts pledged to the payment of the Insured Bonds pursuant to the Indenture.

(l) The Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Authority to the Insurer under the Indenture shall survive discharge or termination thereof.

(m) The Authority shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. the Insurer reserves the right to charge a reasonable fee as a condition to

executing any amendment, waiver or consent proposed in respect of the Indenture.

(n) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the Reserve Fund to the aggregate of the Reserve Requirement – Cash and the Reserve Requirement-Reserve Policy.

(o) The Insurer shall be entitled to pay principal or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Insured Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(p) The notice address of the Insurer is: Assured Guaranty Municipal Corp. 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. _____, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

(q) The Insurer shall be provided with the following information by the Authority or Trustee, as the case may be:

(i) Annual audited financial statements within 180 days after the end of the Authority’s fiscal year (together with a certification of the Authority that it is not aware of any default or Event of Default under the Indenture or any Fiscal Agent Agreement), and the Authority’s annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement-Cash and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default known to the Trustee or Authority within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Insured Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Authority commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Insured Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Indenture.

(x) All information furnished pursuant to the Authority's undertaking pursuant to the Continuing Disclosure Certificate shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(o) The Insurer shall have the right to receive such additional information as it may reasonably request.

(p) The Authority and the City, acting for and on behalf of the Community Facilities Districts, will permit the Insurer to discuss the affairs, finances and accounts of the Authority and the Community Facilities Districts or any information the Insurer may reasonably request regarding the security for the Insured Bonds with appropriate officers of the Authority and the City and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Authority and the Community Facilities Districts on any business day upon reasonable prior notice.

(q) The Trustee shall notify the Insurer of any failure of the Authority to provide notices, certificates and other information under the Indenture.

(r) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured Bonds or the rights of the Owners of the Insured Bonds, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(s) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Provisions Related to the Reserve Policy.

So long as the Reserve Policy remains in force and effect, the following provisions shall govern, notwithstanding anything to the contrary contained in the Indenture:

(a) The Authority shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the Authority had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(b) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly

payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(c) Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all Revenues pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Indenture).

(d) All cash and investments in the Reserve Fund established for the Bonds shall be transferred to the Principal Account and the Interest Account for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Coverage under the Reserve Policy is further subject to reduction as provided in the Indenture.

(e) If the Authority shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereinabove, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

(f) The Indenture shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

(g) The Authority shall include any Policy Costs then due and owing the Insurer in the calculation of the additional bonds test and the rate covenant in the Indenture.

(h) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (a) hereof and to provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Authority with the Trustee to the debt service fund for the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Authority to make timely payment in full of such deposits within two business days of the date due.

FISCAL AGENT AGREEMENTS

Definitions.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

"Administrative Expense Fund" means the fund by that name established pursuant to the Fiscal Agent Agreement.

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including the fees and expenses of its counsel), the expenses of the City or the Community Facilities Districts in carrying out its duties under the Indenture (including, but not limited to, the levying and collection of the Special Taxes, complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and the Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser); the costs of the City and the Community Facilities Districts or their designees related to an

appeal of the Special Tax; any costs of the City and the Community Facilities Districts (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Bonds or otherwise in respect of litigation relating to the Community Facilities Districts or the Bonds or with respect to any other obligations of the Community Facilities Districts; the Proportionate Share of the Authority Administrative Expenses allocable to the Bonds, the Proportionate Share of the salaries of City staff directly related to the carrying out by the City of its obligations under the Indenture or under the Authority Indenture and a proportionate amount of City general administrative overhead related thereto allocable to the Bonds; and all other costs and expenses of the City, the Community Facilities Districts, and the Fiscal Agent incurred in connection with the discharge of their respective duties under the Indenture, and in the case of the City, in any way related to the administration of the Community Facilities Districts and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions of the Fiscal Agent Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Auditor” means the auditor/tax collector of the County of San Diego.

“Authority” means the San Marcos Public Financing Authority and any successor thereto.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured by payments to be made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of October 1, 2014, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means MUFG Union Bank, N.A., or any successor thereto appointed under the Authority Indenture.

“Authorized Officer” means the City Manager, Assistant City Manager, Director of Finance or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Best Best & Krieger LLP; or (ii) any attorney or firm of attorneys acceptable to the Community Facilities Districts and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established pursuant to the provisions of the Fiscal Agent Agreement.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1 in the following year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means, in the each Fiscal Agent Agreement, the Series of Special Tax Refunding Bonds authorized by and at any time Outstanding pursuant the such Fiscal Agent Agreement.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Fiscal Agent is located, or the New York Stock Exchange are closed. If any payment under the Fiscal Agent Agreement is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any Authority or bureau thereto.

“City” means the City of San Marcos, California.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement relating to the Authority Bonds, executed on the Closing Date by the applicable Community Facilities District on behalf of the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments and which are non-callable.

“DTC” means the Depository Trust Company.

“Fiscal Agent” means MUFJ Union Bank, N.A. acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Funding Agreement” means that certain Funding, Construction and Acquisition Agreement dated as of October 12, 1999, by and among the City, the District and San Elijo Hills Development Company, LLC, as it may be amended or supplemented from time to time.

“Improvement Area” means, pursuant to the each Fiscal Agent Agreement by and between CFD No. 99-01 and the Fiscal Agent, the applicable Improvement Area of CFD No. 99-01.

“Independent Accountant” shall have the same meaning given such term in the Authority Indenture.

“Independent Financial Consultant” shall have the same meaning given such term in the Authority Indenture.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2015.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Agreement.

“Net Special Tax Revenues” means, for each Fiscal Year, all Special Tax Revenues received by CFD No. 91-01 or by CFD No. 99-01 for an Improvement Area, as applicable, less an amount equal to the Priority Administrative Expense Amount.

“Officer’s Certificate” means a written certificate of the Community Facilities District or the City signed by an Authorized Officer of the City.

“Ordinance” means the applicable that ordinance specified in the applicable Fiscal Agent Agreement authorizing the levy of the Special Taxes within CFD No. 91-01 or the applicable Improvement Area of CFD No. 99-01.

“Original Purchaser” means the Authority.

“Outstanding,” means (subject to the provisions of the Fiscal Agent Agreement), when used as of any particular time with reference to Bonds, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued, and delivered by the applicable Community Facilities District pursuant to the Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Permitted Investments” shall have the same meaning given such term in the Authority Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Officer as representing a prepayment of the Special Tax pursuant to the RMA.

“Principal Office” means the principal corporate trust office of the Fiscal Agent as may be designated from time to time by the Fiscal Agent in writing to the Community Facilities District initially set forth in the Fiscal Agent Agreement.

“Prior Special Tax Bonds” means the outstanding Series of the Prior Special Tax Bonds specified in each Fiscal Agent Agreement.

“Priority Administrative Expense Amount” means, as to the Fiscal Agent Agreement by and between CFD No. 91-01 and the Fiscal Agent Agreement, an annual amount equal to \$25,000 or such lesser amount as may be designated by written instruction from an Authorized Officer of CFD No. 91-01 to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the applicable Series of Bonds and, as to each Fiscal Agent Agreement by and between CFD No. 99-01 and the Fiscal Agent, an annual amount equal to \$9,000 or such lesser amount as may be designated by written instruction from an Authorized Officer of CFD No. 99-01 to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the applicable Series of Bonds.

“Proportionate Share” means, as of the date of calculation, the ratio derived by dividing the principal amount of the Outstanding Bonds by the principal amount of the Authority Bonds outstanding.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

“Reserve Fund” shall have the meaning given such term in the Authority Indenture.

“Resolution of Formation” means resolution identified as such in each Fiscal Agent Agreement adopted by the Governing Body.

“Resolution of Intention” means resolution identified as such in each Fiscal Agent Agreement adopted by the Governing Body.

“Resolution of Issuance” means Resolution No. 2014-, adopted by the Governing Body, acting as the legislative body of the District on September 15, 2014.

“RMA” means, as specified in each Fiscal Agent Agreement, the Rate and Method of Apportionment of the Special Tax for CFD No. 91-01 or the Improvement Area within CFD No. 99-01, as applicable, approved by the qualified electors within CFD No.91-01 or the Improvement Area within CFD No. 99-01, as applicable, at a special election held on the date specified in each Fiscal Agent Agreement.

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” shall have the meaning given such term in the Authority Indenture.

“Special Tax Fund” means the fund by that name established pursuant to the provisions of the Fiscal Agent Agreement.

“Special Tax Refunding Bonds” has the meaning given such term in the Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the applicable Community Facilities District including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest and penalties thereon.

“Special Taxes” means the special taxes levied within CFD No. 91-01 or an Improvement Area of the CFD No. 99-01 pursuant to the Act, the applicable RMA, the applicable Ordinance, and the applicable Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Governing Body under the Act and which agreement is amendatory of or supplemental to the Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City or the designee of either such officer.

Type and Nature of the Bonds, Limited Obligation.

Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the applicable Community Facilities District is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City nor general obligations of the applicable Community Facilities District but are limited obligations of the applicable Community Facilities District payable solely from Special Tax Revenues. The applicable Community Facilities District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds from the Net Special Tax Revenues is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the applicable Community Facilities District (except as it pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions except the applicable Community Facilities District within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the applicable Community Facilities District’s property, or upon any of its income, receipts or revenues, except the Net Special Tax Revenues and amounts on deposit in the Special Tax Fund and the Bond Fund to the extent pledged under the Fiscal Agent Agreement which are, under the terms of the Agreement and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the legislative body of the applicable Community Facilities District nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Equality of Bonds and Pledge of Special Tax Revenues.

Pursuant to the Act and the Agreement, the Bonds shall be equally payable from the Net Special Tax Revenues and other amounts in the Special Tax Fund without priority for number, date of the Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any

premiums upon the redemption thereof, shall be exclusively paid from the Net Special Tax Revenues and other certain other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by the Agreement.

Nothing in the Fiscal Agent Agreement shall preclude, subject to the limitations contained thereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California, which shall be payable from Net Special Tax Revenues.

Funds and Accounts.

Special Tax Fund.

Establishment of Special Tax Fund. There is established as a separate fund to be held by the Fiscal Agent, the "Special Tax Fund," to the credit of which the applicable Community Facilities District or the City, on behalf of the applicable Community Facilities District, shall deposit, immediately upon receipt, all Special Tax Revenue received by the applicable Community Facilities District or the City, on behalf of the applicable Community Facilities District, except Special Tax Revenues representing Prepayments which shall be deposited in the Prepayment Account. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the applicable Community Facilities District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements of Special Tax Revenues. The Special Tax Revenues deposited in the Special Tax Fund shall be held and, other than Special Tax Revenues representing Prepayments, subsequently transferred by the Fiscal Agent and/or deposited in the following funds and accounts not later than the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. to the Administrative Expense Fund an amount equal to the Priority Administrative Expense Amount estimated to be due and payable during the Fiscal Year;
2. not later than ten (10) Business Days prior to each Interest Payment Date, to the Bond Fund:
 - a. the amount representing past due installments of principal, interest and premium on the Bonds (including any), if any, resulting from the delinquency in the payment of such Special Taxes; and
 - b. an amount, taking into account any amounts then on deposit in the Bond Fund (other than by reason of the preceding paragraph a.) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date;
3. no later than ten (10) Business Days prior to each Interest Payment Date, to the Authority Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to paragraph 2.a. above, necessary to replenish any draw on the Reserve Fund (as defined in the Authority Indenture) resulting from the delinquency in the payment of scheduled debt service on the Bonds;
4. on September 2 of each year after making the deposits and transfers required under paragraphs 1 and 2 above and the transfer, if any, authorized under paragraph 3 above, upon receipt on or before the preceding June 30 of written instructions from an Authorized Officer, to the Authority Trustee the amount specified in such written instructions necessary for the payment of the Proportionate Share of any rebate amount due and owing to the United States of America by the Authority on the Authority Bonds;
5. on September 2 of each year after making the deposits and transfers required under paragraphs 1 through 4 above, upon receipt of written instructions from an Authorized Officer, to the Administrative

Expense Fund the amount specified in such written instructions necessary for payment of the estimated Administrative Expenses projected to be due and payable in the current Fiscal Year or the reimbursement of any Administrative Expenses incurred during the Fiscal Year ending on June 30 of prior Fiscal Year and not included in any prior transfer made pursuant to paragraph 1 above; and

6. after September 2 of each year, after making the deposits and transfers made pursuant to paragraphs 1 through 5 above, moneys then on deposit in the Special Tax Fund shall remain therein and shall be subsequently deposited or transferred pursuant to the provisions of paragraphs 1 through 5 above.

Transfer of Prepayments. Amounts constituting Prepayments shall be transferred by the Treasurer to the Fiscal Agent, and placed by the Fiscal Agent in a segregated account within the Bond Fund designated as "Prepayment Account" and used to redeem Bonds pursuant to the provisions of the applicable Fiscal Agent Agreement. Any such transfer of Prepayments shall be accompanied by written instructions executed by the Treasurer or an Authorized Officer directing the Fiscal Agent to place such Prepayments in the Prepayment Account, specifying the amount of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit and requesting that the Authority direct the Trustee to transfer such Special Tax Refunding Bonds Reserve Fund Prepayment Credit to the Fiscal Agent for deposit in the Prepayment Account.

Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with the provisions of the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Administrative Expense Fund.

Establishment of Administrative Expense Fund. There is established, as a separate fund to be held by the Fiscal Agent, the "Administrative Expense Fund," and within the Administrative Expense Fund, the "Administrative Defense Account," to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, the applicable Community Facilities District and the Authority, and shall be disbursed as provided below.

Disbursement.

1. Except for amounts in the Administrative Defense Account, amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such expense. Amounts on deposit in the Administrative Expense Fund at the end of any Fiscal Year shall be retained in such fund as an operating reserve and shall be disbursed as provided for in this subparagraph 1.

2. Amounts in the Administrative Defense Account shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating that amount to be withdrawn, that such amount is to pay for Administrative Claims and the nature of such expense. Amounts on deposit in the Administrative Defense Account at the end of any Fiscal Year shall be retained in such account and shall be disbursed as provided for in this subparagraph 2.

When the aggregate balance in each of the Administrative Defense Accounts established for each series of special tax bonds issued for the Improvement Areas equals or exceeds \$500,000 and the Fiscal Agent has received an Officer's Certificate certifying that the indemnification and hold harmless obligations set forth in the Funding Agreement have terminated, moneys in the Administrative Defense Account established pursuant to this Agreement may be used for any authorized purposes of the District benefiting the Improvement Area in addition to Administrative Claims (as such term is defined in the Funding Agreement). Amounts in such Administrative Defense Account shall thereafter be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating that amount to be withdrawn, that such amount is to pay for Administrative Claims and/or to be used for any authorized purposes of the District benefiting the Improvement Area and the nature of such expense.

Investment. Moneys in the Administrative Expense Fund, including the Administrative Defense Account, shall be invested and deposited in accordance the provisions of the applicable Fiscal Agent Agreement. Investment earnings shall be retained by the Fiscal Agent in the Administrative Defense Account to be used for the purposes of such account. Investment earnings on moneys in the Administrative Expense Fund, other than moneys in the Administrative Defense Account, shall be retained by the Fiscal Agent in the Administrative Expense Fund and used for the payment of Administrative Expenses.

Bond Fund.

Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent designated the “Bond Fund” and, within the Bond Fund, the “Prepayment Account” to the credit of which deposits shall be made as required pursuant to the provisions of the Fiscal Agent Agreement, and any other amounts required to be deposited therein by the Agreement or the Act. In addition to the foregoing deposits, the Fiscal Agent shall deposit (i) any funds transferred by the Authority Trustee to the Fiscal Agent pursuant to the provisions of the Authority Indenture in the Bond Fund and (ii) any funds representing a Special Tax Obligation Prepayment Reserve Fund Credit transferred by the Authority Trustee to the Fiscal Agent pursuant to the provisions of the Authority Indenture in the Prepayment Account of the Bond Fund. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, provided, however, that available amounts in the Bond Fund shall first be used to pay to the Owners of the Bonds any past due installments of interest, principal (including mandatory sinking payments) of and premium, if any, on the Bonds, in that order. Amounts transferred to the Bond Fund from the Special Tax Fund shall immediately be paid to the Owners of the Bonds in respect of past due payments on the Bonds. Amounts transferred to the Prepayment Account pursuant to the Fiscal Agent Agreement shall be used to redeem Bonds pursuant to the Fiscal Agent Agreement.

If after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal and any mandatory sinking payments due on the Bonds. Any installment of principal (including mandatory sinking payments), premium, if any, or interest on the Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent shall notify the applicable Community Facilities District and the Treasurer in writing of such failure, and the Treasurer shall notify the California Debt and Investment Advisory Commission of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with the provisions of the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

Covenants.

Warranty. The applicable Community Facilities District shall preserve and protect the security pledged under the Fiscal Agent Agreement to the Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds issued under the Fiscal Agent Agreement are Outstanding and unpaid, the applicable Community Facilities District makes the covenants set forth in the Fiscal Agent Agreement with the Bondowners under the provisions of the Act and the Fiscal Agent Agreement (to be performed by the applicable Community Facilities District or the City, acting for and on behalf of the applicable Community Facilities

District, or its proper officers, agents and employees), which are covenants necessary and desirable to secure the Bonds and tend to make the Bonds more marketable; provided, however, that such covenants do not require the applicable Community Facilities District to expend any funds or moneys other than the Net Special Tax Revenues.

Punctual Payment. The applicable Community Facilities District shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and of the Bonds.

Limited Obligation. The Bonds are limited obligations of the applicable Community Facilities District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Bond Fund and the Special Tax Fund created under the Fiscal Agent Agreement.

Payment of Claims. The applicable Community Facilities District will pay and discharge any and all lawful claims for labor, materials, or supplies which, if unpaid, might become a lien or charge upon the Net Special Tax Revenues or which might otherwise impair the security of the Bonds then Outstanding; provided that nothing contained in the Fiscal Agent Agreement shall require the applicable Community Facilities District to make any such payments so long as the applicable Community Facilities District in good faith shall contest the validity of any such claims.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the applicable Community Facilities District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the applicable Community Facilities District, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Against Encumbrances. The applicable Community Facilities District will not encumber, pledge or place any charge or lien upon any of the Net Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created in the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Agreement.

Books and Records. The applicable Community Facilities District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the applicable Community Facilities District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Special Tax Fund and relating to the Special Tax Revenues.

Protection of Security and Rights of Owners. The applicable Community Facilities District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the applicable Community Facilities District, the Bonds shall be incontestable by the applicable Community Facilities District.

Collection of Special Tax Revenues. The applicable Community Facilities District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 10 of each year, the Treasurer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within CFD No. 91-01 or the Improvement Area within CFD No. 99-01, as applicable, in accordance with the applicable RMA, such

that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within CFD No. 91-01 or the Improvement Area within CFD No. 99-01, as applicable, for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll, unless directed by the applicable Community Facilities District to directly bill such Special Taxes. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the applicable Community Facilities District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within CFD No. 91-01 or the Improvement Area within CFD No. 99-01, as applicable, the Treasurer shall, not less than sixty (60) days prior to each Interest Payment Date, send bills to the owners of such real property located within CFD No. 91-01 or the Improvement Area within CFD No. 99-01, as applicable, subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the applicable Community Facilities District with respect to the Improvement Area due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within CFD No. 91-01 or within the Improvement Area of CFD No. 99-01, as applicable, required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing year, an amount necessary to replenish the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the RMA. The Special Taxes so levied shall not exceed the authorized amounts as provided in the RMA.

The Treasurer is authorized to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or Community Facilities District staff time) in conducting its duties under the Fiscal Agent Agreement shall be an Administrative Expense under the Fiscal Agent Agreement.

Tax Covenants. The applicable Community Facilities District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Authority Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code or to be “private activity bonds” within the meaning of Section 141 of the Tax Code.

The applicable Community Facilities District agrees to furnish all information to, and cooperate fully with, the Authority, the Authority Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of the Authority Indenture. In the event that the Authority shall notify the applicable Community Facilities District that the Authority has determined, pursuant to the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys to make such payment, the applicable Community Facilities District shall promptly direct the Fiscal Agent pay to the Authority Trustee from available Special Tax Revenues the Proportionate Share of the amounts determined by the Authority to be due and payable to the United States of America.

Covenant to Foreclose. The applicable Community Facilities District covenants for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special

Taxes are paid; provided that, notwithstanding (i) and (ii) above, the applicable Community Facilities District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as (1) the amount in the Reserve Fund is at least equal to the Reserve Requirement (as defined in the Authority Indenture); and (2) with respect to the Bonds, the applicable Community Facilities District is not in default in the payment of the principal of or interest on the Bonds.

The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City Attorney (including a charge for City or Community Facilities District staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

A. The City is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount of such credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined under B. below or otherwise under Section 53356.6 of the Act.

B. The City may permit property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond Owners, by their acceptance of the Bonds, hereby consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and hereby release the City, its officers and its agents from any liability in connection therewith.

C. The City is hereby expressly authorized to use amounts in the Administrative Expense Fund to pay costs of foreclosure of delinquent Special Taxes.

D. The City may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the Improvement Area, so long as the City determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds.

Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2015, and until the October 30 following the final maturity of the Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the applicable Community Facilities District.

Covenant to Defend. The applicable Community Facilities District covenants, in the event that any initiative is adopted by the qualified electors in the Improvement Area which purports to reduce the minimum or the maximum Special Tax below the levels specified in the Fiscal Agent Agreement or to limit the power of the applicable Community Facilities District to levy the Special Taxes within CFD No. 91-01 or the Improvement Area within CFD No. 99-01, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Further Assurances. The applicable Community Facilities District shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Agreement.

Events of Default.

Events of Default. The following events shall be Events of Default:

A. Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

B. Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

C. Failure by the applicable Community Facilities District to observe and perform any of the other covenants, agreements, or conditions on its part in the Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the applicable Community Facilities District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the applicable Community Facilities District the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the applicable Community Facilities District within such 60-day period and the applicable Community Facilities District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

D. Commencement by the applicable Community Facilities District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies of Bond Owners. Subject to the provisions of Fiscal Agent Agreement, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

A. by mandamus, suit, action or proceeding, to compel the City and its officers, agents or employees to perform each and every term, provision and covenant contained in the Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it by the Act;

B. by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

C. upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the City and its officers and employees to account as if it and they were the trustees of an express trust.

Application of Special Taxes and Other Funds After Default. If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of the applicable Agreement shall be applied by the Fiscal Agent as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges, and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under such Agreement;

B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Agreement, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

C. Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

Absolute Obligation of the applicable Community Facilities District. Nothing in the Agreement or in the Bonds contained shall affect or impair the obligation of the applicable Community Facilities District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Fiscal Agent Agreement, but only out of the Net Special Tax Revenues and other moneys pledged in the Fiscal Agent Agreement therefor and received by the applicable Community Facilities District or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Owners, then in every such case the applicable Community Facilities District, and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Fiscal Agent Agreement, severally and respectively, and all rights, remedies, powers and duties of the City, and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Fiscal Agent Agreement or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Agreement to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action, or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Fiscal Agent Agreement may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is hereby appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Best Best & Krieger LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

Board of Directors
San Marcos Public Financing Authority
One Civic Center Drive
San Marcos, California

Re: \$32,395,000
SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS, SERIES 2014A

FINAL OPINION

Dear Ladies and Gentlemen:

We have acted as bond counsel to the San Marcos Public Financing Authority (the "Authority") in connection with the sale and delivery of the Authority's Special Tax Revenue Refunding Bonds in the aggregate principal amount of \$32,395,000 (the "Bonds"). The Bonds are issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Government Code Section 6584 and following), a resolution adopted by the Board of Directors of the Authority on September 23, 2014 (the "Resolution of Issuance"), and an Indenture of Trust, dated as of October 1, 2014 (the "Indenture"), and entered into by and between the Authority and MUFG Union Bank, N.A., as trustee. Capitalized terms used herein, but not defined herein, have the meanings ascribed to those terms in the Indenture.

The Bonds are special, limited obligations of the Authority. The Bonds are payable solely from and secured by a lien upon and pledge of the Revenues of the Authority and from certain other amounts on deposit in the funds and accounts created under the Indenture.

We have examined the Indenture, the Resolution of Issuance, the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications, documents and written opinions provided to us by persons believed to be responsible without undertaking to verify such facts by independent investigation. We have also assumed the genuineness of the signatures appearing upon such records, proceedings, certifications, documents and opinions.

We call attention to the fact that the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We have not been engaged to take, and have not undertaken, any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based upon our examination and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California and has duly and validly authorized all the acts undertaken by it in connection with the authorization, issuance, sale and delivery of the Bonds.

2. The Indenture has been duly entered into by the Authority and constitutes a legal, valid and binding limited obligation of the Authority enforceable in accordance with its terms.

3. The Indenture creates valid liens on the funds pledged by the Indenture for the security of and payment on the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the sources provided for in the Indenture.

5. Under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Authority with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

6. Interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraph 5. above as to the exclusion from gross income for federal income tax purposes of interest on the Bonds are subject to the condition that the Authority and the Community Facilities District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the Community Facilities District each have covenanted to comply with all such requirements. Except as set forth in paragraph 5. above, we express no opinion as to any federal tax consequences related to the Bonds.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel with respect to the Bonds terminates upon the issuance of the Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover matters not directly addressed by such authorities.

Respectfully Submitted,

BEST BEST & KRIEGER LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon issuance of the Bonds, the Community Facilities Districts propose to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement, dated as of October 1, 2014 (the “Disclosure Agreement”), is entered into by and among the City of San Marcos Community Facilities District 99-01 (“CFD No. 99-01”) and the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) (“CFD No. 91-01” which, together with CFD No. 99-01, are collectively referred to herein as the “Districts”), for themselves and as agent for the San Marcos Public Financing Authority (the “Issuer”), and MUFG Union Bank, N.A., as dissemination agent (the “Dissemination Agent”), in connection with the issuance by the Issuer of its \$32,395,000 San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2014 (the “Indenture”), by and between the Issuer and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Districts and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Districts, acting as the agent of the Issuer, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the Districts pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

Disclosure Representative. The term “Disclosure Representative” means the City Manager or the Finance Director of the City of San Marcos, or their designee, or such other officer or employee as the Districts shall designate in writing to the Dissemination Agent from time to time.

Dissemination Agent. “Dissemination Agent” means, initially, MUFG Union Bank, N.A., or any successor Dissemination Agent designated in writing by the Districts which has filed with the then-current Dissemination Agent a written acceptance of such designation.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) or (b) of this Disclosure Agreement.

Official Statement. The term “Official Statement” means the final Official Statement, dated October 1, 2014, relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Districts shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than nine months after the end of the Districts’ and the Issuer’s Fiscal Year, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; provided, however, that the first Annual Report for Fiscal Year 2013-14 may be limited to a copy of the Official Statement together with the Districts’ audited financial statements. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the Districts and the Issuer, if any are prepared, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. CFD No. 99-01’s, CFD No. 91-01’s and the Issuer’s Fiscal Year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Districts will promptly notify EMMA, the Dissemination Agent and the Participating Underwriter of a change in the Districts’ or the Issuer’s Fiscal Year dates.

(b) So long as the Dissemination Agent is an entity other than the Districts, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA and the Participating Underwriter, the Districts shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Districts to determine if the Districts will be filing the Annual Report in compliance with subsection (a). The Districts shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. If the Dissemination Agent is an entity other than the Districts, it may conclusively rely upon such certification of the Districts and shall have no duty or obligation to review such Annual Report.

(c) If the Districts are the Dissemination Agent and the Districts are unable to provide to EMMA and the Participating Underwriter an Annual Report by the date required in subsection (a), the Districts shall send a notice to EMMA, the Participating Underwriter and the Dissemination Agent in the manner prescribed by the Municipal Securities Rulemaking Board. If the Dissemination Agent is other than the Districts and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA and the Participating Underwriter by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA and the Participating Underwriter, in the form prescribed by the Municipal Securities Rulemaking Board.

(d) The Dissemination Agent, if other than the Districts, shall promptly after receipt of the Annual Report, file a report with the Districts and the Issuer certifying that the Annual Report has been filed pursuant to this Disclosure Agreement and stating the date that it was filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference to files available on EMMA the following:

(a) Financial Statements. The audited financial statements of the Districts and the Issuer, if any have been prepared, for the most recent Fiscal Year of the Districts and the Issuer then ended. If the audited financial statements are being prepared and are not available by the time that the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain any available unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Districts and the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements, if prepared by the Districts and the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Districts and the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Districts and the Issuer shall modify the basis upon which its financial statements are prepared, the Districts shall provide a notice of such modification to EMMA, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data.

- (i) the principal amount of Bonds outstanding;
- (ii) the balance in each fund under the Indenture and the Fiscal Agent Agreement
- (iii) the Reserve Requirement – Cash and the Reserve Requirement – Reserve Policy;
- (iv) a summary of Special Tax delinquencies for each Improvement Area within CFD No. 99-01 and for CFD No. 91-01 as of the July 1 preceding the date of the Annual Report, the status of any judicial foreclosure proceedings initiated by the Districts as a result of the delinquency in the payment of special taxes and the summary of the results of foreclosure sales, if available;
- (v) a summary of the number of parcels on which the Special Taxes were levied, the assessed value of such parcels for the then-current Fiscal Year and the amount of Special Taxes levied for each Improvement Area within CFD No. 99-01 and for CFD No. 91-01; and
- (vi) the principal amount of prepayments of the special taxes with respect to the Improvement Areas and CFD No. 91-01 for the preceding Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Districts, the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Districts shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Districts shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Districts shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bond holders;
3. optional, unscheduled or contingent Bond redemptions;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the Districts or the sale of all or substantially all of the assets of the Districts, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Districts determine that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Districts, the Districts shall promptly notify the Dissemination Agent in writing. Such notice

shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) If the Districts determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Districts, the Districts shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Districts hereby agree that the undertaking set forth in this Disclosure Agreement is the responsibility of the Districts and, if the Dissemination Agent is other than the Districts, the Dissemination Agent shall not be responsible for determining whether the Districts' instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the Districts and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Districts shall give notice of such termination in the same manner as for a Listed Event under Section 5 hereof.

Section 7. Dissemination Agent. The Districts may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent appointed by the Districts may resign by providing thirty (30) days written notice to the Districts, and upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Districts or the type of business conducted thereby; (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Districts shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Districts, to the same effect as set forth in clause (2) above; (4) the Districts shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Districts, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (5) the Districts shall have delivered copies of such opinion and amendment to the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of the Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2), (3) and (5) have been satisfied.

(c) To the extent that any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial

statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Districts from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Districts choose to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Districts shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Districts or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Districts and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Districts or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Districts agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the Districts shall be paid: (i) compensation by the Districts for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Districts under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Districts, the Issuer, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Notices. Notices with respect to this Disclosure Agreement should be sent in writing to:

If to CFD No. 99-01: City of San Marcos Community Facilities District 99-01
c/o City of San Marcos
One Civic Center Drive
San Marcos, California 92069
Attention: City Manager

If to CFD No. 91-01: City of San Marcos Community Facilities District 91-01
c/o City of San Marcos
One Civic Center Drive
San Marcos, California 92069
Attention: City Manager

If to the Dissemination Agent: MUFG Union Bank, N.A.
Corporate Trust Services
120 South San Pedro Street, Fourth Floor
Los Angeles, California 90012

If to the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, Suite 3700
San Francisco, California 94104

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. State of California Law Governs. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

IN WITNESS WHEREOF, the parties have caused their duly authorized officer to execute and deliver this Disclosure Agreement on the date first written above.

CITY OF SAN MARCOS COMMUNITY FACILITIES
DISTRICT 99-01

By: _____
Name: _____
Title: _____

CITY OF SAN MARCOS COMMUNITY FACILITIES
DISTRICT 91-01

By: _____
Name: _____
Title: _____

MUFG UNION BANK, N.A., as Dissemination Agent

By: _____
Name: _____
Title: _____

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APPENDIX E

INFORMATION CONCERNING DTC

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Community Facilities Districts, the City and the Underwriter believe to be reliable, but none of the Authority, the Community Facilities Districts, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

FORM OF RATES AND METHODS OF APPORTIONMENT OF SPECIAL TAX

**COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREAS IMPROVEMENT AREAS A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J,
M, N1, N2, R1, R2 AND V1A (CONSOLIDATED)**

The Rate and Method of Apportionment of Special Tax with respect to each Improvement Area within CFD No. 99-01 is substantially identical, with the exception of the Improvement Area referenced and certain information unique to each Improvement Area presented in Tables 1 through 4. Set forth on the following pages is a composite form of the Rate and Method of Apportionment of Special Tax for each Improvement Area, with the applicable information for each Improvement Area included in Tables 1 through 4. Accordingly, each Rate and Method of Apportionment of Special Tax is not provided.

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**SUMMARY OF THE
RATE AND METHODS OF APPORTIONMENT OF SPECIAL TAX
COMMUNITY FACILITIES DISTRICT NO. 99-01
OF THE CITY OF SAN MARCOS
IMPROVEMENT AREAS
A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, V1A
(SAN ELIJO)**

The following is a summary of the individual Rate and Methods of Apportionment of Special Tax for Community Facilities District No. 99-01 of the City of San Marcos Improvement Areas A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, and V1A. Where applicable, differences in the Rate and Methods of Apportionment of Special Tax are noted.

A Special Tax shall be levied in each Improvement Area of Community Facilities District No. 99-01 of the City of San Marcos (San Elijo) ("CFD No. 99-01") each Fiscal Year, in an amount determined by the Council through the application of the procedures described below. All of the real property in each Improvement Area of CFD No. 99-01, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, or condominium plan.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Actual Average Special Tax Per Residential Dwelling Unit" means, for an Improvement Area or Zone, the Actual Residential Property Special Taxes divided by the sum of the number of Residential Property dwelling units included in any current building permit application(s) and the number of Residential Property dwelling units within the Improvement Area or Zone for which building permits have previously been issued. Any building permits issued after an Assessor's Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Average Special Tax Per Residential Dwelling Unit.

"Actual Residential Property Special Taxes" means, for an Improvement Area or Zone, the sum of the total Residential Floor Area shown on any current building permit application(s) and the total Residential Floor Area from any previously issued building permits within such Improvement Area or Zone multiplied by the applicable Maximum Special Tax as set forth in Table 1. Any building permits issued after an Assessor's

Parcel has been classified as Occupied Residential Property shall not be included in determining the Actual Residential Property Special Taxes.

"Administrative Expenses" means actual or reasonably estimated costs directly related to the administration of CFD No. 99-01 allocable to an Improvement Area or Zone including, but limited to, the following: the costs of computing the Special Taxes; the costs of collecting the Special Taxes; the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to compute rebatable arbitrage; the costs of the City, CFD No. 99-01, or designee in complying with disclosure requirements of applicable federal and state securities laws and of the Act; the costs associated with responding to public inquiries regarding CFD No. 99-01; costs of the City, CFD No. 99-01, or designee related to an appeal of the Special Tax; the cost associated with the release of funds from an escrow account; costs of the City, CFD No. 99-01, or designee related to the preparation of the Development Projection in the event the Developer fails to prepare it; and an allocable share of the salaries of the City staff directly relating to the foregoing. Administrative Expenses shall also include amounts estimated or advanced by the City for any other administrative purpose of CFD No. 99-01, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes levied within such Improvement Area or Zone or any other legal matters related to CFD No. 99-01.

"Affordable Housing Property" means property within an Improvement Area or Zone which will provide housing units to be made available at an affordable cost to low and very low income occupants which has been designated as Affordable Housing Property prior to the issuance of Bonds (i) pursuant to an agreement with the City and (ii) by one hundred percent (100%) of the property owners within such Improvement Area or Zone in which such property is located and therefore is exempt from the levy of Special Taxes.

"Annual Special Tax" means the Special Tax which can be levied in any Fiscal Year on all Undeveloped Property and Property Owner Association Property and Public Property which is not exempt from the Special Tax pursuant to law or Section F, as set forth in Table 2 (column 2).

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other indebtedness (as defined in the Act), whether in one or more series, secured by the levy of Special Taxes within an Improvement Area.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of Special Taxes.

"City" means the City of San Marcos.

"Condominium" means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

"Council" means the City Council of the City, acting as the legislative body of CFD No. 99-01.

"County" means the County of San Diego.

"Developed Property" means all Taxable Property, exclusive of Property Owner Association Property and Public Property, for which the Final Subdivision was recorded as of January 1 and a building permit for new construction was issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

"Developer" means the owner or owners of Undeveloped Property in an Improvement Area or Zone, as determined by the CFD Administrator.

"Development Projection" means an annual calculation for an Improvement Area or Zone of (i) the actual number of Residential Property dwelling units, Residential Floor Area and Non-Residential Property Acres, and (ii) a projection of the number of dwelling units and Residential Floor Area associated therewith and Acres remaining to be developed as Residential Property and Non-Residential Property, respectively. The Development Projection shall be dated as of March 1 and prepared each Fiscal Year by the Developer. Upon submittal, the CFD Administrator shall review, modify if necessary, and approve the Development Projection. If the Development Projection is not received by the CFD Administrator on or before April 1, the CFD Administrator shall then prepare or cause to be prepared a Development Projection.

"Expected Special Taxes For Non-Residential Property" means, with respect to each Improvement Area or Zone, the amounts shown in the column so labeled in Table 3.

"Expected Special Taxes For Residential Property" means, with respect to each Improvement Area or Zone, the amounts shown in the column so labeled in Table 3.

"Final Subdivision" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Funding, Construction, and Acquisition Agreement" means that certain funding, construction, and acquisition agreement pursuant to which public improvements financed

by the Bonds are acquired by the City, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Improvement Area" means Improvement Areas A1, A2, B1, B2, C1, D1, G3, F2/V2, H1A, H1B, J, M, N1, N2, R1, R2, V1A shown on Exhibit A.

"Indenture" means the indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, which can be levied in any Fiscal Year on any Assessor's Parcel in an Improvement Area or Zone.

"Non-Residential Property" means all Developed Property for which a building permit(s) was issued for a non-residential use.

"Occupied Residential Property" means all Assessor's Parcels of Residential Property, which have been sold to the initial occupant.

"One Time Special Tax" means the Special Tax that is required to be paid as a condition precedent to the issuance of building permits or recordation of final maps, as determined in accordance with Table 2 and Section D below.

"One Time Special Tax Fund" means, for an Improvement Area or Zone, the fund or account specified in the Indenture in which One Time Special Taxes for such Improvement Area or Zone are deposited.

"Property Owner Association Property" means any property within an Improvement Area or Zone owned by or dedicated to a property owner association, including any master or sub-association.

"Public Property" includes the terms "City Public Property" and "Other Public Property" and means any property within an Improvement Area or Zone that is used for rights-of-way or any other purpose and is owned by, irrevocably offered by June 30 of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied, or dedicated to the federal government, the State of California, the County, the City or any other public agency. Furthermore, all property (i) irrevocably offered to or (ii) acquired or dedicated to a public agency after January 1 but on or before June 30 of the Fiscal Year preceding the Fiscal Year for which the Special Tax is being levied shall be identified on a certificate of a property owner submitted to the City not later than June 30 per the Funding, Construction, and Acquisition Agreement.

"Religious Property" means property within an Improvement Area or Zone which has been designated as Religious Property prior to the issuance of Bonds (i) pursuant to an

agreement with the City and (ii) by one hundred percent (100%) of the property owners within such Improvement Area or Zone in which such property is located and therefore is exempt from the levy of Special Taxes.

"Required Average Special Tax Per Non-Residential Property Acre" means, for an Improvement Area or Zone, the Expected Special Taxes For Non-Residential Property divided by the expected Non-Residential Property Acres, all as set forth in Table 3.

"Required Average Special Tax Per Residential Dwelling Unit" means, for an Improvement Area or Zone, the Expected Special Taxes For Residential Property divided by the expected Residential Property dwelling units, all as set forth in Table 3.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. Residential Floor Area will be determined from the building permit(s) issued for each dwelling unit prior to it being classified as Occupied Residential Property.

"Residential Property" means all Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means (i) the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement and (ii) the One Time Special Tax that may be levied pursuant to Section D as a result of changes in development arising after the issuance of Bonds.

"Special Tax Requirement" means that amount with respect to each Improvement Area taking into consideration available funds as directed under the Indenture, including, but not limited to, funds described in Section D.5.a required in any Fiscal Year to pay: (i) debt service on all outstanding Bonds; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds; and (v) directly for acquisition and/or construction of authorized facilities.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within an Improvement Area or Zone which are not exempt from the Special Tax pursuant to law or Section F below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property, not classified as of Developed Property, exclusive of Property Owner Association Property and Public Property.

"Zone" means Zone F2 or Zone V2 shown on Exhibit A.

B. CLASSIFICATION OF PROPERTY

Each Fiscal Year, all property within an Improvement Area or Zone shall be classified as Affordable Housing Property, Developed Property, Property Owner Association Property, Public Property, Religious Property, or Undeveloped Property. All Developed Property shall be categorized as Residential Property or Non-Residential Property. Public Property shall be segregated into (i) property owned by, irrevocably offered to, or dedicated to the City ("City Public Property") and (ii) all other property owned by, irrevocably offered to, or dedicated to a public agency ("Other Public Property"). The preceding classifications of property shall be subject to the Special Tax in accordance Sections C, D, and E below.

In some instances an Assessor's Parcel of Developed Property may contain both Residential Property and Non-Residential Property. The Special Tax levied on an Assessor's Parcel shall be the sum of the applicable Special Taxes for the Residential Property and Non-Residential Property located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for the Residential Property and Non-Residential Property located on that Assessor's Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for Developed Property within each Improvement Area or Zone is shown below in Table 1. The Maximum Special Tax applicable to a Condominium classified as Non-Residential Property shall be computed from the Acreage of the lot on which the Condominium is located, with the Acreage for such lot allocated among all Condominiums located thereon in proportion to each Condominium's share of the aggregate building square footage for such Condominiums as determined from the applicable building permit(s).

The paragraph below applies only to Improvement Areas A2, C1, D1, G3, H1B, N1, N2, R1, and R2.

Prior to the issuance of Bonds, the Maximum Special Tax on Developed Property set forth in Table 1 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. Upon the City's receipt of an "Issuance Notice" for such Improvement Area pursuant to the Funding, Construction and Acquisition Agreement and the written consent of 100% of the owners of Taxable Property within such Improvement Area and the CFD Administrator, the Maximum Special Tax on Developed Property may be reduced to a level which will provide not less than the sum of estimated Administrative Expenses and one hundred five percent (105%) of the estimated debt service with respect to the amount of

bonds requested in the Issuance Notice. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in Article VI of the Amended and Restated Community Facilities District Goals and Policies adopted pursuant to City Council Resolution No. 99-5207 (the "Goals and Policies") calculated pursuant to the Goals and Policies and the Funding, Construction and Acquisition Agreement exceeds the maximum level allowed in such documents, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to satisfy the maximum allowable overlapping debt burden requirement with the written consent of 100% of the owners of Taxable Property within such Improvement Area, which consent shall not be unreasonably withheld, and the CFD Administrator. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded.

The paragraph below applies only to Improvement Areas J and VIA

Prior to the issuance of Bonds, the Maximum Special Tax on Developed Property set forth in Table 1 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. Upon the City's receipt of an "Issuance Notice" for such Improvement Area pursuant to the Funding, Construction and Acquisition Agreement and the written consent of 100% of the owners of Taxable Property within such Improvement Area and the CFD Administrator, the Maximum Special Tax on Developed Property may be reduced to a level which will provide not less than the sum of estimated Administrative Expenses and one hundred ten percent (110%) of the estimated debt service with respect to the amount of bonds requested in the Issuance Notice. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in Article VI of the Amended and Restated Community Facilities District Goals and Policies adopted pursuant to City Council Resolution No. 99-5207 (the "Goals and Policies") calculated pursuant to the Goals and Policies and the Funding, Construction and Acquisition Agreement exceeds the maximum level allowed in such documents, the Maximum Special Tax on Developed Property may be reduced to the amount necessary to satisfy the maximum allowable overlapping debt burden requirement with the written consent of 100% of the owners of Taxable Property within such Improvement Area, which consent shall not be unreasonably withheld, and the CFD Administrator. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded.

Table 1 has been summarized to show the Maximum Special Taxes applicable to Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, and R2. Summary Table 1 reflects amendments made pursuant to Section C.1 in Improvement Areas D1, F2/V2, G3, J, R1, R2, and VIA.

SUMMARY - TABLE 1		
MAXIMUM SPECIAL TAXES FOR DEVELOPED PROPERTY COMMUNITY FACILITIES DISTRICT NO. 99-01		
Improvement Area	Maximum Special Tax	
	Residential Property (Per Square Foot of Residential Floor Area)	Non-Residential Property (Per Acre)
A1	\$0.85	\$14,749
A2	\$0.85	\$14,158
B1	\$0.85	\$12,672
B2	\$0.85	\$11,760
C1	\$1.05	\$58,474
D1	\$0.92	\$16,119
F2/V2 Zone F2	\$1.56	\$31,046
F2/V2 Zone V2	\$1.95	\$85,440
G3	\$1.04	\$45,745
H1A	\$0.85	\$12,866
H1B	\$0.85	\$16,098
J	\$1.54	\$27,843
M	\$0.85	\$13,228
N1	\$0.85	\$13,491
N2	\$0.85	\$16,791
R1	\$0.91	\$8,900
R2	\$0.83	\$8,608
VIA	\$1.45	\$26,260

2. Undeveloped Property and Property Owner Association Property and Public Property which is not Exempt from the Special Tax

The Maximum Special Tax for Undeveloped Property within each Improvement Area or Zone is the greater of the applicable Annual Special Tax or One Time Special Tax shown Table 2. The Maximum Special Tax for Property Owner Association Property and Public Property within each Improvement Area or Zone which is not exempt from the Special Tax pursuant to law or Section F is the applicable Annual Special Tax shown in Table 2.

Table 2 has been summarized to show the Annual and One Time Special Taxes applicable to Improvement Areas A1, A2, B1, B2, C1, D1, G3, F2/V2, H1A, H1B, J, M, N1, N2, R1, R2, and VIA

<u>SUMMARY - TABLE 2</u>		
ANNUAL AND ONE TIME SPECIAL TAXES FOR UNDEVELOPED PROPERTY AND PROPERTY OWNER ASSOCIATION PROPERTY AND PUBLIC PROPERTY WHICH IS NOT EXEMPT FROM THE SPECIAL TAX COMMUNITY FACILITIES DISTRICT NO. 99-01		
Improvement Area	Annual Special Tax¹ (Per Acre)	One Time Special Tax² (Per Acre)
A1	\$17,351	\$577,116
A2	\$20,226	\$587,690
B1	\$18,904	\$601,858
B2	\$13,836	\$459,729
C1	\$58,474	\$1,638,299
D1	\$24,012	\$720,631
F2/V2 Zone F2	\$44,352	\$1,207,250
F2/V2 Zone V2	\$127,863	\$3,256,029
G3	\$65,350	\$2,044,932
H1A	\$20,245	\$555,486
H1B	\$22,997	679,210
J	\$49,617	\$1,088,606
M	\$18,897	\$531,401
N1	\$20,147	\$581,229
N2	\$23,987	\$723,659
R1	\$21,954	\$397,582
R2	\$29,272	\$384,392
VIA	\$52,204	\$966,484
¹ Applicable to Undeveloped Property and Property Owner Association Property and Public Property which is not exempt from the Special Tax pursuant to law or Section F.		
² Applicable to Undeveloped Property.		

D. CALCULATION, PAYMENT, APPLICATION, AND RELEASE OF ONE TIME SPECIAL TAX

The following paragraph applies only to Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, J, M, N1, N2, R1, R2, and VIA

If at any time subsequent to the issuance of Bonds the CFD Administrator determines that there has been a reduction in Special Taxes for an Improvement Area as a result of less than expected Residential Property dwelling units, Residential Floor Area, or Non-Residential Property Acres, then a One Time Special Tax corresponding to such reduction shall be calculated pursuant to this Section D. Such One Time Special Tax shall be levied and collected prior to the issuance of any additional building permits or the approval and recordation of any additional Final Subdivisions for the Improvement Area, as applicable.

The following paragraph applies only to Improvement Area F2/V2

If at any time the CFD Administrator determines (i) that there is an amount of Bonds attributable to a Zone, and (ii) that there has been a reduction in Special Taxes for such Zone as a result of less than expected Residential Property dwelling units, Residential Floor Area, or Non-Residential Property Acres, then a One Time Special Tax corresponding to such reduction shall be calculated pursuant to this Section D. Such One Time Special Tax shall be levied and collected prior to the issuance of any additional building permits or the approval and recordation of any additional Final Subdivisions for the Zone. In addition, following the effective date of this First Amended and Restated Rate and Method of Apportionment, the CFD Administrator shall recalculate the amount of any previously calculated One Time Special Taxes. In accordance with the Indenture all additional One Time Special Taxes must be paid prior to the release of any Escrowed Bond Proceeds.

The following subsections apply to all Improvement Areas

1. Expected Development and Special Taxes

Table 3 identifies the number of Residential Property dwelling units, Residential Floor Area, Non-Residential Property Acres, and Special Taxes expected from Developed Property for each Improvement Area or Zone. Table 3 may be amended as follows:

a. Amending Table 3 Prior to Issuance of Bonds

Prior to the issuance of Bonds and pursuant to an executed certificate, the form of which is attached as Exhibit B, the CFD Administrator may adjust the following Table 3 information for an Improvement Area or Zone: Residential Property dwelling units, Residential Floor Area, Non-Residential Property Acres, Expected Special Taxes for Residential Property, Expected Special Taxes for Non-Residential Property, total expected Special Taxes, Required Average Special Tax Per Residential Dwelling Unit, and Required Average Special Tax Per Non-Residential Property Acre.

b. Amending Table 3 Development Projection

Subsequent to the issuance of Bonds and based on the Development Projection, the CFD Administrator may adjust the following Table 3 information for an Improvement Area or Zone: Residential Property dwelling units, Residential Floor Area, Non-Residential Property Acres, Expected Special Taxes for Residential Property, Expected Special Taxes for Non-Residential Property, Required Average Special Tax Per Residential Dwelling Unit, and Required Average Special Tax Per Non-Residential Property Acre, to the extent the total expected Special Taxes for such Improvement Area or Zone as set forth in Table 3 (column G) are not reduced.

Table 3 has been summarized to show the Expected Development and Special Taxes applicable to Improvement Areas A1, A2, B1, B2, C1, D1, G3, F2/V2, H1A, H1B, J, M, N1, N2, R1, R2, and VIA. Summary Table 3 reflects amendments made pursuant to Section D.1.a in Improvement Areas A2, B1, C1, D1, F2/V2, G3, J, H1B, M, N1, N2, R1, R2, and VIA.

SUMMARY - TABLE 3

**EXPECTED DEVELOPMENT AND SPECIAL TAXES
COMMUNITY FACILITIES DISTRICT NO. 99-01**

A	B	C	D	E	F	G	H	I
IMPROVEMENT AREA	EXPECTED RESIDENTIAL PROPERTY DWELLING UNITS ¹	EXPECTED RESIDENTIAL FLOOR AREA ¹	EXPECTED NON-RESIDENTIAL PROPERTY ACRES ¹	EXPECTED SPECIAL TAXES FOR RESIDENTIAL PROPERTY ¹	EXPECTED SPECIAL TAXES FOR NON-RESIDENTIAL PROPERTY ¹	TOTAL EXPECTED SPECIAL TAXES ¹	REQUIRED AVERAGE SPECIAL TAX PER RESIDENTIAL DWELLING UNIT ¹	REQUIRED AVERAGE SPECIAL TAX PER NON-RESIDENTIAL PROPERTY ACRE ¹
A1	86	234,244	0	\$199,107	\$0	\$199,107	\$2,315	\$0
A2	80	225,204	0	\$191,423	\$0	\$191,423	\$2,393	\$0
B1	93	212,715	0	\$180,808	\$0	\$180,808	\$1,944	\$0
B2	103	185,400	0	\$157,590	\$0	\$157,590	\$1,530	\$0
C1	162	258,673	0	\$271,607	\$0	\$271,607	\$1,677	\$0
D1	87	177,295	0	\$163,111	\$0	\$163,111	\$1,875	\$0
G3	84	119,895	0	\$124,692	\$0	\$124,692	\$1,484	\$0
F2/V2 Zone F2	42	169,114	0	\$263,817	\$0	\$263,817	\$6,281	\$0
F2/V2 Zone V2	131	230,805	0	\$450,069	\$0	\$450,069	\$3,435	\$0
H1A	55	156,257	0	\$132,818	\$0	\$132,818	\$2,414	\$0
H1B	49	140,894	0	\$119,760	\$0	\$119,760	\$2,444	\$0
J	71	247,364	0	\$380,941	\$0	\$380,941	\$5,365	\$0
M	107	404,908	0	\$344,172	\$0	\$344,172	\$3,217	\$0
N1	84	262,006	0	\$222,705	\$0	\$222,705	\$2,651	\$0
N2	75	233,460	0	\$198,441	\$0	\$198,441	\$2,646	\$0
R1	87	242,094	0	\$220,306	\$0	\$220,306	\$2,532	\$0
R2	61	212,291	0	\$212,291	\$0	\$212,291	\$2,889	\$0
V1A	64	164,442	0	\$238,440	\$0	\$238,440	\$3,725	\$0
TOTAL	1,521	3,877,061	0	\$4,072,098	\$0	\$4,072,098	NA	NA

1. All of these figures are subject to change by the CFD Administrator. Prospective property owners should contact the City to determine actual amounts.

E = C * applicable Table 1 special tax.
 F = D * applicable Table 1 special tax.
 G = E + F
 H = E/B
 I = F/D

2. Reduction in Number of Residential Property Dwelling Units Subsequent to the Issuance of Bonds

If at any time prior to approval of a Final Subdivision the CFD Administrator determines that there has been a reduction for an Improvement Area or Zone in the expected Residential Property dwelling units, as set forth in Table 3, then a One Time Special Tax corresponding to such reduction shall be calculated and levied against the Assessor's Parcels on which the reduction occurred. The One Time Special Tax will be calculated using the prepayment formula described in Section H.1, with the following modifications:

- a. The number by which the expected Residential Property dwelling units has been reduced multiplied by the Required Average Special Tax Per Residential Dwelling Unit shall be substituted for the term Maximum Special Tax (i.e., the numerator) when computing Principal;
- b. For purposes of determining the Defeasance (as defined in Section H), the first redemption date of the Bonds shall be that redemption date which occurs on the first interest payment date for the outstanding Bonds for which an optional redemption of Bonds is permitted, but no sooner than three years, with the exception of Improvement Areas C1, C2, H2, O, and T which shall be no sooner than five years, after the first levy of the One Time Special Tax in such Improvement Area or Zone.

3. Reduction in Residential Floor Area Subsequent to the Issuance of Bonds

If an Improvement Area or Zone includes or is expected to include Residential Property, the CFD Administrator shall calculate the Actual Average Special Tax Per Residential Dwelling Unit for the Improvement Area or Zone prior to the issuance of each building permit (or group of permits). If the Actual Average Special Tax Per Residential Dwelling Unit for the Improvement Area or Zone is less than the Required Average Special Tax Per Residential Dwelling Unit for the Improvement Area or Zone, then the One Time Special Tax will be levied and collected prior to issuance of such building permit(s). The One Time Special Tax shall be levied against the Assessor's Parcel(s) for which building permits have been requested.

The One Time Special Tax will be calculated using the prepayment formula described in Section H.1, with the following modifications:

- a. The amount equal to the difference between the Required Average Special Tax Per Residential Dwelling Unit for the Improvement Area or Zone and the Actual Average Special Tax Per Residential Dwelling Unit for the Improvement Area or Zone multiplied by the sum of the number of Residential Property dwelling units within the Improvement Area or Zone for which permits are being issued and the number of Residential Property

dwelling units within an Improvement Area or Zone for which building permits have previously been issued shall be substituted for the term Maximum Special Tax (i.e., the numerator) when computing Principal. The resulting One Time Special Tax shall be reduced by the balance, if any, in the One Time Special Tax Fund for such Improvement Area or Zone;

- b. For purposes of determining the Defeasance (as defined in Section H), the first redemption date of the Bonds shall be that redemption date which occurs on the first interest payment date for the outstanding Bonds of an Improvement Area or Zone for which an optional redemption of Bonds is permitted, but no sooner than three years, with the exception of Improvement Areas C1, C2, H2, O, and T which shall be no sooner than five years, after the date of the first levy of the One Time Special Tax in such Improvement Area or Zone.

4. Reduction in Number of Non-Residential Property Acres Subsequent to the Issuance of Bonds

If at any time prior to approval of a Final Subdivision the CFD Administrator determines that there has been a reduction for an Improvement Area or Zone in the total expected number of Non-Residential Property Acres, as set forth in Table 3 above, then a One Time Special Tax corresponding to such reduction shall be calculated and levied against the Assessor's Parcels on which the reduction occurred. The One Time Special Tax will be calculated using the prepayment formula described in Section H.1, with the following modifications:

- a. The number by which the expected Non-Residential Property Acres for the Improvement Area or Zone has been reduced multiplied by the Required Average Special Tax Per Non-Residential Property Acre for the Improvement Area or Zone shall be substituted for the term Maximum Special Tax (i.e., the numerator) when computing Principal;
- b. For purposes of determining the Defeasance (as defined in Section H), the first redemption date of the Bonds shall be that redemption date which occurs on the first interest payment date for the outstanding Bonds of an Improvement Area for which an optional redemption of Bonds is permitted, but no sooner than three years, with the exception of Improvement Areas C1, C2, H2, O, and T which shall be no sooner than five years, after the first levy of the One Time Special Tax in such Improvement Area or Zone.

5. Application/Release of One Time Special Taxes

Any One Time Special Tax payments received for an Improvement Area or Zone (less Fees as defined in Section H below) shall be deposited into the One Time

Special Tax Fund for such Improvement Area or Zone and disbursed pursuant to the Indenture and this Section as described below. The Maximum Special Taxes applicable to Developed Property within an Improvement Area or Zone shall not be reduced or relieved as a result of payment of the One Time Special Tax.

a. Prior to Release of One Time Special Taxes

Prior to the release of the One Time Special Taxes or the redemption of Bonds as described below, the CFD Administrator shall annually calculate the amount required to be withdrawn from the One Time Special Tax Fund to pay (i) interest on the Principal computed pursuant to Sections D.2, D.3, and D.4 above and (ii) a pro rata amount of principal scheduled to be paid on the Bonds, such amount to be in proportion to the quotient computed pursuant to the definition of Principal contained in Section H (for example, if when Principal is computed it is equal to ten percent (10.00%) of the then principal amount of Bonds outstanding, then on each interest payment date of the Bonds for which principal is to be paid an amount equal to ten percent of such scheduled principal payment and interest thereon would be withdrawn from the One Time Special Tax Fund; on interest payment dates for which no principal payment is scheduled, only an amount equal to ten percent of the scheduled interest due on the Bonds would be withdrawn).

b. Release of One Time Special Taxes at Buildout

The following paragraph applies only to Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, and R2

With respect to an Improvement Area, when all expected building permits for Residential Property have been issued and all expected Non-Residential Property Acres are located within a Final Subdivision (i.e., buildout), the CFD Administrator shall calculate the Maximum Special Taxes therein. If such Maximum Special Taxes are greater than or equal to the sum of the Administrative Expenses and one hundred five percent (105%) of the debt service on the Bonds applicable to such Improvement Area, then upon receipt of a written request from the property owner(s) who paid such One Time Special Tax, any moneys remaining in the One Time Special Tax Fund shall be returned.

If the Maximum Special Taxes are less than the sum of the Administrative Expenses and one hundred five percent (105%) of the debt service on the Bonds applicable to such Improvement Area, then to the extent necessary to meet the preceding coverage test, money then on deposit in the One Time Special Tax Fund shall be used to redeem Bonds on the next available redemption date. Upon receipt of a written request from the property owner(s) who paid such One Time Special Tax, any moneys

remaining in the One Time Special Tax Fund after the redemption of Bonds shall be returned.

If One Time Special Taxes have been paid by more than one property owner, the amount of One Time Special Taxes returned to each shall be in proportion to the amount paid by each.

The following paragraph applies only to Improvement Areas F2/V2, J and VIA

With respect to an Improvement Area or Zone, when all expected building permits for Residential Property have been issued and all expected Non-Residential Property Acres are located within a Final Subdivision (i.e., buildout), the CFD Administrator shall calculate the Maximum Special Taxes therein. If such Maximum Special Taxes are greater than or equal to the sum of the Administrative Expenses and one hundred ten percent (110%) of the debt service on the Bonds applicable to such Improvement Area or Zone, then upon receipt of a written request from the property owner(s) who paid such One Time Special Tax, any moneys remaining in the One Time Special Tax Fund shall be returned.

If the Maximum Special Taxes are less than the sum of the Administrative Expenses and one hundred ten percent (110%) of the debt service on the Bonds applicable to such Improvement Area or Zone, then to the extent necessary to meet the preceding coverage test, money then on deposit in the One Time Special Tax Fund shall be used to redeem Bonds on the next available redemption date. Upon receipt of a written request from the property owner(s) who paid such One Time Special Tax, any moneys remaining in the One Time Special Tax Fund after the redemption of Bonds shall be returned.

If One Time Special Taxes have been paid by more than one property owner, the amount of One Time Special Taxes returned to each shall be in proportion to the amount paid by each.

c. Redemption of Bonds

The following paragraph applies only to Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, and R2

As noted above in Section D.5.b, if the Maximum Special Taxes are less than the sum of the Administrative Expenses and one hundred five percent (105%) of the debt service on the Bonds applicable to an Improvement Area, then to the extent necessary to meet such coverage test, money then on deposit in the One Time Special Tax Fund shall be used to redeem Bonds on the next available redemption date.

In addition, if an Improvement Area has not reached buildout within three years with the exception of Improvement Areas C1, C2, H2, O and T which shall be no sooner than five years, after the first levy of One Time Special Taxes therein, then all moneys on deposit in the One Time Special Tax Fund shall be used to redeem Bonds on the next available redemption date.

The following paragraph applies only to Improvement Areas F2/V2, J and VIA

As noted above in Section D.5.b, if the Maximum Special Taxes are less than the sum of the Administrative Expenses and one hundred ten percent (110%) of the debt service on the Bonds applicable to an Improvement Area or Zone, then to the extent necessary to meet such coverage test, money then on deposit in the One Time Special Tax Fund shall be used to redeem Bonds on the next available redemption date.

In addition, if an Improvement Area or Zone has not reached buildout within three years with the exception of Improvement Areas C1, C2, H2, O and T which shall be no sooner than five years, after the first levy of One Time Special Taxes therein, then all moneys on deposit in the One Time Special Tax Fund shall be used to redeem Bonds on the next available redemption date.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 1999-2000 and for each following Fiscal Year, the City shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement, the Special Tax shall be levied on each Assessor's Parcel of Undeveloped Property at up to 100% of the applicable Annual Special Tax.

Third: If additional monies are needed to satisfy the Special Tax Requirement, the Special Tax shall be levied on each Assessor's Parcel of Property Owner Association Property and Public Property which is not exempt from the Special Tax pursuant to law or Section F at up to 100% of the applicable Maximum Special Tax.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent per Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within an Improvement Area.

F. EXEMPTIONS

All Affordable Housing Property and Religious Property shall be exempt from the Special Tax. The Acreage of Property Owner Association Property, City Public Property, and Other Public Property for each Improvement Area or Zone, which is exempt from the Special Tax, is shown in Table 4 below. Prior to the issuance of Bonds and pursuant to an executed certificate, the form of which is attached as Exhibit B, the CFD Administrator may adjust the amount of Property Owner Association Property, City Public Property, and Other Public Property for an Improvement Area set forth in Table 4. The Acreage of Property Owner Association Property, City Public Property and Other Public Property for an Improvement Area or Zone as set forth in Table 4 may not be adjusted subsequent to the issuance of Bonds. All such property cited above will be allocated on a first-in-time basis separately for Property Owner Association Property, City Public Property, and Other Public Property. If the total number of Acres of land conveyed, dedicated or irrevocably offered exceeds the amounts set forth in Table 4, then the Acres exceeding such totals shall be taxed at the applicable rate set forth in Section C above and to the extent set forth in Section E above.

Table 4 has been summarized to show the exemptions applicable to Improvement Areas A1, A2, B1, B2, C1, D1, F2/V2, G3, H1A, H1B, J, M, N1, N2, R1, R2, and V1A. Summary Table 4 reflects amendments made pursuant to Section F in Improvement Areas A2, B1, C1, D1, G3, H1B, M, N1, N2, R1, and R2.

<u>SUMMARY - TABLE 4</u>				
MAXIMUM NUMBER OF PROPERTY OWNER ASSOCIATION PROPERTY, CITY PUBLIC PROPERTY, AND OTHER PUBLIC PROPERTY ACRES EXEMPT FROM THE SPECIAL TAX COMMUNITY FACILITIES DISTRICT NO. 99-01				
IMPROVEMENT AREA	PROPERTY OWNER ASSOCIATION¹	CITY PUBLIC PROPERTY¹	OTHER PUBLIC PROPERTY¹	TOTAL EXEMPT ACREAGE¹
A1	0.56	4.02	0.00	4.58
A2	0.05	3.95	0.00	4.00
B1	0.72	3.97	0.00	4.69
B2	2.50	4.50	0.00	7.00
C1	0.00	0.00	0.00	0.00
D1	0.29	3.83	0.00	4.12
G3	0.00	0.00	0.00	0.00
F2/V2 Zone F2	1.77	2.92	0.00	4.69
F2/V2 Zone V2	10.67	0.00	0.00	10.67
H1A	1.99	3.86	0.00	5.85
H1B	3.63	2.83	0.00	6.46
J	0.77	3.15	0.00	3.92
M	58.20	0.00	0.00	58.20
N1	15.21	0.00	0.00	15.21
N2	9.27	0.00	0.00	9.27
R1	38.88	4.16	0.00	43.05
R2	73.95	3.84	0.00	77.79
V1A	1.28	3.32	0.00	4.60
TOTAL	219.74	44.35	0.00	264.10
¹ Prior to the issuance of bonds, all of these figures are subject to change by the CFD Administrator. Prospective property owners should contact the City to determine actual amounts.				

G. MANNER OF COLLECTION

It is anticipated that the Special Tax levied pursuant to Section D shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes. It is anticipated that the Special Tax levied pursuant to Section D (i.e., the One Time Special Tax) shall be billed directly by the City and payable as indicated on such billing, always prior to the issuance of any additional building permit(s) or the approval and recordation of any Final Subdivision(s). Notwithstanding the above, CFD No. 99-01 may levy and collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

H. PREPAYMENT OF SPECIAL TAX

The Maximum Special Tax for any Assessor's Parcel of Developed Property may be prepaid and permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of a Assessor's Parcel intending to prepay the Special Tax shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount any such prepayment shall be valid.

The "Prepayment" means an amount equal to the sum of (1) Principal, (2) Premium, (3) Defeasance, and (4) Fees minus the Reserve Fund Credit, where the terms "Principal," "Premium," "Defeasance," "Fees," and "Reserve Fund Credit" have the following meanings:

"Principal" means the principal amount of Bonds to be redeemed and equals the quotient derived by dividing (a) the then applicable Maximum Special Tax for the Assessor's Parcel intending to prepay by (b) the total expected Special Taxes for an Improvement Area or Zone as set forth in Table 3, (and excluding from (b) any Maximum Special Taxes for Assessor's Parcels which have prepaid the Maximum Special Tax, except any One Time Special Taxes paid pursuant to Section D), and multiplying the quotient by the principal amount of outstanding Bonds. If the debt service for the Bonds is pledged to pay the debt service of bonds issued by the San Marcos Public Facilities Authority or any other joint powers authority (the "Authority Bonds") and the principal amount of such Authority Bonds applicable to an Improvement Area or Zone is greater than the principal amount of Bonds for such Improvement Area or Zone, then the quotient computed above shall be multiplied by the applicable principal amount of Authority Bonds.

"Premium" means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for any Bonds so redeemed with the proceeds of any such prepayment.

"Defeasance" means an amount equal to the amount needed to pay interest on the Principal to be redeemed until the earliest redemption date for the outstanding Bonds less the amount CFD No. 99-01 will actually receive from the reinvestment of the Prepayment less Fees until the redemption date for the outstanding Bonds to be redeemed with proceeds of any such prepayment. Credit shall also be given for any Special Tax heretofore paid and which has not yet been utilized to pay the Special Tax Requirement.

"Fees" equal the administrative fees and expenses of CFD No. 99-01 associated with the prepayment as calculated by the CFD Administrator and include, but are not limited to, the costs of computing the prepayment, the costs of removing any Special Taxes from the Assessor's Roll, the costs of redeeming the Bonds, and the costs of recording and publishing any notices to evidence the prepayment and the redemption of Bonds.

"Reserve Fund Credit" equals the lesser of (i) the expected reduction in the applicable Reserve Requirement (as defined in the Indenture) following the redemption of outstanding Bonds with proceeds of any such prepayment or (ii) the amount derived by subtracting the new Reserve Requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the Reserve Fund (as defined in the Indenture) on the prepayment date, but in no event shall such amount be less than zero.

The sum of the amounts calculated in the preceding steps shall be paid to CFD No. 99-01 and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Administrative Expenses associated with the prepayment. Upon the payment of such Prepayment to CFD No. 99-01, the obligation to pay the Special Tax for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax shall not be levied thereafter on such Assessor's Parcel, and the CFD Administrator shall cause notice of cessation of the Special Tax for such Parcel to be recorded within 30 working days of receipt of the Prepayment.

The following paragraph applies only to Improvement Areas A2, C1, D1, F2/V2, G3, H1B, J, N1, N2, R1, R2, and VIA.

The Maximum Special Tax may also be prepaid in part, provided that proceeds for any such prepayment are sufficient to permit the redemption of Bonds in such amounts and maturities deemed necessary by the CFD Administrator. The amount of any partial prepayment shall be computed pursuant to the preceding substituting the portion of the Maximum Parcel Special Tax to be prepaid for the Maximum Parcel Special Tax applicable to the Parcel when computing Principal.

The following paragraph applies only to Improvement Areas A1, B1, B2, H1A, and M.

The Maximum Special Tax may also be prepaid in part, provided that proceeds for any such prepayment are sufficient to permit the redemption of Bonds in such amounts and

maturities deemed necessary by the CFD Administrator. The amount of any partial prepayment shall be computed by multiplying the Prepayment computed above by the percent of the Maximum Special Tax to be prepaid.

The following paragraph applies only to Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, and R2

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied in an Improvement Area pursuant to Section D after the proposed prepayment is at least the sum of (i) the Administrative Expenses and (ii) one hundred five percent (105%) of the adjusted annual debt service for the Bonds issued for such Improvement Area, taking into account the amount of Bonds to remain outstanding after such prepayment.

The following paragraph applies only to Improvement Areas F2/V2, J and VIA

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied in an Improvement Area or Zone pursuant to Section D after the proposed prepayment is at least the sum of (i) the Administrative Expenses and (ii) one hundred ten percent (110%) of the adjusted annual debt service for the Bonds issued for such Improvement Area or Zone, taking into account the amount of Bonds to remain outstanding after such prepayment.

I. TERM OF SPECIAL TAX

The following paragraph applies only to Improvement Areas A1, A2, B1, B2, C1, D1, G3, H1A, H1B, M, N1, N2, R1, and R2

The Special Tax shall be levied for a period not to exceed thirty-two (32) Fiscal Years on each Assessor's Parcel of Developed Property within an Improvement Area.

The following paragraph applies only to Improvement Areas F2/V2, J, and VIA

The Special Tax shall be levied for a period not to exceed forty (40) Fiscal Years on each Assessor's Parcel of Developed Property within an Improvement Area, commencing with the Fiscal Year in which Bonds are first sold.

[http://127.0.0.1/resources/Clients/San_Marcos/CFD_Refunding_\(2014\)/Project_Information/RMAs/Summary_RMA.docx](http://127.0.0.1/resources/Clients/San_Marcos/CFD_Refunding_(2014)/Project_Information/RMAs/Summary_RMA.docx)
Prepared: September 19, 2014

EXHIBIT A

MAP OF IMPROVEMENT AREAS

EXHIBIT B

***CERTIFICATE TO AMEND
TABLE 3 AND/OR TABLE 4***

LANDOWNER CERTIFICATE

1. The undersigned (the "Landowner") hereby requests modification of the following information in the Rate and Method of Apportionment of Special Tax (the "RMA") for Improvement Area __ (the "Improvement Area") of Community Facilities District No. 99-01 of the City of San Marcos (San Elijo) ("CFD No. 99-01"):

(a) The information in Table 3 relating to the expected development within the Improvement Area shall be modified as follows, [if applicable]:

IMPROVEMENT AREA	EXPECTED RESIDENTIAL PROPERTY DWELLING UNITS ¹	EXPECTED RESIDENTIAL FLOOR AREA ¹	EXPECTED NON-RESIDENTIAL PROPERTY ACRES ¹	EXPECTED SPECIAL TAXES FOR RESIDENTIAL PROPERTY ²	EXPECTED SPECIAL TAXES FOR NON-RESIDENTIAL PROPERTY ²	TOTAL EXPECTED SPECIAL TAXES ²	REQUIRED AVERAGE SPECIAL TAX PER RESIDENTIAL DWELLING UNIT ²	REQUIRED AVERAGE SPECIAL TAX PER NON-RESIDENTIAL PROPERTY UNIT ²

¹To be completed by Landowner
²To be completed by CFD Administrator

(b) The information in Table 4 relating to the maximum Acreage exempt from the Special Tax within the Improvement Area shall be modified as follows, [if applicable]:

Improvement Area	Property Owner Association ¹	City Public Property ¹	Other Public Property ¹	Total Exempt Acreage ¹

¹To be completed by Landowner
²To be completed by CFD Administrator

2. Landowner is the owner of 100% of the Taxable Property within the Improvement Area.
3. Table 4 may only be modified prior to the issuance of Bonds.
4. Upon execution of the Certificate by the City and CFD No. 99-01, the City shall cause an amended Notice of Special Tax Lien for Improvement Area __ to be recorded reflecting the modifications set forth herein.

I hereby declare under penalty of perjury that the above representations are true and correct.

Landowner:

By: _____

Date: _____

By execution hereof, the undersigned acknowledges, on behalf of the City of San Marcos and CFD No. 99-01 receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF SAN MARCOS

By: _____

Date: _____

CFD Administrator

COMMUNITY FACILITIES DISTRICT NO. 99-01
OF THE CITY OF SAN MARCOS (SAN ELIJO)

By: _____

Date: _____

CFD Administrator

Exhibit C applies only to Improvement Areas A2, C1, D1, G3, H1B, N1, N2, R1, and R2.

EXHIBIT C

***CERTIFICATE TO AMEND
TABLE 1***

CITY OF SAN MARCOS AND CFD NO. 99-01 CERTIFICATE

1. Pursuant to Section C.1 of the Rate and Method of Apportionment of Special Tax (the "RMA"), the City of San Marcos (the "City"), Community Facilities District No. 99-01 of the City (San Elijo) ("CFD No. 99-01"), and the undersigned owner(s) of 100% of the Taxable Property within Improvement Area __ (the "Improvement Area") of CFD No. 99-01 hereby agree to a reduction in the Maximum Special Tax for Developed Property within such Improvement Area:

(a) The information in Table 1 relating to the Maximum Special Tax for Developed Property within the Improvement Area shall be modified as follows:

Improvement Area	Maximum Special Tax	
	Residential Property (Per Square Foot of Residential Floor Area)	Non-Residential Property (Per Acre)

2. Table 1 may only be modified prior to the issuance of Bonds.
3. Upon execution of the Certificate by the City, CFD No. 99-01, and landowner(s), the City shall cause an amended Notice of Special Tax Lien for the Improvement Area to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City of San Marcos and CFD No. 99-01 receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF SAN MARCOS

By: _____ Date: _____
CFD Administrator

COMMUNITY FACILITIES DISTRICT NO. 99-01
OF THE CITY OF SAN MARCOS (SAN ELIJO)

By: _____ Date: _____
CFD Administrator

Landowner(s)

By: _____ Date: _____

**COMMUNITY FACILITIES DISTRICT NO. 91-01
(TWIN OAKS VALLEY RANCH)**

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COMMUNITY FACILITIES DISTRICT REPORT
COMMUNITY FACILITIES DISTRICT NO. 91-01
City of San Marcos

MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit for an explanation of the rate and method of apportionment of the special tax so as to allow each landowner or resident within the District to estimate the maximum annual amount of the special taxes to be levied.

LAND USE AND MAXIMUM ANNUAL SPECIAL TAX

All taxable property within the boundaries of the Community Facilities District shall be subject to ANNUAL SPECIAL TAXES and ONE-TIME SPECIAL TAXES, as applicable, based upon Property Categories, maximum special tax rates and the type of land use and development, all as hereinafter set forth.

MAXIMUM ANNUAL TAXES

PROPERTY CATEGORY

FINAL LAND USE: All property with a building permit issued as of March 1 shall be subject to the following annual special tax. All property at the time a building permit is issued shall be subject to the following one-time special tax.

TAX CATEGORY I
ANNUAL TAX

TAX CATEGORY II
ONE-TIME TAX

UNIT A: Not to exceed \$0.82 per square foot of dwelling unit or equivalent dwelling unit.

Not to exceed \$10.18 per square foot based upon a deficiency of projected square foot.

TAX CATEGORY I
ANNUAL TAX

TAX CATEGORY II
ONE-TIME TAX

UNIT B: Not to exceed \$0.82 per square foot of dwelling unit or equivalent dwelling unit.

Not to exceed \$10.18 per square foot based upon a deficiency of projected square foot.

APPROVED LAND USE: All lands subject to a final subdivision or parcel map as of March 1 shall be subject to the following annual special taxes. All land at the time of final map approval shall be subject to the following one-time special tax.

TAX CATEGORY III
ANNUAL TAX

TAX CATEGORY IV
ONE-TIME TAX

UNIT A: Not to exceed \$2,000.00 per parcel or unit.

Not to exceed \$20,748.00 per parcel or unit based upon a deficiency in number of units.

UNIT B: Not to exceed \$2,500.00 per parcel or unit.

Not to exceed \$26,018.00 per parcel or unit based upon a deficiency in number of units.

VACANT LAND: All lands not subject to annual special Tax Categories I or III.

Not to exceed \$12,000.00 per acre.

GOLF COURSE: Property identified as Unit C regardless of development status.

Not to exceed \$50,000 per year pro rata by acreage among the various parcels constituting the golf course.

TERM OF THE TAX

No tax shall be levied for a period in excess of 30 years.

COLLECTION OF ONE-TIME TAX

The ONE-TIME SPECIAL TAX shall be payable whenever a building permit is issued providing lesser square feet than that as established or whenever a final map is approved providing lesser units than that as established, all as set forth in the Special Tax Report.

COLLECTION OF ANNUAL TAXES

The first fiscal year for which taxes will be levied will be concurrent with the sale of bonds and dependent upon the amount of available capitalization of interest included within the funding. Taxes shall be levied immediately as necessary to guarantee payment for the principal and interest on the bonds. In determining the amount of special taxes to be collected in any year, the following shall set forth the procedure and method for collection:

FIRST, determine monies necessary to make payment on bonds, debt service, replenish reserve and pay for all authorized public capital facilities.

SECOND, levy maximum annual tax on all property described within Final Land Use category and Golf Course property.

THIRD, to the extent additional monies are necessary, levy 85% of maximum annual tax on all land within the Approved Land Use category.

FOURTH, to the extent additional monies are necessary, levy 68% of maximum annual tax on all Vacant Land.

FIFTH, to the extent additional funds are necessary, levy up to maximum annual tax of all approved categories and properties within the Approved Land Use.

SIXTH, to the extent additional funds are necessary, levy up to 100% of all land within Vacant Land category.

* * *

For particulars as to the application of the One-Time Special Tax, clarification and definition of deficiencies in development, and further particulars relating to the collection, interpretation and other definitions, reference is made to the Exhibit on file in the Office of the City Clerk entitled "Community Facilities District No. 91-01/Resolution of Intention - Exhibit".

COMMUNITY FACILITIES DISTRICT NO. 91-01
RESOLUTION OF INTENTION - EXHIBIT

A special tax applicable to each parcel of land in Community Facilities District No. 91-01 of the City of San Marcos, California shall be levied and collected pursuant to the special tax liability as determined by the City Council of the City of San Marcos, acting in its capacity as the legislative body of the Community Facilities District. All of the property within the District, unless otherwise exempted by law or the express provisions of the rate and method of apportionment expressed below, shall be taxed to the extent and in the manner provided below.

It is intended that all special taxes applicable to parcels within Category I, Category III, Category V or Category VI be collected in the same manner and at the same time as ordinary ad valorem property taxes, and that special taxes so levied will be subject to the same penalties and procedures, sale and lien priority in case of delinquency as is provided for ad valorem taxes, subject to any covenant of the City with respect thereto in any Fiscal Agent Agreement for any bonds of the City for the District.

CATEGORIES OF SPECIAL TAX

PROPERTY CATEGORY I:

Category I includes all Parcels for which a building permit has been issued and for which a Category II and IV special tax has been paid, if applicable. If for any reason a Category II or IV special tax is or was payable, but not paid when due, Parcels for which a building permit has been issued will be taxed at the rates applicable to Taxable Property described in Category V. The Category I special tax will be levied annually.

The maximum annual special tax for Parcels described in Category I is \$0.82 per Square Foot for each Square Foot shown on the building permit.

PROPERTY CATEGORY II:

The Category II special tax is a one-time tax payable at the time of the issuance of a building permit, based on the calculation of Category II special tax per the following schedule. The applicable special tax per Parcel is calculated as shown in the following table, based on the average projected square foot per Parcel as shown below.

<u>Developable Area</u>	<u>Average Projected Square Feet Per Parcel</u>
Unit A	2,039
Unit B	2,557

CALCULATION OF CATEGORY II TAX

Steps

1. Average Projected Square Feet per Parcel
2. Number of Building Permits Already Issued
3. Square Feet of Building Permits Already Issued Plus Deficit Square Feet Category IV Previously Paid
4. Number of Building Permits Requested
5. Square Feet of Building Permits Requested
6. Total of Items 2 and 4
7. Total of Items 3 and 5
8. Average Square Feet-to-Date (Item 7 divided by Item 6)
9. If Item 8 is Equal to or Greater than Item 1, there is no Tax Due
10. Item 1 Minus Item 8
11. Item 10 Multiplied by Item 6
12. Applicable Category V Square Foot Special Tax
13. Item 11 Multiplied by Item 12
14. Present Value Factor; 12.41*
15. Item 13 Multiplied by Item 14
16. One-Time Tax per Parcel on Building Permits Being Requested (Item 15 divided by Item 4)

Note: This Present Value Factor was calculated using a 7% interest rate to set a maximum. The actual Present Value Factor used will reflect the yield rate at which the bonds are sold.

PROPERTY CATEGORY III:

Any Parcel for which a final map has been recorded and for which Category IV special taxes have been paid, if applicable, will be classified in Category III, until such time as a building permit has been issued. If Category IV special taxes are applicable to the Parcel but have not been paid when due, such Parcels on a final map will continue to be classified in Category V. The Category III special tax will be levied annually.

The maximum annual special tax applicable to parcels in Category III is:

<u>Developable Area</u>	<u>Category III Maximum Annual Special Tax</u>
Unit A	\$2,000
Unit B	\$2,500

PROPERTY CATEGORY IV:

The Category IV special tax is a one-time tax, payable at the time of approval of a final map with respect to a Parcel.

As shown on the boundary map the future residential development has been divided into two units (A and B). At this time they are recorded together under tentative subdivision map No. 339. The following table identifies the estimated number of parcels projected.

<u>Developable Area</u>	<u>Projected Developable Parcels</u>
Unit A	144
Unit B	148

If the boundaries of the tracts shown in any final map are not the same as the expected boundaries as shown on the map attached hereto and by this reference incorporated herein, the Responsible Party will reapportion the Projected Developable

Parcels to the actual land area of the final map in such a way that there is no loss of Parcels.

The Category IV special tax is calculated by subtracting the number of Parcels shown on the final map from the number of projected Parcels shown above. For each developable parcel by which the final map is less than the projected developable parcels the maximum special tax per unit is as follows:

<u>Developable Area</u>	<u>Tax per Parcel Deficient</u>
Unit A	\$20,748
Unit B	\$26,018

Note: The Category IV tax above was calculated using a 7% interest rate to set a maximum. The actual tax will be calculated using the yield rate at which the bonds are sold.

PROPERTY CATEGORY V:

Category V includes all Taxable Property in the District not subject to a special tax under Category I, Category III, or Category VI. The Category V special tax will be levied annually.

The maximum annual special tax that may be levied on parcels within Category V is \$12,000 per acre (said amount to be levied pro rata for any portion of an acre) of a Parcel.

PROPERTY CATEGORY VI:

Category VI is a tax per golf course regardless of development status. The maximum annual special tax is \$50,000 levied pro rata by acreage among the various parcels constituting the golf course for a period not to exceed 30 years. The boundary map attached hereto and by this reference incorporated herein, shows the area classified as golf course identified as Unit C.

ASSIGNMENT OF CATEGORIES; LEVY

TERM AND INITIAL FISCAL YEAR OF LEVY

The first fiscal year which the special tax will be levied will be concurrent with the sale of bonds or fiscal year 1992/93, whichever is later.

A parcel will be subject to a combined number of years in Category I, Category III and Category V for a period not to exceed 30 years. A parcel will be subject to Category VI tax not to exceed 30 years. Special taxes applicable to Categories II and IV will be levied at the times described below, and will be collected directly by the Responsible Party of the City as described herein.

ANNUAL TAX CATEGORIES

On or about July 1 of each year, but in any event in sufficient time to include the levy of the special taxes on the County's secured tax roll, the Responsible Party shall determine, for each Parcel of land within the District, whether such Parcel is described by Category I, Category III, Category V or Category VI. The Tax Category shall be determined based upon the status of the Parcel as of the May 1 preceding such July 1.

The Responsible Party shall then determine the estimated aggregate Tax Liability for the Fiscal Year commencing such July 1, and the amount of annual special taxes to be levied on each Parcel in the District during such Fiscal Year. Taxes will be levied in an amount necessary to meet the aggregate Tax Liability in the following order of priority:

<u>Priority</u>	<u>Tax Category</u>	<u>Levy Percentage of Maximum Special Tax</u>
1	VI Golf Course	100%
	I Final Land Use	100%
2	III Approved Land Use	85%
3	V Vacant Land	68%
4	III Approved Land Use	100%
5	V Vacant Land	100%

ONE-TIME TAX CATEGORIES

On the date of approval of a final map with respect to any portion of the real property in the District, the Responsible Party shall levy and collect a special tax in the amount described above for Category IV.

On the date a building permit is issued for any Parcel within the District, the Responsible Party shall levy and collect a special tax in the amount described above for Category II.

Failure to pay a Category II or Category IV special tax when due shall result in the applicable Parcel remaining subject to a Category V special tax, notwithstanding that the parcel would otherwise be described in Category I or Category III.

EXHIBIT E

COMMUNITY FACILITIES DISTRICT REPORT
COMMUNITY FACILITIES DISTRICT NO. 91-01
City of San Marcos

MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

PREPAYMENT AND DISCHARGE OF SPECIAL TAX

Special Taxes may be prepaid and satisfied per developed parcel as follows:

- 1) Determine the square footage of the dwelling unit.
- 2) Multiply the square footage by 9.6845. This factor represents the present value of the maximum tax at 7.5% for thirty years.

The required payment per parcel should all parcels prepay determines the prepayment per parcel for the first fiscal year prior to the sale of bonds. Following the sale of bonds, the percentage used to calculate the net present value will be changed to reflect the yield rate at which the bonds are sold.

The payment in full of the above calculated amount fully discharges any further obligation of the parcel for the improvements funded within Community Facilities District No. 91-01.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272